



EUROPACORP

PRESS RELEASE

2018/19 half-year results

- Return to a positive operating margin of €9.4 M, against €(31.9) M in H1 2017/18
- Continued overhead cost reduction, in decrease by 34% compared to H1 2017/18
- Non-recurring impairments with no cash impact for about €(80) M

Saint-Denis, December 13, 2018 – EuropaCorp, producer and distributor of films and TV series, announces today its revenue and consolidated half-year results as at 30 September 2018.

Half-yearly results – H1 2018/19

Consolidated income (€ million)	Présentation IFRS 5*					
	30 Sept. 2018 (6 months)	30 Sept. 2017 (6 months)	Variation (€M)	30 Sept. 2018 (6 months)	30 Sept. 2017 (6 months) - restated	Variation (€M)
Revenue	81,4	140,2	-58,8	80,8	137,6	-56,8
Cost of sales	-71,8	-172,1	100,3	-71,4	-169,5	98,1
Operating margin	9,6	-31,9	41,5	9,4	-31,9	41,3
<i>% of Revenue</i>	<i>11,8%</i>	<i>-22,8%</i>		<i>11,7%</i>	<i>-23,1%</i>	
Operating income	-62,7	-55,3	-7,4	-55,1	-64,9	9,8
<i>% of Revenue</i>	<i>-77,0%</i>	<i>-30,2%</i>		<i>-68,2%</i>	<i>-47,2%</i>	
Financial income	-16,2	-10,2	-6,0	-16,2	-10,2	-6,0
Net Income (Group share)	-88,9	-70,6	-18,3	-88,9	-70,6	-18,3
<i>% of Revenue</i>	<i>-109,2%</i>	<i>-41,1%</i>		<i>-110,0%</i>	<i>-51,3%</i>	

* To be compliant with IFRS 5, the activity related to the catalogue Roissy Films, held for sale as of 30 September 2018, has been restated within the consolidated H1 2018/19 and H1 2017/18 financial statements above. The net income for that specific line of business as of 30 September 2018 (-7,6 M€) and 30 September 2017 (-0,7 M€) has been booked directly in « Net Income – Group Share ».

Same for the activities Music Publishing and French Television, sold or held for sale as of 30 September 2017, with a net result of +10,4 M€ for H1 2017/18.

- **Revenues of €80.8 M, down by €(56.8) M compared to H1 2017/18, due to the fact that *Valerian and the City of a Thousand Planets* was in the lineup of the first semester of last financial year**

Foreign Sales amounted to €11.8 M, or about 15% of total revenue. They are down by €(58.2) M compared to N-1, because of the international deliveries of *Valerian and the City of a Thousand Planets* during H1 2017/18. 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*.

Revenue from **Theatrical Distribution** stood at €5.7 M against €35.5 M during H1 2017/18 which comprised notably the release of *Valerian and the City of a Thousand Planets*, or a decrease of €(29.8) M. The semester was marked by the theatrical release of *Taxi 5* with 3.7 million admissions in France.

The **Video & VOD** segment in France and the United States came in at €8.8 M, versus €8.9 M last year. This turnover was mainly driven by the video sales (physical and VOD) in the United States, for €6 M.

The main sales were:

- 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*, *Coexist* and *Carbone* notably.

Television sales & SVOD in France and the United States rose to €18.3 M in H1 2018/19, up by +€5.3 M (+41%) compared to N-1. 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*.

Revenue for the **TV Series production** activity amounted to €19.8 M, up by +€15.8 M compared to N-1. 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.

- **Return to a positive operating margin of €9.4 M: operations of H1 2018/19 generated an operating margin of €19.2 M but the operating margin of the semester was hampered by the €9.8 M impairment of a film to be released during the following semester. Given the recognition of non-recurring impairments, a loss of €(88.9) M was incurred this semester, compared to €(70.6) M for the first semester of last financial year**

Consolidated net loss was €(88.9) M, versus €(70.6) M during the first semester of the previous financial year which was marked by the poor performance in theaters of films distributed in the United States.

The loss of H1 2018/19 is due to non-recurring impairments for €(80.7) M, with no cash impact:

- (a) The impairment of the intangible asset relating to the distribution of films in the United States for an amount of €51.4 M, given the revision of the forecasted net future receipts generated by this activity;
- (b) A partial impairment of the US deferred tax assets, for an amount of €9.4 M, given the revision of the US forecasted net future receipts as well;
- (c) The impairment of a film not yet released and greenlighted in 2016, for an amount of €9.8 M, to reflect the current revenue estimates;
- (d) The impairment of the goodwill *Roissy Films* for €7.6 M;
- (e) A €2.4 M decrease in the French deferred tax assets linked to the decrease of the tax rate.

The operating margin stood at +€9.4 M versus €(31.9) M for H1 2017/18, or an increase of +€41.3 M mainly linked to the absence of losses on the US distribution activity, against €(49) M of operating losses in N-1.

Overheads were at €(13.6) M, or a decrease of €6.9 M compared to N-1 (-34%), confirming the effectiveness of the measures implemented by the Group to reduce general expenses, which had already decreased by €15.9 M (-30%) at the closing of the previous fiscal year.

Half-year financial income was €(16.2) M, versus €(10.2) M in N-1, and consisted essentially of financial interests incurred over the period, notably on the Secondary line of credit, as well as unrealized foreign exchange net losses.

After taking into account taxes for €(9.3) M (against €(4.5) M in N-1), half-year Net income (Group share) was €(88.9) M.

➤ **Cash-flows**

The net operating cash flows of the semester amounted to +€35.6 M, versus +€74.8 M for the first semester of last financial year. This decrease is linked to the cashing last year of the Minimums Garantis 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 this first semester, the Company invested €9.8 M in the production of films and series, versus €54.1 M during the first semester 2017/18. This decrease is due to the significant investments last year in the series *Taken season 2* and in the films *Taxi 5* and *Carbone*. Investments of this semester were mainly on the production of English-language and French-language films (*Anna* and *Nous finirons ensemble*).

➤ **Key events since the beginning of the 2018/2019 financial year**

As announced on September 20, 2018, the Company has entered into exclusive negotiations with the group Gaumont in view of taking over the activity of exploitation of films from the catalog *Roissy Films*. This process of sale, still in progress, is subject to the realization of various suspensive conditions.

➤ **Financial structure**

As of September 30, 2018, net debt was €221 M versus €230 M in N-1. 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.

Other sales of non-strategic assets may occur in the short or medium term to reinforce the financial capacity of the Company.

➤ **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 7 November 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 Company 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 semester due to the non-recurring impairments, EuropaCorp will recognize a FY 2018/19 significantly in deficit.

ABOUT EUROPACORP

Founded in 1999, EuropaCorp has become one of Europe's leading film and television studios.

The company's global activities span the entire film value chain with expertise in production, theatrical distribution, video and VOD sales, international sales, soundtrack publishing, and television sales. By directly managing the production and distribution process, EuropaCorp is able to maintain quality and creativity throughout the lifecycle of a film or television project. The company has produced or coproduced over 110 films, distributed nearly 160 films in French cinemas, and owns a catalogue of more than 500 French and English language titles. Since 2000, the company has produced 8 of France's 20 highest grossing films based on worldwide box-office. Starting in 2010, the company has been active in producing television movies and episodic television series for platforms around the world.

EuropaCorp was founded by French director, screenwriter and producer Luc Besson.

For more information, go to www.europacorp.com

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