EUROPACORP

HALF-YEAR FINANCIAL REPORT AS AT SEPTEMBER 30, 2017

A – ACTIVITY REPORT FOR THE FIRST HALF OF FY 2017/2018

1. <u>EuropaCorp Group Results</u>

The EuropaCorp Group's consolidated financial statements for the first half of FY 2017/2018, prepared in accordance with IFRS, show consolidated revenue of €138.1 million compared with €60.6 million for the first half of the previous financial year, i.e. an increase of 128%.

As a reminder, the Group's revenue is generally dependent on the release of its films through various channels. Indeed, the timetable of these releases can give rise to significant fluctuations in the revenue earned by each channel from one half-year to another. Therefore, half-year revenue and profit are not necessarily indicative of annual revenue and profit.

Consolidated revenue for the first half reflects the customary significant contribution of International Sales, greatly buoyed by the international distribution of the film *Valerian and the City of a Thousand Planets*.

Consolidated operating margin stood at €(32.5) million, compared with €(9.8) million for the first half of the previous financial year. The downgrade in margin is explained by (i) poor performance in theaters of the acquisitions for the US market, *The Circle* and *Their Finest* ; (ii) disappointing US box-office revenues for *Valerian and the City of a Thousand Planets* ; (iii) amortization of films not yet released, to reflect the current revenue estimates.

Overheads amounted to €(20.6) million for the half-year ended September 30, 2017, decreasing compared to the level of overheads relative to the first half of the previous financial year, namely €(23.2) million.[1]

Other operating income and expense stood at €(12,6) million and were impacted by the impairment of the intangible asset related to the distribution of films in the United States, for an amount of €13 million, given the revision of projected net revenues from this business.

Consolidated operating profit was then a negative €65.7 million, as compared to a negative €33.6 million for the first half of the previous financial year.

Financial income for the half-year was a loss of €10.2 million, increasing compared with the loss of €7.4 million at September 30, 2016, and was primarily affected by financial interest for the period, principally on the secondary line of credit, as well as by the share of bank fees relating to the arrangement of credit lines and which are spread over the term of these facilities.

After taking into account the income tax expense of €(4.5) million (compared with +€15.4 million the previous year), the half-year's net profit Group share showed a loss of €70.6 million, compared with a €27.6 million loss for the first half of the previous financial year.

The cash flows from operations amounted to +€74.8 million over the first half-year, compared with (6.0) million for the first half of the previous financial year. This high increase is due to the cashing of the Guaranteed Minimums relating to the delivery of the film *Valerian and the City of a Thousand Planets* to foreign distributors as well as the significant French theatrical receipts for this film.

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[1] Overheads without the amounts linked to the activities sold or held for sale (cf. note "4.3 Overheads" of the appendix to the consolidated accounts for more information)

2. <u>Activities</u>

2.1 Production and Distribution of films

2.1.1 International sales

For the half-year, international sales totaled €70.1 million, or 50.7% of revenue, compared with €25.6 million for the first half of FY 2016/2017 (i.e. 42.2% of the previous half-year's revenue). International sales for the first half-year ended September 30, 2017 mainly consisted of international deliveries for the film *Valerian and the City of a Thousand Planets* and of royalties received from the films in the catalog (notably *Lucy* and *Taken 3*).

2.1.2 Distribution in theaters

The revenue stemming from the Theaters business amounted to €35.5 million, compared with €8.6 million for the first half of the previous financial year, and consisted of €13.6 million for the business in France and €21.9 million in the United States. Revenues were driven on the two territories by the release of *Valerian and the City of a Thousand Planets.*

During the first half-year, the films distributed in theaters were the following:

- *Their Finest*, directed by Lone Scherfig, starring Gemma Arterton and Sam Claflin. EuropaCorp acquired the US distribution rights. The film was released in the US theaters on April 7th, 2017 and made $3.6 million at the *domestic box-office*[2].
- *The Circle,* directed by James Ponsoldt, starring Emma Watson and Tom Hanks. EuropaCorp acquired the US distribution rights. The film was released in the US theaters on April 28th, 2017 and made $20.5 million at the *domestic box-office.*
- *Room (H)ates (« Sous le même toit »),* directed by Dominique Farrugia, starring Louise Bourgoin and Gilles Lellouche, produced by EuropaCorp. The film was released in France on April 19th, 2017 and registered 674 thousand admissions.
- *Bad Buzz,* directed by Stéphane Kazandjian, starring Eric Metzger and Quentin Margot, film coproduced by EuropaCorp. The film was released in France on June 21st, 2017 and recorded 51 thousand admissions.
- *Valerian and the City of a Thousand Planets*, directed by Luc Besson, starring Cara Delevingne and Dane DeHaan. The film was released in France on July 26th, 2017 and registered 4,125 thousand admissions in France, and on July 21st, 2017 in the United States and made $40.5 million at the *domestic box-office.*

2.1.3 Video and VOD releases

Revenue from Video and VOD stood at €8.9 million, compared with €3.3 million during the first half of FY 2016/2017. The activity was mainly marked by the video/VOD release of *The Circle* in the United States, of *Miss Sloane* and *Shut In* ("*Oppression*") in France (already released in the United States). In comparison, there was no significant release during the previous semester (HY 2016/2017). The revenues also benefits from the continuation of exploitation of the catalog, notably the films *Miss Sloane* and *Shut In ("Oppression")* in the United States and *Nine Lives ("Ma vie de chat")* in the United States and in France.

2.1.4 Sales of TV rights

Revenue from TV rights is recognized at the start of each broadcast schedule for a film. Over the half-year, the start of such schedules generated revenue of €13.2 million, or 9.6% of total revenue, compared with €14.8 million in the first half of FY 2016/2017. This decrease is mainly due to the accounting of larger SVOD sales in the United States in HY 2016/2017 (notably for *The Transporter Refueled*). In France, revenue for the period is linked to the opening of broadcasting rights windows for films from the catalogue, in particular *Taken 3*, *Bis* and *Shut In ("Oppression").*

[2] The *domestic box-office* includes the revenues collected in the United States and Canada

2.2 Production and Distribution of TV series and units

Revenue from the TV Series production activity amounted to €4 million (excluding the French TV production activity, held for sale), versus €0.8 million in HY 2016/2017. This growth is largely due to the delivery to NBC of the two last episodes of the first season of the international TV series *Taken*, as well as the international exploitation of this same series.

2.3 Events

Over the first half of FY 2017/2018, the Events segment generated revenue of €0.3 million, as compared to €0.6 million at September 30, 2016. This revenue mainly stemmed from the events held during the period, both on and off the Cité du Cinéma premises.

2.4 Subsidies

Revenue from Subsidies, chiefly generated by Production activities (including TV productions), Distribution in theaters (France), Video releases (France) and Export, was €2 million compared with €3.2 million in the first half of FY 2016/2017.

2.5 Other activities

For the first half-year, the "Other activities" segment generated revenue of €4.1 million, compared with €3.8 million in the first half of the previous financial year. It mainly consisted of the income generated by partnership contracts (notably for the film *Valerian and the City of a Thousand Planets)*, license agreements and post-production activities. This revenue also included the income stemming from the Group's coproductions.

3. Cost of sales

The "Cost of sales" (operating expenses excluding overheads) amounted to €(170.6) million, compared with €(70.4) million for the first half of FY 2016/2017.

The increase in this item is essentially explained by (i) amortization and depreciation of films for €(76) million, increasing significantly due to the high levels of amortization on *Valerian and the City of a Thousand Planets*, and (ii) prints and advertising costs for €(75) million, mainly corresponding to expenses for the release in the United States of the films *Valerian and the City of a Thousand Planets, The Circle* and *Their Finest.*

4. Capital expenditure

During this first half-year, the Group invested €45.8 million[3] in the production of films and TV series, compared with €97.5 million during the first half of FY 2016/2017.

This decrease is principally explained by the large investments last year on *Valerian and the City of a Thousand Planets*. Investments for this half-year mainly concerned the production of English-language and French-language films (notably *Taxi 5, Carbone…*) and English-language TV series (*Taken* season 2…).

[3] Excluding the French TV production activity, held for sale (IFRS 5)

5. Financial structure

As of September 30th, 2017, the net debt was €227 million[4] versus €301 million as of September 30th, 2016. This decrease is due to the almost full reimbursement, as at September 30th, 2017, of the production debt relating to the film *Valerian and the City of a Thousand Planets* (CIT loan). This debt was fully reimbursed in November 2017.

During the half-year, there was no other significant change in the Group's financial structure.

6. Significant events since the reporting date

- As previously mentioned, the production debt relative to *Valerian and the City of a Thousand Planets* (CIT loan) was fully reimbursed on November 2nd, 2017.
- EuropaCorp has sold business assets related to French television production activity. The current CEO of EuropaCorp Television, Thomas Anargyros, acquired these business assets for a price of €11 million.

7. Risk factors and transactions between related parties

The risk factors are of the same types as those laid out in Section 4 of the 2016/2017 Registration Document (pages 10 to 31) and have not materially changed. The amounts relating to financial and market risks as of September 30, 2017 are stated in Note 3.11 « Financial instruments » to the half-year consolidated financial statements in this report.

Transactions between related parties are described in Note 5.2 to the half-year financial statements of this report.

8. Prospects

As clarified with the press release of November 24th, 2017 about its priority strategic objectives, the Company pursues its strategy of refocus on its core business, namely the production of English-language feature films of up to 2 to 3 films per year, production of French-language feature films of 2 films per year, production of English-language TV series, distribution of films and international sales.

The line-up for the second semester 2017/2018 includes the theatrical releases of:

- *CoeXister:* comedy by and starring Fabrice Eboué. Co-starring Ramzy Bedia, Guillaume de Tonquédec and Audrey Lamy. Film produced by EuropaCorp. The film was released on October 11th, 2017 in France and has had 650 thousand admissions to date.
- *Carbone*: directed by Olivier Marchal, starring Benoît Magimel and Laura Smet, film coproduced by EuropaCorp. The film was released on November 1st in France and has had 700 thousand admissions to date.
- *Sparring:* directed by Samuel Jouy starring Mathieu Kassovitz and Olivia Merilahti, and coproduced by EuropaCorp. The film is completed and is scheduled for release in France on January 31st, 2018.
- *Eva:* directed by Benoît Jacquot, starring Isabelle Huppert, Gaspard Ulliel and Richard Berry. Film coproduced by EuropaCorp. The film is in post-production and is scheduled for release in France on February 21st, 2018.

Considering the loss recorded during the first semester and the rest of the line-up for the second one, EuropaCorp will recognize, as already announced, a financial year 2017/2018 significantly in deficit.

FY 2018/2019 will be marked by the return to the distribution of films better aligned with the typology of films which has made EuropaCorp's success:

- *Taxi:* the 5th instalment of the successful saga, by and starring Franck Gastambide, with Malik Bentalha, will

4 Excluding activities sold or held for sale (IFRS 5), cf. note 3.9. of this report

be released on April 11th, 2018 in France. The film is in post-production.

- *Kursk:* directed par Thomas Vinterberg, nominated at the Academy Awards for *The Hunt*, starring Matthias Schoenaerts, Colin Firth and Léa Seydoux.
- *Anna:* directed by Luc Besson, starring Sasha Luss, Cillian Murphy, Luke Evans and Helen Mirren. Film produced by EuropaCorp. The film is currently shooting.

EuropaCorp also acquired the French distribution rights of *The Old Man and the Gun*, directed by David Lowery, starring Robert Redford and Casey Affleck. The film is in post-production and will be released in France during FY 2018/2019.

As for the TV series activity, the Company continues to produce and distribute English-language TV series, such as the series *Taken* whose second season is currently in production and will be broadcasted in the United States on NBC from January 12th, 2018, and then on SFR Play in France.

Other English-language projects are currently under development, such as the series *The French Detective*, whose pilot will be directed by Luc Besson. The series is an adaptation of James Patterson's novels for the network ABC in the United States, with Jean Dujardin attached to star as the French detective Luc Moncrief.

Following the sale of the French TV production activity, the Company is then focusing on the development and production of English-language TV series with strong international potential.

B – CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED SEPTEMBER 30, 2017 PRESENTED IN ACCORDANCE WITH IFRS

CONSOLIDATED PROFIT AND LOSS STATEMENT (IFRS 5)

		Financial year ended September 30th	
		2017	**2016**
(amounts in thousands of euros, except numbers of shares and per share data)			
Turnover	**Note 4.1**	138 110	60 647
Revenue	**Note 4.1**	**138 110**	**60 647**
Cost of sales		(170 571)	(70 444)
Operating margin	**Note 4.2**	**(32 461)**	**(9 796)**
Overheads	**Note 4.3**	(20 564)	(23 214)
Other operating income and expenses	**Note 4.4**	(12 637)	(618)
Operating profit (loss)		**(65 662)**	**(33 628)**
Income from financial investments/(Cost of debt)		(7 830)	(4 444)
Other financial income and expenses		(2 404)	(2 961)
Financial income (loss)	**Note 4.5**	**(10 234)**	**(7 405)**
Current income before income tax (loss)		**(75 896)**	**(41 034)**
Income tax (expense)	**Note 4.6**	(4 517)	15 398
Net profit (loss) from associates		**(80 414)**	**(25 636)**
Share of net income of associates	**Note 3.5**	(574)	(128)
Net income		**(80 988)**	**(25 764)**
Net profit/loss from activities held for sale and discontinued operations	**Note 2.4**	10 358	(1 816)
Net income – Minority interests		(10)	(6)
Net income – Group share		**(70 620)**	**(27 574)**

STATEMENT OF COMPREHENSIVE INCOME

	September 30th, 2017	September 30th, 2016
Net income	**(70 630)**	**(27 580)**
Income or expenses recognized directly in equity		
- Foreign currency translation differences	4,694	949
- Available for sale assets		
- Cash flow hedges		
- Revaluation of assets		
- Actuarial gains and losses		
- Share of other comprehensive income of associates		
- Tax on items recognized directly in equity		
Total comprehensive income recognized directly in equity	4,694	949
Total comprehensive income for the period	**(65,936)**	**(26 631)**

Breakdown of comprehensive income for the period	September 30th, 2017	September 30th, 2016
Shareholders of the entity	(65,926)	(26 625)
Minority interests	(10)	(6)
Total comprehensive income for the period	**(65,936)**	**(26 631)**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(amounts in thousands of euros except number of shares)	Number of ordinary shares	Capital	Issue premium	Reserves	Other elements of comprehensive income	Treasury shares	Net income	Equity Group share	Non-controlling interests	Total shareholders' equity
Balance at March 31, 2016	**29,548,937**	**10,047**	**51,732**	**113,423**	**7,841**	**(97)**	**(27,700)**	**155,245**	**(231)**	**155,014**
Allocation to reserves				(27,700)			27,700			
Transfer of a part of the contribution premium to reserves			(87)	87						
Dividend distributions										
Share-based payments										
Net change in treasury shares and free shares						25		25		25
Impact of changes in scope				649	31			680		680
Currency translation reserve					1,295			1,295		1,295
Net income at March 31, 2017							(119,888)	(119,888)	(4)	(119,892)
Total income and expenses				**0**	1,295	**0**	**(119,888)**	**(118,592)**	**(4)**	**(118,597)**
Capital increase	11,428,572	3,886	56,114					60,000		60,000
Costs related to capital increase			(667)					(667)		(667)
Plan for the award of free shares				57				57		57
Balance at March 31, 2017	**40,977,509**	**13,932**	**107,092**	**86,517**	**9,167**	**(73)**	**(119,888)**	**96,747**	**(235)**	**96,512**
Allocation to reserves				(119,888)			119,888			
Transfer of a part of the contribution premium to reserves										
Dividend distributions										
Share-based payments										
Net change in treasury shares and free shares						(19)		(19)		(19)
Impact of changes in scope				25				25		25
Currency translation reserve					4,694			4,694		4,694
Net profit/loss at September 30, 2017							(70 620)	(70 620)	(10)	(70,630)
Total income and expenses				**0**	**4,694**	**0**	**(70 620)**	**(65 926)**	**(10)**	**(65,936)**
Capital increase										
Costs related to capital increase										
Plan for the award of free shares				(95)				(95)		(95)
Balance at September 30, 2017	**40,977,509**	**13,932**	**107,092**	**(33,440)**	**13,861**	**(91)**	**(70,620)**	**30,734**	**(245)**	**30,489**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS 5)

(amounts in thousands of euros)		September 30, 2017			March 31, 2017
ASSETS		**Gross**	**Depreciation/Amortization**	**Net**	**Net**
Non-current assets					
Goodwill	**Note 3.1**	20 026	(3 823)	16 203	28 188
Intangible assets	**Note 3.2**	1 544 903	(1 294 706)	250 197	323 121
Property, plant and equipment	**Note 3.3**	35 756	(22 221)	13 535	14 192
Other financial assets	**Note 3.4**	3 275	(26)	3 250	2 882
Investments in associates	**Note 3.5**	0		0	2 244
Deferred tax assets		30 615		30 615	33 351
Other non-current assets	**Note 3.13**	2 978		2 978	4 757
Total non-current assets		**1 637 553**	**(1 320 775)**	**316 778**	**408 735**
Current assets					
Inventory		5 777	(554)	5 223	1 148
Trade and other accounts receivable	**Note 3.6**	73 811	(4 881)	68 930	65 755
Other receivables	**Note 3.7**	76 711	(901)	75 809	69 733
Other current assets	**Note 3.13**	6 701	(0)	6 701	12 736
Cash and cash equivalents	**Note 3.9**	27 574		27 574	106 979
Assets held for sale and discontinued operations	**Note 2.4**	**11 096**		**11 096**	**484**
Total current assets		**201 670**	**(6 336)**	**195 334**	**256 835**
Total assets				**512 112**	**665 570**

		Sept. 30 2017	March 31 2017
LIABILITIES			
Equity – Group share			
Capital subscribed		13 932	13 932
Reserves and retained earnings		16 801	82 815
Total shareholders' equity – Group share	**Note 3.8**	**30 734**	**96 747**
Non-controlling interests	**Note 3.8**	**(245)**	**(235)**
Non-current liabilities			
Provisions for pensions and other post-employment benefits		874	827
Deferred tax liabilities		5 930	1 170
Bonds and financial liabilities > 1 year	**Note 3.9**	1 125	1 375
Deposits and guarantees received	**Note 3.9**	746	703
Liabilities on acquisition of securities – part maturing in > 1 year	**Note 3.10**	0	0
Other non-current liabilities	**Note 3.13**	7 552	20 697
Total non-current liabilities		**16 227**	**24 772**
Current liabilities			
Bonds and financial liabilities < 1 year	**Note 3.9**	253 184	372 399
Provisions for risks and expenses		4 919	5 425
Trade payables	**Note 3.12**	88 184	51 997
Equity investment liabilities	**Note 3.10**	0	363
Other financial liabilities		83 359	91 795
Other current liabilities	**Note 3.13**	35 750	22 205
Liabilities held for sale and discontinued operations	**Note 2.4**		**101**
Total current liabilities		**465 396**	**544 286**
Total liabilities		**512 112**	**665 570**

CONSOLIDATED CASH FLOW STATEMENT (IFRS 5)

(amounts in thousands of euros)		**Financial year ended September 30** **2017**	**2016**
Operations			
Net income – Group share excluding activities held for sale and discontinued operations		(80,978)	(25,758)
Net income (minority interest)		(10)	(6)
Depreciation and amortization		93,356	26 455
Unrealized gains and losses relating to changes in fair value		(3,791)	1 942
Changes in the fair value of securities-related liabilities		(15)	31
Capital gains or losses on the disposal of assets		1,120	76
Share of income from associates consolidated using the equity method		574	128
Expenses and income linked to share-based and equivalent payments		(95)	226
Flows from activities held for sale and discontinued operations		12,866	(1 173)
Operating cash flow after net financial debt and taxes		**23,029**	**1,922**
(Income from financial investments)/Cost of financial debt		7,830	4,444
(Income)/Tax expense		4,140	(15,398)
Flows from activities held for sale and discontinued operations		377	82
Operating cash flow before net financial debt and taxes		**35 376**	**(8,950)**
Changes in working capital requirement:			
Inventory		(4,076)	58
Trade and other accounts receivable		(7,524)	25,788
Pre-paid expenses		4,705	(14,160)
Trade and other accounts payable		28,165	(17,849)
Pre-paid income		7,777	8,342
Tax paid		0	40
Flows from activities held for sale and discontinued operations		10,397	781
Net cash flow from operations	**Note 5.1**	**74,821**	**(5,951)**
Investment activities			
Acquisition of intangible assets		(45,789)	(97,509)
Acquisition of other intangible assets		(19)	(19)
Acquisition of property, plant and equipment		(113)	(1,020)
Income on disposals of intangible assets and property, plant and equipment		11 955	958
Net change in financial assets		12,022	(376)
Change in liabilities on long-term investments		(319)	(1,398)
Change in minority reserves		0	0
Impact of changes in scope of consolidation		4	0
Flows from activities held for sale and discontinued operations		(8,364)	(534)
Net cash flow from investment activities	**Note 5.1**	**(30,623)**	**(99,898)**
Financing activities			
Dividends paid		0	0
Capital increase		0	0
Costs related to increases in capital		0	0
Net change in bank borrowings and overdrafts		(109,438)	99,739
Net change in treasury shares and free shares		(19)	(106)
Interest paid		(9,799)	(6,884)
Interest received and net gain/loss from disposals		54	38
Flows from activities held for sale and discontinued operations		(6,969)	401
Net cash flow from financing activities	**Note 5.1**	**(126,171)**	**93,189**
Overall change in cash position		**(79,405)**	**(12,660)**
Cash position at the start of the period		106,979	122,207
Cash position at the end of the period		**27,574**	**109,546**
broken down into:			
Marketable securities		*678*	*1,682*
Cash and cash equivalents		*26,895*	*107,861*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – THE EUROPACORP GROUP

1.1 The Group's business

The core business of EuropaCorp, a Société Anonyme (public limited company) governed by French law, and its subsidiaries, is the production and distribution of cinematographic work.

1.2 Changes in the scope of consolidation

Between April 1, 2017 and September 30, 2017, two companies were excluded from the consolidation scope of EuropaCorp Group. They were:

- Pass Pass La Cam SAS
- Les Studios de Paris SAS

Creation of T5 Production SAS and Orchestra SAS on July 7, 2017 and June 16, 2017 respectively. T5 Production is intended to produce the fifth *Taxi* film and the primary activity of Orchestra is music publishing and the exploitation of musical works.

1.3 Seasonality of the activity

As a reminder, the EuropaCorp group's results are dependent on the number of releases and the release timetable for films and deliveries of TV series, as well as the financing structure of its works. These factors can give rise to significant fluctuations in the profit from one period to another. The half-yearly consolidated profit is therefore not representative of future annual profit/loss.

NOTE 2 - SUMMARY OF PRINCIPAL ACCOUNTING METHODS USED

2.1 General accounting policies

EuropaCorp's condensed consolidated financial statements for the half-year ended September 30, 2017 were prepared in accordance with IFRS as adopted by the European Union and applicable on that date. They were prepared in accordance with IAS 34 "Interim Financial Reporting".
These financial statements do not contain all the information required for the annual consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements for the financial year ended March 31, 2017.
The accounting policies used are those detailed in the consolidated financial statements published on March 31, 2017 (please refer to Note 2 "Accounting Policies and Methods" to those financial statements on pages 215 to 228 of the Registration Document filed with the AMF on July 27, 2017 under number D17-0804), except for the newly applicable standards and interpretations detailed in the next section.
The condensed consolidated financial statements are presented in thousands of euros unless otherwise stated.
The half-yearly financial statements were reviewed by the Audit Committee on December 13, 2017 and were examined and approved by the Board of Directors on December 13, 2017.

2.2 New standards and interpretations applied

There are no new standards, amendments to existing standards and interpretations whose application will be mandatory for financial years beginning on or after January 1, 2017. The Group has chosen not to opt for early application of the standards and interpretations published by the IASB and adopted by the European Union whose application date is after January 1, 2017. It mostly concerns IFRS 15 “Revenues from Contracts with Customers” and IFRS 9 "Financial Instruments".

Nor is the Group applying in advance the amendments to IFRS 15 "Revenues from Contracts with Customers" and IFRS 16 "Leases", texts published by the IASB but not yet adopted by the European Union at June 30, 2017.

Regarding IFRS 15, in September 2017 the Group launched an analysis phase in order to determine the potential impact of the implementation of this new standard.

2.3 Management estimates

The preparation of interim financial statements involves making estimates and assumptions regarding the valuation of certain assets and liabilities on the consolidated statement of financial position, as well as certain items on the income statement.
Assumptions and estimates that might result in a material adjustment to the book value of assets and liabilities during the following period principally affect:

- the identification of an impairment indicator to be used for goodwill and other intangible assets with an indefinite useful life;
- the measurement of the net book value of films and preliminary expenses;
- the valuation of deferred tax assets;
- the appraisal of risks related to legal actions.

2.4 Application of IFRS 5 on the presentation of the activities held for sale and discontinued operations

At September 30, 2017, it is well-known that the EuropaCorp group began discussions on the sale of its French television production business. In accordance with IFRS 5, this business, along with that related to the music publishing business sold to the Sony/ATV group during the half-year, were reclassified in the financial statements. The reclassified flows are the following:

(amounts in thousands of euros)	September 30, 2017		
ASSETS	**Gross**	**Amortization/Provisions**	**Net**
Non-current assets:			
Goodwill	11,984	0	11,984
Intangible assets	220,571	-209,792	10,779
Property, Plant and Equipment	76	-62	15
Total non-current assets	**232,632**	**(209,854)**	**22,778**
Current assets:			
Trade receivables	1,401	0	1,401
Other receivables	5,202	0	5,202
Other current assets	23	0	23
Cash and cash equivalents	4,784	0	4,784
Total current assets	**11,410**	**0**	**11,410**
Total assets			**34,188**

	September 30, 2017
LIABILITIES	
Non-current liabilities:	
Deferred tax liabilities	391
Other non-current liabilities	1,288
Total non-current liabilities	**1,679**
Current liabilities:	
Bonds and financial liabilities < 1 year	8,185
Trade payables	821
Other financial liabilities	4,045
Other current liabilities	8,361
Total current liabilities	**21,412**
TOTAL LIABILITIES	**23,091**
Net book value of the non-current assets held for sale	**11,096**

(amounts in thousands of euros, except for the number and data per share)	**Year ended September 30, 2017**
Revenue	2,091
Operating income	**2,091**
Cost of sales	(1,533)
Operating margin	**559**
Overheads	(1,266)
Other operating income and expense	11,066
Operating profit (loss)	**10,358**
Income from recurring operations before taxes	**10,358**
Net income of consolidated companies	**10,358**
Net income - Group share	**10,358**

NOTE 3 – NOTES TO THE CONSOLIDATED BALANCE SHEET

3.1 Goodwill

Since no impairment indicators were identified during the half-year, no impairment test was conducted and no goodwill impairment was recognized during the first half of FY 2017/2018.

(in thousands of euros)	**03.31.17**	Movements of the period			**09.30.17**
		+	-	*Other* (1)	
Roissy Films	15,762				15,762
EuropaCorp Television (formerly Cipango)	11,984			(11,984)	-
Digital Factory	442				442
Total net value	**28,188**	**-**	**-**	**(11,984)**	**16,203**

(1) Changes in scope, transfers between items, forex effect

The change in goodwill related to Europacorp Television arises from the application of IFRS 5, which results in a reclassification of this asset in "Assets Held for Sale and Discontinued Operations".

3.2 Intangible assets

(in thousands of euros)	**03.31.17**	Movements of the period			**09.30.17**
		+	-	*Other* (1)	
Films and audiovisual rights	1,512,327	22,805	(12,604)	(119,298)	1,403,229
Production costs	112,758	33,033	(2,290)	(101,594)	41,908
Preliminary expenses	19,769	779	-	(850)	19,698
Other	87,617	23	-	(7,572)	80,067
Gross amount	**1,732,471**	**56,640**	**(14,894)**	**(229,314)**	**1,544,903**
Films and audiovisual rights	(1,402,018)	(83,797)	500	210,993	(1,274,322)
Other	(7,331)	(13,085)	18	14	(20,384)
Depreciation/Provisions	**(1,409,349)**	**(96,882)**	**518**	**211,007**	**(1,294,706)**
Net amount	**323,121**	**(40,241)**	**(14,376)**	**(18,307)**	**250,197**

(1) Changes in scope, transfers between items, forex effect

Movements in the column “Other” arise principally from the application of IFRS 5 within the planned sale of the French TV production activity for a net value of €10.8 million (cf. note 2.4).

At September 30, 2017, the net book value of intangible assets breaks down as follows:

(in thousands of euros)	**09.30.17**	**03.31.17**
Preliminary expenses	4,156	7,063
Production costs	41,804	112,655
Completed films	144,554	123,119
Other intangible assets	59,683	80,285
TOTAL INTANGIBLE ASSETS	**250,197**	**323,121**

Financing expenses capitalized against intangible assets in production during the period stand at €3,233 thousand.

The decrease in the net amount of intangible assets over the period is mainly related to that of works in progress. It is mainly attributable to the film *Valérian and the City of a Thousand Planets* in "Production costs" at March 31, 2017, amortized and moved to "Completed Films" at September 30, 2017, as well as to the restatement of the assets sold related to the French television production activity.

The production costs of films and television productions show a gross amount of €41,804 thousand at September 30, 2017 and primarily concern the following productions: *Anna*, *Taken season 2* (the TV series)*, Taxi 5, Kursk and Arthur & the Invisibles* (the TV series).

Preliminary costs that do not lead to a decision to shoot within five years from their first recognition are depreciated. However, this principle does not apply to projects having been recognized for more than five years, if there are specific production engagements or genuine expressions of interest, or when the company believes that the development timeframe does not call into question the start of shooting in the long term.
At September 30, 2017, the residual net book value of projects having had their first expense recognized less than five years ago stood at €4,156 thousand.

The Company emphasizes that films and audiovisual productions are amortized individually using the film forecast method, i.e. by applying to the cost of the film the ratio resulting from the comparison of actual net revenues and total estimated net revenues, as stated in the paragraph 2.7.4 of the notes to the consolidated financial statements for the financial year ended March 31, 2017. Total net revenues include i) net revenues acquired over the period, notably including income and distribution expenses for films on US territory, and ii) projected net revenues over a period of 12 years maximum from the premier date. The period used remains identical to the period used when closing the annual financial statements at March 31, 2017.

At September 30, 2017, "Other intangible assets" primarily includes the initial contribution of $30 million paid as part of creating the joint distribution platform for films in the United States and marketing, EuropaCorp Distribution LLC (formerly "RED"), and the additional contribution of $55 million paid during the 2014/2015 financial year to settle the Group's obligations towards Relativity. The total investment at September 30, 2017 stands at €71,997 thousand ($85 million). This investment has allowed the Group to sign important contracts during the previous year with Fox (Video), Amazon (SVOD/Pay TV) and Lionsgate (Video).
This intangible asset, which represents an entry fee, with an unspecified life is, by definition, non-depreciable and is tested annually. During the half-year, indications of impairment losses were identified requiring the implementation of an impairment test which led to the recognition of an impairment of €13 million. Taking into account this impairment, at September 30, 2017 this intangible asset shows a net amount of €59 million.

3.3 Property, plant and equipment

(in thousands of euros)	**03.31.17**	Movements of the period			**09.30.17**
		+	-	*Other* (1)	
Plant, machinery and equipment	11,425	99	-	-	11,524
Land, buildings	19,934	26	-	-	19,960
Other property, plant and equipment	4,380	49	(12)	(145)	4,272
Property, plant and equipment in progress	-	-	-	-	-
Gross amount	**35,739**	**173**	**(12)**	**(145)**	**35,756**
Plant, machinery and equipment	(7,642)	(391)	-	-	(8,033)
Land, buildings	(10,427)	(259)	-	-	(10,686)
Other property, plant and equipment	(3,479)	(131)	12	95	(3,502)
Property, plant and equipment in progress	-				-
Depreciation/Provisions	**(21,548)**	**(781)**	**12**	**95**	**(22,221)**
Net amount	**14,192**	**(607)**	**-**	**(50)**	**13,535**

Property, plant and equipment mainly includes assets held by Digital Factory (buildings, facilities and technical equipment at the Normandy site and the Saint-Denis site).

3.4 Other financial assets

Other financial assets mainly include deposits and guarantees maturing beyond one year and non-consolidated securities (held by Sofica EuropaCorp).

(in thousands of euros)	**09.30.17**	**03.31.17**
Non-consolidated securities	501	449
Deposits and guarantees > 1 year	2,749	2,433
Net amount	**3,250**	**2,882**

Deposits and guarantees maturing beyond one year mainly comprise commitments made by EuropaCorp under the commercial lease agreement for the Cité du Cinéma premises (€1.6 million).

Non-consolidated securities mainly relate to a non-controlling interest held by Sofica EuropaCorp in the company Elzevir Films. These equity interests are recognized at their net value, which corresponds to the acquisition value of these securities reduced by any depreciation calculated from the valuation of the subsidiary's stock of films.

3.5 Investments in associates

(in thousands of euros)	**09.30.17**	**03.31.17**
Pass Pass la Cam'	-	2
SCI Les Studios de Paris	(254)	2,242
Société d'exploitation des Studios de Paris	-	(3,104)
Investments in associates	**(254)**	**(860)**

The contribution from SCI Les Studios de Paris (€254 thousand) is shown in "Other non-current liabilities".

As a reminder, EuropaCorp holds a 40% stake and does not control this company. This company is consolidated using the equity method in the Group's consolidated financial statements.

On May 10, 2017, the Extraordinary General Meeting of SAS Les Studios de Paris decided to proceed with a complete transfer of the Company's assets and liabilities to SCI Les Studios de Paris by means of a dissolution by merger.

At September 30, 2017, a liquidation procedure was initiated concerning Pass Pass la Cam'. As a result, the EuropaCorp Group has decided to fully depreciate the securities recognized as assets on its balance sheet.

3.6 Trade receivables

(in thousands of euros)	**09.30.17**	**03.31.17**
Trade receivables - nominal value	73,811	70,602
Provisions for trade receivables depreciation	(4,881)	(4,847)
Net value of trade receivables	**68,930**	**65,755**

Receivables are recognized at their nominal value after deducting the depreciation provisions for non-recoverable amounts. Doubtful receivables are estimated when it is no longer likely that the amount due will be recovered in full. Non-recoverable receivables are accounted under losses if identified as such.

Receivables beyond one year are due primarily by French television channels.

To secure the ongoing funding it needs for its business, EuropaCorp pledges part of these receivables as collateral for loans granted by lending institutions. However, the amounts due remain under trade receivables in the statement of financial position, as only settlement is transferred to the banks.

3.7 Other receivables

Detail of receivables by type

(in thousands of euros)	**09.30.17**	**03.31.17**
Advances and down-payments to suppliers	5,099	5,586
Support funds & COSIP (audiovisual support)	15,375	15,645
Tax and social security credits	28,198	25,092
Other receivables	28,038	24,311
Gross amount	**76,711**	**70,634**
Depreciation provisions	(901)	(901)
Net amount	**75,809**	**69,733**

At September 30, 2017, the CNC receivable broke down as follows: €10.3 million for the "Producer" subsidies fund, €3.4 million for the "Distributor" fund, €1.3 million for the "Video" publisher fund, and €0.4 million for the "Export" subsidies fund.

The other receivables primarily include amounts owed by external co-producers.

They have a maturity of less than one year.

3.8 Equity

3.8.1 Breakdown of share capital

At September 30, 2017 the share capital remains at €13,932,353.06. It is divided into 40,977,509 fully paid-up ordinary shares of the same category, with a par value of €0.34 each.

3.8.2 Dividend

The Group did not pay out any dividend during the period.

3.8.3 Award of free shares

On September 1, 2015, the single shareholder of EuropaCorp Television approved the establishment of a plan to assign free shares to the two CEOs of this company.

The purpose of the plan was to strengthen the links existing between the company and its corporate officers, by offering them the possibility to have greater involvement in the development and future performance of the company.
For each of the beneficiaries, the freely-assigned shares would be definitively acquired at the end of an acquisition period of two years from the award decision taken on September 1, 2015. They must be retained in registered form and may not be transferred during a retention period of two years from expiration of the acquisition period.
Consequently, on September 1, 2017, EuropaCorp allocated 5,392 new shares with a par value of one euro each to the CEO of EuropaCorp Television, Thomas Anargyros.

3.9 Bonds and financial liabilities

The Group's net financial debt comprises all financial liabilities, including financial instruments linked to financial investments and debt, minus cash and cash equivalents, and the associated financial instruments.

The Company's net financial debt is as follows:

(in thousands of euros)	**09.30.17**	**03.31.17**
Deposits and guarantees received	746	703
Other loans and related debt > 1 year	1,125	1,375
Total Loans maturing > 1 year	**1,871**	**2,078**
Production credits	244,430	317,480
Bank loans and overdrafts	8,755	54,919
Marketable securities	(678)	(1,684)
Cash and cash equivalents	(26,895)	(105,295)
Net debt	**227,482**	**267,498**

This decrease in net debt is mainly due to the almost full repayment at September 30, 2017 of the production debt related to the film *Valerian and the City of a Thousand Planets*. This debt was repaid in full in November 2017.

Film production is funded notably with credit facilities allocated specifically to films by the Company (lines of credit, bank overdrafts, other, etc.). The actual costs incurred for the specific financing of the productions underway during the period are included in the capitalized cost of the films.
The debt amounts included in the net debt table above correspond to the netted balances of the Group's various cash and cash equivalents accounts. They do not include the debt for the acquisition commitment of SOFICA EuropaCorp shares, which is included in "Equity investment liabilities".

The marketable securities that may be held by the Group are shares in open-ended investment companies (SICAV) or money market mutual funds. The target set for these investments is a level of profitability close to the EONIA. Their assets are mainly invested in money and interest rate markets; they are readily available. They are not exposed to a material risk of depreciation.

At September 30, 2017, the marketable securities consisted of shares in money market mutual funds.

3.10 Equity investment liabilities (current and non-current)

Equity investment liabilities, corresponding to the buyback guarantee issued by EuropaCorp to the shareholders of Sofica EuropaCorp, were settled in July 2017 and are therefore at zero as of September 30, 2017.

The guaranteed buyback price for one share was €850, or 85% of the issue price. Each guarantee could be called upon for a period of six months after an eight-year holding period for the shares. The sixth period during which subscribers could call upon the buyback guarantee ended on June 30, 2017 and concerned Sofica EuropaCorp shareholders having subscribed shares during the issue in 2008.

3.11 Financial instruments

The Group’s cash requirements are guaranteed by operating cash flows, as well as authorized overdrafts, factoring of sales receivables, and specialized production credits.

The table below compares the book and fair value of all of the Group’s financial instruments by category:

	09.30.17		*Breakdown by category of instruments*				
(in thousands of euros)	**Netbook value in statement of financial position**	**Fair value**	**Fair value through profit or loss**	**Available-for-sale assets**	**Loans and receivables**	**Debts at amortized cost**	**Derivatives instruments**
Non-consolidated equity holdings							
Other non-current financial assets	3,341	3,341			3,341		
Other current financial assets	594	594			594		
Derivative instruments - assets							
Cash and cash equivalents	27,574	27,574	27,574				
Financial assets	**31,508**	**31,508**	**27,574**		**3,935**		
Debt > 1 year	1,871	1,871			746	1,125	
Debt < 1 year	253,184	253,184				253,184	
Derivative instruments - liabilities							
Financial liabilities	**255,055**	**255,055**			**746**	**254,309**	

	03.31.17		*Breakdown by category of instruments*				
(in thousands of euros)	**Netbook value in statement of financial position**	**Fair value**	**Fair value through profit or loss**	**Available-for-sale assets**	**Loans and receivables**	**Debts at amortized cost**	**Derivatives instruments**
Non-consolidated equity holdings							
Other non-current financial assets	2,962	2,962			2,962		
Other current financial assets	711	711			711		
Derivative instruments - assets							
Cash and cash equivalents	106,979	106,979	106,979				
Financial assets	**110,653**	**110,653**	**106,979**		**3,673**		
Debt > 1 year	2,078	2,078			703	1,375	
Debt < 1 year	372,399	372,399				372,399	
Derivative instruments - liabilities							
Financial liabilities	**374,477**	**374,477**			**703**	**373,774**	

IFRS 7 requires the classification of assets and liabilities measured at fair value according to a 3-level hierarchy:

- Level 1 includes valuations based on prices listed on an active market for identical assets or liabilities;
- Level 2 includes valuations based on directly observable market data other than Level 1 data;
- Level 3 includes valuations not based on observable market data.

The financial instruments used by EuropaCorp are all Level 1.

When carrying out its everyday business, the Group is exposed to interest rate and foreign exchange risks that may impact its net position.

- *Interest rate risk:*

The Group's exposure to interest rate risk mainly concerns the amount drawn down from revolving credit lines.

The principal credit line bears interest at the LIBOR or EURIBOR rate plus a margin of 3.25%. The margin may be reduced by 25 basis points if the guarantees cover at least 150% of the outstanding credit.

The table below summarizes the maturities of financial assets and liabilities at September 30, 2017:

(in thousands of euros)	09.30.17	Maturities		
		< 1 year	1 - 5 years	> 5 years
Fixed rate financial assets				
Variable rate financial assets	27,574	27,574		
Financial assets not exposed	3,935	594	3,341	
Financial assets	**31,508**	**28,168**	**3,341**	
Fixed rate financial liabilities				
Variable rate financial assets	254,309	253,184	1,125	
Financial liabilities not exposed	746		746	
Financial liabilities	**255,055**	**253,184**	**1,871**	

The following is a summary of the fluctuations in interest rate risk and sensitivity at September 30, 2017 (assumption used: 0.5 point increase in interest rates):

(in thousands of euros)	Fixed rate	Variable rate	Not exposed	Total
Financial assets		27,574	3,935	31,508
Financial liabilities		254,309	746	255,055
Net equity before hedging		**(226,735)**	**4,681**	**(223,547)**
"Hedging"				
Net equity after hedging		(226,735)	4,681	(223,547)
Sensitivity		**(1,134)**		**(1,134)**

- *Foreign exchange risk:*

The Group is exposed to translation risk for the financial statements of subsidiaries whose accounts are denominated in foreign currency and to transaction risk in the event of fluctuations in exchange rates for income generated outside the Eurozone. This risk also stems from production costs in foreign currencies relating to parts of certain films shot outside the Eurozone. If a significant portion of the revenues generated on international markets is in foreign currencies, material production costs may also be expressed in the same currencies. Thus, the Group benefits from natural hedging based on the value of flows in the opposite direction.

The Group may also use financial instruments to hedge the foreign exchange risk on cash flows, notably in relation to US$/€ fluctuations. Consequently, when the Company settles significant expenses in foreign currencies, it may sign forward currency or currency option contracts with financial institutions as required.

In accordance with IAS 39, the Group chose not to apply hedge accounting; therefore, changes in the fair value of purchase transactions and forward sales in foreign currencies completed by EuropaCorp are accounted for under financial income. The fair value of these instruments, reported in assets or liabilities in the consolidated statement of financial position under “Other receivables” or “Other financial liabilities” is calculated based on their market value measured in accordance with the closing exchange rates.

At September 30, 2017, the fair value of currency hedging instruments stood at €91,724 thousand, and broke down as follows:

		Maturities				
09.30.17	**Liquidation value (EUR)**	**< 1 year**	**1 - 5 years**	**> 5 years**	**Market value (EUR)**	**Fair value adjustment (EUR)**
Outright sale EUR/USD	5,529	5,529			5,771	243
Outright purchase EUR/USD	79,463	79,463			72,202	(7,261)
Total EUR / USD	**84,991**	**84,991**	**-**	**-**	**77,973**	**(7,018)**
Outright sale EUR/CAD	1,874	1,874			1,860	14
Outright purchase EUR/CAD	-					-
Total EUR / CAD	**1,874**	**1,874**	**-**	**-**	**1,860**	**14**

		Maturities				
09.30.17	Liquidation value (USD)	< 1 year	1 - 5 years	> 5 years	Market value (USD)	Fair value adjustment (EUR)
Outright sale USD/NZD Outright purchase USD/NZD	- 9,292	9,292			8,108	- (1,003)
Total USD / NZD	**9,292**	**9,292**	**-**	**-**	**8,108**	**(1,003)**
Outright sale USD/CAD Outright purchase USD/CAD	- 6,497	6,497			5,931	- (480)
Total USD / CAD	**6,497**	**6,497**	**-**	**-**	**5,931**	**(480)**

Thus, the net impact of the change in the fair value of currency hedging instruments on the period's financial income stood at €6,958 thousand at September 30, 2017.

- *Liquidity risk:*

The liquidity risk EuropaCorp is exposed to concerns the production and distribution of cinematographic works. In fact, there is usually a period of several months between the time investments are made in producing and promoting a film, and the actual collection of broadcasting revenues. This timing lag may make it necessary to use bank financing. Although EuropaCorp is committed to limit its financial exposure as far upstream as possible with a presale policy of distribution rights abroad and of the TV broadcasting rights for the films it produces, EuropaCorp cannot guarantee that it will always be able to implement this policy or that this will eliminate all of the liquidity risk.

To bridge the gap between the timing of investments and the collection of revenues from film distribution under optimum conditions, EuropaCorp has a Senior credit line for a total amount of $228.6 million (of which 17% in dollars, i.e. $40 million, and 83% in euros, i.e. €160.5 million). This Senior credit line is accompanied by an accordion clause that allows the amount of the credit to be raised, if necessary, by an additional $150 million.

In addition, this credit line is supplemented by a second line credit facility, which is subordinated for a total additional amount of $80 million.

The maturity of the Senior credit line is five years, for a maturity date of October 21, 2019. It bears interest at the LIBOR or EURIBOR rate plus a margin of 3.25%. The margin may be reduced by 25 basis points if the guarantees cover at least 150% of the outstanding credit.

The maturity of the secondary credit line of $80 million is five years and six months. i.e. maturing on April 21, 2020. This credit bears interest at the rate of 15%, of which 6% is payable quarterly, with the balance being capitalized and payable on the maturity date of the credit.

- *Credit risk:*

The more significant debts concern the International Sales and TV Sales France businesses.
The credit risk for TV Sales France is deemed low taking into account the size of the broadcasters and the history and good relationships with them.

For international sales, the Group’s policy is to choose, in each country where its films are distributed, preferred partners with whom it has worked on several occasions in the past, while still seeking to diversify its potential partners, particularly through regular contacts with various foreign players at film markets such as Cannes (Marché du Film), Los Angeles (American Film Market) or Berlin (European Film Market).
Given that the credit risk is considered low, the EuropaCorp Group has not considered it necessary so far to arrange credit insurance.

The table below shows the overall credit risk, broken down in major asset categories at September 30, 2017:

(in thousands of euros)	**09.30.17**
Trade receivables	68,930
Marketable securities	-
Other receivables exposed to credit risk	-
Total	68,930

- *Equity risk:*

EuropaCorp generally invests its available cash in money market products in euros or secure products (certificates of deposit, commercial paper, term accounts, etc.). Consequently, the Company believes it is not exposed to any equity risk at September 30, 2017.
In addition, at September 30, 2017, EuropaCorp held 45,935 treasury shares with a value of €91 thousand.

(in thousands of euros)	**Other companies' or UCITS shares portfolio**	**Treasury shares portfolio**
Assets position	Nil	91
Off balance sheet	Nil	-
Overall assets position	**Nil**	**91**

3.12 Trade payables and other current liabilities

Breakdown of other liabilities by type:

(in thousands of euros)	**09.30.17**	**03.31.17**
Trade payables	**88,184**	**51,997**
Equity investment liabilities	**-**	**363**
Advances and down payments on orders	2,020	1,442
Taxes and social security contributions payable	29,086	25,605
Miscellaneous liabilities	52,254	64,749
Total other financial liabilities	**83,359**	**91,795**
Total operating liabilities	**171,544**	**144,155**

Miscellaneous liabilities at September 30, 2017 are mainly expenses comprising repayments to rights-holders and costs incurred for ongoing productions, and the debt of €42,551 thousand (equivalent to $46,934 million) used to finance the repurchase of the Group's initial obligations towards Relativity incurred during the period ended March 31, 2015. This operating liability was not discounted at September 30, 2017, given the uncertainty over the exact timing of the repayment.
Taxes and social security contributions primarily comprise collected VAT and expenses payable for miscellaneous taxes and social security contributions.
All current liabilities have a maturity of less than one year.

3.13 Other assets and liabilities (current and non-current)

Other current assets mainly consisted of prepaid expenses amounting to €3,372 thousand at September 30, 2017 relating to productions yet to be released via the chosen media.
Other current assets also included the portion of bank commissions with maturity under one year (€2,666 thousand), spread over the life of the two credit lines, as well as €91 thousand in treasury shares.

The other non-current assets include, for €2,978 thousand, the amount of expenses to be distributed over more than one year, related to bank commissions (expense spread over the period of the credit lines).

Other current liabilities solely comprised deferred income corresponding to billed revenues reported as revenue based on an event that had not occurred at the end of the period. Deferred income is posted under non-current liabilities when the maturity for revenue recognition is beyond one year. The portion of deferred income maturing under one year amounted to €37,750 thousand.

Deferred income (current and non-current) breaks down as follows:

(in thousands of euros)	**09.30.17**	**03.31.17**
TV rights items	19,740	11,091
Undelivered international sales	19,764	22,835
Subsidies	863	863
Partnerships	-	1,335
Other deferred income	1,967	2,742
Total deferred income	**42,334**	**38,865**

NOTE 4 – NOTES TO THE CONSOLIDATED PROFIT AND LOSS STATEMENT

4.1 Revenue

(in thousands of euros)	**09.30.17**	**09.30.16**
Production	91,488	47,170
Distribution	35,933	8,568
Video	8,935	3,344
Events	309	565
Miscellaneous	1,445	1,001
Revenue	**138,110**	**60,647**
Of which support funding generated	*2,010*	*3,169*
Of which revenue from exports	*103,131*	*40,385*

EuropaCorp Group's consolidated revenues totaled €138,110 thousand at September 30, 2017, compared to €60,647 thousand at September 30, 2016, for an increase of 128%.

“Production” revenue:

International Sales stood at €70.1 million, or more than 50% of total revenue. They are thus up on the previous financial year (€25.8 million at September 30, 2016), thanks to international deliveries of *Valerian and the City of a Thousand Planets*.

Television & SVOD sales in France and the United States totaled €13.2 million in the first half of 2017/2018, down €1.6 million (-11%) on the first half of the previous financial year. This decrease is mainly due to the higher SVOD sales recorded in the United States during the first half of the 2016/2017 financial year (mainly on *Transporter Refueled*).
In France, the revenue for the period is linked to the opening of broadcasting rights windows for films from the catalog, in particular *Taken 3, Bis* and *Oppression*.

Revenue from the sale of TV films and series totaled €4 million at September 30, 2017, compared with €0.8 million at September 30, 2016. This growth is mainly due to the recognition of revenues from the delivery of the last two episodes of the first season of the international TV series *Taken* to NBC, as well as the international distribution of this same TV series.

Revenues linked to the corresponding rights (partnerships and licensing) stood at €2.1 million at September 30, 2017, compared to €2.1 million at September 30, 2016.

The other items in "Production" revenue are "producer's share" financial subsidies (€1.2 million), and income generated by post-production and co-producer's revenues.

“Distribution” revenue:

Theater admissions in France generated €13.6 million in revenue, due in particular to the release during the period of *Valerian and the City of a Thousand Planets*, compared to €1.5 million during the first half of previous financial year.
The US theatrical distribution, sustained by the release of *Valerian and the City of a Thousand Planets* and *The Circle*, generated €21.9 million compared to €7 million in the previous year.
The other item of “Distribution” revenues is the “Distributor ” financial subsidy (€0.5 million).

“Video” revenue:

The Video & VOD segment in France and the United States stood at €8.9 million and represented 6.5% of the half-year revenues, compared to €3.3 million in the first half of the previous financial year. It is mainly driven by the €7.8 million in video and VOD sales from the United States.

Sales primarily concern:

- for line up films:
  - *The Circle*, released in DVD in August 2017 in the United States;
- for catalog films:
  - *Miss Sloane*, released in March 2017 in the United States and in July 2017 in France;
  - *Shut In,* February 2017 in the United Sates and April 2017 in France;
  - *Nine Lives,* November 2016 in the US and December 2016 in France.

As a reminder, the Group's revenue is generally dependent on the releases of its films through various channels. Indeed, the timetable of these releases can give rise to significant fluctuations in the revenue earned by each channel from one half-year to another. Therefore, half-year revenue and profit are not necessarily indicative of annual revenue and profit.

Events Revenue:

Event activities generated revenues of €0.3 million and correspond to the revenues generated by Blue Event over the period.

4.2 Operating margin

EuropaCorp Group's operating margin totaled €(32.5) million (i.e. -24% of revenue) at September 30, 2017, compared to €(9.8) million (i.e. -16% of revenue) at September 30, 2016.

This variation is mainly related to:

(i) the underperformance in theaters of acquisitions for the US market, *The Circle* and *Their Finest* ;
(ii) disappointing performance of *Valerian and the City of a Thousand Planets* at the US box-office;
(iii) write-offs on films not yet released, in order to reflect the latest revenue estimates.

4.3 Overheads

General expenses stood at €(20.6) million at September 30, 2017, and thus have fallen compared to September 30, 2016 (€(23.2) million). Excluding the reclassification of cash flows from discontinued operations, the amount stood at €(21.8) million, compared to €(25.1) million in the first half of the previous year, representing a 13% drop, mainly due to the restructuring of distribution in the United States and the absence of general expenses relating to the previously sold businesses (Multiplexes).

It should be noted that the rental cost for La Cité du Cinéma is presented in the consolidated financial statements of the Group at September 30, 2017, net of the re-invoicing of the share of rent paid by Front Line in order to reflect the net rent charge for which EuropaCorp Group is responsible.

4.4 Other operating income and expense

Other operating income and expense stood at €(12.6) million and mainly included the impairment of the intangible asset representative of an entry right related to the platform of film distribution in the United States, for an amount of €(13) million, given the impairment test showing a revision of projected net revenues from this business.

4.5 Financial income

(in thousands of euros)	**09.30.17**	**09.30.16**
Net debt financial income	(7,830)	(4,444)
Other financial income and expenses	(2,404)	(2,961)
Financial income	**(10,234)**	**(7,405)**

Financial income for the half-year was a loss of €(10.2) million, compared to €(7.4) million at September 30, 2016, and was primarily affected by financial interest for the period, principally on the Senior and Secondary lines of credit.

"Other financial income and expenses" primarily include the closing price valuation of foreign exchange hedging instruments and foreign currency denominated receivables and payables, as well as the share of bank fees relating to the arrangement of credit lines (including expenses for lines that were refinanced) and which are spread over the term of these facilities.
As stated previously, these fees were paid in full during previous reporting periods.

4.6 Tax

Breakdown of tax by type:

(in thousands of euros)	**09.30.17**	**09.30.16**
Current tax	898	1,740
Deferred tax	(5,415)	13,658
Total tax income / (expense)	**(4,517)**	**15,398**

The deferred tax expense for the year corresponds mainly to the partial impairment of the deferred tax asset from tax loss carry-forwards activated for the subsidiary EuropaCorp Films USA.
Indeed, as of September 30, 2017, the deferred tax asset featuring in "Non-current assets" for €30.6 million concerned principally the company EuropaCorp Films USA for an amount of €18.1 million. This amount corresponds to the partial activation of tax loss generated by the US subsidiary. The business forecasts retained as of March 31, 2017 were updated as of September 30, 2017, to take into account the disappointing performances of the films distributed during the semester. This update was made with a 4-year horizon and led to a reduction of the deferred tax asset of $10.4 million or a Euro exchange value of €9.2 million in the profit & loss statement. As of September 30, 2017, the deferred tax asset was $21.3 million or €18.1 million.

NOTE 5 – OTHER INFORMATION

5.1 Notes on the statement of cash flows

Cash flows from operations
At September 30, 2017, operating activity generated a net cash flow of €74.8 million, compared to €(6) million at September 30, 2016. This strong increase is mainly related to the collection of the Guaranteed Minimums on the delivery of the film *Valerian and the City of a Thousand Planets* from foreign distributors as well as significant box office receipts in France for this film.

Cash flows from investments
At September 30, 2017, net cash flows from investments amounted to €(30.6) million compared to €(99.9) million at September 30, 2016, a decrease of €69 million, essentially explained:

- for €52 million: by the decrease in investments related to film and TV series productions which stood at €(45.8) million, compared to €(97.5) million at September 30, 2016. This decrease is explained by the significant investments in *Valerian and the City of a Thousand Planets* in the previous year. Investments made in the current year primarily concern production of English and French language films (including *Taxi 5, Carbone*…) and the English-language TV series (*Taken* season 2…);
- for €12 million: by sums collected from the sale of the music catalog.

Cash flows from financing
At September 30, 2017, net cash flows from financing activities totaled €(126.2) million. This amount is mainly due to the almost full repayment, as of September 30, 2017, of the production debt related to the film *Valerian and the City of a Thousand Planets* (CIT loan). This debt was repaid in full in November 2017.

5.2 Related party transactions

Agreements signed with related parties were identified in the 2016/2017 Registration Document filed with the French Financial Markets Authority (AMF) on July 27, 2016, in Chapter 19 "Related-Party Agreements" and Note 5.2 "Related-Party Transactions".
Besides those described in the 2016/2017 Registration Document, there were no new agreements with related parties made during the first half of 2017.

The table below summarizes flows and balances of related party transactions:

(in thousands of euros)	**09.30.17**	**03.31.17**
Statement of financial position		
Receivables		
Trade receivables and other operating receivables	1,922	3,571
Debit balances and other current financial receivables	-	-
Debt		
Other non-current financial liabilities	585	585
Trade payables and other operating liabilities	119	4
Financial current accounts receivables	107	-
Profit and loss statement		
Revenue	6	-
Operating expenses	6	(306)
Financial expenses	-	-
Financial income	-	1

5.3 Commitments and contingent liabilities

The Group off-balance sheet commitments at September 30, 2017 are as follows (in thousands of euros):

Commitments received in favor of EuropaCorp (in thousands of euros)	09.30.17	03.31.17
Commitments from clients		
For the cinematographic business	*58,367*	*106,467*
Support funds for audiovisual activities	*2,583*	*2,693*
Financial commitments for leases	15,148	16,313
Total commitments received	**76,098**	**125,473**

Commitments to third parties (in thousands of euros)	09.30.17	03.31.17
Financial commitments for leases*	32,903	36,367
Financial commitments for cinematographic investments	4,084	5,448
Total commitments made	**36,988**	**41,815**

**Relates to the lease agreement for the Cité du Cinéma business park, with a term of 12 years starting from April 6, 2012.*

Total net commitments (received – given)	39 111	83 658

The off-balance-sheet commitments received in connection with operations mainly come from the signature of sales contracts signed on feature-length films with great international potential.

The sublease agreement between EuropaCorp and Front Line was terminated on September 29, 2017. At the same time, the sublease agreements that Front Line had entered into with third parties are taken over by EuropaCorp.

5.4 Subsequent events

- **Disposal of the French television business**

As announced in the November 17, 2017 press release, EuropaCorp Television has entered into an agreement to sell the business relating to the French television production activity. The current Chief Executive Officer of EuropaCorp Television, Thomas Anargyros, has acquired this business for €11 million.

- **Repayment of the CIT loan**

As stated previously, the production debt related to the film *Valerian and the City of a Thousand Planets* was repaid in full on November 2, 2017.

NOTE 6 – OPERATING SEGMENTS AND DATA BY SEGMENT

6.1 Overview of standard

6.1.1 General context

Under IFRS 8, the Group must disclose information to enable "users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates."
As a consequence, the Group defined its operating segments in compliance with the standard's criteria to present separate information by segment.

6.1.2 Definition of operating segments

An operating segment is a component of the company:
- carrying out activities likely to generate income and expenses;
- whose operating profit (loss) is regularly reviewed by the main operational decision-maker in the entity to make decisions in relation to the resources to be allocated to the segment and assess its performance;
- for which separate financial information is available.

As such and taking into account the approach set out by IFRS 8, operating segments have been identified based on internal reporting.

6.2 Identification of the EuropaCorp Group's operating segments

The Group tracks its performance by monitoring its activities and businesses.

Following the acquisition of the Blue Group, the EuropaCorp Group now operates in four different areas constituting as many "operating segments" under IFRS 8, detailed below:

- *Production and distribution of films*:
  This segment includes all operations involving films, namely: distribution to theaters, video releases, TV sales, international sales, partnership and licensing, executive production, income from co-production, etc.

- *Production and Distribution of TV series and units*:
  This segment covers all operations for TV films and TV series. They are carried out by subsidiaries EuropaCorp Television (formerly Cipango), wholly owned since July 30, 2014 by EuropaCorp and EuropaCorp TV.
  This segment's duration of production cycles, ways and sourcing of financing and the elements generating the margin are different from the segment "Production and Distribution of films", which justifies the existence of a separate operating segment.

- *Events*:
  This segment comprises all operations to run events inside or outside La Cité du Cinéma and corresponds to the activities of Blue Event, fully consolidated since February 28, 2013 following the capital increase through contribution in kind.

- *Other:* This segment includes all related activities not directly connected to the screening of films in theaters or their broadcasting on TV, namely: book publishing, miscellaneous revenue, etc.

6.3 Financial information by operating segment

The measurement and presentation method for the figures relating to each operating segment is compliant with the accounting policies and methods described for the preparation of consolidated financial statements.

6.3.1 Consolidated statement of financial position by operating segment

09.30.2017	Production and distribution of films	Production and distribution of TV films and series	Events	Other	Non allocated items	**Total**
Net goodwill	16,203	11,984	0	0		28,188
Net intangible assets	225,719	34,688	568	0		260,976
Property, Plant and Equipment	13,486	15	43	6		13,549
Other net financial assets	3,250	0	0	0		3,250
Investments in associates	0	0	0	0		0
Deferred tax assets	30,498	0	0	118		30,615
Other net non-current assets	2,978	0	0	0		2,978
Total non-current assets	*292,134*	*46,688*	*610*	*124*		*339,556*
Inventory	5,193	0	0	30		5,223
Net trade receivables	65,851	3,402	849	230		70,332
Other net receivables	70,665	8,183	123	2,039		81,011
Other net current assets	6,090	604	0	30		6,724
Cash and cash equivalents	24,489	7,694	10	164		32,357
Total current assets	*172,288*	*19,883*	*982*	*2,494*		*195,647*
TOTAL ASSETS	**464,422**	**66,571**	**1,593**	**2,618**		**535,203**

Equity - Group share					*30,734*	*30,734*
Non-controlling interests					*-245*	*-245*
Provisions for pensions and other post-employment benefits	874	0	0	0		874
Deferred tax liabilities	5 738	391	123	68		6,321
Bonds and financial liabilities > 1 year	1,125	0	0	0		1,125
Deposits and guarantees received	746	0	0	0		746
Equity investment liabilities > 1 year	0	0	0	0		0
Other non-current liabilities	7,044	1,288	200	307		8,840
Total non-current liabilities	***15,528***	***1,679***	***323***	***375***		***17,906***
Bonds and financial liabilities < 1 year	240,982	20,387	0	0		261,370
Provisions for risks and expenses	4,846	0	0	73		4,919
Trade payables	81,817	1,518	329	5,341		89,005
Equity investment liabilities	29	0	0	0		29
Other financial liabilities	75,903	10,461	276	735		87,375
Other current liabilities	28,192	14,850	0	1,069		44,111
Total current liabilities	***431,769***	***47,216***	***606***	***7,218***		***486,809***
TOTAL LIABILITIES	**447,297**	**48,896**	**929**	**7,593**		**535,203**

Films and audiovisual rights investments	32,120	21,967				54,087

03.31.2017	Production and distribution of films	Production and distribution of TV films and series	Events	Multiplexes	Other	Non allocated items	**Total**
Net goodwill	16,203	11,984	0	0	0		28,188
Net intangible assets	306,045	16,465	612	0	0		323,121
Property, Plant and Equipment	14,124	15	47	2	5		14,192
Other net financial assets	2,487	0	0	395	0		2,882
Investments in associates	2	0	0	0	2,242		2,244
Deferred tax assets	33,234	84	0	0	34		33,351
Other net non-current assets	4,757	0	0	0	0		4,757
Total non-current assets	*376,852*	*28,548*	*658*	*397*	*2,280*		*408,735*
Inventory	1,132	0	0	0	16		1,148
Net trade receivables	55,180	9,454	1,068	63	273		66,039
Other net receivables	52,383	14,864	101	2,087	351		69,785
Other net current assets	11,470	977	1	0	287		12,736
Cash and cash equivalents	102,320	4,635	4	158	11		107,128
Total current assets	*222,485*	*29,931*	*1,174*	*2,308*	*937*		*256,835*
TOTAL ASSETS	**599,337**	**58,479**	**1,833**	**2,705**	**3,217**	**0**	**665,570**

Equity - Group share						*96,747*	*96,747*
Non-controlling interests	*0*	*0*	*-235*	*0*	*0*		*-235*
Provisions for pensions and other post-employment benefits	827	0	0	0	0		827
Deferred tax liabilities	945	14	138	68	4		1,170
Bonds and financial liabilities > 1 year	1,375	0	0	0	0		1,375
Deposits and guarantees received	703	0	0	0	0		703
Equity investment liabilities > 1 year	0	0	0	0	0		0
Other non-current liabilities	17,269	397	200	300	3,162		21,327
Total non-current liabilities	***21,119***	***411***	***338***	***368***	***3,166***	***0***	***25,402***
Bonds and financial liabilities < 1 year	348,154	24,084	0	0	162		372,401
Provisions for risks and expenses	4,722	0	0	0	73		4,795
Trade payables	43,222	4,304	224	3,384	872		52,007
Equity investment liabilities	363	0	0	0	0		363
Other financial liabilities	85,080	5,874	313	248	370		91,885
Other current liabilities	17,439	4,411	0	69	287		22,205
Total current liabilities	***498,980***	***38,673***	***537***	***3,701***	***1,765***	***0***	***543,656***
TOTAL LIABILITIES	**520,099**	**39,083**	**640**	**4,070**	**4,931**	**96,747**	**665,570**

Films and audiovisual rights investments	112,568	21,131					133,699

6.3.2 Consolidated profit and loss statement by operating segment

09.30.2017	Production and distribution of films	Production and distribution of TV films and series	Events	Other	Total
Revenue	**133,594**	**6,011**	**309**	**287**	**140,201**
Cost of sales	**-167,601**	-4,338	-151	-13	-172,103
Operating margin	***-34,007***	***1,673***	***158***	***274***	***-31,902***
General and administrative expenses	-20,466	-1,268	-50	-46	-21,830
Other op. income and expense	-12,776	136	3	11,066	-1,571
Operating profit (loss)	***-67,249***	***541***	***111***	***11,294***	***-55,304***
Financial income	***-10,628***	***394***	***0***	***-1***	***-10,234***
Income tax	-872	-352	15	-3,309	-4,517
Share of net income of associates	0	0	0	-574	-574
Share of non-controlling interests	0	0	-10	0	-10
Net income - Group share	***-78,749***	***584***	***136***	***7,410***	***-70,620***

03.31.2017	Production and distribution of films	Production and distribution of TV films and series	Events	Multiplexes	Other	Total
Revenue	**118,387**	**24,752**	**1,024**	**5,318**	**2,217**	**151,699**
Cost of sales	-193,046	-23,685	-361	-4,232	-32	-221,356
Operating margin	***-74,659***	***1,067***	***663***	***1,086***	***2,186***	***-69,657***
General and administrative expenses	-46,937	-2,660	-52	-3,115	-128	-52,892
Other op. income and expense	490	-460	0	279	0	308
Operating profit (loss)	***-121,106***	***-2,053***	***611***	***-1,750***	***2,058***	***-122,241***
Financial income	***-17,617***	***-571***	***0***	***-2***	***0***	***-18,190***
Income tax	21,422	64	38	-14	-651	20,860
Share of net income of associates	0	0	0	0	-321	-321
Share of non-controlling interests	0	0	-4	0	0	-4
Net income - Group share	***-117,301***	***-2,560***	***654***	***-1,767***	***1,086***	***-119,888***

C – STATUTORY AUDITORS' REPORT

Period of April 1 to September 30, 2017
Statutory Auditors' report on the interim financial statements

To the shareholders,

In compliance with the assignment entrusted to us by your General Shareholder's Meetings, and in application of Article L.451-1-2 III of the French Monetary and Financial Code ("*Code Monétaire et financier*"), we have performed:

- a limited review of the accompanying interim condensed consolidated financial statements of EuropaCorp SA for the period from April 1 to September 30, 2017;
- verifications on the information provided in the half-yearly management report.

These condensed interim consolidated financial statements were prepared under the responsibility of the Board of Directors. Our responsibility is to express our conclusion on these financial statements, based on our limited review.

I. Conclusion on the financial statements

We have conducted our limited review in accordance with professional standards applicable in France.

A limited review mainly consists of interviewing management in charge of accounting and financial matters and applying analytical procedures. These procedures are less broad in scope that those required for an audit performed in accordance with French auditing standards. Accordingly, a limited review only provides moderate assurance, which is less assurance than that provided by an audit, that the financial statements taken as a whole are free of material misstatements.

Based on our limited review, nothing has come to our attention that cause us to presume that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, the IFRS standard relating to interim financial reporting adopted by the European Union.

II. Specific verification

We have also verified the information presented in the half-yearly management report commenting on the interim condensed consolidated financial statements that were the subject of our limited review.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Signed in Paris and Lyon, December 21, 2017

The Statutory Auditors,

Auditeurs & Conseils Associés
ACA NEXIA
Represented by Olivier Juramie

Premier Monde
Represented by Arnaud Malivoire

D – PERSON RESPONSIBLE FOR THE DOCUMENT

I certify that, to my knowledge, the condensed interim consolidated financial statements are prepared in accordance with applicable accounting standards and give a true and fair view of the assets and financial position and results of EuropaCorp, or all of the companies included in the scope of consolidation, and that the interim management report accurately presents the significant events that occurred during the first six months of the financial year and their impact on the interim condensed consolidated financial statements, the principal risks and uncertainties for the remaining six months of the fiscal year and the main transactions between related parties.

Saint-Denis, December 21, 2017

Marc Shmuger
Chief Executive Officer