HALF-YEAR FINANCIAL REPORT
AS AT SEPTEMBER 30, 2018

A – ACTIVITY REPORT FOR THE FIRST HALF OF FY 2018/2019

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

The EuropaCorp Group's consolidated financial statements for the first half of FY 2018/2019, prepared in accordance with IFRS, showed consolidated revenue of €80.8 million compared with €137.6 million for the first half of the previous financial year. This decrease of 41% is due to the fact that *Valerian and the City of a Thousand Planets* was in the lineup of the first half of FY 2017/2018.

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 operating margin stood at €9.4 million, compared with €(31.9) million for the first half of the previous financial year, or an increase of +€41.3 million mainly linked to the absence of losses on the US distribution activity, against €(49) million of operating losses as of September 30, 2017.

Overheads amounted to €(13.6) million at September 30, 2018, decreasing from €(20.4) million at September 30, 2017. These savings of €6.9 million compared to the first half of the previous financial year (-34%) confirm the effectiveness of the measures implemented by the Group to reduce general and administrative expenses, which had already decreased by €12.8 million (-27%)[1] at the closing of the previous fiscal year.

Other operating income and expense stood at €(51.0) 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 €(51.4) million, given the revision of projected net revenues from this business.

Consolidated operating profit was then a negative €(55.1) million, as compared to a negative €(64.9) million for the first half of the previous financial year.

Financial income for the half-year was a loss of €(16.2) million, compared with €(10.2) million as of September 30, 2017. It was primarily affected by financial interest for the period, principally on the secondary line of credit, as well as foreign exchange gain and loss for the period.

After taking into account the income tax expense of €(9.3) million (including partial impairment of the US deferred tax asset for an amount of €(9.5) million, given the revision of the US forecasted net future receipts) compared with €(4.5) million as of September 30, 2017, the half-year's net profit Group share showed a loss of €(88.9) million compared with a €(70.6) million loss for the first half of the previous financial year.

The cash flows from operations amounted to +€35.6 million over the first half-year, compared with +€74.8 million for the first half of the previous financial year. This decrease 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 during the first half of FY 2017/2018.

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[1] Overall reduction in general and administrative expenses of €15.9 million (-30%) apart from IFRS 5 presentation that shows the *Net income from operations held for sale and discontinued operations* separately

2. <u>Activities</u>

2.1 Production and Distribution of films

2.1.1 International sales

International sales totaled €11.8 million, or about 15% of total revenue. That is a decrease of €(58.2) million compared with the first half of the previous financial year, owing to the international deliveries of *Valerian and the City of a Thousand Planets* during the first half of FY 2017/2018. They mainly consisted of the deliveries of *Taxi 5* as well as of royalties received from the films *Lucy, Taken 3* and *Valerian and the City of a Thousand Planets*.

2.1.2 Distribution in theaters

The revenue stemming from the Distribution in theaters amounted to €5.7 million compared with 35.5 million for the first half of 2017/2018 which comprised notably the release of *Valerian and the City of a Thousand Planets*, or a decrease of €(29.8) million. The semester was marked by the theatrical release of *Taxi 5* with 3.7 million admissions in France.

During the first half 2018/2019, the films released in theaters were the following:
- *Taxi 5*, directed by Franck Gastambide, with Franck Gastambide and Malik Bentalha. The film was released in French theaters on April 11, 2018 and had 3.7 million admissions ;
- *I feel better,* directed by Jean-Pierre Améris, starring Eric Elmosnino, Alice Pol and Ary Abittan. The film was released in French theaters on May 30, 2018 and had 146 thousand admissions ;
- *Renegades,* directed by Steven Quale starring J.K. Simmons and Sullivan Stapleton. The film was released in French theaters on August 29, 2018 and had 50 thousand admissions.

2.1.3 Video and VOD releases

Revenue from Video and VOD stood at €8.8 million in France and the United States, compared with €8.9 million during the first half of FY 2017/2018. The activity is mainly driven by the video and VOD sales in the United States, for €6 million.
Main sales were:
- For films from the lineup *Taxi 5*, released in DVD in August 2018 in France ;
- For films from the catalogue, mainly *Valerian and the City of a Thousand Planets*, *Coexist* and *Carbon.*

2.1.4 Sales of TV rights

Television & SVOD sales in France and the United States amounted to €18.3 million for the first half of 2018/2019, or an increase of +€5.3 million (+41%) compared with the first half of 2017/2018. This growth is linked to the opening of new broadcasting rights windows in France, notably *Valerian and the City of a Thousand Planets* and *Coexist*, as well as *Lucy* and *Taken 2*.

2.2 Production and distribution of TV series and units

Revenue from the TV Series production activity amounted to €19.8 million, compared with €4 million as of September 30, 2017 (+€15.8 million). This growth is mainly due to the delivery to NBC of the last 6 episodes from the second season of the international series *Taken*, as well as the international sales of this same series.

2.3 Events

Over the first half of FY 2018/2019, the Events segment generated revenue of €0.1 million, compared with €0.3 million as of September 30, 2017. 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, generated by Production activities, Distribution in theaters (France), Video releases (France) and Export, was €2.3 million compared with 2 million over the first half of FY 2017/2018.

2.5 Other activities

The "Other activities" segment stood at €14.0 million compared with €4.1 million for the first half of last financial year. It consists of the income generated by partnership contracts and license agreements as well as by post-production activities. It also includes the income stemming from the Group's coproductions (Producer Net Receipts from *Taxi 5*), as well as the income from line production (*Kursk*).

3. Cost of sales

The "Cost of sale" (operating expenses excluding overheads) amounted to €(71.4) million, compared with €(169.5) million for the first half of FY 2017/2018.

This decrease is mainly due to the decrease of (i) Print & Advertising costs for Theater distribution in the United States (releases of *Valerian and the City of a Thousand Planets*, *The Circle* and *Their Finest* during the first half of last financial year), and by the decrease of (ii) Depreciation and Amortization costs (€(45) million versus €(76) million as of September 30, 2017, decreasing due the significant level of depreciation on *Valerian and the City of a Thousand Planets* last year).

4. Capital expenditure

As of September 30, 2018, the Group invested €9.8 million in the production of films and TV series compared to €54.1 million as of September 30, 2017. This decrease is due to significant investments over the course of the first half of the previous financial year in the production of *Taxi 5* and *Carbon* especially, and in the second season of the TV series *Taken*. This year investments were mainly on the production of English and French language films (*Anna* and *Nous finirons ensemble*).

5. Financial structure

As of September 30, 2018, net debt was €222 million compared with €236 million as of March 31, 2018[2]. The decrease is notably due to the partial reimbursement of the production debt relating to the TV series *Taken*.

The next maturity dates relating to the Company's debt are in October 2019 for the senior debt and April 2020 for the secondary one.

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

6. Significant events since the reporting date

- As mentioned in the press release dated September 20, 2018, the Group has entered into exclusive negotiations with Gaumont in view of the business takeover of films from the catalog *Roissy Films;*
- On December 7, 2018, EuropaCorp announced a distribution partnership with Pathé Films in France, over a three-year period for three films a year. This partnership, related to films produced or coproduced by EuropaCorp, will begin with the films "*Nous finirons ensemble*" by Guillaume Canet and "*Anna*" by Luc Besson.

[2] Excluding operations sold or to be sold during the period (IFRS 5 presentation)

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 2017/2018 Registration Document (pages 10 to 30) and have not materially changed.

The amounts relating to financial and market risks as of September 30, 2018 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. Outlook

The Company pursues its strategy with 3 main objectives:

- Reinforce company's financial strength and restructure and/or refinance its debts;
- Continue to reduce overheads;
- Prioritize the production of films with high coverage rate and de-risk the model.

Kursk, by Thomas Vinterberg, starring Matthias Schoenaerts, Colin Firth and Léa Seydoux, was released on November 7, 2018, in France and has had 119k admissions to date.
The next two films to be released will be *Anna*, directed by Luc Besson, with Sasha Luss, Cillian Murphy, Luke Evans and Helen Mirren, and *Nous finirons ensemble*, directed by Guillaume Canet, with François Cluzet, Marion Cotillard and Gilles Lellouche.

Concerning the TV series, following the sale of the French TV production activity, the Group is focusing on the development and the production of English-language TV series with strong international potential, such as:

- *The Extraordinary Adventures of Adele Blanc Sec*, based on the French graphic novel by Jacques Tardi;
- *Gray*, based on an original idea by world-renowned bestselling novelist David Baldacci;
- *American Flagg!*, based on the US graphic novel by Howard Chaykin.

Considering the loss recorded on the first half-year due to non-recurring impairments, EuropaCorp will recognize a financial year 2018/2019 significantly in deficit.

B – CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED SEPTEMBER 30, 2018 PRESENTED IN ACCORDANCE WITH IFRS

CONSOLIDATED PROFIT AND LOSS STATEMENT (IFRS 5)

(amounts in thousands of euros, except for the number and data per share)		Year Ended September 30, 2018	2017 (restated)	2017 (published)
Turnover	**Note 4.1**	80,823	137,648	138,110
Revenue	**Note 4.1**	**80,823**	**137,648**	**138,110**
Cost of sales		(71,396)	(169,503)	(170,571)
Operating margin	**Note 4.2**	**9,427**	**(31,855)**	**(32,461)**
Overheads	**Note 4.3**	(13,570)	(20,422)	(20,564)
Other operating income and expenses	**Note 4.4**	(50,979)	(12,637)	(12,637)
Operating profit (loss)		**(55,122)**	**(64,914)**	**(65,662)**
Income from financial investments / (Cost of financial debt)		(8,485)	(7,830)	(7,830)
Other financial income and expenses		(7,718)	(2,404)	(2,404)
Financial income	**Note 4.5**	**(16,204)**	**(10,234)**	**(10,234)**
Current income before income tax		**(71,325)**	**(75,149)**	**(75,896)**
Tax	**Note 4.6**	(9,342)	(4,517)	(4,517)
Equity in net earnings of associated companies	**Note 3.5**	(622)	(574)	(574)
Net income from continuing operations		**(81,289)**	**(80,240)**	**(80,988)**
Net income from discontinued operations	**Note 2.4**	(7,564)	9,611	10,358
Net income		**(88,852)**	**(70,630)**	**(70,630)**
Including : Net Income – Minority share		50	(10)	(10)
Net Income – Group share		(88,902)	(70,620)	(70,620)
Basic net income per share*		(2.17)	(1.73)	(1.73)
Diluted net income per share*		(2.17)	(1.73)	(1.73)
*Total equity shares minus treasury shares at the date of closing:		40,943,281	40,931,574	

STATEMENT OF COMPREHENSIVE INCOME

	2018/09/30	2017/09/30
Net income	**(88,852)**	**(70,630)**
Income and expenses directly recognized in equity		
- Net investments change	6,049	-5,183
- Foreign currency translation differences	-5,762	9,877
- Assets available for sale		
- Cash-flow hedges		
- Revaluation assets		
- Actuarial gains and losses		
- Share of other comprehensive income of associates		
- Tax on items recognized directly in equity		
Comprehensive net income total accounted in Equity	288	4,694
Comprehensive net income total for the period	**(88,564)**	**(65,936)**

Breakdown of comprehensive income for the period	**2018/09/30**	**2017/09/30**
Shareholders of the entity	(88,614)	(65,926)
Minority interests	50	(10)
Total comprehensive income for the period	**(88,564)**	**(65,936)**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(amounts in thousands of euros, except for the number of shares)	Common shares	Capital	Share premium	Reserves	Other elements of the comprehensive income	Treasury shares	Net income	**Equity Group share**	Minority interest	**Total Equity**
March 31, 2017 balance	**40,977,509**	**13,932**	**107,092**	**86,517**	**9,167**	**(73)**	**(119,888)**	**96,747**	**(235)**	**96,512**
Net income appropriation in reserves				(119,888)			119,888	**0**		**0**
Transfer of a part of the share premium in reserves								**0**		**0**
Dividends distribution								**0**		**0**
Share-based payments								**0**		**0**
Net variation of treasury shares and stock dividends						(6)		**(6)**		**(6)**
Impact of the changes in the scope of consolidation				(80)				**(80)**	188	**108**
Currency translation reserve					(3,796)			**(3,796)**		**(3,796)**
03/31/2018 net income							**(82,826)**	**(82,826)**	307	**(82,519)**
Total of income and costs of the period				**0**	**(3,796)**	**0**	**(82,826)**	**(86,623)**	**307**	**(86,315)**
Capital increase								**0**		**0**
Capital increase expenses								**0**		**0**
Free shares allocation plan				(495)				**(495)**		**(495)**
March 31, 2018 balance	**40,977,509**	**13,932**	**107,092**	**(33,946)**	**5,371**	**(78)**	**(82,826)**	**9,545**	**261**	**9,805**
Net income appropriation in reserves				(82,826)			82,826	**0**		**0**
Transfer of a part of the share premium in reserves								**0**		**0**
Dividends distribution								**0**		**0**
Share-based payments								**0**		**0**
Net variation of treasury shares and stock dividends						23		**23**		**23**
Impact of the changes in the scope of consolidation								**0**	(4)	**(4)**
Currency translation reserve					288			**288**		**288**
09/30/2018 net income							**(88,902)**	**(88,902)**	50	**(88,852)**
Total of income and costs of the period				**0**	**288**	**0**	**(88,902)**	**(88,614)**	**50**	**(88,565)**
Capital increase								**0**		**0**
Capital increase expenses								**0**		**0**
Free shares allocation plan				(83)				**(83)**		**(83)**
September 30, 2018 balance	**40,977,509**	**13,932**	**107,092**	**(116,855)**	**5,659**	**(55)**	**(88,902)**	**(79,130)**	**306**	**(78,824)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS 5)

(amounts in thousands of euros)		September 30, 2018			March 31, 2018
ASSETS		**Gross**	**Amortisations / Provisions**	**Net**	**Net**
Non-current assets :					
Goodwill	**Note 3.1**	17,037	(16,596)	442	16,203
Intangible assets	**Note 3.2**	1,531,119	(1,399,015)	132,105	240,961
Property and Equipment	**Note 3.3**	35,337	(23,379)	11,959	12,658
Other financial assets	**Note 3.4**	6,977	0	6,977	7,560
Investments in associates	**Note 3.5**	0	-	0	0
Deferred taxes assets		17,494	-	17,494	30,440
Other non-current assets	**Note 3.13**	1,684	-	1,684	1,579
Total non-current assets		**1,609,649**	**(1,438,989)**	**170,660**	**309,402**
Current assets :					
Inventory		1,152	(556)	596	5,117
Trade accounts receivable	**Note 3.6**	55,755	(4,051)	51,704	55,388
Other accounts receivable	**Note 3.7**	64,262	(901)	63,361	55,424
Other current assets	**Note 3.13**	8,131	0	8,131	6,880
Cash and cash equivalents		31,456	0	31,456	33,112
Assets held for sale or discontinued operations	**Note 2.4**	**51,555**	**(42,278)**	**9,276**	
Total current assets		**212,310**	**(47,787)**	**164,523**	**155,921**
TOTAL ASSETS				**335,183**	**465,323**

		September 30, 2018	March 31, 2018
LIABILITIES			
Equity - Group share			
Issued capital		13,932	13,932
Retained earnings and reserves		-93,063	-4,387
Total equity - Group share	**Note 3.8**	**(79,130)**	**9,545**
Minority interests		**306**	**261**
Non-current liabilities :			
Provisions for pensions and similar		539	525
Deferred taxes liabilities		1,156	1,631
Long term borrowings and financial debts	**Note 3.9**	125	375
Deposits and guarantees received	**Note 3.9**	728	727
Equity investment liabilities > 1 year	**Note 3.10**	0	0
Other non-current liabilities	**Note 3.13**	12,272	8,638
Total non-current liabilities		**14,821**	**11,897**
Current liabilities :			
Short term borrowings and financial debts	**Note 3.9**	252,404	267,939
Provisions for risks and expenses		2,739	4,838
Trade accounts payable	**Note 3.12**	51,370	58,969
Equity investment liabilities < 1 year	**Note 3.12**	0	399
Other financial liabilities	**Note 3.12**	66,624	74,178
Other current liabilities	**Note 3.13**	25,070	37,298
Liabilities held for sale or discontinued operations	**Note 2.4**	**979**	
Total current liabilities		**399,186**	**443,621**
TOTAL LIABILITIES		**335,183**	**465,323**

CONSOLIDATED CASH FLOW STATEMENT (IFRS 5)

(amounts in thousands of euros)		Year Ended September 30, 2018	2017
Operations			
Net income - Group share without discontinued operations		(81,338)	(80,230)
Net income - Minority share		50	(10)
Net income from discontinued operations		(7,564)	9,611
Depreciation and amortization		104,136	95,865
Unrealised gains and losses relating to changes in fair value		465	(3,791)
Change in the fair value of securities-related liabilities		0	(15)
Capital gains or losses on the disposal of assets		(11)	1,120
Share of income from associates consolidated using the equity method		622	574
Income and expenses due to share-based payments and similar		0	(95)
Operating cash flow after net financial debt cost and taxes		**16,360**	**23,029**
(Income from financial investments) / Cost of financial debt		8,485	7,830
Taxes (Income) / Cost		9,358	4,517
Operating cash flow before net financial debt cost and taxes		**34,203**	**35,376**
Change in working capital requirement :			
Inventory		4,521	(4,076)
Trade accounts and notes receivable		10,201	8
Deferred costs		(3,110)	5,627
Trade notes and accounts payable		(1,614)	24,897
Deferred income		(8,589)	12,988
Tax paid		0	0
Net cash flow from operations	**Note 5.1**	**35,612**	**74,821**
Investment activities			
Acquisition of intangible assets		(9,772)	(54,087)
Acquisition of other intangible assets		(17)	(19)
Acquisition of property and equipment		(20)	(105)
Income on disposal of intangible assets and property and equipment		11	11,955
Net change in financial assets		(3,705)	12,042
Change in liabilities on long-term investment		0	(319)
Change in minority reserves		0	0
Impact of the changes in the scope of consolidation		0	(91)
Net cash flow from investment activities	**Note 5.1**	**(13,502)**	**(30,623)**
Financing activities			
Dividends paid		0	0
Increase in capital		0	0
Capital increase expenses		0	0
Net increase in bank borrowings and overdrafts		5,737	0
Net decrease in bank borrowings and overdrafts		(20,430)	(109,205)
Net change in treasury shares		(38)	(19)
Interest expenses paid		(8,970)	(9,799)
Interest income received and net gain/loss from disposals		78	54
Net cash flow from financing activities	**Note 5.1**	**(23,623)**	**(118,968)**
Overall change in cash position		**(1,513)**	**(74,771)**
Opening cash position		33,112	107,128
Cash position at the end of period		**31,599**	**32,357**
broken down into:			
Marketable securities		*678*	*678*
Cash and cash equivalents		*30,777*	*32,434*

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

No changes have been made to the scope of consolidation of the group financial statements between April 1, 2018 and September 30, 2018.

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, 2018 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, 2018.
The accounting policies used are those detailed in the consolidated financial statements published on March 31, 2018 (please refer to Note 2 "Accounting Policies and Methods" to those financial statements on pages 217 to 229 of the Registration Document filed with the AMF on July 26, 2018 under number D18-0703), 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 12, 2018 and were examined and approved by the Board of Directors on December 12, 2018.

2.2 New standards and interpretations applied

The new standards, amendments to standards and interpretations that came into force for financial years opened after January 1, 2017 had no significant impact on the Group's financial statements:

- Amendments to IAS 12, "Recognition of deferred tax assets for unrealized losses";
- Amendments to IAS 7, "Disclosure initiative and changes in liabilities arising from financing activities";
- Amendments to IFRS 12 "Disclosure of interests in other entities: clarification of the scope of the Standard";

- Amendments to IFRS 15, “Revenue from contracts with customers”: the Group has not identified any material change concerning how and when it recognizes revenue. The principles specified by IFRS 15 are consistent with the current principles of recognition applied by the Group;
- Amendment to IFRS 9, “Financial instruments”, whose application became mandatory as of January 1, 2018.

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

At September 30, 2018, it is public that the EuropaCorp group has begun discussions to sell its film business from the Roissy Films catalog. According to the standard IFRS 5, this business has been reclassified in the financial statements. The reclassified flows are the following:

DISCONTINUED OPERATIONS

(amounts in thousands of euros)	September 30, 2018		
ASSETS	**Gross**	**Amortisations / Provisions**	**Net**
Non-current assets :			
Goodwill	15,762	(7,608)	8,154
Intangible assets	35,249	(34,633)	616
Property and Equipment	37	(37)	0
Other financial assets	0	0	0
Investments in associates	0	0	0
Deferred taxes assets	42	0	42
Other non-current assets	0	0	0
Total non-current assets	**51,090**	**(42,278)**	**8,811**
Current assets :			
Inventory	0	0	0
Trade accounts receivable	239	0	239
Other accounts receivable	67	0	67
Other current assets	15	0	15
Cash and cash equivalents	143	0	143
Total current assets	**465**	**0**	**465**
TOTAL ASSETS			**9,276**

	September 30, 2018
LIABILITIES	
Equity - Group share	
Issued capital	0
Retained earnings and reserves	0
Total equity - Group share	**0**
Minority interests	**0**
Non-current liabilities:	
Provisions for pensions and similar	0
Deferred taxes liabilities	0
Long term borrowings and financial debts	0
Deposits and guarantees received	0
Equity investment liabilities > 1 year	0
Other non-current liabilities	365
Total non-current liabilities	**365**
Current liabilities:	
Short term borrowings and financial debts	0
Provisions for risks and expenses	72
Trade accounts payable	66
Equity investment liabilities < 1 year	0
Other financial liabilities	476
Other current liabilities	0
Total current liabilities	**614**
TOTAL LIABILITIES	**979**

DISCONTINUED OPERATIONS

(amounts in thousands of euros)	**09/30/2018**
Revenue	586
Operating income	**586**
Cost of sales	(399)
Operating margin	**188**
Overheads	(127)
Other operating income and expense	(7,608)
Operating profit (loss)	**(7,548)**
Income from financial investments / (Cost of financial debt)	0
Other financial income and expenses	0
Financial income	**0**
Income from recurring operations before taxes	**(7,548)**
Income tax	(16)
Share of net income of associates	0
Net income	**(7,564)**
Including: Net Income – Minority share	0
Net income – Group share	(7,564)

NOTE 3 – NOTES TO THE CONSOLIDATED BALANCE SHEET

3.1 Goodwill

(in thousands of euros)	**03/31/2018**	Movements of the period			**09/30/2018**
		+	-	*Other (1)*	
Roissy Films	15,762		(7,608)	(8,154)	-
Digital Factory	442		-		442
Total net value	**16,203**	**-**	**(7,608)**	**(8,154)**	**442**

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

The change in goodwill related to Roissy Films arises from the application of IFRS 5, which results in a reclassification of this asset in "Assets held for sale and discontinued operations" in the amount of €8,154 million and the impairment of the balance of that goodwill for €7,608 million.

3.2 Intangible assets

(in thousands of euros)	**03/31/2018**	Movements of the period			**09/30/2018**
		+	-	*Other (1)*	
Films and audiovisual rights	1,454,152	10,168	(11,564)	(18,478)	1,434,278
Production costs	58,814	132	-	(58,789)	157
Preliminary expenses	19,324	-	-	(2,107)	17,217
Other	77,098	17	-	2,352	79,467
Gross amount	**1,609,388**	**10,317**	**(11,564)**	**(77,021)**	**1,531,119**
Films and audiovisual rights	(1,348,621)	(43,480)	-	63,923	(1,328,178)
Other	(19,805)	(51,422)	-	390	(70,837)
Depreciation/Provisions	**(1,368,426)**	**(94,901)**	**-**	**64,313**	**(1,399,015)**
Net amount	**240,961**	**(84,585)**	**(11,564)**	**(12,708)**	**132,105**

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

Movements in the "Other" column are mainly the result of the application of IFRS Standard 5 in the context of the expected sale of the operation of the Roissy Films catalog for a net value of €0.6 million (see Note 2.4).

At September 30, 2018, the net book value of intangible assets breaks down as follows:

(in thousands of euros)	**09/30/2018**	**03/31/2018**
Preliminary expenses	3,516	3,774
Production costs	157	58,709
Completed films	119,805	121,186
Other intangible assets	8,628	57,293
Total intangible assets	**132,105**	**240,961**

Financing expenses capitalized against intangible assets in production during the period stand at €408 thousand.

The decrease in the net value of intangible assets over the period is mainly linked to amortization of films in the amount of €43.5 million and to the impairment of the Europacorp Distribution LLC asset by €51.4 million.

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 commitments 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, 2018, the residual net book value of projects having had their first expense recognized less than five years ago stood at €3.5 million.

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, 2018. 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, 2018.

At September 30, 2018, "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, 2018 stands at €73.4 million ($85 million). This investment has allowed the Group to sign important contracts during previous years 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 €51.4 million. Taking into account this impairment, at September 30, 2018 this intangible asset shows a net amount of €8.0 million.

3.3 Property, plant and equipment

(in thousands of euros)	**03/31/2018**	Movements of the period			**09/30/2018**
		+	-	*Other (1)*	
Plant, machinery and equipment	11,526	20	-	-	11,546
Land, buildings	19,983	-	-	-	19,983
Other property, plant and equipment	3,832	-	-	(23)	3,808
Gross amount	**35,341**	**20**	**-**	**(23)**	**35,337**
Plant, machinery and equipment	(8,425)	(372)	-	-	(8,797)
Land, buildings	(10,943)	(258)	-	-	(11,201)
Other property, plant and equipment	(3,315)	(92)	-	27	(3,380)
Property, plant and equipment in progress	-	-	-	-	-
Depreciation/Provisions	**(22,683)**	**(722)**	**-**	**27**	**(23,379)**
Net amount	**12,658**	**(703)**	**-**	**4**	**11,959**

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

Property, plant and equipment mainly include 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)	**09/30/2018**	**03/31/2018**
Non-consolidated securities	500	500
Deposits and guarantees > 1 year	5,867	7,060
Net amount	**6,367**	**7,560**

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)	**09/30/2018**	**03/31/2018**
SCI Les studios de Paris	-	-
Investments in associates	-	-

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.

3.6 Trade receivables

(in thousands of euros)	**09/30/2018**	**03/31/2018**
Trade receivables - nominal value	55,755	59,787
Provisions for trade receivables depreciation	(4,051)	(4,398)
Net value of trade receivables	**51,704**	**55,388**

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)	**09/30/2018**	**03/31/2018**
Advances and down-payments to suppliers	2,382	2,465
Support funds & COSIP (audiovisual support)	11,203	12,342
Tax and social security credits	21,469	22,332
Other receivables	29,208	19,188
Gross amount	**64,262**	**56,326**
Depreciation provisions	(901)	(901)
Net amount	**63,361**	**55,424**

At September 30, 2018, the CNC receivable broke down as follows: €7.9 million for the "Producer" subsidies fund, €2 million for the "Distributor" fund, €0.9 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, 2018 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 Dividends

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)	**09/30/2018**	**03/31/2018**
Bonds > 1 year		
Deposits and guarantees received	728	727
Other loans and related debt > 1 year	125	375
Total Loans maturing > 1 year	**853**	**1,102**
Bonds < 1 year		
Bank loans		
Other loans and related debt < 1 year	3,328	23,564
Production credits	234,228	235,352
Bank loans and overdrafts	14,848	9,023
Marketable securities	(678)	(678)
Cash and cash equivalents	(30,777)	(32,434)
Net debt	**221,802**	**235,929**

This decrease in net debt is mainly attributable to the partial repayment as at September 30, 2018 of the production debt related to the series *Taken* (repayment of €9.4 million), and by hedging instruments for €10.1 million.

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.

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, 2018, 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, 2018.

3.11 Financial instruments

The Group’s cash requirements are covered by its operating cash flows, as well as authorized overdrafts, the factoring of sales receivables, and specialized production loans.

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

	09/30/2018		Breakdown by category of instruments				
(in thousands of euros)	**Net book 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**	**Derivative instruments**
Non-consolidated equity holdings							
Other non-current financial assets	6,977	6,977			6,977		
Other current financial assets	82	82			82		
Derivative instruments - assets							
Cash and cash equivalents	31,456	31,456	31,456				
Financial assets	**38,514**	**38,514**	**31,456**	**-**	**7,059**	**-**	**-**
Debt > 1 year	853	853			728	125	
Debt < 1 year	252,261	252,261	(236)			252,640	
Derivative instruments - liabilities							
Financial liabilities	**253,115**	**253,115**	**(236)**	**-**	**728**	**252,765**	**-**

	03/31/2018		Breakdown by category of instruments				
(in thousands of euros)	**Net book 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**	**Derivative instruments**
Non-consolidated equity holdings							
Other non-current financial assets	7,560	7,560			7,560		
Other current financial assets	731	731			731		
Derivative instruments - assets							
Cash and cash equivalents	33,112	33,112	33,112				
Financial assets	**41,403**	**41,403**	**33,112**	**-**	**8,291**	**-**	**-**
Debt > 1 year	1,102	1,102			727	375	
Debt < 1 year	267,939	267,939	(8,771)			276,710	
Derivative instruments - liabilities							
Financial liabilities	**269,041**	**269,041**	**(8,771)**	**-**	**727**	**277,085**	**-**

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 inputs other than Level 1 inputs;
- level 3 includes inputs 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 senior 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, 2018:

(in thousands of euros)	**09/30/2018**	***Maturities***		
		< 1 year	**1-5 years**	**> 5 years**
Fixed rate financial assets	-			
Variable rate financial assets	31,456	31,456		
Financial assets not exposed	7,059	82	6,367	610
Financial assets	**38,514**	**31,538**	**6,367**	**610**
Fixed rate financial liabilities	-			
Floating-rate financial assets	252,386	252,261	125	
Financial liabilities not exposed	728		728	
Financial liabilities	**253,115**	**252,261**	**853**	**-**

The following is a summary of the fluctuations in interest rate risk and sensitivity at September 30, 2018 (assumption used: 0.5 point increase in interest rates):

(in thousands of euros)	**Fixed rate**	**Variable rate**	**Not exposed**	**Total**
Financial assets		31,456	7,059	38,514
Financial liabilities		252,386	728	253,115
Net equity before hedging	**-**	**(220,930)**	**6,330**	**(214,600)**
"Hedging"		-		-
Net equity after hedging	-	(220,930)	6,330	(214,600)
Sensitivity	**-**	**(1,105)**		**(1,105)**

- *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.

On September 30, 2018, the adjustment to fair value of currency hedging instruments stands at €383 thousand, against € (8,771) thousand on March 31, 2018.

09/30/2018	Liquidation value (EUR)	Maturities < 1 year	1-5 years	> 5 years	Market value (EUR)	Fair value adjustment (EUR)
Outright sale EUR/USD	25,975	25,975			26,211	(236)
Outright purchase EUR/USD	68,131	68,131			68,750	618
Total EUR / USD	**94,107**	**94,107**	**-**	**-**	**94,961**	**383**
Outright sale EUR/CAD	-	-			-	-
Outright purchase EUR/CAD	-	-			-	-
Total EUR / CAD	**-**	**-**	**-**	**-**	**-**	**-**

Thus, the net impact of the change in the fair value of currency hedging instruments on the period's financial income stood at €9,154 thousand at September 30, 2018.

- *Liquidity risk:*

The liquidity risk EuropaCorp is exposed to concerns the production and distribution of cinematographic works. As a matter of fact, in general several months pass between the date investments are made to produce and promote a film and the actual collection of broadcasting revenues. This temporary delay can mean that bank loans have to be taken out. 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 $225.8 million (of which 18% in dollars, i.e. $40 million, and 82% 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 lien 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 contact 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, 2018:

(in thousands of euros)	**09/30/2018**
Trade receivables	51,704
Marketable securities	-
Other receivables exposed to credit risk	-
Total	51,704

- *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, 2018.

In addition, at September 30, 2018, EuropaCorp held 34,228 treasury shares with a value of €55 thousand.

(in thousands of euros)	**Other companies' or UCITS shares portfolio**	**Treasury shares portfolio**
Assets position	Nil	55
Off balance sheet	Nil	-
Overall assets position	Nil	55

3.12 Trade payables and other current liabilities

Breakdown of other liabilities by type:

(in thousands of euros)	**09/30/2018**	**03/31/2018**
Trade payables	**51,370**	**58,969**
Equity investment liabilities	**-**	**399**
Advances and down, payments on orders	3,098	2,493
Taxes and social security contributions payable	12,811	27,661
Miscellaneous liabilities	50,715	44,024
Total other financial liabilities	**66,624**	**74,178**
Total operating liabilities	**117,994**	**133,546**

Miscellaneous liabilities at September 30, 2018 are mainly expenses comprising repayments to rights-holders and costs incurred for ongoing productions, and the debt of €37.5 million (equivalent to $43.4 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, 2018, 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 €6,704 thousand at September 30, 2018 relating to productions yet to be released via the chosen media.
Other current assets also included the portion of bank commissions with maturity within one year, for €2,555 thousand, spread over the life of the two credit lines, as well as €55 thousand in treasury shares.

The other non-current assets include, for €305 thousand, the amount of expenses 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 within one year amounted to €25,070 thousand.

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

(in thousands of euros)	**09/30/2018**	**03/31/2018**
TV rights items	25,318	27,825
Undelivered international sales	6,848	13,681
Subsidies	1,509	853
Other deferred income	2,136	2,041
Total deferred income	**35,810**	**44,399**

<u>NOTE 4 – NOTES TO THE CONSOLIDATED PROFIT AND LOSS STATEMENT</u>

4.1 Revenue

(in thousands of euros)	**09/30/2018**	**09/30/2017 (restated)**	**09/30/2017 (published)**
Production	52,821	91,148	91,488
Distribution	6,124	35,933	35,933
Video	8,829	8,890	8,935
Events	107	309	309
Miscellaneous	12,943	1,367	1,445
Revenue	**80,823**	**137,648**	**138,110**
Of which support funding generated	*2,305*	*2,010*	*2,010*
Of which revenue from exports	*19,348*	*103,131*	*103,131*

Consolidated revenue for EuropaCorp Group was €80.8 million, compared with €137.6 million for the first half of the previous financial year, i.e. a decrease of 41%.

<u>"Production" revenue:</u>

International Sales stood at €11.8 million, or approximately 15% of total revenue. That is a decrease of €58.2 million compared with the first half of the previous year (€70.1 million at September 30, 2017), because of the international delivery of *Valerian and the City of a Thousand Planets* during the first half of 2017/2018. They included notably the delivery of *Taxi 5* and overages collected on the films *Lucy, Taken 3* and *Valerian and the City of a Thousand Planets.*

Television & SVOD sales in France and the United States totaled €18.3 million in the first half of 2018/2019, up €5.3 million (+41%) on the first half of the previous financial year (€12.9 million at September 30, 2017). This growth is linked to the opening of new broadcasting rights windows in France, notably *Valerian and the City of a Thousand Planets and Coexister*, as well as *Lucy* and *Taken 2*.
Revenue from TV series amounted to €19.8 million, compared with €4 million at September 30, 2017 (+€15.8 million). This growth is mainly due to the delivery to NBC of the last 6 episodes from the second season of the international series *Taken*, as well as the international sales of this same series.

Revenues from derivative rights (partnerships, licenses, etc.), post-production and co-production signed by the Group totaled €14.0 million in the first half of the year, compared with €4.1 million in the first half of the previous year. This line item includes the producer's share of net revenue for *Taxi 5* and revenues from line production (*Kursk*).

The other item of "Production" revenues is the "Producer" financial subsidy (€1.9 million).

<u>"Distribution" revenue:</u>

Theater admissions in France generated €5.7 million in revenue, due in particular to the release of *Taxi 5* during the period, compared to €13.6 million during the first half of the previous financial year with the release of *Valerian and the City of a Thousand Planets.*
No films were released in American theaters during those six months, compared with three releases during the first half of the previous financial year (revenue of €21.9 million) thanks to the release of *Valerian and the City of a Thousand Planets.*

The other item of "Distribution" revenues is the "Distributor" financial subsidy (€0.4 million).

<u>"Video" revenue:</u>

The Video & VOD segment in France and the United States stood at €8.8 million and represented around 11% of the half-year revenues, compared to €8.9 million during the first half last year. It is mainly driven by the video and VOD sales from the United States for €6 million.
Sales primarily concern:
- For films from the lineup, *Taxi 5*, released in DVD in August 2018 in France;
- For films from the catalogue, *Valerian and the City of a Thousand Planets*, *Coexister* and *Carbone* notably.

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.

<u>"Events" Revenue:</u>

Event activities generated revenues of €0.1 million and correspond to the revenues generated by Blue Event over the period.

4.2 Operating margin

EuropaCorp Group's operating margin amounted to €9.4 million (or 11.7% of revenue) at September 30, 2018 compared with €(31.9) million (or -23.1% of revenue) at September 30, 2017, an improvement of €41.3 million mainly due to the absence of losses on the US distribution business, compared with €(49) million in operating losses in the first half of the previous financial year (releases of the acquisitions *The Circle* and *Their Finest*, and of *Valerian and the City of a Thousand Planets* during the first half of 2017/2018).

4.3 Overheads

Overheads amounted to €(13.6) million for the half-year ended September 30, 2018, decreasing compared to the level of overheads relative to the first half of the previous financial year, namely €(20.4) million. This saving of €6.9 million compared to the first half of the previous financial year (-34%) confirms the effectiveness of the measures implemented by the Group to reduce overheads.

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, 2018, net of the re-invoicing of the share of rent paid by Front Line and other sub-lessees 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 expenses amounted to €(51.0) million (compared with €(12.6) million euros over the first half of the previous year) and were affected by the impairment of the intangible asset relating to the distribution of films in the United States for an amount of €(51.4) million, given the revision of the forecasted net future receipts generated by this activity.

4.5 Financial income

(in thousands of euros)	**09/30/2018**	**09/30/2017**
Net debt financial income	(8,485)	(7,830)
Other financial income and expenses	(7,718)	(2,404)
Financial income	**(16,204)**	**(10,234)**

Financial income over the half-year was a loss of €(16.2) million compared with €(10.2) million at September 30, 2017, mainly reflecting financial interest incurred during the period, particularly on the secondary credit line, as well as unrealized net foreign exchange losses during the period.

"Other financial income and expenses" mainly includes realized and unrealized foreign exchange differences, as well as the share of bank fees relating to the establishment of credit lines (including costs related to lines that have been refinanced), which are spread over the maturity of those credit lines.

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)	**09/30/2018**	**09/30/2017**
Current tax	(1)	898
Deferred tax	(9,340)	(5,415)
Total tax income / (expense)	**(9,342)**	**(4,517)**

The deferred tax charge for the year mainly corresponds to the partial impairment of the deferred tax asset related to the capitalized tax losses carried forward of the EuropaCorp Films USA subsidiary, for €(9.4) million.

NOTE 5 – OTHER INFORMATION

5.1 Notes on the statement of cash flows

Cash flows from operations

At September 30, 2018, operating activity generated a net cash flow of €35.6 million, compared to €74.8 million at September 30, 2017. This decrease is mainly due to the significant level of receipts by September 30, 2017 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 receipts for this film in French theaters.

Cash flows from investments

As of September 30, 2018, net cash used in investing activities amounted to €(13.5) million compared to €(30.6) million as of September 30, 2017, a decrease of €17.1 million, mainly due to a decrease in investments in film and TV series production, which amounted to €(9.8) million compared to €(54.1) million as of September 30, 2017. This decrease is due to significant investments over the course of the first half of the previous year in the production of *Taxi 5* and *Carbon* especially, and in the second season of the TV series *Taken*.

Cash flows from financing

At September 30, 2018, net cash flows from financing activities totaled €(23.6) million. This amount is mainly due to the partial repayment, as at September 30, 2018, of the production debt relating to the television series *Taken*.

5.2 Related party transactions

Agreements signed with related parties were identified in the 2017/2018 Registration Document filed with the French Financial Markets Authority (AMF) on July 26, 2018, in Chapter 19 "Related party agreements" and Note 5.2 "Related party transactions".
Besides those described in the 2017/2018 Registration Document, there were no new agreements with related parties made during the first half of 2018.

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

(in thousands of euros)	**09/30/2018**	**03/31/2018**
Statement of financial position		
Receivables		
Trade receivables and other operating receivables	2,438	3,151
Debit balances and other current financial receivables	107	107
Debt		
Other non-current financial liabilities	585	585
Trade payables and other operating liabilities	81	112
Financial current accounts receivables	-	(1)
Profit and loss statement		
Revenue	286	6
Operating expenses	572	(41)
Financial expenses	-	-
Financial income	-	1

5.3 Commitments and contingent liabilities

The Group off-balance sheet commitments at September 30, 2018 are as follows (in thousands of euros):

Commitments received in favor of EuropaCorp (in thousands of euros)	**09/30/2018**	**03/31/2018**
Commitments from clients		
For the cinematographic business	*43,316*	*60,300*
Support funds for audiovisual activities	*1,974*	*2,266*
Financial commitments for leases**	12,818	13,983
Total commitments received	**58,108**	**76,549**

*** Relates to the sub-lease agreements for the Cité du Cinéma business park.*

Commitments to third parties (in thousands of euros)	**09/30/2018**	**03/31/2018**
Financial commitments for leases*	39,105	42,660
Vine Participation	38,874	36,523
Financial commitments for cinematographic investments	1,634	6,399
Total commitments made	**79,613**	**85,582**

** 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 - made)	**-21,505**	**-9,033**

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.

As of September 29, 2017, the subletting agreement between EuropaCorp and Front Line was terminated. At the same time, the subletting agreements concluded by Front Line with sub-tenants are taken by EuropaCorp.

5.4 Subsequent events

- **Distribution partnership**

On December 7, 2018, EuropaCorp announced a distribution partnership for France with Pathé Films, covering three films per year for a period of three years. This partnership, related to films produced or coproduced by EuropaCorp, will begin with the films "*Nous finirons ensemble*" by Guillaume Canet and "*Anna*" by Luc Besson. The terms and conditions of this partnership will be decided film by film.

TOTAL 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, line production, income from co-production, etc.

- *Production and distribution of TV films and series*:
  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, funding means 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

9/30/2018	Production and distribution of films	Production and distribution of TV films and series	Events	Other	Non allocated items	Total
Net goodwill	8,595	0	0	0		8,595
Net intangible assets	118,530	13,709	481	0		132,720
Property, Plant and Equipment (net)	11,916	3	34	5		11,959
Other net financial assets	6,367	0	0	0		6,977
Investments in associates	0	0	0	0		0
Deferred tax assets	17,491	31	0	14		17,536
Other net non-current assets	1,684	0	0	0		1,684
Total non-current assets	*164,584*	*13,744*	*515*	*19*		*179,471*
Inventory	596	0	0	0		596
Net trade receivables	50,326	1,184	402	31		51,943
Other net receivables	54,184	7,389	140	1,716		63,428
Other net current assets	8,573	27	135	21		8,146
Cash and cash equivalents	30,869	527	53	149		31,599
Total current assets	*144,547*	*9,127*	*731*	*1,918*		*155,712*
TOTAL ASSETS	**309,131**	**22,871**	**1,246**	**1,936**		**335,183**
Equity - Group share					*-79,130*	*-79,130*
Non controlling interests					*306*	*306*
Provisions for pensions and other post-employment benefit	539	0	0	0		539
Deferred tax liabilities	258	731	95	71		1,156
Bonds and financial liabilities > 1 year	375	0	0	0		125
Deposits and guarantees received	728	0	0	0		728
Equity investment liabilities > 1 year	0	0	0	0		0
Other non-current liabilities	7,144	-8,064	200	13,357		12,637
Total non-current liabilities	***9,045***	***-7,333***	***295***	***13,428***		***15,186***
Bonds and financial liabilities < 1 year	245,218	6,935	0	1		252,404
Provisions for risks and expenses	2,760	0	0	52		2,811
Trade payables	45,558	974	48	4,457		51,436
Equity investment liabilities	0	0	0	399		0
Other financial liabilities	62,900	3,912	97	191		67,100
Other current liabilities	27,604	8,301	0	-10,834		25,070
Total current liabilities	***384,039***	***20,122***	***146***	***-5,735***		***398,822***
TOTAL LIABILITIES	**393,085**	**12,789**	**441**	**7,693**		**335,183**
Films and audiovisual rights investments	-27,045	36,817				9,772

6.3.2 Consolidated profit and loss statement by operating segment

9/30/2018	Production and distribution of films	Production and distribution of TV films and series	Events	Other	Total
Revenue	**48,401**	**19,810**	**107**	**13,091**	**81,410**
Cost of sales	-50,239	-16,463	-100	-4,993	-71,795
Operating margin	***-1,837***	***3,347***	***6***	***8,099***	***9,615***
General and administrative expenses	-13,364	-296	-21	-15	-13,697
Other operating income and expenses	-58,587	0	0	0	-58,587
Operating profit (loss)	***-73,789***	***3,051***	***-15***	***8,083***	***-62,669***
Financial income	**-15,634**	**-569**	**0**	**0**	***-16,204***
Income tax	-5,597	-469	14	-3,305	-9,358
Share of net income of associates	0	0	0	-622	-622
Share of non-controlling interests	0	64	-15	0	50
Net income - Group share	***-95,020***	***1,949***	***13***	***4,156***	***-88,902***

C – STATUTORY AUDITORS' REPORT

Period of April 1 to September 30, 2018
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, 2018;
- verifications on the information provided in the half-yearly activity report.

These interim condensed 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.

Without questioning the aforementioned conclusion, we draw your attention to the Note 2.2 "New standards and interpretations applied" of the interim condensed consolidated financial statements concerning the first application of the standards IFRS 15 and IFRS 9.

II. Specific verification

We have also verified the information presented in the half-yearly activity 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 interim condensed consolidated financial statements.

Paris and Lyon, December 20, 2018

The Statutory Auditors,

Auditeurs & Conseils Associés	**Premier Monde**
Represented by Olivier Juramie	Represented by Arnaud Malivoire

D – PERSON RESPONSIBLE FOR THE DOCUMENT

I certify that, to my knowledge, the interim condensed 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 activity 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, 2018

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Luc Besson
Chief Executive Chairman