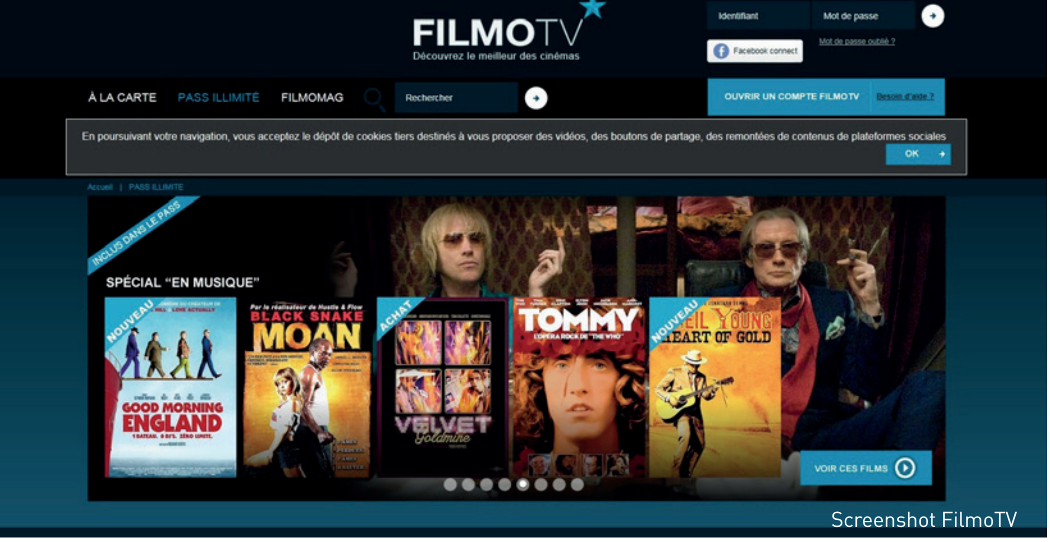




wild bunch

# ANNUAL REPORT
2017



Screenshot FilmoTV

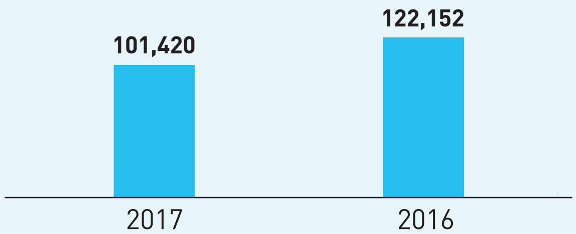

Guapo Siempre


Loveless


The Miseducation of Cameron Post

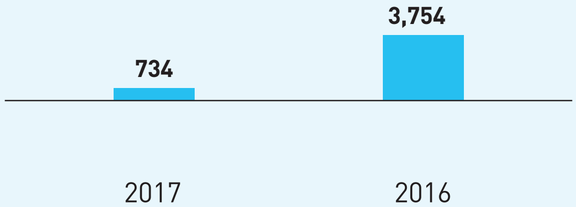
# HIGHLIGHTS

## REVENUES
in € thousand




## GROSS PROFIT
in € thousand

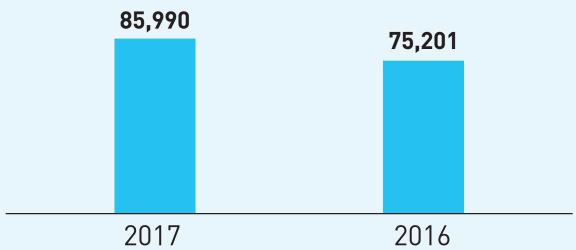

## ADJUSTED EBIT
in € thousand




## ADJUSTED EARNINGS PER SHARE in €


## CASH FLOW FROM OPERATING ACTIVITIES in € thousand


## NET DEBT in € thousand




- Successful closing of a Group-wide financing with Bank Leumi, from which € 21,877 million were made available to Group members in the 2017 financial year.
- Sales decreased to € 101,420 million, at the same time further improvement of the Gross profit margin to 17.7 %
- Positive operating result (EBIT) of € 0,73 million burdened by restructuring costs
- Wild Bunch generates positive cash flow from operating activities of € 26,418 million

# CONTENTS

# COMPANY PROFILE

**Wild Bunch AG (hereinafter referred to as "Wild Bunch" or "Group") was created in 2015 by the merger between the German entertainment company Senator Entertainment AG (hereinafter "Senator") and the European film distribution company Wild Bunch S.A. Based in Berlin and Paris, the group is a leading independent film distribution and production services company that is listed on the Regulated Market (General Standard) of the Frankfurt Stock Exchange.**

## THE BUSINESS MODEL – ACTIVE IN THE AREAS OF ACQUISITION, FILM FINANCING, CO-PRODUCTION, FILM DISTRIBUTION AND INTERNATIONAL SALES WITH AN INTERNATIONAL DISTRIBUTION NETWORK

The Group is a leading innovative independent European film distribution and production services company actively engaged in the areas of acquisition, film and TV financing, co-production, film distribution and world distribution. The company offers a wide range of sales services. As a major player in international sales via its sales labels Wild Bunch International Sales, Elle Driver, Versatile and Wild Bunch TV but also in direct distribution, Wild Bunch has established a worldwide distribution network that includes direct sales in four countries:

- France with Wild Bunch Distribution SAS and Wild Side Video SAS,
- Italy with BIM Distribuzione s.r.l.,
- Germany with Wild Bunch Germany GmbH and Central Film Verleih GmbH and Austria with Wild Bunch Austria and
- Spain with Vértigo Films S.L.

With its VOD / SVOD service FILMO TV in France, Wild Bunch also positioned itself in the market of direct electronic distribution early on. Furthermore, Wild Bunch also has a presence in the field of film production with, among others, its brand Senator Film Produktion based in Berlin. Wild Bunch continuously supplies the entertainment sector with high-quality content – whether through its expertise in identifying attractive projects, its global network of filmmakers or its proven expertise in international film financing. With founding of the label Wild Bunch TV, production activities have been further expanded since 2015. The new label focuses on the co-production and distribution of TV series for the international TV market.

Wild Bunch currently has a total library of over 2,500 film titles and co-finances and/or distributes up to an additional 100 new independent films a year. Well positioned thanks to both a long-standing reputation widely recognized by the global film business and its large and artistically diverse selection of international auteur films, the group considers itself well positioned and has already ensured the successful international sales as well as strengthen the reputation of numerous films. International successes have been achieved with well-known films such as THE ARTIST, BLUE IS THE WARMEST COLOR, DHEEPAN, DRIVE, FAHRENHEIT 9 / 1 1, THE GRANDMASTER, INTOUCHABLES, THE KING'S SPEECH, DER KLEINE NICK, MARCH OF THE PENGUINS, PAN'S LABYRINTH, THE READER, SIN CITY, SPIRITED AWAY, TWO LOVERS, VICKY CRISTINA BARCELONA or VICTORIA.

The company is wholly committed to provide the finest in international cinema to distributors and broadcasters in the field of international cinema throughout the world.

## THE MANAGEMENT – EXPERIENCED MANAGEMENT TEAM

Wild Bunch's business activities are managed by an experienced management team. As Chief Executive Officer (CEO) of Wild Bunch, Vincent Grimond brings his many years of experience in management positions in the film industry to the Group. He has a global network in the media and entertainment sector and previously served as CEO of StudioCanal and Senior Executive Vice President of Universal Studios. Brahim Chioua is the Chief Operating Officer (COO), who has long-standing experience in operational management in the media industry. He has an extensive network of influential producers and filmmakers in France and abroad. Prior to founding Wild Bunch, he was responsible for the worldwide production and distribution of films at StudioCanal. Third board member is Chief Content Officer (CCO) Vincent Maraval, who has over 25 years of experience in the acquisition and distribution of feature films. Max Sturm completes the board of Wild Bunch AG as Chief Financial Officer (CFO). Max Sturm joined Senator Entertainment AG in 2013. Prior to that he had worked for Constantin Medien AG, where he was Managing Director of the Sports Segment.

## THE STRATEGY – TAILOR-MADE PRODUCTS FOR PROFITABLE GROWTH

Wild Bunch has set itself the goal of further expanding its position as a leading independent European film distribution and production services company. The strong international network and the new group's even more efficient structures are to be used to further advance the activities – especially in the core markets – and to make first-class films and TV series available to film distributors worldwide and to all distribution platforms for films, from the cinema to digital video services. Besides further penetration of existing markets, the development of new market segments is an essential part of its growth strategy. In light of the ongoing digitization and consequently the change from linear television consumption to on-demand TV, the company sees itself as a pioneer in the development of innovative solutions for production, distribution and international sales. The company is actively shaping this radical paradigm shift and is continuously working commercializing content via digital channels. Tailor-made, attractive content and services for the entertainment sector - in short, this is the way Wild Bunch aims to achieve profitable growth in the years to come.

# REPORT OF THE SUPERVISORY BOARD

In the following report, the Supervisory Board details its activities in the 2017 financial year, in particular regarding the type and scope of the audit of the Company's management and regarding consultations within the Supervisory Board, compliance with the requirements of the German Corporate Governance Code (GCGC), the audit of the annual financial statements of Wild Bunch AG and the Group, and personnel changes in the Company's executive bodies. In accordance with the recommendation of the GCGC, the Supervisory Board has a sufficient number of independent members.

## COOPERATION BETWEEN THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

In 2017, the Supervisory Board performed the tasks and duties required of it by law and by the Articles of Association. It monitored the activities of the Management Board on an ongoing basis and regularly accompanied it in an advisory capacity in the management and strategic orientation of the Company.

The Supervisory Board was kept informed regularly, promptly and comprehensively by written and verbal reports from the Management Board. The reports contained all relevant information on business development and the position of the Group, including the risk situation and risk management. Deviations in the course of business from the approved plans were presented, justified and discussed. The Management Board coordinated the strategic orientation of the Group with the Supervisory Board and discussed with it all business transactions of significance to the Company, its future strategic orientation and the future financing of the Group. The Supervisory Board was involved in all decisions of fundamental importance to the Company.

The Management Board continued to inform the Supervisory Board about the most important key financial figures and submitted business transactions requiring the approval of the Supervisory Board, or which were of particular importance to it, in good time for a resolution. The Supervisory Board was also informed in detail by the Management Board between meetings of special propositions and plans of an urgent nature to the Company and – if necessary – subject to a voting procedure carried out in writing. The Chairman of the Supervisory Board was also regularly informed outside of the Supervisory Board meetings of the current business situation and significant business transactions, as well as existing risks within the Company.

The Supervisory Board performed its audit activities, inter alia and to the extent not separately described in this report, by receiving and discussing reports from the Management Board, employees and external auditors.

## MEETINGS OF THE SUPERVISORY BOARD

Four Supervisory Board meetings were held in 2017, three of which were personally attended by members of the Board at the Berlin and Paris locations and one which was held as a conference call. The participation rate of the members in the meetings of the Supervisory Board was 96 %.

## COMMITTEES

The Supervisory Board has the following two committees, which ensure that it performs its duties efficiently: the Audit Committee and the Investment Committee. The Audit and Balance Sheet Committee consisted of the following members in the 2017 financial year: Wolf-Dieter Gramatke, Pierre Tattevin and Tarek Malak. Pierre Tattevin also serves as an independent financial expert (IFC) of the Supervisory Board. The Investment Committee comprised the following members: Prof. Katja Nettesheim, Tarek Malak, Benjamin Waisbren and Hans Mahr.

Due to the complexity of the 2015 and 2016 financial statements, the Audit Committee met three times in 2017. There was no meeting of the Investment Committee.

## DISCUSSIONS IN THE SUPERVISORY BOARD

The development of sales and earnings of the Company and the Group, the financial and liquidity situation, the status of work on the annual financial statements, the further development of the business model and the strategic orientation of the Group were the subject of regular reporting by the Management Board and of discussions at the meetings of the Supervisory Board and its committees.

In the first half of the year, the meetings focused primarily on the preparation of the 2015 and 2016 annual financial statements for the Group and Wild Bunch AG and related topics, the search for investors, the procurement of outside capital and the status and progress of negotiations with creditors, particularly at the level of Wild Bunch S.A. in France. In the course of the year, the focus was on the further securing of liquidity, the search for investors, the implementation of structural measures and related individual issues, and the liquidity situation of the Group.

The main issues discussed by the Supervisory Board with the Management Board were the further operational integration of the French, Italian and Spanish divisions into the Group as a whole, in particular their consolidation in the balance sheet and their presentation in the 2015 and 2016 annual financial statements completed in the 2017 financial year, and the further financing of the Company's operating activities, primarily through the conclusion of a credit facility agreement for EUR 30 million between the German, Spanish and Italian subsidiaries of the Group and the Israeli-American Bank Leumi.

In particular, the following topics of the Supervisory Board meetings deserve special mention:

- Advising the Management Board on the preparation and presentation of the 2015 and 2016 annual financial statements (individual and consolidated financial statements) and the necessary documentation of the underlying audit issues and advice on optimising the processes for the services to be audited by the company.
- Advising the Management Board on strategic investments in companies, in particular on financing options.
- Advising the Management Board on the restructuring and reorganisation of Wild Bunch AG and Wild Bunch S.A., in particular on the development of an action plan.
- Advising the Management Board on the future strategy of the Group, in particular in the areas of TV and digital.
- Advising the Management Board on internal Group financing, in particular on the financing of the business activities of Wild Bunch S.A. and its parent company, Wild Bunch AG, and on the Group's liquidity organisation.

## RESOLUTIONS OF THE SUPERVISORY BOARD

At its meetings, the Supervisory Board passed resolutions on the approval of the budget prepared by the Management Board and the cash flow planning for the 2017 financial year, the adoption and approval of the annual and consolidated financial statements for the 2015 and 2016 financial years, and the adoption of the Dependency Reports and the corporate governance documentation for the 2015 and 2016 financial years. The Supervisory Board also passed resolutions on the selection of the auditor for the 2017 financial year and on the election of a new Chairman of the Supervisory Board.

## CORPORATE GOVERNANCE

At its meetings, the Supervisory Board dealt with corporate governance issues at the Company on several occasions. The Management Board and Supervisory Board agreed on the update of the Declaration of Conformity With the German Corporate Governance Code and issued the joint Declaration of Conformity pursuant to Section 161 German Stock Corporation Act (Aktiengesetz – AktG) in April 2018. It is permanently available to the general public on the Wild Bunch AG website, alongside earlier Declarations of Conformity. The Management Board and Supervisory Board have declared that the recommendations of the German Corporate Governance Code, as amended on 7 February 2017, have been and are being complied with, with the exceptions described in the Declaration of Conformity. In the Corporate Governance Report, the Management Board and Supervisory Board explain corporate governance separately.

## NOTES PURSUANT TO THE TAKEOVER DIRECTIVE IMPLEMENTATION ACT

In these Notes, the Supervisory Board scrutinised the information in the Management Report of Wild Bunch AG, the information in the Group Management Report in accordance with Sections 289 (4) and 315 (4) German Commercial Code (Handelsgesetzbuch – HGB) and the explanations of the Management Board. Reference is made to the corresponding notes in the Management Report/Group Management Report. The Supervisory Board has examined the information and explanations, and adopts them as its own. In the opinion of the Supervisory Board, they are complete.

## COMPOSITION OF THE SUPERVISORY BOARD

The following changes occurred in the composition of the Supervisory Board in the 2017 financial year: the Chairman of the Supervisory Board, Wolf-Dieter Gramatke, resigned from his office with immediate effect on 5 December 2017. At its meeting on 11 December 2017, the Supervisory Board elected Tarek Malak to succeed him as Chairman of the Supervisory Board. Prof. Katja Nettesheim resigned from office on 21 December 2017. The Supervisory Board has not yet appointed any new members.

## COMPOSITION OF THE MANAGEMENT BOARD

In the 2017 financial year, the Company's Management Board consisted entirely of Vincent Grimond, Brahim Chioua, Max Sturm and Vincent Maraval. Vincent Grimond is the Chairman of the Management Board.

## AUDIT OF THE FINANCIAL STATEMENTS OF WILD BUNCH AG AND THE GROUP AS OF 31 DECEMBER 2017

Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Hamburg, Germany, was appointed by resolution of the District Court of Charlottenburg on 29 December 2017 in conjunction with Section 318 (4) sentence 1 HGB and Section 37w (5) sentence 2 of the German Securities Trading Act (WpHG) as the auditor and Group auditor for the 2017 financial year and as the auditor of any review of interim financial reports prepared prior to the Annual General Meeting in 2018 for this financial year, and was commissioned by the Supervisory Board on 15 February 2018 to perform these audit activities. The audits focused on the annual financial statements of Wild Bunch AG and the consolidated financial statements, as well as the Group Management Report for the 2017 financial year, which were submitted by the Management Board and prepared in accordance with the provisions of the International Accounting Standards Board (IASB) and, in addition, in accordance with the commercial law provisions to be applied pursuant to Section 315a (1) HGB. The annual financial statements of Wild Bunch AG and the consolidated financial statements were issued with unqualified audit opinions.

The annual financial statements of Wild Bunc AG, the consolidated financial statements and the Group Management Report for the 2017 financial year were submitted to all members of the Supervisory Board. They were the subject of the meeting of the Supervisory Board on 6 August 2018, which was also attended by representatives of the auditor. These representatives were available to answer questions, and the Supervisory Board acknowledged and approved the results of the audit. According to the final result of its own examination, no objections were raised. The Supervisory Board approved the annual financial statements and the Management Report prepared by the Management Board as well as the consolidated financial statements and the Group Management Report. The annual financial statements for the 2017 financial year are thus adopted.

**REVIEW OF THE REPORT OF THE MANAGEMENT BOARD ON RELATIONS WITH AFFILIATED COMPANIES (DEPENDENCY REPORT)**

Due to the participation of Sapinda companies in the Company in the year under review, Wild Bunch AG is to be classified as a company dependent on a single shareholder in the year under review. There is no control and/or profit transfer agreement with Sapinda companies.

The Management Board of Wild Bunch AG has therefore prepared a report on the relationship with affiliated companies for the 2017 financial year for the period of dependence in accordance with Section 312 AktG (Dependency Report). The Management Board submitted the Dependency Report to the Supervisory Board in due time.

The Company's auditor audited the Dependency Report and issued the following audit opinion:

Based on our audit and assessment in accordance with professional standards, we confirm that

1. the factual information in the report is correct,
2. the consideration paid by Wild Bunch AG for the legal transactions listed in the report was not unreasonably high.

The auditor submitted his audit report to the Supervisory Board. The audit report was submitted to all members of the Supervisory Board. At their meeting on 6 August 2018, the members of the Supervisory Board discussed the audit report in detail with the members of the Management Board. The auditor who also attended the meeting reported on his audit and the main results thereof. The members of the Supervisory Board came to the conclusion that the audit report meets the legal requirements. In the course of its own examination, the Supervisory Board has not become aware of any indications of incorrectness or incompleteness, or of any other objections. The Supervisory Board concurs with the Management Board's proposal on the appropriation of results.

The Supervisory Board would like to thank the Management Board, management and employees for their high level of dedication and personal commitment.

The Supervisory Board

Berlin, Germany, 6 August 2018

Tarek Malak

Chairman

# THE SHARE

## SHARE PRICE PERFORMANCE

The shares of Wild Bunch AG (Senator Entertainment AG until 7 July 2015) are listed in the Regulated Market ("General Standard") of the Frankfurt Stock Exchange since 25 February 2008. In 2017, the share could not benefit from the overall positive performance of the stock market

The share started the stock market year with EUR 0.56 and saw its peak for the year shortly thereafter on 16 January at 0.80 euros. At the end of the year it was quoted at 0.22 euros. This corresponds to a market capitalization of around 18 million euros.

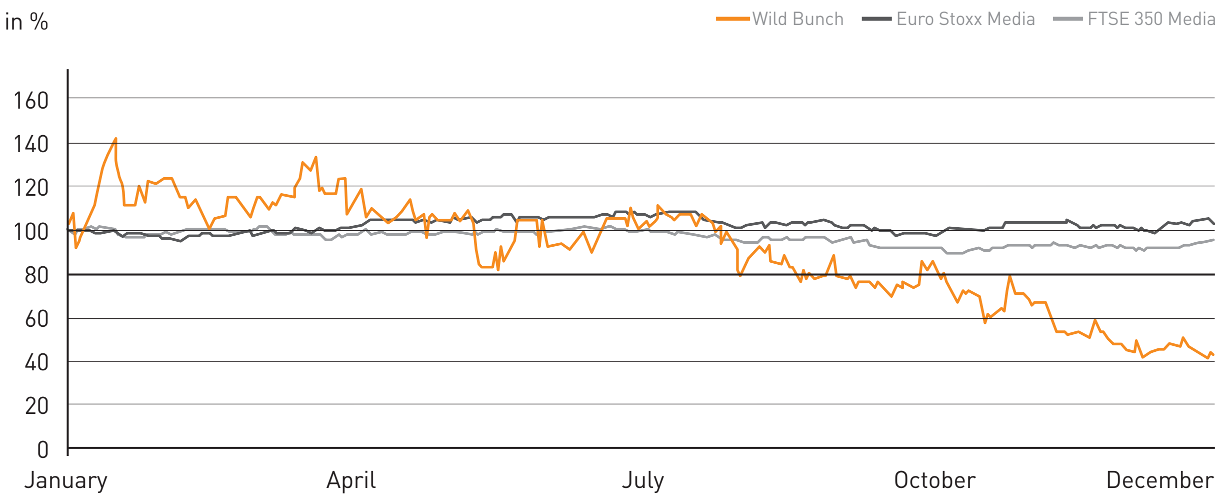
The negative price development reflects the extraordinary situation that the annual financial statements 2015 and 2016 could only be published late.The positive development of the business figures in 2016 compared to the previous year was unable to reverse the negative trend.

In addition to the share, Wild Bunch AG has issued a corporate bond with a volume of EUR 18 million and a term until March 2019 with international institutional investors. This bond was issued in March 2016 and was issued under WKN: A2AALE / ISIN: DE000A2AALE3 listed.

## KEY DATA

| | |
|---|---|
| German Securities Code | A13SXB |
| ISIN | DE000A13SXB0 |
| Ticker symbol | WBAG |
| Trading segment | Regulated Market General Standard |
| Type of shares | No-par value ordinary bearer shares |
| Initial listing (31 December 2017) | 25. Februar 2008 |
| Share capital (31 December 2017) | € 81,763,015 |
| Market capitalization (31. Dezember 2017) | € 17,98 million |

## PERFORMANCE (1 JANUARY – 30 DECEMBER 2017)



## GENERAL MEETING

There was no Annual General Meeting in 2017. The next Annual General Meeting with the presentation of the annual financial statements for the financial years 2015, 2016 and 2017 is planned to take place in summer 2018.

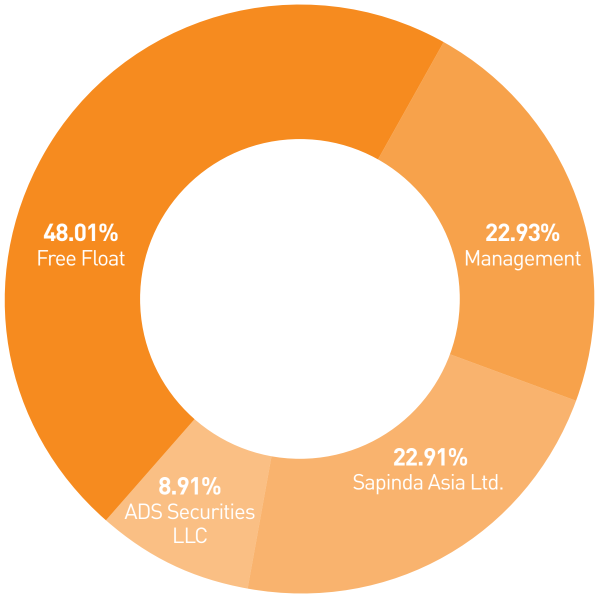
## STABLE SHAREHOLDERS STRUCTURE

48 percent of the shares of Wild Bunch AG are in free float. Furthermore, the shareholder structure of Wild Bunch AG is characterised by stable and long-term oriented major share-holders. Both the management of the company and the institutional investors Sapinda Asia each hold just under 22 percent of the shares. Approximately 8 percent is held by ADS Securities from Abu Dhabi.

## INVESTOR RELATIONS

The 2017 financial year was dominated by internal restructuring and the preparation of the annual financial statements for the preceding 2015 and 2016 financial years. Because of a limitation in resources in the financial sector, Wild Bunch AG's communication with the capital market was limited to the extent required by law.

## SHAREHOLDERS STRUCTURE



Under The Silver Lake

Croc-Blanc

Yokai Watch


Long Day's Journey Into Night

Pfefferkörner und der Fluch des Schwarzen Königs

# GENERAL INFORMATION ABOUT THE GROUP

# GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT

This is the management report of the Wild Bunch Group (hereinafter referred to as "Wild Bunch" or "Group"). It is a combined management report for Wild Bunch AG and the Group. Unless Wild Bunch AG or the Group is referred to specifically, the statements in this report apply equally to Wild Bunch AG and to the Group. The statements regarding the business performance and the net assets, financial position and result of operations of the Group made in this report are based on the consolidated financial statements prepared on the basis of the International Financial Reporting Standards (IFRS) as applicable in the EU.

Totals and percentages were calculated on the basis of non-rounded amounts in euros and may differ from a calculation based on amounts reported in thousands or millions of euros.

The statements relate primarily to the Group as of the reporting date of 31 December 2017. In order to help readers to understand certain issues, current developments are also outlined in various parts of the report. All significant changes that took place within the Group after the reporting date are also included in the report on subsequent events, which is contained in the notes to the 2017 consolidated financial statements.

All information in this report refers to the year 2017 as a whole.

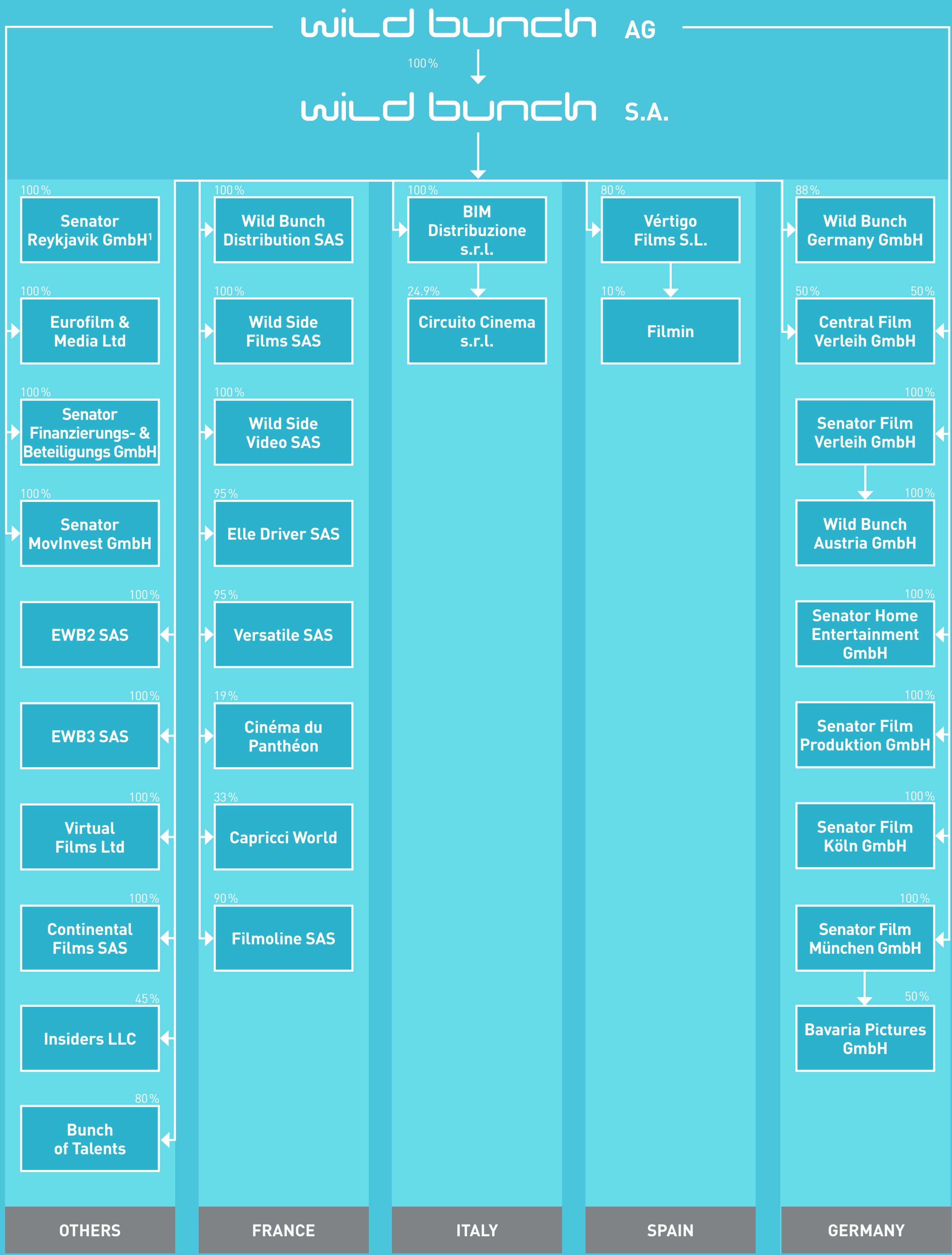
## 1. GENERAL INFORMATION ABOUT THE GROUP

The structure of Wild Bunch and the Group's individual operating segments are described on the following pages.

### 1.1 STRUCTURE OF THE GROUP AND ITS SEGMENTS

The Group is active in two segments: International sales, distribution and film production and Miscellaneous. As the parent company, Wild Bunch AG also acts as the Group's holding company and is responsible for general management, financial management, matters of corporate law, communications and IT services.

The Group structure as of 31 December 2017 is as follows:




[1] Senator Reykjavik GmbH is a 100 %-subsidiary of Senator Film Produktion GmbH

## 1.2 BUSINESS MODEL

Wild Bunch is a major independent European film distribution and production company. The company is active in direct sales in France, Italy, Germany, Spain and Austria, is active in international sales, finances co-productions and is active in the electronic direct sales of films and TV series. The Group's activities cover the entire value chain of film production and sales, from the production of feature films and international sales to cinema and digital distribution (TV, home entertainment, VOD/SVOD). Due to its diverse editorial policy, the company can continually offer new and innovative films from around the world by investing in European film productions as well as US and international independent films. Thanks to its international sales activities through the sales labels Wild Bunch, Elle Driver, Versatile and Insiders, the company can offer international motion pictures to film distributors and broadcasting corporations around the world. Wild Bunch strives to be different, and combines its indispensable tradition-based knowledge of handling talent and the production of high-value content with a radical and novel approach to the market and innovative strategies in order to maximise the commercial value of such content. This includes aligning the business to accommodate alternative sales channels against the backdrop of digitisation and focussing on the production and marketing of high-quality content in the film and entertainment market.

The company has developed a pan-European sales network and is currently operating as a direct distribution company in five markets: in France with Wild Bunch Distribution SAS and Wild Side Film SAS, in Italy with BIM Distribuzione S.r.l. (hereinafter "BIM"), in Germany with Wild Bunch Germany GmbH (hereinafter "Wild Bunch Germany") and Central Film Verleih GmbH, in Spain with Vértigo Films S.L. (hereinafter "Vértigo") and in Austria with Wild Bunch Austria GmbH.

As part of its corporate strategy, Wild Bunch would like to push on with its geographical and content expansion, provided that the necessary investment capital is available. With the Wild Bunch TV label, which was established in September 2015, the company is focussing on co-producing, financing and marketing international TV series. Under the label Wild Bunch Digital, the company began developing a unified digital strategy for its products in 2017.

Wild Bunch currently offers a library of over 2,500 films and TV series, covering a variety of genres, and also sells up to 100 new independent films per year. The size and quality of its film library has made Wild Bunch a crucial partner for all buyers, ranging from TV broadcasting companies to providers of digital video content.

Wild Bunch has developed alternative approaches towards commercialisation that are largely based on new electronic sales channels and the restructuring of process planning.

This has allowed the company to position itself on the electronic direct sales market with its French VOD/SVOD platform FilmoTV, for example. The company is also continually working on expanding the reach and content of FilmoTV through partnerships with traditional broadcasters.

In addition, Wild Bunch has become one of the first distribution companies in Europe to offer online cinema services through an alternative sales model in order to promote "event films" and their economic potential to the public.

In light of VOD's increasing share of the market worldwide and the limited availability of cinema screens, Wild Bunch is offering these films either directly to a number of VOD services, or, where legally permissible, simultaneously via VOD and a limited number of cinemas.

In addition to the further penetration of existing markets, the development of new market segments and innovative solutions in production, sales and distribution, and to the issue of geographical expansion, are all vital elements of the corporate strategy.

## 1.3 EMPLOYEES

In the 2017 financial year, the Group had an average of 155 employees. This equates to a decline of 3.13% compared with the average number of employees in the previous year (2016: 160 employees). This reflects efforts that were made to significantly reduce overheads over time.

## 1.4 RESEARCH AND DEVELOPMENT

Strictly speaking, Wild Bunch does not engage in any research and development activities. There are therefore no expenses that could be allocated to research and development.

## 1.5 MANAGEMENT SYSTEM

The Management Board has aligned the internal management system with the Group strategy and defined suitable performance indicators. One important element of the internal management and control system is the regular recording and updating of data by the controlling department, which is then reported to the Management and Supervisory Boards. The main object of the analyses and reporting are the performance indicators listed in 2.2. The basis for these analyses are the accounting-related internal control and risk management systems (see section 5, Key features of the internal control and risk management system), in particular the detailed risk recording and monitoring for the acquisition and distribution of films. A standardisation of accounting processes within the combined Group commenced in 2016. This is now due to be completed in 2018.


Lommbock


Tarde para la ira


YOMEDDINE


OSIRIS

# BUSINESS REPORT

# 2.1 MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

## 2.1.1 BUSINESS ENVIRONMENT

Wild Bunch Group's business operations focus largely on France, Germany/Austria, Italy and Spain. The economic performance of these countries is therefore of great significance to the Group. Its international sales activities and purchasing activities also mean the Group is active in overseas markets, such as the US.

According to the International Monetary Fund (IMF), the global economy grew 3.7% in 2017, outperforming even the growth of 3.2% seen in 2016. At 3.9%, growth is expected to pick up speed once again in 2018.

Gross domestic product (GDP) in the European Union rose 2.5% in 2017 according to Eurostat, the European Commission's statistical office.

Wild Bunch's core markets also recorded significant growth in 2017.

GDP in France climbed 2.0% in 2017, according to figures released by the French national statistics bureau INSEE, following an increase of 1.1% in the previous year. The IMF forecasts growth of 1.9% in 2018.

According to DESTATIS, the German statistical office, the German economy expanded by 2.2% in 2017, following expansion of 1.9% in the previous year. The main growth factor was domestic demand. The IMF forecasts growth of 2.3% for the German economy in 2018.

The Italian national institute of statistics, ISTAT, reported economic growth of 1.5% for Italy in 2017, compared with 0.9% in the previous year. According to the IMF, Italy will see similar growth of 1.4% in 2018.

According to IMF estimates, Spain's GDP has once again recorded solid growth at 3.1%, following 3.3% in the previous year. However, the IMF does expect momentum to dwindle somewhat, forecasting growth of just 2.4% for 2018.

This positive macroeconomic key data should also provide a fundamentally good environment for the media industry.

The exchange rate between the US dollar and the euro, which can have a significant impact on the business operations of Wild Bunch, declined markedly in 2017. At the beginning of the year, the exchange rate was EUR 0.95 to the US dollar. The US dollar continually depreciated over the course of the year and the exchange rate stood at just EUR 0.83 to the US dollar on the last trading day. The equates to a decline of approximately 13%.

Wild Bunch is also affected by developments in interest rates. Since March 2016, the European Central Bank's base rate has been 0%, and the deposit rate for banks has been -0.4%. The ECB intends to stimulate further economic recovery in the eurozone with these record low interest rates. In the USA, on the other hand, the Federal Reserve (FED) has raised the base rate slightly again, in several stages. Following increases in March and in December 2017, it is now within the range of 1.25% to 1.5%.

## 2.1.2 INDUSTRY-SPECIFIC ECONOMIC ENVIRONMENT

The 2017 financial year was characterised by a number of significant trends

- a sharp increase in demand for high-quality content,
- the rapid digitisation of the film industry and
- the internationalisation and concentration of business operations.

According to the PwC German Entertainment and Media Outlook 2017–2021, most characteristic of the change in the media industry is the direct-to-consumer marketing of content. Content providers have to gain customer loyalty by offering excellent content along with an exemplary user experience. The foundation of this is a simple-to-use platform and intuitive payment processing. Yet it is also important to tailor the offers to the individual recipient as much as possible in order to take customers' preferences into account and to offer content suggestions that are highly likely to be accepted. Just like the manufacturers of branded goods in the past, media content providers now need to turn users into hardcore fans who they can communicate with through numerous channels that allow for feedback. This fan base must then be monetised.

Wild Bunch was founded from the conviction that the film and entertainment industry is on the brink of far-reaching changes. The move towards digitisation and the corresponding change in the film and entertainment sector are also prompting changes in the development, production, financing, marketing and sales of motion picture entertainment. Several market indicators reflect this development: according to PwC Media & Entertainment Outlook 2017–2021, SVOD is one of the market segments experiencing the highest rates of growth and VOD (video on demand) is gradually replacing DVDs.

The increasing digitisation in the film and entertainment industry is constantly leading to new and varied content offers and changes in viewing behaviours, which in turn lead to additional players, such as multichannel networks or SVOD services like Amazon and Netflix, that are increasingly represented in Wild Bunch's core markets. This rate of progress in digitisation is resulting in more choices for the consumer.

Internationalisation and concentration of the film business is another market trend. Because technological change is going full steam ahead, the traditional media companies had to react in order to remain competitive in the face of giants such as Amazon and iTunes. Several large takeovers were therefore announced and initiated in this market: Disney, for example, made a USD 52.4 billion bid for 21st Century Fox in December 2017. Following a counter-offer from Comcast, Disney increased its bid to USD 71.3 billion; the merger with Time Warner as suggested by AT&T was approved in June 2018.

Wild Bunch considers itself to be well positioned to profit from these developments, with its renowned high-quality film library, its contact with talent around the world and its international sales and distribution network.

### 2.1.2.1 Cinema

According to research undertaken by the European Audiovisual Observatory, the number of cinema visitors in the European Union decreased by 0.7% to 985 million in 2017 (previous year: 992 million). The number of cinema visitors increased in 13 of the 25 countries included in the study, decreased in 7 and remained stable in 5. The largest decline was recorded in Italy at 12.9%. France also recorded a decrease of 1.8%. In Germany, 1.0% more cinema tickets were sold than in the previous year, while Spain was on a par with the European average, with a 0.7% decrease. The proportion of national films on show increased in virtually all European countries.

### *FRANCE*

In France, Europe's strongest cinema market, approximately 209.2 million cinema tickets were sold in 2017 (previous year: 213.1 million). This represents a decrease of 1.8%. The proportion of national films on show increased further to 37.4% (previous year: 35.8%).

### *GERMANY*

German cinemas recorded a 1.0% increase in 2017 with 122.3 million visitors, with 121.1 million visitors in the previous year. Revenue saw a disproportionate increase of 3.9%, rising to EUR 1.06 billion (previous year: EUR 1.02 billion). The share of national productions rose to 23.9%, following 22.7% in the previous year. The most successful film of 2017 in Germany was "Fack ju Göhte 3" with over 5.5 million visitors.

### *ITALY*

In 2017, Italy recorded Europe's largest decline at the box office. There was a decrease of 12.9%, with 99.2 million tickets being sold (previous year: 112.8 million tickets). A corresponding 11.9% decrease in income to EUR 613 million was recorded (previous year: EUR 695 million).

### *SPAIN*

The Spanish cinema market showed a slight decline in 2017, with 99.7 million cinemagoers (previous year: 101.8 million). This represents a slight decrease of 2.6%. Revenue fell by 1.8% to EUR 595 million (previous year: EUR 606 million).

## 2.1.2.2 Electronic distribution and home entertainment

The proliferation of on-demand services such Netflix, Amazon and Google Play are accelerating revenue growth on the digital video market. IHS Markit forecasts an increase in the European SVOD market from EUR 3 billion in 2016 to EUR 5.2 billion in 2020. In light of the decline in DVD sales, it also anticipates that SVOD will become the most prominent revenue driver in the home entertainment market. In its Media Outlook, PwC estimates that income from video-on-demand services is higher than cinema income by USD 1.88 billion and forecasts a final decline in DVD sales from USD 1.63 billion to just USD 714 million in 2020. The established VOD/SVOD platforms represent an important customer group for Wild Bunch's sales activities.

With rapidly rising user figures, Netflix and Amazon Prime Instant Video are the most important providers of SVOD services in Europe.

### *FRANCE*

According to GfK (the Society for Consumer Research) and CNC (French National Centre for Cinematography and the Moving Image), the French video market generated revenue of EUR 1.02 billion in 2017, following EUR 940 million in the previous year. The VOD/SVOD segment saw continued growth, with a strong increase in revenue of 43% to EUR 492 million (previous year: EUR 344 million). Nevertheless, the growth in the digital video market was not able to compensate for the revenue decreases in DVDs and Blu-ray sales. Following revenue from the sale of DVDs and Blu-rays of EUR 596 million in the previous year, growth declined in 2017 by 10% to EUR 536.6 million.

### *GERMANY*

According to GfK, the performance of the German video sector in 2017 was stable overall, and was up 3% on the previous year at EUR 1.83 billion (EUR 1.77 billion).

In Germany, SVOD also showed the strongest growth, with a 50% increase to EUR 488 million. This segment accounts for 27% of all spending on home video entertainment. This growth is also starting to consolidate in the older age groups. Until recently, it mostly came from young target groups. In total, there were 9 million SVOD subscriptions. The average user watched 5.3 feature films and 20.1 TV episodes on Netflix in 2017. Furthermore, the competition in streaming is heating up. According to PwC, Amazon holds the largest share of the market among the streaming providers in Germany with 36%, followed by Netflix with 21%, iTunes with 16% and Maxdome with 11%.

The digital distribution formats TVOD and EST also recorded further growth. With revenue of EUR 280 million, this segment accounts for 15% of the total market. This represents a 27% increase against the previous year.

Consumers spent EUR 1.06 billion on DVD and Blu-ray products in 2017, a decline of 14%. Physical lending also experienced a large decrease of 30%. Only 5% of all revenue, or EUR 84 million, is attributable to this segment.

Overall, the German market for electronic distribution and home entertainment remains one of the most profitable in Europe.

### *ITALY*

Total income from the Italian video market in 2017 amounted to EUR 340.2 million according to Univideo 2018, compared with EUR 376 million in 2016. The digital video market saw a sharp increase in 2017, with revenue of EUR 85.2 million (previous year: EUR 36 million); this equates to around 25% of all revenue in the home entertainment segment. In total, 5 million people in Italy, or 9.5% of the population over the age of 14, have bought at least one home video product in the past year.

Revenue from the sale of DVDs and Blu-rays decreased by 2.4% and amounted to EUR 206 million (previous year: EUR 211 million), with a total of 16.3 million units sold (-13.9%).

### *SPAIN*

There were 85 VOD providers in Spain in 2017. According to Statista, revenue of EUR 151 million was generated with digital TV subscriptions and EUR 75 million with other OTT video offerings in 2017.

Sales of DVDs and Blu-rays declined according to GfK by 13%, amounting to EUR 75 million.

### 2.1.2.3 TV

According to DHR/Digital TV Research, the European TV segment is undergoing changes as a result of the challenges posed by diverse competition and the battle between traditional broadcasters and large digital (streaming) content providers/ telecommunications providers over content. Additional challenges that pit traditional TV broadcasters against digital (streaming) providers include the increase in non-linear offers, an increasingly fragmented audience, the need to record more specific data to allow for targeted advertising, and the ambition to expand their programming to all over Europe.

TV remains the most consumed entertainment medium based on the total viewing duration, but it must hastily construct its digital future. This is because competition from large digital companies and younger viewing audiences is increasingly becoming the norm – circumstances that could undermine TV's position in the future.

Estimates for the year 2022 show 65 million SVOD subscribers in Europe (44.6 million in 2017), generating revenue of USD 6.5 billion.

Accordingly, the advertising market is shifting towards the digital arena, with more revenue being devoted to digital advertising than to traditional TV ads (source: DHR/MAGNA). The transition from TV to digital offers was confirmed in 2017. Income from digital advertising surpassed income from TV advertising for the first time in 2017: a decrease of 2% in TV ads to USD 178 billion and a 17% increase in digital ads to USD 209 billion. The market share for digital advertising stood at 41%, while TV took 35% of the market share in 2017; it is forecast that digital advertising will have 50% of the market share in 2020 at USD 291 billion (compared with USD 183.4 billion for TV).

The TV market will therefore adjust to the decline in advertising income and in doing so, must focus on growth and profitability in other areas. Yet TV broadcasters are already adapting to this new situation. DHR/Digital TV Research estimates cumulative revenue from digital distribution and paid TV packages in 2022 of USD 283 billion, an increase of 18% compared with 2016 (USD 239 billion). Experts therefore do not consider paid TV subscriptions to be outdated, instead forecasting one billion subscribers in 2022.

According to PwC, linear TV programming still takes the top spot in terms of average viewing duration per day. However, with the increasing availability of fast internet connections, a steady decline is to be expected, since viewers are increasingly interested in determining for themselves what content they access, when they access it and where. TV channels are providing their content through various means (mobile, tablet, TV, etc.) and orienting its approach to viewing habits, such as binge watching. The European market for paid TV packages is facing increasing competition from SVOD services such as Netflix and Amazon. Despite all of this, TV channels remain important partners to the film industry.

The western European paid TV market is almost saturated, according to DHR/Digital TV Research, but, in contrast to North America, will gain more subscribers between 2016 and 2022. This is an increase of 6.7%, or almost 7 million subscribers, reaching 106 million. In June 2017, western Europe exceeded 100 million paid TV subscribers.

### FRANCE

In France, the daily average TV viewing duration is 3 hours and 51 minutes, putting it well above the average daily internet use of 1 hour and 23 minutes. However, watching TV via catch-up services and through other streaming services is continuously increasing. More than 23% of the broadcasting time on French TV is taken up with feature films and TV series. In order to strengthen the domestic market, public broadcaster France Télévisions has announced that it will invest more than EUR 400 million in domestic productions each year. France Télévisions also plans to create its own SVOD service and launch it in 2018. The premium channel Canal+ has lost market share, as in the previous year, with 1.2% of viewers (previous year: 1.7%).

### GERMANY

According to estimates from the Association of Private Media (VAUNET), the dual system in Germany generated income from TV of approximately EUR 15.5 billion in 2016 (previous year: EUR 15.3 billion). Public broadcasters' total income amounted to approximately EUR 5.7 billion (previous year: EUR 5.6 billion) according to VAUNET estimates, of which approximately EUR 4.9 billion (EUR 4.9 billion) came from TV licenses, around EUR 0.3 billion (previous year: EUR 0.3 billion) came from TV advertising income and an estimated EUR 0.5 billion (EUR 0.5 billion) from other public TV income. Approximately EUR 2.3 billion was generated from the paid TV market in Germany in 2017, according to VAUNET estimates, which represents growth against the previous year of 7.2% or an increase of EUR 156 million. TV advertising on the German TV market, including public and private broadcasters, generated revenue of EUR 4.6 billion (previous year: EUR 4.5 billion – Revenue of audiovisual media in Germany in 2017, October 2017, VAUNET).

In the pay-TV segment, VAUNET estimates the number of subscribers at 8.7 million (previous year: 8.4 million) in German-speaking Europe (Germany, Austria, Switzerland) in 2017; of this figure, almost 90% of subscribers are based in Germany (7.9 million subscribers). In 2017, Germany had 103 premium channels.

In addition, OTT services are also on the rise, first of all with hybrid platforms such as Amazon Channels, Magine and Zattoo that offer linear and non-linear programming over the internet, and second with on-demand platforms such as Amazon Prime, Maxdome, Netflix and Sky Ticket.

### *ITALY*

In 2017, the TV market had a share of 63.4% of the entire advertising market in Italy, down 1.6 percentage points against the previous year. The shifting of advertising budgets away from TV and towards online offers is also noticeable in this market. The expected increase in income at the public broadcasting corporation RAI should be reflected soon after, in higher TV production budgets. Since July 2016, the general TV license fee (Canone RAI) for private TV viewing has been added to the electricity bill in Italy. The automatic integration of the TV license fee into the electricity bill is intended to prevent large-scale evasion of paying the fee.

### *SPAIN*

In 2017, approximately 48% of Spanish users' media consumption consisted of watching TV. The average TV viewing duration rose by 7 minutes to 240 minutes a day, according to a study conducted by the consultancy company Barlovento Comunicación. The number of paid TV subscriptions climbed a huge 22.3%, following a 20% increase in the previous year. According to CNMC (Comisión Nacional de los Mercados y la Competencia – National Advertising Commission), 6.1 million households in Spain had access to premium TV channels. The paid TV model has undergone significant change in Spain, since triple-play offers (premium TV, internet and mobile as one package) grew massively in 2016, with 4.7 million subscribers, while traditional paid TV fell to 0.9 million subscribers (source: Elmundo + Kantar Media, YCNMC).

### 2.1.2.4 Miscellaneous

The global film market remained very dynamic during the reporting period. In comparison with developments in traditional film consumption and an explosion in demand for content, growth in digital services is above-average.

The market has shown an increasing shift in competition towards the production of content: Apple has started producing exclusive original content and announced its intention to invest USD 1 billion in audiovisual content in 2018. This is just about on a par with Amazon's total investment in production. Netflix tops the list with an investment budget of USD 6 billion, while HBO intends to invest USD 2 billion in content in 2018. In total, Facebook, Apple, Amazon, Netflix and Google will invest USD 20 billion in content in 2018.

TV series production in the USA also continues to grow (up 7% against 2016; source: Les Echos – FX Networks). In the United States, 487 new TV series were shown in 2017. Of these 117 were TV series from new digital platforms like Netflix, Amazon and Hulu (2016: 90 TV series; 2010: 4 TV series).

But traditional TV also remains one of the main investors in original content. Screendaily reports that the USD 1 billion that Netflix has earmarked for original content in the whole of Europe is much less than the TV budgets of BBC and ITV in the UK (USD 2.3 billion and USD 1.3 billion respectively).

## 2.2 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

### FINANCIAL PERFORMANCE INDICATORS

The primary objective of the Wild Bunch Group is to sustainably increase the value of the company. Revenue, gross profit and earnings before interest and taxes (EBIT) are the decisive performance indicators within the Group.

| **Key figures** in € thousand | **2017** | 2016 |
|---|---|---|
| Revenue | 101,420 | 122,152 |
| Gross profit* | 17,985 | 20,051 |
| EBITDA | 47,265 | 61,868 |
| Operating result (EBIT) | 734 | 3,754 |

*Revenues plus other film related income minus cost of sales.

### NON-FINANCIAL PERFORMANCE INDICATORS

Beyond the financial performance indicators, non-financial performance indicators and success factors are also crucial to the company's performance. These are derived from the specific challenges posed by the business model.

#### *BOX OFFICE FIGURES*

In the International sales, distribution and film production segment, the box office business, where sales are generated from film screenings, is an important factor in profitability, as a success on the big screen also determines the next steps in distribution. Film distribution remains a volatile business in this segment and screenings of Wild Bunch films in 2017 showed the same level of volatility. Films distributed to cinemas by Wild Bunch Group generated net revenue of EUR 16,511 thousand (previous year: EUR 23,760 thousand).

#### *ACCESS TO RIGHTS*

The Group competes with others to acquire the rights to literary works and screenplays and to conclude contracts with successful directors, actors and film studios. That is why the Group maintains close relationships with renowned and experienced screenplay writers, directors and producers in Europe who evidently have the required amount of expertise in producing films for the big screen and for broadcasting on TV.

#### *SPECIAL EXPERTISE AND NETWORK OF CONTACTS*

Both technical expertise and content creation skills are vital, particularly in light of the increasing importance of the digital video market. Recruiting, training and retaining well-educated, professional, dedicated and creative employees is also paramount. A broad and reliable network of contacts, alongside forging business partnerships based on mutual trust, are also important factors in the Group's success.

## 2.3 BUSINESS PERFORMANCE

Business performance at Wild Bunch was characterised by our negotiations and the implementation of necessary financing measures in 2017. Following the conclusion of a credit facility agreement with the London-based commercial bank Leumi plc (UK) (hereinafter Bank Leumi) in April 2017, the financing measures could be partially implemented, allowing Wild Bunch to at least partially enact its strategic corporate planning. This includes, for example, further growth in the TV area, the completion of important bulk contracts with international SVOD providers, and the ongoing focus on local productions. The Group also managed to reduce overheads by another 3.9% to EUR 21.7 million (previous year: EUR 22.6 million).

- Traditional sales activities (theatrical distribution and international sales) recorded a 12.5% decrease to EUR 44.8 million (previous year: EUR 51.2 million) due to the Group's reduced ability to invest in film content.
- Development in the other sales channels was stable to satisfactory, whereby the focus was on SVOD sales activities, and thus the strategic approach paid particular attention to business with electronic sales platforms.
- In the 2017 financial year, Wild Bunch lived up to its reputation as a successful talent scout once more, for example, with its selection of the film GRADUATION by Cristian Mungiu, which was listed among the top 10 best films of 2017 in the US, and RAW by Julia Ducournau, which made it into the best 17 films of 2017 in the Vanity Fair rankings. Julia Ducournau received the Prix Louis-Delluc and was listed among the top 40 personalities of 2017 by Vanity Fair. The film had already been sold by Wild Bunch in all territories on the second film market of 2017 (Cannes).
- By establishing Wild Bunch Digital, Wild Bunch bolstered its uniform strategy for digital sales and thus improved the performance of its aggregation and digital sales activities. Despite lacking investment capacities in the 2017 financial year, Wild Bunch TV managed to gain a number of new TV series projects for international sale.
- Group companies also made progress in developing production and co-production activities. The Group co-produced or initiated the co-production of films such as LOMMBOCK, a German comedy co-produced by Senator Film Produktion, DIE PFEFFERKÖRNER UND DER FLUCH DES SCHWARZEN KÖNIGS by Christian Theede, the TV show production OLAF MACHT MUT, co-produced by Senator Film Produktion for MDR and broadcast by ARD, the film CLIMAX by Gaspar Noé in France, LES TRADUCTEURS by Régis Roinsard, GIRLS OF THE SUN by Eva Husson, QUITTE MOI SI TU PEUX by Alice Belaïdi, LES INTRUS by Gonzague Legout and LA PARANZA DEI BAMBINI by Roberto Saviano (the screenplay writer of GOMORRHA) in Italy.
- In the field of digital sales, Wild Bunch continues to focus on its relationships with the growing SVOD services and is deploying its multi-domestic/multi-content strategy. Despite our efforts, revenue declined by 17.2% in 2017 to EUR 7.2 million (previous year: EUR 8.7 million). Over the medium and long term, its expertise in dealing with digital providers, combined with its position as an independent producer and distributor, its aggregator model and, last but not least, its solid library, will enable Wild Bunch to generate considerably more revenue in the field of SVOD.

Wild Bunch's international sales, distribution and film production segment covers the entire distribution chain for films and in particular includes the distribution proceeds for films generated from theatrical distribution, international sales, electronic direct sales and home entertainment. Revenue in this segment decreased in 2017 to EUR 97.1 million in comparison with EUR 117.4 million in 2016.

In the Miscellaneous segment, revenue decreased from EUR 4.7 million in 2016 to EUR 4.3 million in 2017. In particular, the Group's SVOD platform and the marketing of music rights activities are pooled in this segment.

## 2.3.1 THEATRICAL DISTRIBUTION

The Group released a total of 50 films in the 2017 financial year (previous year: 58 films) in France, Germany, Italy and Spain, and generated total revenue in these countries, and to a lesser extent others, of EUR 16,511 thousand, compared with EUR 23,760 thousand in 2016. This decrease had a direct impact on the total comprehensive income for the year.

| Title | Director | Origin | Distribution company | Release date |
|---|---|---|---|---|
| A FOND | Nicolas Benamou | France | Wild Bunch Distribution | 12/21/2016 |
| MEDECIN DE CAMPAGNE | Thomas Lilti | France | BIM | 12/22/2016 |
| COMANCHERIA | David Mackenzie | USA | VERTIGO | 12/31/2016 |
| NERUDA | Pablo Larrain | Chile, Argentina, France, Spain, USA | Wild Bunch Distribution | 01/04/2017 |
| BALLERINA | Eric Summer, Eric Warin | Canada, France | Wild Bunch Germany | 01/12/2017 |
| ECONOMIE DU COUPLE | Joachim Lafosse | France, Belgium | BIM | 01/19/2017 |
| LOVING | Jeff Nichols | UK, USA | VERTIGO | 01/20/2017 |
| SI J'ETAIS UN HOMME | Audrey Dana | France | Wild Bunch Distribution | 01/25/2017 |
| 150 MG | Emmanuelle Bercot | France | BIM | 02/09/2017 |
| JACKIE | Pablo Larrain | Chile, France, USA, Hong Kong | VERTIGO | 02/17/2017 |
| I AM NOT MADAME BOVARY | Xiaogang Feng | China | VERTIGO | 03/10/2017 |
| GRAVE | Julia Ducournau | Italy, France, Belgium | Wild Bunch Distribution | 03/15/2017 |
| RADIN | Fred Cavayé | France | BIM | 03/16/2017 |
| LOMMBOCK | Christian Zübert | Germany | Wild Bunch Germany | 03/23/2017 |
| RED TURTLE | Michael Dudok De Wit | France, Belgium, Japan | BIM | 03/27/2017 |
| TARDE PARA LA IRA | Raùl Arèvalo | Spain | BIM | 03/30/2017 |
| DAVID LYNCH: THE ART LIFE | Jon Nguyen, Rick Barnes | USA, Denmark | VERTIGO | 03/31/2017 |
| RADIN | Fred Cavayé | France | Wild Bunch Germany | 04/06/2017 |
| BIENVENUE AU GONDWANA | Mamane | France | Wild Bunch Distribution | 04/12/2017 |
| A FOND | Nicolas Benamou | France | VERTIGO | 04/21/2017 |

| Title | Director | Origin | Distribution company | Release date |
|---|---|---|---|---|
| ÜBERFLIEGER (RICHARD THE STORK) | Toby Genkel, Reza Memari | Germany, Belgium, Luxembourg, Norway, USA | Senator/Wild Bunch Germany | 05/11/2017 |
| RÜCKKEHR NACH MONTAUK | Volker Schlöndorff | Germany, Ireland, France | Wild Bunch Germany | 05/11/2017 |
| SICILIAN GHOST STORY | Fabio Grassadonia e Antonio Piazza | Italy, France, Swiss | BIM | 05/18/2017 |
| RODIN | Jacques Doillon | France, Belgium, USA | Wild Bunch Distribution | 05/24/2017 |
| SAGE FEMME | Martin Provost | France | BIM | 05/31/2017 |
| THE JANE DOE IDENTITY | André Øvredal | UK, USA | Wild Bunch Germany | 05/31/2017 |
| K.O. | Fabrice Gobert | France | Wild Bunch Distribution | 06/21/2017 |
| SELFIE | Víctor García León | Spain | VERTIGO | 06/23/2017 |
| ON THE MILKY ROAD | Emir Kusturica | Serbia, UK, USA | Wild Bunch Distribution | 07/12/2017 |
| FALLEN | Scott Hicks | USA, Hungary | Senator/Wild Bunch Germany | 07/13/2017 |
| BUN IN THE OVEN | Nadège Loiseau | France | Wild Bunch Germany | 07/20/2017 |
| CHOUQUETTE | Patrick Godeau | France | Wild Bunch Distribution | 08/02/2017 |
| HAMPSTEAD | Joel Hopkins | UK | BIM | 08/03/2017 |
| YO-KAI WATCH | Shigeharu Takahashi and Shinji Ushiro | Japan | Wild Bunch Distribution | 08/09/2017 |
| RODIN | Jacques Doillon | France, Belgium, USA | Wild Bunch Germany | 08/31/2017 |
| PFEFFERKÖRNER UND DER FLUCH DES SCHWARZEN KÖNIGS | Christian Theede | Germany | Wild Bunch Germany | 09/07/2017 |
| ALIBI.COM | Philippe Lacheau | Franceh | VERTIGO | 109/15/2017 |
| UNA FAMIGLIA | Sebastiano Riso | Italy | BIM | 09/21/2017 |
| ROCK MY HEART | Hanno Olderdissen | Germany | Wild Bunch Germany | 09/28/2017 |
| FELT | Peter Landesman | USA | BIM | 10/12/2017 |
| REDOUTABLE | Michel Hazanavicius | Frankreich | VERTIGO | 10/13/2017 |
| AURORE | Blandine Lenoir | Frankreich | BIM | 10/26/2017 |

| Title | Director | Origin | Distribution company | Release date |
|---|---|---|---|---|
| AUS DEM NICHTS | Fatih Akin | Germany, France | BIM | 11/02/2017 |
| FELT | Peter Landesman | USA | Wild Bunch Germany | 11/02/2017 |
| DIE REISE DER PINGUINE 2 | Luc Jaquet | France | Wild Bunch Germany | 11/02/2017 |
| SENSE OF AN ENDING | Ritesh Batra | UK | BIM | 11/23/2017 |
| RACER AND THE JAILBIRD (LE FIDELE) | Michaël R. Roskam | Belgium, Netherlands, France | VERTIGO | 11/24/2017 |
| 12 JOURS | Raymond Depardon | France | Wild Bunch Distribution | 11/29/2017 |
| STARS 80 LA SUITE | Frédéric Auburtin, Thomas Langmann | France | Wild Bunch Distribution | 12/06/2017 |
| HISTOIRE DE L'AMOUR | Radu Mihaileanu | France, Canada, Romania, USA | BIM | 12/07/2017 |
| HEART (REPARER LES VIVANTS) | Katell Quilévéré | France | Wild Bunch Germany | 12/07/2017 |
| SENSE OF AN ENDING | Ritesh Batra | UK | VERTIGO | 12/08/2017 |
| BREATHE | Andy Serkis | UK | BIM | 12/14/2017 |
| GARDE ALTERNEE | Alexandra Leclère | France | Wild Bunch Distribution | 12/20/2017 |
| FINAL PORTRAIT | Stanley Tucci | UK | VERTIGO | 12/29/2017 |

### *FRANCE*

As in the previous year, Wild Bunch released 14 films in France in 2017, including the Chilean production NERUDA by Pablo Larrain (236,397 visitors), the Japanese anime film YO-KAI WATCH by Shigeharu Takahashi and Shinji Ushiro (230,397 visitors), the French comedy GARDE ALTERNEE by Alexandra Leclère (474,134 visitors), the new documentary by renowned film-maker and photographer Raymond Depardon, 12 DAYS (146,350 visitors) and the acclaimed horror film RAW by Julia Ducournau (154,256 visitors). In the reporting period, theatrical distribution in France generated revenue of EUR 7,301 thousand in total (previous year: EUR 10,654 thousand).

### *GERMANY*

Wild Bunch Germany and Senator Film Verleih released 13 films (previous year: 16 films) in theatres, including LOMMBOCK by director Christian Zübert, a film co-produced by Senator Film Produktion (341,600 visitors), DIE PFEFFER-KÖRNER UND DER FLUCH DES SCHWARZEN KÖNIGS by Christian Theede (326,000 visitors), ROCK MY HEART by Hanno Olderdissen (177,000 visitors) and the French-Canadian animated hit BALLERINA by Éric Summer and Éric Warin (279,000 visitors). In the reporting period, theatrical distribution in Germany generated revenue of EUR 5,653 thousand in total (previous year: EUR 3,944 thousand).

### *ITALY*

BIM released a total of 15 films (previous year: 17 films) in Italy, including IRREPLACEABLE by Thomas Lilti (estimated income of EUR 0.97 million/171,300 visitors) and 50 PRIMAVERE (AURORE) by Blandine Lenoir (estimated income of EUR 0.43 million/71,000 visitors). In 2017, theatrical distribution in Italy generated revenue of EUR 2,204 thousand in total (previous year: EUR 4,339 thousand).

### *SPAIN*

Vértigo released a total of 13 films (previous year: 19 films) in theatres in Spain, including the Oscar-nominated HELL OR HIGH WATER by David Mackenzie (161,000 visitors) and JACKIE, a biopic of the life of Jacqueline Kennedy by Pablo Larraín (134,000 visitors). In 2017, theatrical distribution in Spain generated revenue of EUR 1,353 thousand in total (previous year: EUR 4,518 thousand).

In 2017, Wild Bunch released a number of films in several of its markets at the same time, for instance FULL SPEED in France and Spain, THE SILENT MAN and PENNY PINCHER! in Italy and Germany, RODIN in Germany and France, and THE HISTORY OF LOVE and THE SENSE OF AN ENDING in Italy and Spain.

Some films released in 2017 were not able to meet their expectations. These included BIENVENUE AU GONDWANA by Mamane in France (68,454 visitors), IF I WERE A BOY by Audrey Dana in France (162,464 visitors), FALLEN by Scott Hicks in Germany (25,027 visitors) and THE HEART by Katell Quillévéré in Germany (3,716 visitors) and THE HISTORY OF LOVE by Radu Mihăileanu in Italy (24,220 visitors) and Spain (5,951 visitors).

In the current stage of Wild Bunch's strategic development, the success of the films released to theatres remains a material factor for the Group's revenue figures and profitability.

## 2.3.2 INTERNATIONAL SALES

As part of its international sales activities, Wild Bunch took on 37 films (previous year: 39 films) in 2017 via its international sales units Insiders, Versatile, Elle Driver and Wild Bunch International Sales. This included the Russian film CLOSENESS by Kantemir Balagov, RAW by Julia Ducournau, the latest film from the internationally acclaimed director Kore-eda Hirokazu THE THIRD MURDER, RODIN by Jacques Doillon, LOVELESS by Andrej Swjaginzew, RACER AND THE JAILBIRD by Michaël R. Roskam, I AM NOT MADAME BOVARY by Feng Xiaogang, IF I WERE A BOY by Audrey Dana, BELOW HER MOUTH by April Mullen, 7.19 AM by Jorge Michel Grau, SAFE NEIGHBORHOOD by Chris Peckover, S.M.A.R.T. CHASE by Charles Martin, and YOU WERE NEVER REALLY HERE by Lynne Ramsay, starring Joaquin Phoenix. YOU WERE NEVER REALLY HERE was nominated for the Best Film award at the Cannes Film Festival 2017 and won the Best Screenplay and Best Actor awards. Wild Bunch's international sales activities generated revenue amounting to EUR 28,274 thousand (previous year: EUR 27,454 thousand) in the reporting period.

### Wild Bunch TV

Wild Bunch TV, a label belonging to Wild Bunch S.A., Paris, was established in 2015 with the aim of initiating, identifying and co-developing TV series, making co-production and financing services available for TV series, and selling and marketing attractive TV offers worldwide. Wild Bunch TV boosted its sales activities with two new series: MAMA'S ANGEL by Keren Weissman was sold to 10x45' – YES TV (Israel) and THE EXCHANGE PRINCIPLE by Oded Davidoff was sold to 10x45' – HOT TV (Israel).

## 2.3.3 ELECTRONIC DIRECT SALES AND HOME ENTERTAINMENT

### VOD

The sales contribution from VOD/SVOD in the video market increased further in Wild Bunch's core markets in the reporting period. Wild Bunch also achieved good results with a number of conventional DVD releases. In the 2017 financial year, the Group generated significant revenue with Netflix on both a global and regional level, as well as through further sales to Amazon. Wild Bunch is well positioned to profit from the growing demand on the digital video market. Due to lower investment in new film content, revenue in the field of VOD/SVOD remained slightly under the previous year's level in 2017 at EUR 11,127 thousand (previous year: EUR 11,589 thousand).

### Home Video

In the field of home entertainment, Wild Bunch recorded a number of successes on the international market. This included GUARDIANS by Sarik Andreasyan, the most successful direct-to-video production. In France, it sold 22,000 copies on DVD and was sold 100,000 times via VOD. The sci-fi film THE OSIRIS CHILD by Shane Abbess, released in summer 2017 in France, also achieved good sales figures. It sold 22,000 copies on DVD and was sold 30,000 times via VOD. The thriller HELL OR HIGH WATER by David Mackenzie sold 27,000 DVDs and was downloaded 32,000 via VOD platforms in France. The sales figures in France for RAW by Julia Ducournau, with 10,000 sales each on DVD and VOD, and THE HISTORY OF LOVE by Radu Mihăileanu, with 4,000 DVD and 6,000 VOD sales, were disappointing. In total, Wild Bunch Group generated EUR 13,037 thousand (previous year: EUR 16,182 thousand) in revenue through the sale of home video units. The 19.4% decrease in revenue is in line with the general market trend and the shift towards downloading VOD content.

In Italy, the production SNOWDEN, with revenue of EUR 50 thousand in the field of TVOD and EUR 88 thousand in DVD and Blu-ray sales stood out the most (11,500 copies sold).

### TV sales

In the field of Free-TV and Pay-TV, Wild Bunch generated revenue of EUR 28,330 thousand in 2017 (previous year: EUR 31,887 thousand). This decline is primarily due to lower investing activity of the Group during the reporting period.

Films sold by Wild Bunch to TV broadcasters in 2017 achieved high viewing figures. 12 YEARS A SLAVE achieved a market share of 12.7% on Canale 5 in Italy. LA FAMILLE BÉLIER hit 6% when it was broadcast on Rai 3. In Germany, the first run of OLAF SCHUBERT TV SHOW on ARD averaged 1.04 million viewers per episode.

The attractiveness of the Wild Bunch film library was confirmed by solid revenue in France: films such as DETECTIVE DEE 2, DRIVE, THE SHOCK CORRIDOR and THE TIGER OF ESCHNAPUR by Fritz Lang were sold to ARTE. Canal+ broadcast titles such as TORO and HELL OR HIGH WATER. HEY GOOD LOOKING! (TF1 series) and AUGUST: OSAGE COUNTY (C8) were shown on various TNT channels. SAINT SEIYA was sold to Altice. Traditional TV broadcasters such as France 2 and France 3 also contributed to our sales success with CHANGING SIDES and HAUTE CUISINE respectively. In Italy, Wild Bunch also experienced diversity in sales activity, which was also due to new Freeview TV offers. Numerous films from our library were sold to a variety of TV broadcasters, such as Paramount, Comedy, Cielo, TV8 and Universal.

### Filmo TV

In the reporting year, FilmoTV expanded its inventory and closed a deal with Fox and Paramount to add titles from both production companies to its portfolio. In 2017, Filmo's online library exceeded 7,000 titles.  FilmoTV also continued to develop the innovative interface FilmoGeneric. The new development of several apps was also started in 2017. The apps will allow the company to better react to individual customer desires and increase customer loyalty. The first two apps have already been launched.

### Wild Bunch Digital

In light of developments on the market and the knowledge gained from its digital sales operations, Wild Bunch has decided to pool its digital sales activities. A new division, Wild Bunch Digital, was established in October 2017 for this purpose. Wild Bunch Digital specialises in the release of digital content, acquiring, co-producing and aggregating cinema, audiovisual and web content and marketing it across all digital services (online cinema services, VOD, SVOD, paid TV subscriptions and Free-TV). The Wild Bunch Group combines its pan-European and international strategies with its skills in developing, acquiring and marketing successful projects. Wild Bunch Digital therefore not only unites the digital sales operations of Wild Side, Wild Bunch and Wild Bunch TV but also offers content from additional providers.

On 28 September 2017, Wild Bunch Digital successfully released 47 METERS DOWN by Johannes Roberts in France via online cinema services. With 40,000 downloads on VOD, the film is the second most successful film released through online cinema services after WELCOME TO NEW YORK. The film also sold 8,000 DVD copies and was sold to the two French TV broadcasters Canal+ and TF1 TNT. Although online cinema is a very innovative sales format, its contribution to Wild Bunch's consolidated revenue remains limited.

## 2.3.4 OTHER INFORMATION

### SALE OF SHARES IN CIRCUITO CINEMA S.R.L.

During the 2017 financial year, BIM sold 10.57% of its shares in Circuito Cinema S.r.l, which had amounted to 35.47% of the total shares. The company now holds just 24.9% of shares in the Italian cinema operator. The shares were sold to co-shareholders for strategic reasons.

### FILM FESTIVAL AWARDS

Wild Bunch films once again received numerous awards in 2017. IN THE FADE (AUS DEM NICHTS) by Fatih Akin, distributed by BIM in Italy, won the Best Actress award (Diane Kruger) at the Cannes Film Festival and the Golden Globe for Best Foreign Language Film. LOVELESS by Andrej Swjaginzew, sold internationally by Wild Bunch International and in Germany by Wild Bunch Deutschland, won the Jury Prize in Cannes and the Best Film award at London Film Festival (BFI). YOU WERE NEVER REALLY HERE by Lynne Ramsay, distributed by Insiders, won the Best Screenplay award at Cannes and Joaquin Phoenix won the Best Actor award. THE MIS-EDUCATION OF CAMERON POST by Desiree Akhavan, distributed by Elle Driver, won the Grand Jury Prize at the Sundance Festival; THE FURY OF A PATIENT MAN by Raúl Arévalo, distributed by BIM in Italy, won four awards at the Spanish film award ceremony Goya for Best Film, Best Directing Debut, Best Supporting Actress and Best Screenplay. ÜBERFLIEGER by Toby Genkel and Reza Memari, distributed by Wild Bunch Deutschland and co-produced by Senator Film München, won the award for Best Animated Film at the Bavarian Film Awards.

## 2.3.5 OVERALL APPRAISAL OF BUSINESS DEVELOPMENTS

At a European level, Wild Bunch is one of the leading film distribution companies that has a certain buying and market power due to its strategic size and that is able to react to the rapid changes in the area of film rights distribution. The 2017 financial year was characterised by intense negotiations with investors and banks regarding the ongoing financial restructuring of the Group. As part of the refinancing plans, investments were cut by EUR 5.8 million against 2016 to EUR 44.5 million, while net debt rose to EUR 86 million, i.e. EUR 10.8 million higher than the net debt figure as of the end of 2016. Overall, Wild Bunch was able to push ahead with its strategic realignment. Examples of this are the developments seen in Wild Bunch Digital and Wild Bunch TV brands, and Insiders' innovative business model. The Group will have to make simultaneous further efforts and investment in the core business areas in order to grow again in this dynamic market environment in the future. For this reason, the Group has agreed on a bundle of measures with banks and investors that will enable the group to realign itself financially and set its course for the future in a strategic manner.

## 2.4 NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE GROUP

### ACTUAL DEVELOPMENTS IN COMPARISON WITH THE PREDICTED BUSINESS DEVELOPMENT

Sales revenue amounted to EUR 101.4 million in 2017, which was below the figures forecast by management, who were expecting a slight decline in comparison with the previous year (EUR 122.2 million). The theatrical field in particular did not meet expectations. Due to the shortfall in revenue, the EBIT forecast also was not met. Earnings before interest and taxes amounted to EUR 0.7 million, significantly below the prior-year figure of EUR 3.8 million. A slight increase had been forecast. By contrast, the EBITDA margin that the Management Board expected in the 2017 financial year of over 35% was surpassed with 47%. The higher gross profit than in the previous year (EUR 20.1 million) expected by the Management Board was not attained, reaching EUR 18 million in the 2017 financial year.

Taking into account the new borrowing under the Bank Leumi credit line, net debt also increased to EUR 85,989 thousand (previous year: EUR 75,201 thousand).

### 2.4.1 THE GROUP'S FINANCIAL PERFORMANCES

According to the IFRS consolidated financial statements, revenue declined by 17.0% to EUR 101.420thousand in the 2017 financial year (previous year: EUR 122,152 thousand).

Group sales revenue was divided as follows amongst the individual segments: the International sales, distribution and film production segment generated EUR 97,082 thousand in the 2017 financial year (previous year: EUR 117,416 thousand). Theatrical distribution made a significant contribution with EUR 16,511 thousand, or 16.3% (previous year: EUR 23,760 thousand, or 20.2%), as did international sales with EUR 28,274 thousand, or 27.9% (previous year: EUR 27,454 thousand, or 23.4%); electronic direct sales, home entertainment and TV contributed EUR 52,494 thousand, or 51.8% (previous year: EUR 59,658 thousand, or 48.8%), while film production contributed EUR 1,584 thousand, or 1.6% (previous year: EUR 4,345 thousand, or 3.7%). In addition, the Group generated revenue of EUR 4,338 thousand in the Miscellaneous segment (previous year: EUR 4,737 thousand).

Divided by region, Wild Bunch sales revenue was as follows in the 2017 financial year: at EUR 36,312 thousand, or 35.8% (previous year: EUR 41,718 thousand, or 34.2%), the company's largest share of revenue was attributable to France. Business operations in Germany contributed EUR 25,471 thousand, or 25.1%, to total revenue (previous year: EUR 31,382 thousand, or 25.7%). In the Group's other core markets, Spain generated revenue of EUR 4,452 thousand, or 4.4% (previous year: EUR 9,973 thousand, or 8.2%), while Italy generated revenue of EUR 6,459 thousand, or 6.4% (previous year: EUR 10,672 thousand, or 8.7%). Revenues in the remaining regions around the world amounted to EUR 28,725 thousand in the reporting period. This represents 28.3% of the total revenue (previous year: EUR 28,407 thousand, or 23.3%).

The production costs for the rendering of services required to generate sales revenue amounted to EUR 91,157 thousand in the 2017 financial year (previous year: EUR 111,832 thousand). Group expenses consisted particularly of costs associated with the sale of films in the amount of EUR 22,061 thousand (previous year: EUR 29,383 thousand), the amortisation of film rights in the amount of EUR 42,734 thousand (previous year: EUR 47,980 thousand) and licensor royalties in the amount of EUR 16,440 thousand (previous year: EUR 16,901 thousand). As a result, Group gross earnings for 2017 came to EUR 17,985 thousand (previous year: EUR 20,051 thousand). The gross earnings margin amounted to 17.7% (previous year: 16.4%). Both sales revenue and the costs that were taken into account to determine the gross profit margin partially include individual items valued in a foreign currency (primarily US dollars). In light of the considerable fluctuation in the US dollar/euro exchange rate, the earnings position of items in foreign currencies resulted in net earnings of EUR 855 thousand in the 2017 financial year (previous year: EUR 769 thousand in net expenses).

The Group's other operating income in the 2017 financial year amounted to EUR 9,404 thousand (previous year: EUR 7,649 thousand). These are largely due to the reversal of provisions in the amount of EUR 2,024 thousand (previous year: EUR 1,685 thousand), the derecognition of liabilities in the amount of EUR 708 thousand (previous year: EUR 3,556 thousand) and income from the reversal of write-downs on receivables in the amount of EUR 623 thousand (previous year: EUR 638 thousand). The Group's administrative expenses decreased further to EUR 21,663 thousand (previous year: EUR 22,618 thousand). This is particularly due to lower personnel costs of EUR 12,679 thousand (previous year: EUR 13,885 thousand) as a result of restructuring measures in the Group. Depreciation and amortization had a negative impact on administrative expenses in the amount of EUR 302 thousand (previous year: EUR 236 thousand). Despite the cost reductions achieved, the administrative expenses ratio increased due to low revenue to 21.4% (previous year: 18.5%). The Group's other operating expenses were considerably up in the 2017 financial year compared with the previous year at EUR 4,991 thousand (previous year: EUR 1,329 thousand). Exchange rate losses rose considerably in comparison with the previous year to EUR 4,160 thousand (previous year: EUR 1,225 thousand).

Earnings before taxes saw a marked decline in the reporting period to EUR -5,436 thousand (previous year: EUR -343 thousand). This was due to the significantly lower sales revenue. Group earnings before interest and taxes (EBIT) also decreased in the 2017 financial year to EUR 734 thousand (previous year: EUR 3,754 thousand). Financial income, primarily resulting from exchange rate gains of EUR 590 thousand (previous year: EUR 916 thousand) and interest income of EUR 280 thousand (previous year: EUR 48 thousand), amounted to EUR 897 thousand in 2017 (previous year: EUR 1,107 thousand). In contrast, interest expenses in the amount of EUR 5,753 thousand (previous year: EUR 4,489 thousand) led to Group financial expenses of EUR 6,809 thousand (previous year: EUR 5,313 thousand), resulting in a further decline in the financial result to EUR -6,170 thousand (previous year: EUR -4,097 thousand).

In total, tax expenses amounted to EUR 1,241 thousand (previous year: EUR 1,146 thousand) and primarily consisted of corporate taxes of EUR -845 thousand (previous year: EUR -2,066 thousand) and deferred taxes of EUR -157 thousand (previous year: EUR 2,231 thousand).

Consolidated net income for the 2017 financial year amounted to EUR -6,677 thousand (previous year: EUR 803 thousand). With an unchanged average of 81,763,015 shares in Wild Bunch AG outstanding as of 31 December 2017, this equates to earnings per share (basic/diluted) of EUR -0.08 (previous year: EUR 0.01).

## OVERVIEW OF KEY FIGURES

| in € thousand | **2017** | 2016 |
|---|---|---|
| Revenues | 101,420 | 122,152 |
| Total income | 109,141 | 131,883 |
| Gross Profit | 17,985 | 20,051 |
| Operatig result (EBIT) | 734 | 3,754 |
| Consolidated net income | -6,677 | 803 |
| EPS (€) | -0.08 | 0.01 |
| Net financial debt* | 85,990 | 75,201 |

*Net finance debt = debt minus cash and cash equivalent

## 2.4.2 EARNING POSITION OF THE SEGMENTS

The earning position of the segments in the 2017 financial year is as follows:

| in € thousand | International Sales and Distribution and Film Productions | | Other | | Total | |
|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| **Revenues** | **97,082** | **117,416** | **4,338** | **4,737** | **101,420** | **122,152** |
| Film-related income | 6,929 | 8,621 | 792 | 1,110 | 7,722 | 9,731 |
| Cost of sales | -88,251 | -107,882 | -2,906 | -3,950 | -91,157 | -111,832 |
| **Segment profit/loss** | **15,760** | **18,155** | **2,224** | **1,897** | **17,985** | **20,051** |
| Other operating income | | | | | | |
| Administration costs | | | | | 9,404 | 7,649 |
| Other operating expenses | | | | | -21,663 | -22,618 |
| **Operating profit/loss** | | | | | **-4,991** | **-1,329** |
| Financial income | | | | | 734 | 3,754 |
| Finance costs | | | | | 897 | 1,107 |
| Share of profit of associates or joint ventures | | | | | -6,809 | -5,313 |
| **Profit/loss before tax** | | | | | -258 | 108 |
| **Earnings before taxes** | | | | | **-5,436** | **-345** |

## 2.4.3 THE GROUP'S NET ASSETS

As of the reporting date of 31 December 2017, the Group's total assets amounted to EUR 282,446 thousand (31 December 2016: EUR 315,808 thousand). As of 31 December 2017, non-current assets amounted to EUR 214,352 thousand (31 December 2016: EUR 230,070 thousand). This includes intangible assets amounting to EUR 81,689 thousand (31 December 2016: EUR 95,593 thousand). The majority of this sum relates to film distribution rights that will be distributed in the coming months and years and will then contribute to sales revenue. The decrease in comparison with the previous year is associated with the decline in business volume and amortisation. The Group's non-current assets also include goodwill in the amount of EUR 124,454 thousand (31 December 2016: EUR 124,454 thousand). As of the reporting date of 31 December 2017, property, plant and equipment totalled EUR 1,156 thousand (31 December 2016: EUR 1,274 thousand). The other financial assets increased to EUR 2,511 thousand (31 December 2016: EUR 913 thousand), which is mainly due to the increase in deposited collateral. Deferred tax assets declined to EUR 1,763 thousand (31 December 2016: EUR 4,899 thousand). This is first and foremost due to the valuation allowance on deferred tax assets on loss carried forward based on their ability to be realised within a three-year planning horizon.

As of the 2017 reporting date, the Group's current assets amounted to EUR 68,094 thousand (31 December 2016: EUR 85,738 thousand). The decline in current assets as of the 2017 reporting date reflects the lower business volume in comparison with the previous year. Trade and other receivables amounting to EUR 36,020 thousand (31 December 2016:

EUR 42,090 thousand) form a considerable proportion of current assets. Current assets also include other current assets amounting to EUR 23,832 thousand (31 December 2016: EUR 33,743 thousand), largely resulting from VAT receivables and receivables from funding bodies. Cash and cash equivalents decreased as of the reporting date of 31 December 2017 to EUR 6,593 thousand (31 December 2016: EUR 7,170 thousand).

As of 31 December 2017, the reported equity amounted to EUR 81,175 thousand (31 December 2016: EUR 87,736 thousand). This equates to an equity ratio of 28.74% (31 December 2016: 27.8%).

As of 31 December 2017, liabilities of EUR 201,271 thousand were on the books (31 December 2016: EUR 228,072 thousand). Non-current liabilities totalled EUR 53,019 thousand as of 31 December 2017 (31 December 2016: EUR 64,215 thousand). This is particularly due to the framework credit agreement with Bank Leumi. Non-current financial liabilities decreased considerably to EUR 48,459 thousand (31 December 2016: EUR 56,198 thousand). You can find out more about maturities and securitisation of financial liabilities in the Notes to the consolidated financial statements. Deferred tax liabilities declined to EUR 2,881 thousand (31 December 2016: EUR 6,081 thousand).

Current liabilities as of 31 December 2017 amounted to EUR 148,252 thousand (31 December 2016: EUR 163,857 thousand). These include current financial liabilities of EUR 44,123 thousand (31 December 2016: EUR 26,173 thousand). The increase in current financial liabilities in comparison with the previous year is also due to the conclusion of a credit facility agreement with Bank Leumi. Trade payables and licensor royalties came to EUR 52,077 thousand (31 December 2016: EUR 71,216 thousand). Here, the lower business volume in the reporting period is also prominent. Other current liabilities amounted to EUR 49,080 thousand (31 December 2016: EUR 62,113 thousand) and consisted of EUR 14,455 thousand (31 December 2016: EUR 19,547 thousand) in deferred revenue, payable income tax and social security contributions, and liabilities to funding bodies.

### 2.4.4THE GROUP'S FINANCIAL SITUATION

In the 2017 financial year, Wild Bunch AG generated operating cash flow of EUR 26,418 thousand (pre vious year: EUR 37,793 thousand). This is primarily due to the reduced business volume in the 2017 financial year.

Cash flow from investing activity amounted to EUR -39,450 thousand in the 2017 financial year (previous year: EUR -43,126 thousand). This decrease was due to a lower level of investment in film distribution rights and other intangible assets amounting to EUR 44,510 thousand (previous year: EUR 50,259 thousand). Companies belonging to the Wild Bunch Group mainly invested in film distribution rights, scheduled for distribution over the coming months and years over individual value chains.

Cash flow from financing activities was positive, with cash inflow of EUR 12,490 thousand (previous year: EUR 3,863 thousand). While the raising of other financial liabilities (particularly the utilisation of the framework credit line from Bank Leumi and other financing) generated positive cash flow of EUR 36,172 thousand (previous year: EUR 13,336 thousand), a reduction in financial liabilities led to cash outflow of EUR -23,682 thousand (previous year: EUR -22,693 thousand). Please refer to the detailed information in the Notes to the consolidated financial statements regarding the provisions for, and structure of, the maturities of financial liabilities.

At the end of the financial year, the financial situation was tense overall. From the end of November 2017, the Group's French subsidiaries held court-supervised talks with creditors regarding the complete restructuring and partial deferment of liabilities of the French companies (see paragraphs 3.4 and 4.1.3).

Group cash and cash equivalents totalled EUR 6,593 thousand as of 31 December 2017 (previous year: EUR 7,170 thousand). Unused credit lines with banks amounted to EUR 1,597 thousand (previous year: EUR 16,700 thousand)as of the reporting date.

The equity ratio was 28.7% (previous year: 27.8%) and the proportion of medium and long-term financing in the overall financing was approximately 26.3% (previous year: 28.2%).

## 2.5 NET ASSETS, FINANCIAL POSITION AND RESULT OF OPERATIONS OF WILD BUNCH AG

**ACTUAL DEVELOPMENTS IN COMPARISON WITH THE PREDICTED BUSINESS DEVELOPMENT**

### 2.5.1 EARNINGS POSITION OF WILD BUNCH AG

At the level of the individual company Wild Bunch AG, revenue amounted to EUR 38 thousand (previous year: EUR 60 thousand) in 2017, whereby the decrease in revenue in comparison with the previous year is due to the fact that Wild Bunch AG does not deal with any new business operations following the merger with the Wild Bunch Group in 2015 and restricts itself to processing old business, which in terms of earnings is on the decline, as planned. Sales revenue primarily consists of home video proceeds of EUR 14 thousand (previous year: EUR 23 thousand) and proceeds from the utilisation of music rights of EUR 21 thousand (previous year: EUR 37 thousand).

Other operating income generated by the individual company amounted to EUR 696 thousand (previous year: EUR 2,187 thousand) and included, in particular, intragroup allocations to Wild Bunch AG for holding company services it provides in the areas of administration and financing as well as exchange rate income amounting to EUR 0.26 thousand (previous year: EUR 21 thousand).

The decrease in cost of materials largely corresponded with the decrease in sales revenue and amounted to EUR 14 thousand (previous year: EUR 17 thousand). As a result, based on revenue, the cost of materials ratio amounted to 36.8% (previous year: 28.3%). Excluding members of the Management Board, Wild Bunch AG employed an average of seven employees in the 2017 financial year (previous year: seven employees). Personnel expenses amounted to EUR 922 thousand in 2017 (previous year: EUR 901 thousand), whereby expenses for salaries and wages amounted to EUR 821 thousand in the reporting period (previous year: EUR 805 thousand).

The individual company's other operating expenses amounted to EUR 3,483 thousand in 2017 (previous year: EUR 3,083 thousand). These include, in particular, costs for the operating business such as rent, Supervisory Board costs, travel expenses and other administrative expenses.

Wild Bunch AG has concluded profit and loss transfer agreements with various subsidiaries, which also obliges Wild Bunch AG to cover losses. This resulted in expenses from covering losses of EUR 222 thousand (previous year: EUR 143 thousand). As the parent company, Wild Bunch AG assumes Group financing and provides the Group companies with liquid funds. To fulfil this role, it takes up loans from credit institutes as the main borrower and refinances itself through the capital market. Interest is charged on receivables and payables between the Group companies. Accordingly, other interest and similar income came to EUR 651 thousand in the 2017 financial year (previous year: EUR 773 thousand). This was offset by interest and similar expenses amounting to EUR 2,519 thousand (previous year: EUR 2,793 thousand).

The individual company generated markedly negative earnings before taxes (EBT) of EUR -2,517 thousand (previous year: EUR -6 thousand). The individual company's net loss in the 2017 financial year amounted to EUR 2,517 thousand (previous year: EUR 6 thousand). This was first and foremost due to the individual company's lower other operating income in comparison with the previous year and other operating expenses and personnel expenses on the same high level as in the previous year.

## 2.5.2 ASSETS AND FINANCIAL POSITION OF WILD BUNCH AG

The individual company Wild Bunch AG's total assets as of 31 December 2017 came to EUR 136,302 thousand (previous year: EUR 135,117 thousand). Fixed assets amounted to EUR 132,031 thousand (previous year: EUR 132,052 thousand), while as in the previous year, the vast majority consists of shares in affiliated companies, at EUR 111,698 thousand. Investments in associates amounted to EUR 2,108 thousand (previous year: EUR 2,108 thousand). Intangible fixed assets amounted to EUR 1 thousand (previous year: EUR 4 thousand); property, plant and equipment amounted to EUR 42 thousand (previous year: EUR 61 thousand).

Current assets amounted to EUR 4,040 thousand as of the 2017 reporting date (previous year: EUR 2,943 thousand). Due to the sale of DVD stocks, inventories decreased to EUR 4 thousand (previous year: EUR 8 thousand). Receivables and other assets, on the other hand, increased to EUR 3,972 thousand (previous year: EUR 2,590 thousand). This increase was due to higher receivables from affiliated companies in the amount of EUR 3,830 thousand (previous year: EUR 2,225 thousand). Trade receivables remained stable at EUR 1 thousand (previous year: EUR 1 thousand). Other assets decreased to EUR 140 thousand (previous year: EUR 363 thousand). As of the reporting date, Wild Bunch AG held cash and cash equivalents amounting to EUR 64 thousand (previous year: EUR 345 thousand).

As of 31 December 2017, Wild Bunch AG's equity amounted to EUR 95,862 thousand (previous year: EUR 98,379 thousand); as a result, the equity ratio amounted to 70.3% (previous year: 72.8%).

An extraordinary item for investment subsidies, under which the company accounts for subsidies from the "Improving the regional economic structure" programme, was down against the previous year at EUR 1 thousand (previous year: EUR 14 thousand) due to further reversals. At the end of the financial year, provisions amounted to EUR 823 thousand (previous year: EUR 1,287 thousand) and consisted of other provisions, such as provisions for outstanding invoices, auditing costs and paid leave provisions.

As of the 2017 reporting date, liabilities increased to EUR 39,616 thousand (previous year: EUR 35,438 thousand), primarily as a result of the increase in liabilities to affiliated companies in the amount of EUR 17,791 thousand (previous year: EUR 16,028 thousand) due to the profit and loss transfer agreements that are in place and the obligation to cover losses. In addition, loans amounting to EUR 18,032 thousand continue to be accounted for (previous year: EUR 18,032 thousand). Liabilities to banks increased to EUR 2,939 thousand (previous year: EUR 0 thousand). Trade payables decreased as of the reporting date to EUR 816 thousand (previous year: EUR 1,318 thousand). Other liabilities declined further to EUR 38 thousand (previous year: EUR 59 thousand).

Cash inflow of EUR 2,939 thousand resulted solely from financing activities in the form of proportionate debt financing in the amount stated.

Operating cash flow amounted to EUR -3,220 thousand.

Over the course of the 2017 financial year, Wild Bunch AG's cash and cash equivalents decreased from EUR 345 thousand as of 1 January 2017 to EUR 64 thousand as of 31 December 2017. To secure its liquidity position, the Wild Bunch Group concluded a credit facility agreement with Bank Leumi in April 2017 for a revolving credit line of EUR 30 million. The German, Italian and Spanish companies belonging to the Wild Bunch Group as well as Wild Bunch AG used the credit facility, which runs until 2019, to repay existing financing and to finance their current business during the reporting period. The first withdrawal, which amounted to EUR 20 million, was made on 18 July 2017.

The credit facility, defined by the value of the borrowing base, amounted to EUR 23.4 million as of the reporting date.

Of this amount, EUR 21.9 million was utilised.

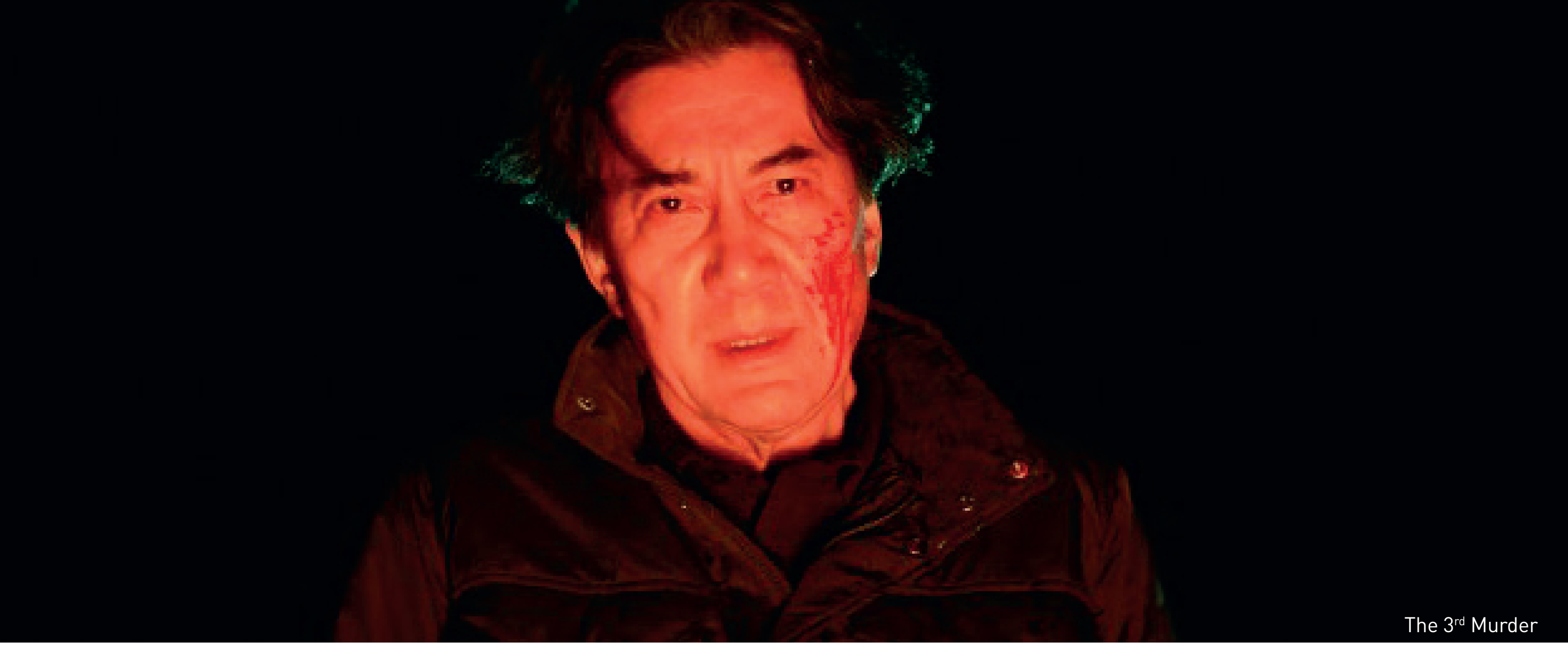
On the conclusion of the credit facility agreement, another non-binding increase of the credit line to up to EUR 100 million upon the French companies becoming party to the agreement. The French companies can join provided that further conditions were met; utilisation of the extended credit line requires renewed approval from Bank Leumi and possibly from other syndicate banks (see also 3.4).

## 2.6 SUMMARY OF BUSINESS DEVELOPMENT AND THE ECONOMIC SITUATION OF THE GROUP AND WILD BUNCH AG

The past financial year was again characterised by the Group's attempts at financial restructuring and continued management of the integration of the business units. The financial structure improved markedly with the completion of financing through Bank Leumi that covered virtually all of the Group. This has given the German, Italian and Spanish Group companies initial access to funds of up to EUR 30 million over the next two years for their operating business; once the conditions have been met for the French subsidiary Wild Bunch S.A. to be included in the agreement, the financing could be raised to a total of up to EUR 100 million. This potential access to liquid funds will help to strengthen and stabilise the company's financial situation. The improved financing conditions will also lead to a reduction in borrowing costs and therefore to financial relief in the coming years.

As a film company that operates across Europe with a distinctive image and a wide portfolio of operations, from international sales to direct electronic distribution, Wild Bunch stands behind its fundamental strategic direction, in spite of the fact that business performance in the 2017 financial year was not satisfactory. The company was able to successfully continue its operating activities, particularly the production and sale of films in the fields of cinema, TV and home entertainment. Consolidated revenue decreased in the 2017 financial year to EUR 101,420 thousand (previous year: EUR 122,152 thousand). In terms of profitability, though, the company was still in the black, despite low earnings before interest and taxes of EUR 734 thousand. This was below expectations that EBIT would come to slightly above the previous year's figure (previous year: EUR 3,754 thousand). With positive cash flow from operating activities of EUR 26,418 thousand (previous year: EUR 37,793 thousand) and cash and cash equivalents of EUR 6,593 thousand (previous year: EUR 7,170 thousand) alongside increased net debt of EUR 85,989 thousand (previous year: EUR 75,201 thousand), the company's liquidity situation is currently strained but controllable (please refer to "Liquidity risks that pose an existential threat" in paragraph 4.1.3), Financial, accounting and tax risks with an equity ratio of 28.7% (previous year: 27.8%). Nevertheless, the overall financial situation meant that the Group was under direct pressure to restructure itself.

Wild Bunch considers itself to be well positioned overall to generate further synergies and exploit the advantages resulting from the high growth potential in the international film market. Business performance in 2017 emphasised the rapid rate of change that the film industry is currently exposed to.


The 3rd Murder


Addicted to Violence


DR KNOCK

# FORECAST REPORT

# 3. FORECAST REPORT

## 3.1 TRENDS IN THE MARKET ENVIRONMENT

According to the estimates from consultancy firm PwC in their Media & Entertainment Outlook 2015–2019 ("PwC Media Outlook 2015"), the entertainment and media industry will be able to continue growing in the coming years. Total revenue on the global film market is set to grow by 4.1% (CAGR) by 2019 to approximately USD 105 billion. Strong growth is particularly expected in the emergent markets of China and Latin America, accompanied by a further upswing in the established markets surrounding the global market leader USA.

Despite the competition from other forms of entertainment and easy access to digital content, the global cinema market is set grow 6.0% annually to USD 49.32 billion in 2020, according to the PwC Media Outlook 2016. In addition to the ongoing domination of Hollywood block-busters, national film productions should also prove popular in the cinemas of individual markets. In addition to the continued growth in revenue at the box office, electronic consumption via video-on-demand services is a particularly significant growth driver. In the PwC Media Outlook 2016, PwC forecasts that an average annual revenue growth of 11.5% will be recorded by 2020 through the electronic consumption of video content. Video and streaming services will therefore become more important in many markets. This development can be observed in the Wild Bunch core markets, albeit with varying degrees of intensity.

According to the PwC Media Outlook 2015, we can expect to see the electronic distribution of video content replacing physical video rental (DVDs and Blu-rays) in the following years to become the second-largest source of revenue. While an annual decline of 5.8% is forecast for physical video content, the experts believe that the rapid expansion of streaming services will result in annual revenue growth of 19% by 2019.

The decrease in traditional video rental shops and the increasing selection of streaming services available will accelerate this upheaval in the video business. As a result, PwC forecasts a decline in revenue from physical videos of 5.8% annually to USD 22.8 billion by 2019. The study also indicates that the growth in the OTT (over-the-top) video services will also have an impact on the distribution of advertising income. We can therefore assume that TV consumption will shift from the traditional networks to digital alternatives. Overall, TV advertising is expected to increase by 4.1% annually to USD 204.1 billion in 2019, while terrestrial and multichannel advertising income is predicted to increase annually by 2.8% and 5.1% respectively. Significant annual growth of 19.8% is forecast for TV advertising income generated globally online, while the overall increase in advertising income will drop off on an international scale.

The worldwide boom in smartphones associated with digitisation will result in both new opportunities and far-reaching challenges for film companies. According to the PwC Media Outlook 2015, the number of smartphone connections will rise from 1.9 billion in 2014 to 3.9 billion in 2019. For providers of films and TV series, this means increasingly focusing on the production and sale of content that can also be downloaded on mobile end devices.

All in all, the growing global film market and the rising demand for paid TV content and VOD will present long-term growth opportunities for the Group. For the 2018 financial year, Wild Bunch's objective is to profit from these growth trends on the international markets.

## 3.2 GROUP FOCUS FOR THE 2018 FINANCIAL YEAR

Wild Bunch remains ambitious with regard to its future. The company intends to complete its financial restructuring over the course of the 2018 financial year and to strengthen its digital fields on this basis, increasing its focus on high-quality projects in the area of TV/series. Following the successful implementation of its refinancing measures, the company intends to grow rapidly once again and to cement its position as one of the leading pan-European players on the international film entertainment market. New markets will also be tapped into, particularly sales territories in Europe in which Wild Bunch is not yet active and China. Should there be signs of imminent market consolidation, acquiring interests in other companies may also be an option.

Operational measures to improve efficiency and to reduce costs will contribute to improved transparency, an optimised organisational structure and better results overall. Wild Bunch will continue to market its extensive library with the same determination in order to profit from the demand for new digital services.

## 3.3 EXPECTED DEVELOPMENT

The focus in the 2018 financial year will continue to be on financial reorganisation, to which the management will continue to devote most of its attention.

Operationally, Wild Bunch will continue to strive towards expanding its offering and reducing costs in the 2018 financial year.

Despite limited financial resources, Wild Bunch will once again increase its presence both in TV programming through Wild Bunch TV and in production in the existing markets.

Further development of the cooperation with electronic distribution providers will be a particular priority in order to push ahead with the distribution of the film library.

At the same time, Wild Bunch must continue with its rationalisation measures, simplify structures, adapt its tools for action and examine the company's structure.

Wild Bunch plans to release a total of 53 films in French, German, Italian and Spanish cinemas in 2018. Some films will be released in several markets through Wild Bunch's sales network, such as LUCIA'S GRACE (BIM and Vértigo), SHOPLIFTERS (BIM and Wild Bunch Germany), which won the Palme d'Or at the Cannes Film Festival, and WHITNEY (BIM and Vértigo).

## PLANNED CINEMA RELEASES BY COUNTRY

### *FRANCE*

- Wild Bunch Distribution plans to release ten films in French cinemas, including the animated film WHITE FANG by Alexandre Espigares, based on Jack London's epony-mous novel, with voice acting by Virginie Efira; VERONICA, a Spanish film that was very successful in Spain, with 600,000 visitors and seven nominations at the Spanish Goya film awards; CLIMAX by Gaspar Noé; and GIRLS OF THE SUN by Eva Husson, starring Emmanuelle Bercot and Golshifteh Farahani, a film about a group of women and their resis tance against the Islamic State.

### *GERMANY*

- Wild Bunch Germany is planning 16 cinema releases, including KNOCK by Lorraine Lévy, a French comedy starring Omar Sy, PETTERSSON UND FINDUS 3 – FINDUS ZIEHT UM, the third and final part of the successful Pettson and Findus animated films from multi-award winning director Ali Samadi Ahadi, based on the best-selling children's books of the same name by Sven Nordqvist that have been translated into over 40 languages; CAPHARNAÜM by Nadine Labaki, winner of the Jury Prize at the Cannes Film Festival; German film MACKIE MESSER – BRECHTS DREIGROSCHENFILM by Joachim A. Lang, featuring an outstanding cast (Lars Eidinger, Hannah Herzsprung, Tobias Moretti, Joachim Król, Claudia Michelsen and Max Raabe) and based on Berthold Brecht's Threepenny Opera; and German family comedy MEINE TEUFLISCH GUTE FREUNDIN by Marco Petry.

### *ITALY*

- BIM is planning 11 cinema releases in Italy, including SHOPLIFTERS by Kore-eda Hirokazu, IN THE FADE ("AUS DEM NICHTS") by Fatih Akin, the Golden Globe Best Foreign Language Film winner starring Diane Kruger, who also won the Best Actress prize for the role in Cannes; WHITNEY by Kevin MacDonald, a documentary about one of the most famous singers of all time; LUCIA'S GRACE by Gianni Zanasi, an Italian film that won the award for Best European Film at the Directors' Fort-night competition.

### *SPAIN*

- Vértigo is planning 16 cinema releases in Spain, including HAPPY AS LAZZARO by Alice Rohrwacher, which won the Best Screenplay award at the Cannes Film Festival; WHITNEY by Kevin MacDonald; LUCIA'S GRACE by Gianni Zanasi; BURNING, a South Korean mystery drama by Lee Chang-dong, winner of the FIPRESCI award at the Cannes Film Festival; GIRL, a Belgian debut from Lukas Dhont, winner of the Golden Camera at the Cannes Film Festival and the Best Actor award for Victor Polster in the Un Certain Regard competition.

## ONLINE CINEMA RELEASES IN FRANCE

The company will continue its online cinema activities with the release of films such as RESCUE UNDER FIRE (ZONA HOSTILE), a Spanish war film by Adolfo Martinez Perez; PURITY OF VENGEANCE by Christoffer Boe, a Danish film, the fourth and final film in the popular Department Q series based on the novels by Jussi Adler-Olsen; 10X10 by Suzi Ewing, an English thriller.

## INTERNATIONAL SALES

In 2018, 37 films are due for release from international sales, including blockbusters such as HIGH LIFE by Claire Denis; LES TRADUCTEURS, a gripping thriller by Régis Roinsard; THE QUIETUDE, with which Pablo Trapero follows up on his multi-award winning masterpiece THE CLAN and continues his discourse on family and the legacy of Argentina's troubled past; LONG DAY'S JOURNEY INTO NIGHT, a Chinese film by Bi Gan in the style of Wong Kar Wai, a brave, beautiful and ambitious journey into the secrets of a troubled life; THE MISEDUCATION OF CAMERON POST, Desiree Akhavan's second film, which stars Chloë Grace Moretz and Sasha Lane, and won the Grand Jury Prize at the Sundance Film Festival; SAVAGE by Vincent Mariette; GIRLS OF THE SUN by Eva Husson; SHOPLIFTERS by Kore-eda Hirokazu; CAPHARNAÜM by Nadine Labaki, winner of the Jury Prize at the Cannes Film Festival; GUAPO SIEMPRE by Richard Aujard featuring Mickey Rourke; THE STATE AGAINST MANDELA AND OTHERS by Gilles Porte and Nicolas Champeaux, a French documentary about a historic South African trial that took place between 1963 and 1964, in which Nelson Mandela and eight other defendants faced the death penalty; KINGS by Deniz Gamze Ergüven, starring Halle Berry and Daniel Craig; UNDER THE SILVER LAKE by David Robert Mitchell; and THE SISTERS BROTHERS starring Joaquin Phoenix, a darkly comic, violent existential odyssey from the multi-award winning director Jacques Audiard.

## TV SERIES SALES

In the 2018 financial year, Wild Bunch TV will prove its ability to stay at the top of the TV sales business, despite lower levels of investment. In 2018, Wild Bunch TV will be selling four new series internationally: TEAM CHOCOLATE, a drama series developed by Marc Bryssinck and Filip Lenaerts, consisting of seven 52-minute episodes (7 x 52'), for which Wild Bunch TV has sold the remake rights to Canadian producer and distributor Reel One Entertainment; THE OIL FUND, a brilliant, ambitious and rugged Norwegian drama that provides an inside look at the colliding worlds of high finance and the public sector in ten 26-minute episodes. The series from Hollywood-based Norwegian director Harald Zwart was shown at the Séries Mania Festival. The list also includes DRAGONSLAYER666, a Finnish series with twelve 26-minute episodes based on the award-winning book by Aleksi Delikouras that deals with important issues, using an online war game as an example: what does it take to become a champion, and how do you build a team that you can trust to take you into battle; and MARY AND MIKE, a Chilean spy drama miniseries consisting of seven 52-minute episodes that deals with the true story of the most dangerous couple in Latin America directly following the Pinochet coup in Chile.

**DIRECT SALES AND HOME ENTERTAINMENT**

Following solid revenue from the field of electronic distribution in 2017, even higher revenue is expected once more in 2018. Netflix remains the main purchaser of Wild Bunch's digital distribution. Amazon also took up SVOD activities in 2018 and has been offering Wild Bunch content (catalogue films) to its customers since May 2018.

The Wild Bunch Group will also lend its support to the ambitious DVD releases such as STARS 80 and LA SUITE in France with special marketing campaigns, e.g. attractive sales prices (EUR 10) for large volumes (40,000 DVDs). This also includes THE VILLAINESS by Byeong-gil Jeong, shown in a midnight screening at the Cannes Film Festival, and WHITE FANG by Alexandre Espigares, due to be released in August 2018.

**FilmoTV**

Talks initiated in 2017 with existing partners such as telecommunications providers for the purpose of initiating new business models (including pooling and integration in bouquets) should lead to new business opportunities in 2018. FilmoTV is also looking into local sales opportunities in other European countries, primarily in French-speaking Switzerland and Belgium. This work will continue in 2018.

## 3.4 OVERALL STATEMENT FROM THE MANAGEMENT BOARD ABOUT THE GROUP'S DEVELOPMENT

Wild Bunch intends to remain a pioneer in the film and entertainment market, specifically by strengthening its operations in the growth segments of VOD/SVOD and online cinema.

Its pan-European presence, measures to expand the portfolio and exploitation of the current digital revolution are important factors for its future success. In 2018, Wild Bunch will concentrate on successfully implementing its refinancing measures, further adapting its business model to the changes in the market and exploiting the resulting advantages. In the future, this should lead to revenue growth from Wild Bunch TV's business activities, or increased business activities in electronic direct sales, for example.

Because the financial resources for acquiring films were limited in 2017, the Group's portfolio contains significantly less new content for 2018. The Management Board expects investments amounting to approximately EUR 25 million in 2018, and a marked increase is planned for 2019 and 2020.

As a result, the Management Board anticipates considerably lower sales revenue in 2018 than in 2017 (EUR 101.4 million). This revenue decrease should be compensated for through increased investment in film rights in 2019, and should lead to increased sales revenue in the following years.

At the same time, the operating margin should be increased through an improvement of the portfolio performance, according to the Management Board's expectations. The Management Board therefore anticipates higher EBIT for 2018 than in the previous year (2017: EUR 0.7 million). This does not include any special effects associated with the capital measures described below.

The Management Board is planning to implement a series of refinancing measures, for which it was able to gain approval from the company's main creditors and investors, which in July 2018 led to the end of court supervision of negotiations. The short-term objective is the financial restructuring of the Group through a clear reduction in the Group's debt, the short-term inflow of additional cash and cash equivalents from company loans in the amount of approximately EUR 30 million and medium- to long-term financing of investments.

As part of the restructuring, Wild Bunch AG's share capital will first be reduced at a ratio of 40 to 1. The share capital will then be increased through two non-cash capital increases against the takeover of existing bank liabilities and other liabilities belonging to the French companies (particularly Wild Bunch S.A.). As the first step, these liabilities with a total volume of EUR 62.7 million will be taken over by an investor who is obliged to contribute EUR 36.6 million to Wild Bunch AG through a non-cash capital increase under the exclusion of shareholders' subscription rights, which will reduce the Wild Bunch Group's financial liabilities by the same amount. The remaining EUR 26.1 million will continue to exist as a loan.

In addition, the creditors of the 8% corporate loan with a total face value of EUR 18 million taken out in 2016 shall resolve to swap all notes held for new shares in Wild Bunch AG through an additional non-cash capital increase under exclusion of shareholders' subscription rights. As part of the debt-equity swap, the loan creditors shall receive acquisition rights on new Wild Bunch AG shares. If the debt-equity swap is successful, Wild Bunch AG's financial liabilities will fall by a further EUR 18 million. This would reduce the financial liabilities of the Wild Bunch Group by EUR 54.6 million.

In order to boost the Group's financing and investment capacities, as envisaged in the business planning, the investor intends to provide the Wild Bunch Group with interim financing of up to EUR 15 million that will be replaced by another company loan in the amount of EUR 30 million following the successful completion of the capital measures mentioned above and a resolution of the Annual General Meeting at the end of September 2018.

The implementation of the restructuring measures depends largely on the German Federal Financial Supervisory Authority (BaFin) exempting the investor from the duty to make a takeover offer.

Another element of the Management Board's current credit agreement with Bank Leumi is the extension of the currently approved EUR 30 million credit line to a total volume of up to EUR 100 million. The conditions for this extension are the French subsidiaries' entry into the agreement, with them providing collateral for the financing, and the approval of the investor. The amount of funds that the Group will then actually have access to is dependent on the assets identified as belonging to the borrower.

In addition to the named steps for optimising net assets, the Management Board also plans operational measures to improve the earnings situation.


DragonSlayer666


High Life

# REPORT ON OPPORTUNITIES AND RISKS

# 4. REPORT ON OPPORTUNITIES AND RISKS

## 4.1 RISK REPORT

### BASIC METHODOLOGY IN PLACE FOR DETERMINING RISK

Risks are evaluated on the basis of the likelihood of their occurrence and the potential financial damage. The arithmetic mean of the sum of likelihood of occurrence and the potential damage provides the relevance of the overall risk.

The following levels of likelihood of occurrence were used in evaluating risk:

| Class | Probability of occurrence | |
|---|---|---|
| 1 | very low | (0 % – 25 %) |
| 2 | low | (25 % – 50 %) |
| 3 | medium | (50 % – 75 %) |
| 4 | high | (75 % – 100 %) |

Furthermore, the following damage levels were defined for risk evaluation:

| Class | Effect | |
|---|---|---|
| 1 | € 0.01 million – € 0.5 million | Relevant |
| 2 | >€ 0.5 million | Important |

Risks assigned to damage level 2 and with a level 3 or 4 likelihood of occurrence are classified as material risks and presented individually. The process for recording and classifying risks is not yet complete. This is due to be completed in the second half of 2018.

### 4.1.1 MARKET AND BUSINESS RISKS

#### THE BUSINESS MODELS DEPEND ON THEIR ABILITY TO SUIT CUSTOMERS' TASTES, TO UNDERSTAND USER BEHAVIOUR AND TO REACT RAPIDLY TO CHANGES

- Due to the technical possibility of creating illegal copies of films and the lack of sufficient legal protection against copyright infringement, there is a risk of revenue loss.
- Market changes in the field of home entertainment are particularly shaped by digitisation, with an increase in additional offers and distribution formats that could lead to ongoing change in media use.

Wild Bunch attempts to anticipate future trends through targeted market research and user analyses. The attractiveness of our products is increased through the creation of user-friendly programmes and materials. We are reducing the effects of piracy through lobbying, campaigns to raise awareness and consistently pursuing legal action against infringements in order to mitigate revenue losses. The Management Board of Wild Bunch anticipates that new legal framework conditions will lead to an improvement in the overall risk situation.

#### ACCESS TO LICENSES AND MATERIALS

- Access to and acquisition of rights to literary source material, distribution rights and screenplays, along with concluding contracts with successful directors, actors and licensors, are all important factors in the co-production and acquisition of films and TV series. This is why the Wild Bunch production units work closely with renowned, experienced screenplay writers, directors and producers at home and abroad, who are experts in producing films for the big screen and have an excellent reputation with public film funding institutions.
- Third-party productions are generally acquired on their own film markets. The prices paid depend on the specific project and market in question. Films have not normally been completed yet at this stage, so the rights to financing are sold in advance based on the screenplay or an outline of development. Up to two years can pass between the acquisition and the actual delivery of the

film. If a high price is paid for a film, this can have a negative impact on the Group's operating activities as well as its financial and earnings position, should the purchase turn out to be a flop.

First, these risks are monitored by the subsidiaries' employees in the rights and license purchasing departments, who have years of profound experience in the field. Second, the development of alternative formats and in-house productions is undergoing expansion in order to create a certain independence from the rights of third parties. Wild Bunch plays an important role as a leading, independent pan-European co-producer and distributor. For financing reasons, third-party productions are sold in advance before the film is complete. Several years often pass between the purchase and the actual delivery of the film. In order to reduce the financial risk of individual projects, certain rights are usually sold in advance (pre-sales, such as video and TV).

**IN TERMS OF SELLING ITS PRODUCTS, WILD BUNCH FACES FIERCE COMPETITION**

The Group's planning assumes a certain market share, as well as box office figures and proceeds from the various distribution levels. If these assumptions are not realised, the planned revenue will not be achieved. The inability to adapt cost structures in a timely manner also poses a risk. In this context, the following factors must be observed:

- Market changes in the field of cinema and home entertainment, such as decreasing viewer figures or increasing competition, could result in a decline in prices for productions or licensed products. The expiry of framework agreements or a deterioration of license holders' financial situations can lead to a decrease in the purchase prices of licenses, threatening the value of existing film rights.
- A strong competitive environment could lead to decreasing margins in cinema distribution.

The Group's diversification to include various products and markets reduces the risk of competition in individual areas/segments. Since market share and viewer figures are key factors for potential revenue, Wild Bunch aims to find appealing programme content for TV broadcasters and other platforms as well as for its films and TV series, in order to increase its competitiveness, refine its profile and improve the attractiveness of its products through higher spending on marketing.

**WILD BUNCH IS DEPENDENT ON CUSTOMERS AND BUSINESS PARTNERS**

- In its direct sales, Wild Bunch is dependent on the large German, French, Italian and Spanish TV broadcasters, IPTV providers, VOD/SVOD platforms and DVD retailers. A considerable proportion of the guaranteed minimum investment amount is covered by sublicense distribution rights for films and TV series. Attainable margins may be lower than planned due to the strong position of these broadcasters or platforms.
- In international sales, the company is reliant on good business relationships with internationally active film distributors. This particularly applies to the unrestricted adherence to and implementation of the contracts signed, i.e. accepting the materials provided on delivery, paying the rates as agreed, and appropriate marketing spending and activities to accompany the release of a film.

Premature termination of individual agreements can result in higher costs due to searching for new partners and establishing new structures. Maintaining relationships with customers and business partners is therefore one of management's key tasks. Adherence to contractual provisions and the quality of the goods delivered/services provided is checked at regular intervals.

The global economic situation of a country can have a short-term negative impact on the financial status of film distributors who acquire films (depreciation of local currency, insolvency risks, etc.).

## 4.1.2 OPERATING RISKS

### FILM PURCHASING RISKS

- There is, as always, fierce competition for appealing films. In addition, purchasing films brings with it both quantitative (relating to the amount of the license fee to be paid) and qualitative risks (the film's appeal on distribution).
- The Group's purchasing approval process in particular acts to mitigate these risks. Benchmark-based purchase calculations are also employed in order to improve the quality of the prognosis. Through presales of TV licenses and DVD revenue prepayments, we aim to reduce film purchase risks even further, as early as the point of purchase itself.

### DEPENDENCE ON FUNDING

- Unfavourable changes in funding guidelines or the (partial) refusal to grant funds that had been expected could result in the company facing gaps in financing for its own productions and co-productions that then have to be covered using other free funds or a change to medium-term production plans, having a negative impact on the earnings contributions made by individual films.
- There is also the risk that certain payment or distribution conditions are not met. The failure to abide by these conditions can result in the company being compelled to pay back the relevant funding.

## 4.1.3 FINANCIAL, ACCOUNTING AND TAX RISKS

Its business activities mean the Wild Bunch Group is subject to financial risks, in particular a number of financing, liquidity and interest rate risks.

### LIQUIDITY RISKS THAT POSE AN EXISTENTIAL THREAT

- The company needs cash and cash equivalents to cover its financial liabilities. These cash and cash equivalents are generated partly through ongoing business activity and partly through financing. The company is therefore constantly in talks with financial institutions and investors at home and abroad in order to secure access to financial resources that are in harmony with its planned investments.
- Liquidity risks arise when the Group is unable to meet its payment obligations, or is unable to meet them on time, neither through available liquid funds nor using the relevant credit lines. The Group's largest liquidity risk arises from lack of access to cash and cash equivalents. This can occur in particular when guarantee or framework credit agreements are called off, cancelled or not extended by banks or investors.
- A payment under the framework credit agreement may be declined if Wild Bunch is definitively and permanently unable to meet certain payment conditions made by a financing bank. There is also the possibility of a credit line being terminated during the entire term of the credit line if the borrower defaults and cannot remedy the situation within a certain period of time. Wild Bunch is subject to such default risks and therefore to direct liquidity risks when taking up financing. This is particularly the case because borrowers are not just subject to certain economically quantifiable requirements at the point in time at which the credit line is taken up: they must also remain in a certain financial condition as determined by the contract for the duration of the credit line. These are monitored over the term of the contract at regular intervals by ensuring the financial covenants are being met. A significant deterioration of the net assets, finan-

cial position and results of operations of the company discovered during the monitoring of the financial covenants can lead to a default, entitling the creditors to terminate the credit agreement.

- The credit line with Bank Leumi also provides for a cap on the funds that can be drawn, set at a certain amount of the collateral provided by Wild Bunch to the bank. It may be that Wild Bunch's financing needs are higher than the current value of the assets to be secured. This negative difference would result in Wild Bunch not being able to draw any new funds from the affected credit line or being obliged to repay funds already drawn in the amount of the deficit.
- The refusal to provide sought-after guarantee or framework credit agreements, or the termination of such agreements, would lead to Wild Bunch (taking into account the availability of working capital loans) being forced to take up more debt on the capital market or from banks in order to finance new projects over the short- and medium-term or to refinance existing liabilities.
- There is a risk that if the Group's financial situation deteriorates, it would not be able to access further funds or sufficient funds, or only at unfavourable conditions. If Wild Bunch cannot pay these loans as they fall due, there is a risk that the relevant creditors would seize the collateral provided by Wild Bunch.
- To secure short- and medium-term financing, Wild Bunch Group entered into a framework credit agreement in April 2017, including revolving credit lines amounting to EUR 30 million opened with a bank. During the provision of this financing, unrestricted access to the loan funds is dependent on Wild Bunch reporting and verifying on a monthly and quarterly basis that it has attained the economic figures upon which the framework credit agreement was concluded.
- In order to meet its reporting obligations under this agreement, the Management Board has initiated the restructuring of its financial department, which is due to be completed in the 2018 financial year. The financial covenants mainly relate to the following performance indicators: the EBITDA ratio, i.e. consolidated EBITDA in relation to sales revenue, liquidity ratio, i.e. the volume of financing sources available in comparison to the expected financing needs, leverage ratio, i.e. net debt in relation to consolidated EBITDA, and a guaranteed minimum balance sheet equity. The Management Board assumes that the financial covenants named above will be met based on the forecast performance in the business plan, meaning the company will not be subject to any liquidity risks. This is also particularly due to the fact that the Management Board was able to assert these financial covenants during financing negotiations, which it can assume will be met based on its planning. However, the Management Board cannot completely disregard the fact that attaining the EBITDA ratio and equity margin is subject to certain risks. In order to attain the EBITDA ratio, the investments planned for 2018 must be implemented in full, which in turn depends on the company having sufficient access to cash and cash equivalents. Wild Bunch is particularly at risk of not attaining the EBITDA ratio if the consolidated EBITDA equates to less than 35% of the sales revenue for twelve months running in the period under review. As far as the minimum equity is concerned, there is a risk that the company's hidden reserves (goodwill) do not contribute to the company's total value to the extent anticipated by the Management Board and an impairment must be recognised that impacts the Group's equity accordingly. In this context, significant impairment of goodwill could lead to the company falling short of the minimum equity. However, Wild Bunch AG can counter changes to equity that threaten the covenants by implementing capital measures using approved capital. However, the latter depends on approaching investors and securing their interest. Capital measures of up to 10% of the equity are not subject to any form requirements, meaning they are available at short notice. The Management Board was able to secure a waiver of the applicability of the financial covenants for

- the implementation period of the restructuring measures described in 3.4, provided certain contractual conditions are met. The Management Board therefore assumes that the risk of the framework credit agreement being terminated due to defaulting on a contractual financial covenant is significantly reduced in 2018, at least until the restructuring measures have been completed.
- If the company does default, the Wild Bunch Group will face a liquidity risk that will pose a threat to its existence, but the Management Board is also of the opinion that the risk may not necessarily come to pass; if the covenants are not met, an "acceleration" takes place that entitles the creditor to decline further withdrawal of funds and make the financing repayable in full, but this is normally a last resort if adjusting the financing (partially with an unfavourable cost structure for the borrower) and previous attempts to find solutions with the creditor have failed.
- In June 2018, the Wild Bunch Group decided on an extensive restructuring agreement including the measures described in 3.4. Risks arise for the company in relation to performing the restructuring measures: actual and full restructuring is first of all dependent on BaFin releasing the investor from the duty to make a takeover offer to the company's shareholders. The implementation of the restructuring measures is also dependent on the company's Annual General Meeting approving the intended capital measures. If the planned restructuring measures cannot be implemented, the Wild Bunch Group's existence would be threatened.

**SUMMARY OF RISKS THAT POSE AN EXISTENTIAL THREAT TO THE COMPANY**

Risks that could pose a threat to the Group's or individual Group companies' existence, should they occur, are presents in the following aforementioned areas:

In April 2017, the Group concluded a framework credit agreement in the amount of up to EUR 30 million. This could be made payable in full by the bank if the agreed financial covenants (including EBITDA ratio and minimum equity) are breached. The Management Board assumes according to current planning that these financial covenants will be met. There are also further contractual reporting obligations, which, if not met, may also lead to the bank making the granted credit immediately due. There is a particular risk that the financial covenants may not be met if the Group's financial situation deteriorates. If credit becomes immediately due, the Group's continued existence depends on procuring other sufficient financial means at short notice.

The continuation of the Group also requires that the refinancing measures described in 3.4 and 4.3.1 are implemented. If these are not fully implemented, or are not implemented to the required extent, then the continuation of the company will depend on its ability to procure other sufficient funds.

An additional financing need, beyond the refinancing measures described in 3.4 and 4.3.1, may arise if there is a negative difference with the business plan prepared by the Management Board. A significantly negative development would at least result in adverse effects on the planned business performance, in the opinion of the Management Board.

## RISKS OF DEFAULTING ON THE 2016/19 LOAN

As in the previous year, a low risk remains of the loan not being paid off as planned as part of the planned financial restructuring. The loan conditions state that the creditors have the right to cancel the loan if the interest is not paid in accordance with the contract. The Management Board considers the risk of defaulting on interest payments and the cancellation of the loan in the event of default to be extremely low. All past interest payments were paid immediately and in full.

## IMPAIRMENT OF ASSETS

- As of the reporting date, the Group held considerable financial and non-financial assets, such as film assets.
- The Group's goodwill, film assets and certain financial assets are subject to annual impairment tests, or whenever there are reasons to suspect an impairment of assets. Where no fair value is available, the measurement approach is calculated based on the Management Board's estimates and assumptions. These are based on the most current information available.
- The actual development, which is often outside of the company's sphere of influence, and the financing available for implementing business plans can deviate from the assumptions made, leading to a future impairment of company assets and the need to adjust the carrying amounts. This can have a negative impact on the result.

## EXCHANGE RATE RISKS

- Exchange rate risks exist in particular with regard to the US dollar, as the majority of film rights acquired on the international film market are paid for in US dollars. The proceeds generated from the distribution, on the other hand, are primarily in euros.
- Fluctuation in the EUR/USD exchange rate can impact the earnings position and lead to both foreign exchange gains and losses.

## CREDIT RISKS

- Credit risks arise when a debtor cannot meet repayments or cannot meet them on time. Credit risks include both the direct default risk as well as the risk of a poorer credit rating.
- The potential risk of default on receivables is accounted for on a continuous basis through regular monitoring and, where necessary, impairments.

## INTEREST RATE CHANGES

- The interest rate risk primarily concerns financial liabilities. The Group currently has current and non-current financial liabilities with variable interest rates amounting to EUR 74,016 thousand (previous year: EUR 60,158 thousand).
- If interest rates rise, the Group would be forced to pay higher amounts of interest in some cases.

## RISKS RESULTING FROM FUTURE TAX AUDITS

- Wild Bunch AG believes that all tax returns filed by the Group and individual Group companies were accurate and complete. Nevertheless, there is a risk that the requirement to meet additional tax claims may arise if the authorities come to different conclusions on tax matters. The earnings position may be negatively affected if tax assessments differ.

### 4.1.4 LEGAL RISKS

#### RISKS FROM LEGAL DISPUTES

As an international company, Wild Bunch is exposed to a number of legal risks. These risks particularly pertain to copyright law, corporate law, securities trading law and labour law. The results of ongoing, pending or future proceedings often cannot be determined with certainty, which may result in expenses from court or authority decisions or settlement agreements that are not (fully) covered by insurance policies and may have a significantly negative impact. As of the reporting date, the total risk from legal proceedings initiated by Wild Bunch Group companies amounted to a maximum of EUR 250 thousand.

#### COPYRIGHT INFRINGEMENT

- The technical possibility of creating illegal film copies can lead to an infringement of rights under copyright law.
- Internet piracy in combination with complex technology can lead to losses if no suitable countermeasures are taken.

#### REGULATORY RISKS

As a pan-European company, Wild Bunch's business activities are subject to regulations and the legal frameworks both in the countries where the Group companies are based and at a European level. Unforeseen changes in the regulatory and legal frameworks can impact the companies' individual business operations. Wild Bunch's operational business activities are particularly subject to regulatory risks in cases in which they affect the making and distribution of films and media content. The company is represented in interest groups and professional associations through its managers and employees in order to ensure that its interests are represented as fully as possible.

In Germany for example, a change to copyright contract law came into effect in March 2017, which means that creators are entitled to a higher share of the commercial success of film productions, if the film performs above average. To substantiate possible claims, the creators have a right to information from the film distributor regarding the proceeds generated from the film, which could lead to higher administrative expenses.

This has highlighted that the protection of local cultural assets, which includes films, and local companies that are active in the entertainment industry is an important and ongoing focus for national and European regulations.

Overall, regulatory and legal risks to the company are classed as low and manageable if they do indeed arise.

#### RISKS FROM OFFICIAL PROCEEDINGS

Management cannot currently rule out that BaFin could theoretically open official proceedings against Wild Bunch AG to fine it in connection with the publication of the 2016 half-year report published on 21 March 2017 or with regard to the 2015, 2016 and 2017 annual reports.

## 4.2 REPORT ON OPPORTUNITIES

### 4.2.1 OPPORTUNITY MANAGEMENT

As with its risk management, the Wild Bunch Group pursues opportunity management in order to implement its strategic and operational objectives swiftly and efficiently through specific activities. Opportunities may arise in all fields. Identifying and exploiting them in a purposeful way is a task for management that is present in their everyday decision-making. Comprehensive market research is a significant element of handling opportunities in a structured manner.

### 4.2.2 INFORMATION REGARDING INDIVIDUAL OPPORTUNITIES

Akin to the definition of the risk report, the Group defines an opportunity as a potential future development or future event that can lead to a positive departure from the forecast or target. This means that events that are already included in the budget or in medium-term planning are not considered an opportunity according to this definition and are not dealt with in this report.

**THE WILD BUNCH GROUP RECOGNISES OPPORTUNITIES ARISING FROM THE DISTRIBUTION AND DEVELOPMENT OF LICENSES, FORMATS AND MATERIALS ALREADY SECURED AS WELL AS THEIR INCLUSION IN A DISTINCT INTERNATIONAL NETWORK**

The Wild Bunch Group, which has become one of the leading pan-European film companies, owns, in light of the new Group structure, a number of utilisation and/or marketing rights (especially film rights and physical materials) that partially extend well beyond the planning period. These form the foundation for generating income well beyond the planning period. Both the Group's image and the maintenance and preservation of a distinct network also promote access to these types of rights in the future.

The distribution of these rights can improve the attractiveness and therefore the reach of the marketing platforms more than expected, which could lead to higher future revenue than planned for.

**THE WILD BUNCH GROUP RECOGNISES OPPORTUNITIES FOR STRENGTHENING ITS MARKET POSITION THROUGH ENTERING INTO NEGOTIATIONS WITH COPYRIGHT HOLDERS, PRODUCERS, ACTORS AND CUSTOMERS, FOR INSTANCE**

Synergies that surpass expectations may result from the successful merger of Wild Bunch and Senator and the resulting improved market position. This applies in particular to purchasing, costs and financing. The marked increase in the company's size and the international orientation may, for example, lead to the company securing rights and contracts with copyright holders at much more beneficial conditions than originally expected due to its stronger negotiating position. As a result, the more open and efficient access to talent may result in business opportunities that have not yet been taken into consideration in our planning.

**THE WILD BUNCH GROUP RECOGNISES OPPORTUNITIES ARISING FROM INCREASING DIGITISATION AND THE ASSOCIATED CHANGES IN MEDIA USAGE BEHAVIOUR**

Media consumption is changing due to increasing digitisation. For example, the electronic distribution of video content will replace buying and renting physical videos (DVD and Blu-ray) in the coming years to become the second largest source of income, according to the PwC Media Outlook 2015–2019. The Wild Bunch Group is continually developing its business model and is working on introducing new direct sales channels. Due to the increasing pressure to support digitisation, online cinema will become a new sales channel for "event films", while FilmoTV will be a new sales channel for the Group's French VOD/SVOD services. The Group has also developed new ways to license and market its rights, which, thanks to agreements with digital sales partners, offer new digital marketing opportunities, including productions for international and national providers such as Netflix. Its pan-European positioning for films and TV series and its solid and well-known brand have given Wild Bunch a strong footing in the media industry.

### THE WILD BUNCH GROUP RECOGNISES OPPORTUNITIES IN THE CONTINUED POPULARITY OF TV SERVICES WITH VIEWERS, USERS AND ADVERTISERS

From the customers' point of view, TV remains the media stronghold in the area of film entertainment. Today, TV's appeal doesn't just lie in the larger reach that advertisers can attain in a short period of time or its ability to raise their profile, but also in the fact that TV has reinvented itself and managed to go from linear to non-linear programme planning. This has attracted younger, more flexible and more independent viewers who constantly demand new content. Online TV, with its endless opportunities for customised advertising, combines the broadcasting capacity of intensified advertising with the viewers' need for a broader range of quality products. Higher advertising income should boost networks' acquisition activities further in order to satisfy viewers' demands for new products. The Management Board believes that the establishment of Wild Bunch TV will result in important opportunities. The internal co-production and marketing unit for international TV series is focussing on the challenges posed by the growing market for TV services. Now that two TV series with international appeal have been successfully produced and sold, management perceives opportunities to sell more TV series that are being developed by the unit than originally planned.

### THE WILD BUNCH GROUP RECOGNISES OPPORTUNITIES IN THE FURTHER INTERNATIONALISATION OF BUSINESS

The Wild Bunch Group is currently present on most important European film markets (Germany/Austria, France, Italy and Spain). In addition to the further penetration of these core markets, expansion into new markets offers opportunities that may go beyond the Group's current planning. Other important opportunities may arise from rapidly developing regions such as China, India and South America. Depending on how these potential market entries develop, these measures may lead to higher revenue than planned. Attractive conditions were created on the Chinese core market with the establishment of the China Europe Film Fund (CEFF) last year, which provides a unique environment for developing and financing Chinese-European joint productions that may lead to additional growth opportunities.

### THE WILD BUNCH GROUP RECOGNISES OPPORTUNITIES IN FURTHER COOPERATION AND COMPANY MERGERS

Important synergies and more intensive or accelerated internationalisation of business activities could, for instance, result from acquisitions or mergers; this is not currently taken into consideration in planning. In addition, the extent to which the existing film library is used could be boosted by new sales channels as a result of M&A transactions. The experience and reputation of the Group's management allow the company to play an active role in bringing film distributors and producers together.

## 4.3 OVERALL ASSESSMENT OF THE OPPORTUNITIES AND RISKS

Based on the information available and the estimates, particularly of the likelihood of occurrence, the maximum damage and the effect of countermeasures opted for, the Management Board of Wild Bunch AG is of the opinion that other than the risks that present a threat to its existence, listed in paragraph4.1.3., Finanzielle, bilanzielle und steuerliche Risiken there are currently no known risks that could threaten the ongoing existence of the Group. This includes both individual risks and cumulative risks, insofar as the impact of cumulative risks can be meaningfully simulated or otherwise estimated.

However, if the expected contributions to earnings from acquired film distribution rights and from film distribution rights yet to be acquired do not develop according to plan and the operating business of the subsidiaries falls well below expectations, the continuation of the company with its prior scope of business depends materially on whether it is able to access further financing, despite financing contracts that have already been concluded and the additional funds provided by investors if the restructuring measures are successful.

The Management Board believes that the measures decided upon keep the risk within economically justifiable limits and considers the Group's risk-bearing capacity to be sufficient.

In the Management Board's opinion, the greatest opportunities lie in the further integration of the Group and the synergies that this would produce, the reduction in overheads, the growth potential and the stabilisation of income.

This would also present more opportunities from collaborating with screenplay writers, directors and producers at home and abroad as well as from access to appealing material and licenses, closer cooperation with talent and an expansion of the business model through the internationalisation of production and marketing activities, along with the possibility of making further strategic acquisitions.


12 jours


THE RED TURTLE


Tesnota


GUARDIANS

# CORPORATE GOVERNANCE

# 5. KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

## 5.1 RISK MANAGEMENT SYSTEM

Wild Bunch is exposed to a variety of risks and opportunities. These can have both positive and negative effects on the Group's net assets, financial position and results of operations. The risk management system applies to all areas of the Group. Strategic and operational events and measures that have a material impact on the existence and economic positions of the company are considered to be risks. This also includes external factors, such as the competitive situation, regulatory developments and others that could threaten the company's ability to achieve its goals. The material risks and opportunities are described above.

The Wild Bunch Management Board's objectives for 2017 included the Group-wide standardisation of risk and opportunity evaluation using a unified and comprehensive risk management system, the implementation of which is still ongoing and is due to be completed in 2018. Risks shall only be taken to the extent that they will have no foreseeable negative impact on company development. All employees should examine their own conduct to ensure risks that pose a threat to the company's existence are avoided.

The Wild Bunch Group's risk management system is primarily based on recording risks in detail and monitoring risks during the acquisition and distribution of film rights. Extensive analyses of the film rights' suitability for distribution and financial viability along the entire value chain, detailed estimates of sales revenues and direct costs at the individual stages of the distribution chain, and comparisons of targets with reality are all elements of risk monitoring. Liquidity management and ensuring adherence to financial target figures are monitored by the Management Board, which reports back to the Supervisory Board at regular intervals. The Wild Bunch Group also monitors the risks to which subsidiaries are exposed through ongoing communication between local management and the Management Board. The liquidity and cash flow forecast are regularly prepared from the Group's individual cash pools and consolidated at Group level through the use of customised Excel-based tools. The company plans to implement improved tools at Group level in 2018 and to optimise the underlying process.

The complete standardisation of material components of the risk management system across the entire Wild Bunch Group to improve efficiency is planned for 2018.

## 5.2 INTERNAL CONTROL SYSTEM

The accounting-related internal control and risk management system is designed to ensure that all events and transactions in the accounting department are recorded fully, applied and evaluated correctly, and are presented in the financial reports of Wild Bunch AG and its subsidiaries in accordance with legal and contractual obligations as well as internal guidelines. Group-wide adherence to legal and internal regulations is a prerequisite for this. We must point out, however, that despite appropriate and functional systems, complete certainty in identifying and managing risks cannot be guaranteed.

The internal accounting processes for the Wild Bunch Group are centred in the headquarters in Paris and Berlin. Certain central functions of the subsidiaries of Wild Bunch S.A. are handled in Paris. The headquarters in Berlin are responsible for the accounting for the German subsidiaries and the consolidation of the consolidated financial statements.

The Group uses SAGE as its ERP system in Paris and SAP R/3 in Berlin. The Wild Bunch Group also uses Opera to consolidate the individual Group companies. In addition, data from other IT systems is monitored to ensure correct transfer and processing. The IT systems used with regard to financial reporting are protected against unauthorised access. The Wild Bunch Group has authorisation protocols in place that are regularly updated and monitored.

The accounting department regularly prepares separate financial statements for all local Wild Bunch Group companies in accordance with local accounting regulations and reports to the Management Board with consolidated IFRS financial information every six months. Reporting packages for the relevant companies are prepared in the individual countries for consolidation purposes. These form the foundation of the consolidated financial statements. Material aspects of the reporting (including film assets and provisions) are the basis for the items used in the spreadsheet calculations. The Management Board plans to introduce IT databases for these areas in the 2018 financial year.

Following the merger of the former Wild Bunch S.A. and Senator Entertainment AG into Wild Bunch AG, the standardisation of the accounting processes within the merged Group was launched. This required changes to the accounting methods of Wild Bunch S.A. Past accounting errors were also identified, which resulted in a retrospective adjustment of Group figures in accordance with IAS 8 in the Wild Bunch AG consolidated financial statements for the 2015 financial year. These arose as a result of the different accounting processes used in parts of the Wild Bunch Group in 2014 under capital market-oriented conditions. The standardisation of the accounting processes was begun in 2015, but the application of Group-wide accounting processes in daily accounting will be improved in the coming year.

Due to the circumstances mentioned above and complex presentation and consolidation issues in connection with the reverse acquisition, the financial statement preparation processes were delayed in 2015 and 2016.

The controlling department regularly examines expenses and income recorded for individual film distribution rights, i.e. recorded ingoing and outgoing payments that pertain to these rights.

Wild Bunch AG has a suitable system of internal guidelines that covers compliance issues, authorisation protocols for orders and concluding contracts, signatory authorisations and internal accounting guidelines. Material processes are documented using flow charts and contain a description of the monitoring measures integrated into the processes. The guidelines and documentation are regularly updated.

The Supervisory Board also regularly deals with material issues relating to accounting and the associated internal control and risk management system.

## 6. DISCLOSURE REQUIRED BY TAKEOVER LAW PURSUANT TO SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB)

In accordance with Section 315 (4) HGB, corporations that take advantage of a regulated market as described in Section 2 (7) of the German Securities Acquisition and Takeover Act through distributing shares with voting rights must make the following disclosures in their management reports:

**COMPOSITION OF SHARE CAPITAL:**

Wild Bunch AG's share capital amounts to EUR 81,763,015. It is divided into 81,763,015 no-par-value shares. There are no other types of share. Please refer to the disclosures in the notes to the Wild Bunch AG annual financial statements as of 31 December 2017 for information regarding conditional and authorised share capital.

**RESTRICTIONS ON VOTING RIGHTS OR THE TRANSFER OF SHARES:**

The Management Board is not aware of any restrictions relating to voting rights or the transfer of shares.

**DIRECT OR INDIRECT SHAREHOLDINGS IN CAPITAL THAT EXCEED TEN PER CENT OF THE VOTING RIGHTS:**

Shareholdings in Wild Bunch AG that exceed 10% of the voting rights are listed in the notes to the Wild Bunch AG annual financial statements as of 31 December 2017, which are available online at www.wildbunch.eu/investors/publications/. In accordance with the German Securities Trading Act, the current voting rights notifications are available at www.wildbunch.eu/investors/the-share/.

**SHAREHOLDERS WITH SPECIAL RIGHTS THAT CONFER POWERS OF CONTROL:**

There are no shares with special rights that confer powers of control.

**TYPES OF VOTING RIGHTS CONTROL IF EMPLOYEES HOLD SHARES BUT DO NOT DIRECTLY EXERCISE THEIR RIGHTS OF CONTROL:**

The Management Board is not aware of any employees holding shares who do not directly exercise their rights of control.

**LEGAL REGULATIONS AND PROVISIONS OF THE ARTICLES OF ASSOCIATION REGARDING APPOINTING AND DISMISSING MEMBERS OF THE MANAGEMENT BOARD AND AMENDING THE ARTICLES OF ASSOCIATION:**

Members of the Management Board are appointed and dismissed in accordance with Sections 84 and 85 of the German Stock Corporation Act (AktG). Amendments to the Articles of Association follow Sections 179 and 133 AktG, according to which the Supervisory Board is authorised to decide on amendments that only concern the wording of the Articles of Associations and do not constitute substantive changes.

**THE POWERS OF THE MANAGEMENT BOARD, PARTICULARLY RELATING TO THE ABILITY TO ISSUE AND BUY BACK SHARES:**

The Management Board of Wild Bunch AG was authorised by various Annual General Meetings to acquire own shares up to a total volume of 10% of the share capital existing at the point in time of the resolution, most recently for the period up to 29 June 2020 by resolution of the 2015 Annual General Meeting. The last acquisition of own shares was at various points in the 2000 financial year. As of the reporting date (31 December 2017), Wild Bunch AG held 2,414 treasury shares with a nominal value of EUR 2,414, or around 0.003% of the share capital. By further resolution of the 2015 Annual General Meeting, the authorised capital 2012/I was cancelled to the extent that the company made no use of it, and a new authorised capital was determined, which authorises the Management Board, subject to approval by the Supervisory Board, to increase the share capital until 29 June 2020 by up to EUR 37,165,007.00 (Authorised Capital 2015/I). Of this amount, EUR 29,732,007.00 is still available to the company for use. The Management Board was also authorised by the 2015 Annual General Meeting to issue bearer or registered convertible bonds or option bonds with a total nominal amount of up to EUR 19,750,097.00 on one or more occasions until 29 June 2020. Contingent Capital 2015/I is only to be used if the bearers of convertible rights or options exercise such rights, or if conversion obligations from such bonds are met. Contingent Capital 2015/I was entered into the commercial register on 7 July 2015.

**MATERIAL COMPANY AGREEMENTS THAT APPLY AS A RESULT OF A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID:**

In the event of a change of control, some members of the Management Board have extraordinary rights to terminate their contracts. In this case, the Management Board members Mr Grimond, Mr Chioua and Mr Maraval are entitled to their total remuneration (fixed salary and performance-related remuneration) until the end of the regular contract term, capped at the amount of the total remuneration for two years. Mr Sturm's contract contains no such arrangements.

**COMPANY COMPENSATION AGREEMENTS FOR THE EVENT OF A TAKEOVER BID BY WHICH MEMBERS OF THE MANAGEMENT BOARD OR EMPLOYEES ARE AFFECTED:**

There are no compensation agreements in place with the members of the Management Board or the employees for the event of a takeover bid.

## 7. CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTIONS 289F AND 315D HGB

The statement pursuant to Sections 289f and 315d HGB is available at http://wildbunch.eu/investors/corporate-governance/#home.

## 8. REPORT ON AFFILIATED COMPANIES

Pursuant to Section 312 AktG, the Management Board has prepared a report on its relationships with affiliated companies, which contains the following concluding statement:

"We declare that the company received appropriate compensation for all legal transactions with controlling and affiliated companies according to the circumstances known to us at the time at which the legal transaction took place, and that the company was not disadvantaged by the measures taken or omitted in this manner."

No legal transactions took place or measures were taken, nor were they omitted, at the initiative of or in the interest of the controlling company or any affiliated company.

## 9. REMUNERATION REPORT

Members of the Management Board receive a fixed annual salary (including a subsidised pension and, in some cases, subsidised health and care insurance) and some receive a bonus, which takes into account business performance, the economic position of the company and the performance of the member of the Management Board in accordance with Section 87 AktG. Performance-based remuneration cannot exceed EUR 275 thousand per year. The basis of the remuneration system has not changed since the previous year.

Management Board contracts do not contain any express confirmation of severance payments for employment relationships that end prematurely. However, severance payments may result from individual termination agreements.

Members of the Supervisory Board receive fixed compensation, the amount of which is determined by resolution of the Annual General Meeting. They are also reimbursed for any expenses incurred due to their Supervisory Board activities and for any VAT due on these amounts.

For more details, please see item 5.10 of the Notes to the consolidated financial statements, "Total remuneration of the Supervisory Board and the Management Board".

Berlin, 6 August 2018

Vincent Grimond
Chief Executive Officer (CEO)

Max Sturm
(CFO)

Brahim Chioua
(COO)

Vincent Maraval
(CCO)


THE VILLAINESS

SMART Chase


Veronica


Petterssson und Findus

# CONSOLIDATED FINANCIAL STATEMENTS

# WILD BUNCH AG
# CONSOLIDATED INCOME STATEMENT
# FOR FISCAL YEAR 2017 (IFRS)

| In € thousand | Note | **2017** | 2016 |
|---|---|---|---|
| Revenue | 2.1. | 101,420 | 122,152 |
| Other film related income | 2.2. | 7,722 | 9,731 |
| **Total Income** | | **109,141** | **131,883** |
| Cost of Sales | 2.3. | -91,157 | -111,832 |
| **Gross Profit** | | **17,985** | **20,051** |
| Other operating income | 2.4. | 9,404 | 7,649 |
| Administration costs | 2.5. | -21,663 | -22,618 |
| Other operating expenses | 2.6. | -4,991 | -1,329 |
| **Operating Result** | | **734** | **3,754** |
| Finance income | 2.7. | 897 | 1,107 |
| Finance Costs | 2.7. | -6,809 | -5,313 |
| Result of an associate or joint venture | 2.7. | -258 | 108 |
| **Finance result** | 2.7. | **-6,170** | **-4,097** |
| **Profit/(loss) before tax** | | **-5,436** | **-343** |
| Income tax | 2.8. | -1,241 | 1,146 |
| **Net income** | | **-6,677** | **803** |
| Minority interest in profit or loss | | -440 | 386 |
| **Profit/(loss) attributable to shareholders** | | **-6,237** | **417** |
| Weighted average number of shares (no.) | | 81,763,015 | 81,597,084 |
| Potential number of diluted shares (no.) | | 81,763,015 | 81,597,084 |
| Total weighted average number of shares (no.) | | 81,763,015 | 81,597,084 |
| Earnings per share | | | |
| Basic earnings per share (€ per share) | 2.9. | | 0.01 |
| Diluted earning per share (€ per share) | 2.9. | -0.08 | 0.01 |
| Earnings per share for continuing operations | | -0.08 | |
| Basic earnings per share (€ per share) | 2.9. | -0.08 | 0.01 |
| Diluted earning per share (€ per share) | 2.9. | -0.08 | 0.01 |

# WILD BUNCH AG, CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR FISCAL YEAR 2017 (IFRS)

| In € thousand | Note | **2017** | 2016 |
|---|---|---|---|
| Statement of recognized income and expenses | | | |
| **Consolidated net income** | | **-6,677** | **803** |
| **Items that will be reclassified in the income statement** | | | |
| Exchange differences on translating foreign operations | | -1 | 0 |
| **Items that will not be reclassified in the income statement** | | | |
| Actuarial gains/loss from defined benefit plans | 3.14 | 167 | -25 |
| Deferred taxes | | -50 | 8 |
| **Ohter income** | | **116** | **-16** |
| **Total consolidated income** | | **-6,561** | **787** |
| Minority interests | | -440 | 386 |
| **Profit attributable to shareholders** | | **-6.121** | **401** |

## WILD BUNCH AG,
## CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2017 (IFRS)

| In € thousand | Note | **31/12/2017** | 31/12/2016 |
|---|---|---|---|
| Goodwill | 3.1. | 124,454 | 124,454 |
| Intangible assets | 3.2. | 81,689 | 95,593 |
| Tangible assets | 3.3. | 1,156 | 1,274 |
| Other financial assets | 3.5. | 2,511 | 913 |
| Investments accounted for using the equity method | 3.4. | 1,516 | 2,431 |
| Deferred tax assets | 2.8. | 1,736 | 4,899 |
| Other non-current accounts | 3.8. | 1,290 | 506 |
| **Non current assets** | | **214,352** | **230,070** |
| Inventories and work in progress | 3.6. | 1,299 | 2,228 |
| Accounts receivables and related accounts | 3.7. | 36,020 | 42,090 |
| Income tax receivables | | 350 | 508 |
| Other current assets | 3.8. | 23,832 | 33,743 |
| Cash an cash equivalent | | 6,593 | 7,170 |
| **Current assets** | | **68,094** | **85,738** |
| **Total assets** | | **282,446** | **315,808** |

## WILD BUNCH AG, CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2017 (IFRS)

| In € thousand | Note | **31/12/2017** | 31/12/2016 |
|---|---|---|---|
| Shareholders equity - Group | 3.9.-3.11. | 81,151 | 87,271 |
| Minority interest | 3.12. | 24 | 465 |
| **Shareholders equity** | | **81,175** | **87,736** |
| Retirement and related commitments | 3.14. | 645 | 742 |
| Non-current provision | 3.15. | 25 | 25 |
| Deferred tax liability | 2.8. | 2,881 | 6,081 |
| Non-current debt | 3.16. | 48,459 | 56,198 |
| Other non-current liabilities | | 1,009 | 1,169 |
| **Non-current liabilities** | | **53,019** | **64,215** |
| Current provision | 3.15. | 2,915 | 3,703 |
| Current debt | 3.16. | 44,123 | 26,173 |
| Suppliers - accounts payables | 3.17. | 52,077 | 71,216 |
| Income tax payables | | 57 | 652 |
| Other current liabilities | 3.18. | 49,080 | 62,113 |
| **Current liabilities** | | **148,252** | **163,857** |
| **Total equity and liabilities** | | **282,446** | **315,808** |

# WILD BUNCH AG,
# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

| In € thousand | Issued capital | Capital reserve | Accumulated result |
|---|---|---|---|
| **As of 1 January 2016** | **75,719** | **-3,104** | **2,607** |
| Change in scope of consolidation | – | – | – |
| Cash capital increase | 6,041 | 6,344 | – |
| Costs relating to capital increase | – | -530 | – |
| Result of the year | – | – | 417 |
| Other comprehensive income | – | – | – |
| Other adjustments | – | – | -83 |
| **As of 31 Dezember 2016** | **81,761** | **2,709** | **2,941** |
| **As of 1 January 2017** | **81,761** | **2,709** | **2,941** |
| Change in scope of consolidation | – | – | – |
| Cash capital increase | – | – | – |
| Costs relating to capital increase | – | – | – |
| Result of the year | – | – | -6,237 |
| Other comprehensive income | – | – | – |
| Other adjustments | – | – | – |
| **As of 31 Dezember 2017** | **81,761** | **2,709** | **-3,296** |

For further details, please refer to section 3.9 Subscribed Capital, 3.10 Capital Reserve, 3.11 Other Reserves, 3.12 Non-controlling Interests

| Accumulated other equity | | | | | |
|---|---|---|---|---|---|
| Foreign currency translation differences | Other comprehensive income | Other comprehensive income tax | Share attributable to owners of Wild Bunch AG | Share of other shareholders | Consolidated equity |
| **0** | **– 184** | **61** | **75,098** | **-8** | **75,090** |
| – | – | – | – | – | – |
| – | – | – | 12,385 | – | 12,385 |
| – | – | – | -530 | – | -530 |
| – | – | – | 417 | 386 | 803 |
| – | -24 | 8 | -16 | – | -16 |
| – | – | 0 | -83 | 87 | 4 |
| **0** | **-208** | **69** | **87,271** | **465** | **87,736** |
| **0** | **-208** | **69** | **87,271** | **465** | **87,736** |
| – | – | – | – | – | – |
| – | – | – | – | – | – |
| – | – | – | – | – | – |
| – | – | – | -6,237 | -440 | -6,677 |
| – | 167 | -50 | 117 | – | 117 |
| – | – | – | – | -1 | -1 |
| **0** | **-41** | **19** | **81,151** | **24** | **81,175** |

## WILD BUNCH AG, CONSOLIDATED STATEMENT OF CASH FLOW FOR FISCAL YEAR 2017 (IFRS)

| In € thousand | | **2017** | 2016 |
|---|---|---|---|
| **Consolidated net result** | | **-6,677** | **803** |
| Depreciation, amortization, impairments and write-ups | | 42,979 | 55,013 |
| Result form investments accounted for using the equity method | | 258 | -108 |
| Changes in provisions | | -1,184 | -11,906 |
| Changes in deferred taxes | | -223 | –2,235 |
| Other non-cash income and expenses | | 270 | 15 |
| Changes in trade receivables | | 4,935 | 8,218 |
| Changes in trade payables | | -15,434 | -7,278 |
| Changes in other assets and liabilities | | 1,495 | -4,728 |
| **Cashflow from operating activities** | 4.2. | **26,418** | **37,793** |
| Prceeds from disposals of intangible assets, property plant and equipment | | 6,328 | 5,069 |
| Proceeds from disposals of consolidated subsidiaries and business units, less cash and cash equivalents given up | | 1 | 1,775 |
| Proceeds from disposals of non-current financial assets | | 387 | 409 |
| Purchases of intangible assets | | -44,510 | -50,259 |
| Parchases of property, plant and equipment | | -57 | – 48 |
| Purchases of shares in cosolidated subsidiaries and business units less cash and cash equivalents acquired | | 0 | – 41 |
| Purchases of investments in non-current financial assets | | -1,600 | – 31 |
| **Cash flow from investing activities** | 4.3. | **-39,450** | **-43,126** |
| Issuance of shares | | 0 | 12,385 |
| Proceeds from corporate bond issuance | | 0 | 16,032 |
| Repayment of corporate bonds | | 0 | -15,197 |
| Proceeds from other financial liabilities | | 36,172 | 13,336 |
| Repayments of other financial liabilities | | -23,682 | -22,693 |

| In € thousand | | **2017** | 2016 |
|---|---|---|---|
| **Cash flow from financing activities** | 4.4. | **12,490** | **3,863** |
| **Cash flow-related changes in cash and cash equivalents** | | **-542** | **-1,469** |
| Changes in cash and cash equivalents due to exchange rates | | -35 | 1 |
| Cash and cash equivalents at the beginning of period | | 7,170 | 8,639 |
| **Cash and cash equivalents at end of period** | 4.1. | **6,593** | **7,170** |
| **Cash flows contained in cash flow from operating activities** | | | |
| Income taxes paid | | -1,369 | -771 |
| Income taxes received | 4.2. | 113 | 184 |
| Interest paid | 4.2. | -5,170 | -4,472 |
| Interest received | 4.2. | 12 | 38 |
| Dividends received | 4.2. | 0 | 0 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. PRINCIPLES AND METHODS

### 1.1 GENERAL INFORMATION

The current Wild Bunch Group (hereinafter "Wild Bunch") was formed from the merger of German media group Senator Entertainment AG, Berlin, with the European film company Wild Bunch S.A., Paris, under the umbrella of Wild Bunch AG, Berlin (hereinafter "Wild Bunch" or "Company"), whose shares are listed in the General Standard segment of the Frankfurt Stock Exchange.

The legal acquisition of Wild Bunch S.A., Paris, France, at the beginning of 2015 by Wild Bunch AG, Berlin (formerly Senator Entertainment AG, Berlin), is a reverse takeover. These consolidated financial statements therefore represent a continuation of the consolidated financial statements of Wild Bunch S.A., Paris, France (Section 1.3 Scope of consolidation and consolidation methods).

The Group, established in Berlin and Paris, is a leading independent European film distribution and production company that is active in the areas of acquisition, co-production, film distribution and international sales, and currently manages a film library with over 2,500 titles.

The Company is listed under commercial register number HR B 68059 B of the Berlin-Charlottenburg District Court. The registered office of Wild Bunch AG is at Knesebeckstrasse 59–61, 10719 Berlin, Germany.

The consolidated financial statements of Wild Bunch AG for the financial year ending as of 31 December 2017 were prepared by the Management Board on 6 August 2018 and approved by the Supervisory Board on 6 August 2018.

### 1.2 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were prepared according to Section 315e of the German Commercial Code (HGB) under the application of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) applicable on the reporting date in the European Union (EU) and the interpretations of the IFRS Interpretations Committee (IFRS IC) approved by the IASB. All IFRS/IAS and IFRIC/SIC provisions/interpretations subject to mandatory application as of 31 December 2017 were applied. The provisions of German commercial law applicable pursuant to Section 315e Subsection 1 HGB were also complied with.

A list of the subsidiaries, joint ventures and associates included in these consolidated financial statements can be found in these notes in Section 1.3 Scope of consolidation and consolidation methods. The effects of the initial consolidation and deconsolidation of subsidiaries, joint ventures and associates are also presented in this section.

The statement of profit or loss was prepared using the cost of sales classification method.

The annual financial statements of the companies included in the consolidated financial statements are based on uniform accounting methods.

The consolidated financial statements are strictly prepared using the cost principle, which is based on historical purchase and production costs. This excludes derivative financial instruments that were measured at fair value.

The consolidated financial statements of Wild Bunch AG for financial year from 1 January to 31 December 2017 were prepared on a going concern basis.

The consolidated financial statements are prepared in euros, which is the functional and reporting currency of the Group parent company. Unless otherwise indicated, all values are rounded up or down to the nearest thousand (EUR thousand) in accordance with commercial rounding practices. For technical accounting reasons, rounding may result in deviation from mathematically precise values.

The consolidated financial statements and the Group management report are published in the Federal Gazette.

## 1.3 SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

### *CHANGES IN THE SCOPE OF CONSOLIDATION IN 2017*

**Circuito Cinema**

In the financial year, BIM Distribuzione S.r.l., Rome, Italy, sold shares to Circuito Cinema S.r.l., Rome, Italy. The shareholding declined from 35.47 % to 24.90 %. The company is still accounted using the at-equity method.

### *CHANGES IN THE SCOPE OF CONSOLIDATION 2016*

**Deutschfilm**

In March 2016, Wild Bunch AG sold its 50% share in the fully consolidated deutschfilm GmbH, Berlin, to the co-shareholder Mr Anatol Nitschke for EUR 1.00. As part of the sale of the shares, Wild Bunch AG ceded a fully written-down loan claim against deutschfilm GmbH of EUR 1,959 thousand to Mr Nitschke.

At the time of the loss of control, deutschfilm GmbH reported cash or cash equivalents amounting to EUR 2 thousand. The Company had generated a loss of EUR 39 thousand by the deconsolidation date. The deconsolidation of the company led to deconsolidation gains of EUR 114 thousand, which are reported in other operating income. The amounts of assets and liabilities structured according to main groups, with the exception of cash and cash equivalents, at the time of the loss of control are shown below:

| In € thousand | |
|---|---|
| **Assets** | |
| Intangible assets | 8 |
| Property, plant and equipment | 5 |
| **Total non-current assets** | **13** |
| Liabilities from goods and services | 26 |
| Other assets | 43 |
| **Total current assets** | **69** |
| **Liabilities** | |
| Provisions | 31 |
| Payments received | 20 |
| Liabilities from goods and services | 65 |
| Other liabilities | 80 |
| **Total current liabilites** | **196** |

**X Verleih AG**

Effective as of 23 September 2016, Wild Bunch AG sold its entire share in its associate X Verleih AG (31.38 %) to X Filme Creative Pool GmbH, Berlin, at a purchase price of EUR 1,775 thousand. The sale resulted in a positive contribution to earnings in the consolidated financial statements of around EUR 400 thousand.

**Insiders**

Insiders LLC, established on 7 December 2015 by Wild Bunch S.A. under US law (California), is included for the first time in the consolidated financial statements as of 31 December 2016 by way of full consolidation.

The company was of negligible importance due to the lack of operating activity in the previous year. Insiders LLC began its operating business activity in November 2016.

By resolution of the shareholders and according to agreement with the shareholders ("Operating Agreement") dated 1 November 2016, Wild Bunch S.A. sold 55 % of its shares in Insiders LLC. The sale price of USD 5,500 corresponded to the fair value of the shares at the time of the sale.

With the sale of the shares, Wild Bunch S.A. no longer holds the majority of voting rights (45 %) in Insiders LLC as of 1 November 2016. The Group therefore reviewed whether Insiders LLC is under its control as of the Group reporting date.

In order to determine that Wild Bunch controls Insiders LLC, the following conditions must be met:

- power of disposal,
- a risk exposure resulting from, or entitlement to, fluctuating rates of return from its commitment and
- the ability to use its power of disposal over the investee in such a way that the level of the investee's rate of return is influenced.

It is generally assumed that the ownership of a majority of voting rights leads to control. If the Group does not hold a majority of the voting rights or equivalent rights in an investee, it takes into account all of the relevant facts and circumstances when assessing whether it has power of disposal over that investee. These facts and circumstances include contractual agreements.

In the Operating Agreement as of 1 November 2016, Mr Vincent Maraval was appointed Managing Director with sole power of representation. In his role as Chief Content Officer (CCO), Mr Vincent Maraval is also a member of the Management Board of Wild Bunch AG.

The Operating Agreement dated 1 November 2016 provides, among other things, that the Managing Director can only be dismissed by an 80% majority of the votes. To this extent, the Group has a veto minority when it comes to dismissing the Managing Director (factual control).

Insiders LLC is included in the consolidated financial statements within the scope of its full consolidation.

As of 31 December 2017, the company held assets of EUR 322 thousand (previous year: EUR 29 thousand) and liabilities of EUR 314 thousand (previous year: EUR 19 thousand). The company's revenue for the financial year amounted to EUR 934 thousand (previous year: EUR 844 thousand) with a balanced result.

### INFORMATION ON THE SCOPE OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Wild Bunch AG and those of the subsidiaries it controls as of 31 December 2017. Control is said to exist if the Group has a risk exposure resulting from, or entitlement to, fluctuating rates of return from its commitment to the investee and it can use its power of disposal over the investee to influence these rates of return. In particular, the Group controls an investee if, and only if, it has all of the following characteristics:

- The power of disposal over the investee (i.e. under currently existing rights, the Group is able to manage the activities of the investee that have a material influence on its rate of return),
- a risk exposure resulting from, or entitlement to, fluctuating rates of return from its commitment to the investee and
- the ability to use its power of disposal over the investee in such a way that the investee's rate of return is influenced.

If the Group does not hold a majority of the voting rights or equivalent rights in an investee, it takes into account all of the relevant facts and circumstances when assessing whether it has power of disposal over that investee. These include:

- A contractual agreement with the others who hold voting rights,
- Rights resulting from other contractual agreements,
- Voting rights and potential voting rights of the Group.

If the facts and circumstances suggest that one or more of the three controlling elements have changed, the Group must review again whether it controls an investee. The consolidation of a subsidiary begins on the day on which the Group obtains control over the subsidiary. It ends when the Group loses control over the subsidiary. The assets, liabilities, income and expenses of a subsidiary that were acquired or sold during the reporting period are reported in the statement of financial position or the statement of comprehensive income from the day on which the Group obtains control over the subsidiary until the day on which the control ends.

The profit or loss and each component of the other comprehensive income is allocated to the holders of ordinary shares in the parent company and the holders of non-controlling interests, even if this leads to a negative balance of non-controlling interests.

A change in the equity interest in a subsidiary without loss of control is recognised as an equity transaction. If the parent company loses control over a subsidiary, the following steps are taken:

- Derecognition of the assets (including goodwill) and liabilities of the subsidiary,
- Derecognition of the carrying amount of the non-controlling interest in the former subsidiary,
- Derecognition of cumulative exchange differences recognised in equity,
- Recognition of the fair value of the consideration received,
- Recognition of the fair value of the remaining equity interest,
- Recognition of surpluses or deficits in the statement of profit or loss,
- Reclassification of the components of the other comprehensive income attributable to the parent company to the statement of profit or loss or to retained earnings, as would be necessary if the Group had directly sold the corresponding assets or liabilities.

## *INVESTMENTS IN ASSOCIATES OR JOINT VENTURES*

An associate is a company over which the Group has significant influence. Significant influence is the ability to take part in the financial and operating policy decisions of the investment company, but not to control or jointly control the decision-making processes.

A joint venture is a mutual agreement in which the parties exercise joint control and hold joint rights over the net assets.

The Group's shares in an associate or a joint venture are reported in the statement of financial position using the equity method.

According to the equity method, the shares in an associate or joint venture are initially recognised at cost. The carrying amount of the investment is adjusted to reflect changes in the Group's share in the net assets of the associate or joint venture since the acquisition date. The goodwill linked to the associate is included in the carrying amount of the share and is neither amortised nor subjected to a separate impairment test.

The statement of profit or loss includes the Group's share in the profit or loss for the period of the associate or joint venture. Changes in the other income of these investees are recognised in the other income of the Group. In addition, changes recognised directly in the equity of the associate or joint venture are recognised by the Group in the amount of its share and, if necessary, are shown in the statement of changes in equity. Unrealised gains and losses from transactions between the Group and the associate or joint venture are eliminated according to the share in the associate or joint venture.

The Group's total share in the result of an associate or joint venture is shown in the statement of profit or loss and represents the profit after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared to the same reporting date as the Group's financial statements. Where necessary, adjustments are made to bring them in line with the Group's standard accounting policies.

After applying the at-equity method, the Group determines whether it is necessary to recognise an impairment loss for its shares in an associate or joint venture. On each reporting date, the Group determines whether there are any objective indications that the Group's net investment in an associate or joint venture could be impaired. If there are such indications, the amount of the impairment is determined as the difference between the recoverable amount of the share in the associate or joint venture and the carrying amount, and the loss is then recorded as "Impairment of companies measured at equity" in profit or loss.

### BUSINESS COMBINATIONS

Business combinations are reported using the acquisition method. The costs of a business combination are measured as the sum of the consideration transferred – measured at the fair value as of the acquisition date – and the non-controlling interests in the acquiree. For each business combination, the Group decides whether it measures the non-controlling interests in the acquiree at fair value or at the corresponding share of the identifiable net assets of the acquiree. Costs incurred as part of the business combination are recorded as expenses and reported as administrative expenses.

In the case of gradual business combinations, the equity held by the acquirer that previously belonged to the acquiree is redetermined at the fair value applicable on the acquisition date and the resulting gain or decrease is recognised in the statement of profit or loss. It is subsequently taken into consideration when determining goodwill.

Goodwill is initially measured at cost, which is measured as the amount of the total consideration transferred, the non-controlling interest and the shares held previously that exceeds the acquired identifiable assets and liabilities assumed by the Group. If the fair value of the acquired net assets exceeds the transferred total consideration, the Group will reassess whether it has correctly identified all acquired assets and liabilities and check the procedures through which the amounts that must be reported as of the acquisition date have been determined. If the fair value of the acquired net assets still exceeds the transferred total consideration following the revaluation, the difference is recorded in the statement of profit or loss.

Following initial recognition, the goodwill is measured at cost minus cumulative impairment losses. For the purposes of the impairment test, the goodwill acquired as part of a business combination is allocated from the acquisition date onwards to the Group's cash-generating units that are expected to profit from the business combination.

If goodwill was allocated to a cash-generating unit and a business area of this unit is sold, the goodwill attributable to the sold business area is accounted for as a component of the carrying amount of the business area in determining the result from the sale of this business area. The value of the sold portion of the goodwill is determined on the basis of the relative values of the sold business area and the remaining part of the cash-generating unit.

### SCOPE OF CONSOLIDATION

The composition of the scope of consolidation of the Wild Bunch Group as of 31 December 2017 is shown below:

| | **31/12/2017** | 31/12/2016 |
|---|---|---|
| Fully consolidated companies | | |
| Domestic | **11** | 11 |
| Foreign | **17** | 17 |
| Shares in joint ventures and associates | | |
| Domestic | **1** | 1 |
| Foreign | **2** | 2 |
| | **31** | 31 |

The following companies were recorded in the consolidated financial statements:

| Ser. no. | Fully consolidated entities | Seat | Main business activity | Share in % | | Held by | See footnote for further information |
|---|---|---|---|---|---|---|---|
| | | | | **2017** | 2016 | | |
| | **Domestic** | | | | | | |
| 1 | Wild Bunch AG | Berlin | Holding | **–** | – | – | – |
| 2 | Wild Bunch Germany GmbH | Munich | Sales | **88.0** | 88.0 | 12 | – |
| 3 | Senator Film Produktion GmbH | Berlin | Production | **100.0** | 100.0 | 1 | 1, 2 |
| 4 | Senator Film Verleih GmbH | Berlin | Sales | **100.0** | 100.0 | 1 | 1, 2 |
| 5 | Senator Home Entertainment GmbH | Berlin | Sales | **100.0** | 100.0 | 1 | 1, 2 |
| 6 | Senator Finanzierungs- und Beteiligungs GmbH | Berlin | Holding | **100.0** | 100.0 | 1 | – |
| 7 | Senator Film Köln GmbH | Cologne | Production | **100.0** | 100.0 | 1 | 1, 2 |
| 8 | Senator MovInvest GmbH | Berlin | Financing | **100.0** | 100.0 | 1 | 1, 2 |
| 9 | Senator Film München GmbH | Munich | Production | **100.0** | 100.0 | 1 | 1, 2 |
| 10 | Senator Reykjavik GmbH | Berlin | Production | **100.0** | 100.0 | 3 | – |
| 11 | Central Film Verleih GmbH | Berlin | Sales | **100.0** | 100.0 | 1 and 12 | – |
| | **Foreign** | | | | | | |
| 12 | Wild Bunch S.A. | Paris, France | Holding and international sales | **100.0** | 100.0 | 1 | – |
| 13 | BIM Distribuzione s.r.l. | Rom, Italy | Sales | **100.0** | 100.0 | 12 | – |
| | | | | **2017** | 2016 | | |
| 14 | Bunch of Talents SAS | Paris, France | Other | **80.0** | 80.0 | 12 | – |
| 15 | Continental Films SAS | Paris, France | Sales | **100.0** | 100.0 | 12 | – |
| 16 | Elle Driver SAS | Paris, France | International sales | **95.0** | 95.0 | 12 | – |
| 17 | Eurofilm & Media Ltd. | Killaloe, Ireland | Sales | **100.0** | 100.0 | 1 | – |
| 18 | EWB2 SAS | Paris, France | Sales | **100.0** | 100.0 | 12 | – |
| 19 | EWB3 SAS | Paris, France | Sales | **100.0** | 100.0 | 12 | – |
| 20 | Filmoline SAS | Paris, France | SVOD and VOD | **90.0** | 90.0 | 12 | – |
| 21 | Wild Bunch Austria GmbH | Wien, Austria | Sales | **100.0** | 100.0 | 4 | – |
| 22 | Versatile SAS | Paris, France | International Sales | **95.0** | 95.0 | 12 | – |
| 23 | Vértigo Films S.L. | Madrid, Spain | Sales | **80.0** | 80.0 | 2 | – |
| 24 | Virtual Films Ltd. | Dublin, Ireland | Sales | **100.0** | 100.0 | 12 | – |

| Ser. no. | Fully consolidated entities | Seat | Main business activity | Share in % | | Held by | See footnote for further information |
|---|---|---|---|---|---|---|---|
| 25 | Wild Bunch Distribution SAS | Paris, France | Sales | **100.0** | 100.0 | 12 | – |
| 26 | Wild Side Film SAS | Paris, France | Sales | **100.0** | 100.0 | 12 | – |
| 27 | Wild Side Video SAS | Paris, France | Sales | **100.0** | 100.0 | 12 | – |
| 28 | Insiders LLC | Los Angeles, USA | Sales | **45.0** | 45.0 | 12 | – |
| | **Consolidated at-equity** | | | | | | |
| | **Domestic** | | | | | | |
| 29 | Bavaria Pictures GmbH | Munich | Production | **50.0** | 50.0 | 9 | 3 |
| | **Foreign** | | | | | | |
| 30 | Capricci World | Nantes, France | Holding | **33.0** | 33.0 | 12 | 3 |
| 31 | Circuito Cinema s.r.l. | Rom, Italy | Sales | **24.9** | 35.5 | 13 | 3 |

1 Profit and loss transfer agreement with parent company

2 Section § 264 (3) German Commercial Code was applied

3 Consolidated at-equity

## 1.4 DISCRETIONARY DECISIONS AND ESTIMATION UNCERTAINTIES

The preparation of the consolidated financial statements in accordance with IFRS requires that the management make estimates and assumptions that affect the reported income, expenses, assets, liabilities, contingent assets and contingent liabilities at the time of the accounting. These estimates and assumptions are based on management's best judgement, which is founded on past experience and other factors, including predictions of future events. The assessments and assumptions are reviewed on an ongoing basis. Changes in estimates are necessary if the circumstances on which the estimates are based have changed or new information/additional findings have become apparent. Such changes are recorded in each reporting period in which the estimate was adjusted.

The most important assumptions about the future development and the most important sources of uncertainties regarding the estimates, which could make significant adjustments to the reported assets and liabilities, income, expenses and contingent liabilities necessary in the next twelve months, are listed below.

### *CONSOLIDATION OF COMPANIES IN WHICH THE GROUP DOES NOT OWN THE MAJORITY OF VOTING RIGHTS (FACTUAL CONTROL)*

The Group assumes that it controls Insiders LLC, although it holds only 45 % of the voting rights. This is due to the fact that a member of the Group's Management Board has been appointed as the Managing Director with sole power of representation of Insiders LLC. A change in Managing Director is possible only with an 80 % majority of the votes. To this extent, the Group has a corresponding veto minority when it comes to dismissing and/or reappointing the Managing Director. Even without a majority of voting rights, the Group therefore has sufficient rights to give it power of disposal over Insiders LLC, since it has the practical capacity to unilaterally control its relevant activities.

### PURCHASE PRICE BREAKDOWN FOR THE STEP-BY-STEP ACQUISITION OF CONTINENTAL FILM S.A.

The Group carried out a series of linked transactions in the 2013 financial year. One of these transactions concerned the increase of its 50 % shareholding in Continental Film S.A. (hereinafter "CF") to 100 % as part of a step-by-step acquisition (purchase price: EUR 1). The other transactions relate to the issuance of one of the loans granted to CF including interest (EUR 10.7 million) by CF's co-shareholder, the repurchase of treasury shares by the Group's parent company from CF's co-shareholder (purchase price: EUR 6.3 million), and the repayment of a loan granted to CF, including interest (EUR 20.8 million), to a related company belonging to CF's co-shareholder.

The breakdown of the purchase price for the step-by-step acquisition on the acquisition date was largely based on the carrying amounts of CF and they were assumed to correspond to the fair values. This resulted in negative net assets of EUR 25.5 million. Thus, it was not possible in the previous years to subsequently assess whether

a the purchase price of one euro, taking into consideration the cash flows above within the series of linked transactions, and

b the assumption on which the accounting was arrived at (that the carrying amounts largely correspond to the fair values)

were accurate.

In order to eliminate the existing uncertainty, the purchase price allocation (PPA) was reviewed again in 2018. The review did not lead to any changes in the accounting compared with the previous year.

### IMPAIRMENT OF NON-FINANCIAL ASSETS

The goodwill is tested for impairment at least once a year and if there are any indications of impairment. The film assets and other non-financial assets are tested for impairment if there are indications that the carrying amount exceeds the recoverable amount. To assess whether an impairment is necessary, estimates are made of the expected future flows of funds for each cash-generating unit from the use and possible sale of these assets. The actual flows of funds may deviate significantly from the discounted future flows of funds based on these estimates. Changes to the revenue and cash flow forecasts may lead to an impairment (Section 3.2 Intangible assets and 3.3 Property, plant and equipment (other equipment, operating and office equipment)).

### IMPAIRMENT OF SHAREHOLDINGS IN COMPANIES VALUED AT EQUITY AND OTHER COMPANIES

The shareholding in companies valued at equity and other companies are tested for impairment if there are indications that their carrying amount exceeds their recoverable amount. To assess whether an impairment is necessary, estimates are made of the expected future flows of funds for each cash-generating unit from the use and possible sale of these assets. The actual flows of funds may deviate significantly from the discounted future flows of funds based on these estimates. Changes to the revenue and cash flow forecasts may lead to an impairment.

### IMPAIRMENT OF RECEIVABLES

As of the balance sheet date, the Group reported receivables whose maturity was already over 360 days. On the basis of empirical values and objective indications, valuation allowances were formed for these receivables, the level of which the management believes is appropriate. These estimates result in uncertainty as to whether unanticipated losses on receivables must be recorded in future periods (Section 3.7 Trade receivables).

### PROVISIONS FOR THE EXPECTED RETURN OF GOODS

The Group's provisions for the expected return of goods is based on the analysis of contractual or legal obligations and historical developments, as well as the Group's experience. Based on currently available information, the management believes that the provisions formed are appropriate. Since these provisions are partly based on past experience, these may need to be adjusted in light of any new information. Such adjustments could have an influence on the reported provisions in future reporting period (Section 3.15 Other provisions).

### LIABILITIES ARISING FROM LICENSOR SHARES

The Group companies are exposed to various supplementary claims from licensors with regard to their shares from the marketing of film rights. The Group currently assumes that the liabilities cover the risks. It is possible however that further claims could be asserted whose costs are not covered by the existing liabilities. Such changes may impact the liabilities reported for licensor shares in future reporting periods (Section 3.18 Other current liabilities).

All assets and liabilities identifiable as part of the merger of Senator Entertainment AG and Wild Bunch S.A. were reported on initial consolidation at their fair values. The fair values reported are subject to estimation uncertainties. In the case of the identified intangible assets, the fair value was determined using generally recognised valuation methods.

### INCOME TAXES

The determination of the assets and liabilities arising from current and deferred income taxes reported in the statement of financial position requires extensive exercising of discretion and making widespread assumptions and estimates.

The scheduled income tax liabilities and provisions are partly based on estimates and interpretations of tax laws and directives in different jurisdictions.

There are degrees of uncertainty in relation to deferred tax items with regard to the time at which an asset is realised or a liability is fulfilled and with regard to the tax rate applicable at this time. The recognition of deferred tax assets with regard to loss carryforwards requires an estimate of the probability of the future realisability of loss carryforwards. Influential factors taken into account as part of this estimate are the earnings history, profit planning and any existing tax planning strategy (Section 2.8 Income taxes).

### GOING CONCERN ASSUMPTION

The company's consolidated financial statements have been prepared on a going concern basis.

The Management Board is planning to implement a series of refinancing measures, for which it was able to gain approval from the company's main creditors and investors, which in July 2018 led to the end of court supervision of negotiations. The short-term objective is the financial restructuring of the Group through a clear reduction in the Group's debt, the short-term inflow of additional cash and cash equivalents from company loans in the amount of approximately EUR 30 million and medium- to long-term financing of investments.

As part of the restructuring, Wild Bunch AG's share capital will first be reduced at a ratio of 40 to 1. The share capital will then be increased through two non-cash capital increases against the takeover of existing bank liabilities and other liabilities belonging to the French companies (particularly Wild Bunch S.A.). As the first step, these liabilities with a total volume of EUR 62.7 million will be taken over by an investor who is obliged to contribute EUR 36.6 million to Wild Bunch AG through a non-cash capital increase under the exclusion of shareholders' subscription rights, which will reduce the Wild Bunch Group's financial liabilities by the same amount. The remaining EUR 26.1 million will continue to exist as a loan.

In addition, the creditors of the 8 % corporate loan with a total face value of EUR 18 million taken out in 2016 shall resolve to swap all promissory notes held for new shares in Wild Bunch AG through an additional non-cash capital increase under exclusion of shareholders' subscription rights. As part of the debt-equity swap, the loan creditors shall receive acquisition rights on new Wild Bunch AG shares. If the debt-equity swap is successful, Wild Bunch AG's financial liabilities will fall by a further EUR 18 million. This would reduce the financial liabilities of the Wild Bunch Group by EUR 54.6 million.

In order to boost the Group's financing and investment capacities, as envisaged in the business planning, the investor intends to provide the Wild Bunch Group with interim financing of up to EUR 15 million that will be replaced by another company loan in the amount of EUR 30 million following the successful completion of the capital measures mentioned above and a resolution of the Annual General Meeting at the end of September 2018.

The implementation of the restructuring measures depends largely on the German Federal Financial Supervisory Authority (BaFin) releasing the investor from the duty to make a takeover offer.

As an additional component, the Management Board has agreed with Bank Leumi plc (UK) ("Bank Leumi") to extend the currently approved EUR 30 million credit line to a total volume of up to EUR 100 million. The conditions for this extension are the French subsidiaries' entry into the agreement, with them providing collateral for the financing, and the approval of the investor. The amount of funds that the Group will then actually have access to is dependent on the assets identified as belonging to the borrower. Various financial covenants are contained in the loan agreement. These mainly relate to the following performance indicators: the EBITDA ratio, i.e. consolidated EBITDA in relation to sales revenue, liquidity ratio, i.e. the volume of financing sources available in comparison to the expected financing needs, leverage ratio, i.e. net debt in relation to consolidated EBITDA, and a guaranteed minimum balance sheet equity. If credit becomes immediately due, the Group's continued existence depends on procuring other sufficient financial means at short notice.

The continuation of the Group also requires that the detailed refinancing measures are implemented. If these are not fully implemented, or are not implemented to the required extent, then the continuation of the company will depend on its ability to procure other sufficient funds.

An additional financing need, beyond the described refinancing measures, may arise if there is a negative difference with the business plan prepared by the Management Board. A significantly negative development would at least result in adverse effects on the planned business performance, in the opinion of the Management Board.

In addition to the named steps for optimising net assets, the Management Board also plans operational measures to improve the earnings situation.

We also refer to the details in the management report on the liquidity risks that could threaten the continued existence of the company.

## 1.5 ACCOUNTING POLICIES

The accounting methods applied uniformly across the Group in the 2017 financial year are essentially unchanged from the previous year and are presented below:

The statement of financial position was structured according to current and non-current assets and liabilities, whereby all assets and liabilities that are expected to be realised within twelve months from the reporting date or within one business cycle are viewed as current. All other assets or liabilities are classified as non-current. Financing for projects is primarily hedged using rights arising from these projects.

The Group applied for the first time certain standards and amendments that must be applied for financial years beginning on or after 1 January 2017. The Group did not prematurely apply any further standards, interpretations or amendments that have been published but not yet come into force.

The type and effects of the individual new standards and amendments are described below.

Changes to IAS 7 – Disclosure Initiative

Changes to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

Annual improvement project "Improvements to IFRS 2014–2016 Cycle": the Annual Improvements Project involved a clarification that the disclosures pursuant to IFRS 12 also apply to interests that fall within the scope of application of IFRS 5 (with exception of IFRS 12.B10–16).

No material changes to the previous year have arisen from the application.

### *STANDARDS RELEVANT TO FUTURE CONSOLIDATED FINANCIAL STATEMENTS OF WILD BUNCH AG*

IASB and IFRIC have published new and amended standards and interpretations that were not yet subject to mandatory application in the reporting period and some of which had also not yet been adopted by EU law. The Group intends to apply the standards and interpretations as soon as their mandatory application arises.

| Standard / Interpretation | | Date of the EU Endorsemen | (expected) Mandatory application in the EU |
|---|---|---|---|
| **IFRS 9** Financial Instruments | Classification and evaluation of financial assets and Financial liabilities | 22 November 2016 | 1 January 2018 |
| **IFRS 15** Income from Contracts with customers | New standard for revenue recognition; Replacement of standards IAS 18 andIAS 11 and the corresponding interpretations | 22 September 2016 | 1 January 2018 |
| **IFRS 15** Revenues from contracts with customers | Clarification on the application of IFRS 15 as well as simplification provisions for the transition | 31 October 2017 | 1 January 2018 |
| **IFRS 16** Standard Leases | IFRS 16 supersedes IAS 17 "leases" and the following interpretations. According to the new regulation, lessees will have to recognise all leasing relationships in principle in the form of a right of use and a corresponding lease liability | 31 October 2017 | 1 January 2019 |
| **IAS 19** Services to employees | Clarification on how current service cost and net interest are to be considered in case of a plan change, curtailment and settlement of pension obligations | Expected in 2018 | 1 January 2019 |
| **IAS 28** Long-term participations in associated companies and joint ventures | Clarification that companies are obliged to apply IFRS 9 to long-term investments in affiliated companies or joint ventures | Expected in 2018 | 1 January 2019 |
| **IFRS 9** Financial Instruments | Clarifications on prepayment regulations with negative compensatory payments | 22 March 2018 | 1 January 2019 |
| **IFRIC 22** | Currency conversions for advance payments | 22 March 2018 | 1 January 2018 |
| **IFRIC 23** Uncertainties regarding income tax treatment | Application notes for accounting for actual and future taxable income deferred tax liabilities and claims in accordance with IAS 12 | Expected Q3 2018 | 1 January 2019 |
| **AIP 2014-2016** Annual Improvements | IAS 28, IFRS 1 | 7 February 2018 | 1 January 2018 |
| **AIP 2015-2017** Annual Improvements | Various Standards | Expected in 2018 | 1 January 2019 |

### *IFRS 9 – FINANCIAL INSTRUMENTS*

IFRS 9 introduces a universal approach to the classification and measurement of financial assets. In this approach, the standard takes as its basis the cash flow characteristics and the business model according to which the cash flows are managed. IFRS 9 also provides for a new impairment model based on the expected credit losses. The standard also includes new rules on the application of hedge accounting in order to better present the risk management activities of a company, in particular with regard to the management of non-financial risks. The new standard is applicable to financial years beginning on or after 1 January 2018; application prior to this date was permissible.

The Group intends to apply the new standard on the date it is set to come into force. In the 2017 financial year, the Group carried out a preliminary assessment of the impact of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may change due to further detailed analyses or additional pertinent and reliable information made available to the Group in the future. Overall, the Group does not expect a material impact on its statement of financial position and equity, with the exception of the effect arising from the application of the impairment provisions in IFRS 9. The Group is preparing itself for potentially having to form potentially greater risk provisions on the basis of the new regulation, and also for having to report on expected losses in the future, which would have a negative impact on equity. A detailed evaluation will be carried out in the future to determine the extent of these effects.

### *IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS*

According to the new standard, the recognition of revenues should depict the transfer of promised goods or services to the customer with the amount that corresponds to the consideration the company is predicted to receive in exchange for those goods or services. Revenues are realised if the customer receives power of disposal with regards to the goods or services. IFRS 15 also includes stipulations relating to reporting on transaction surpluses or obligations existing at the contractual level. These are assets and liabilities from customer contracts that arise in connection with the relationship between the service rendered by the company and the customer's payment. The new standard also requires the disclosure of a range of quantitative and qualitative information to enable readers of the consolidated financial statements to understand the type, level, timing and uncertainty of revenues and cash flows from contracts with customers. IFRS 15 replaces IAS 11 "Construction Contracts" and IAS 18 "Revenue" as well as the associated interpretations. The standard is applicable to financial years beginning on or after 1 January 2018; application prior to this date was permissible.

In the 2017 financial year, the Group carried out a preliminary assessment of IFRS 15, which may change in the course of the further detailed analysis. In addition, the Group is taking into consideration the clarifications published by the IASB in April 2016 and will observe the further developments relating to the interpretation of IFRS 15.

The Group is an independent European film distribution and production company. The company is active in direct distribution in France, Italy, Germany, Spain and Austria, is active in international sales, finances co-productions and is active in the electronic direct sales of films and TV series. Film distribution rights are typically sold individually in contracts with customers.

The Group estimates that the services are not rendered across a time period, since the customer is entitled to the benefit arising from the contracts in full from a certain date. On this basis, the Group's revenues from these contracts would continue to refer to a certain point of time and not to a period of time.

The presentation and disclosure regulations of IFRS 15 go far beyond the provisions of the current standards. The new presentation provisions are a material change from current practice and will a require significantly larger number of disclosures in the consolidated financial statements in the future. IFRS 15 requires quantitative and qualitative disclosures relating to the breakdown of proceeds, performance obligations, contract balances, significant discretionary decisions and capitalised contractual costs, although many of these disclosure provisions are completely new.

### *IFRS 16 – LEASES*

IFRS 16 replaces IAS 17 "Leases" and the associated interpretations. According to the new regulation, lessees must always report all leases in the form of a right of use and a corresponding leasing liability in the statement of financial position. A lease exists if the contractual fulfilment depends on the utilisation of an identifiable asset and the customer obtains control over this asset at the same time. It is always presented in the statement of profit or loss as a finance transaction, so that the right of use must, as a rule, be amortised at a constant rate and the leasing liability must be adjusted according to the effective interest method. This principle excludes leases with a total term of a maximum of twelve months and leases for low-value assets (original value of up to USD 5 thousand). In these cases, the lessee has the option of selecting to report in the statement of financial position in a manner comparable with the previous operating lease. IFRS 16 is applicable to financial years beginning on or after 1 January 2019. Early application is permitted, as long as IFRS 15 is already being applied at this point in time. IFRS 16 was adopted into European law on 31 October 2017. The application of IFRS 16 will lead to leasing agreements being reported in the statement of financial position in the future.

The Group intends to apply the new standard on the date it is set to come into force. The effects listed below were determined on the basis of an initial analysis. However, the analysis has not yet been completed and is constantly being updated by the Group in light of the development of the interpretation of IFRS 16.

The Group has until now predominantly concluded operating leases for movable assets (multifunctional printers) and for real estate (office space). Previously, the payment obligations for operating leases only had to be given in the notes. In the future, however, it will be mandatory for the rights and obligations arising from these leases to be reported in the statement of financial position either as an asset (right of use in the leasing object) or a liability (leasing liability). As a result, the Group expects an increase in total assets as of the date of initial application.

With regard to the extent to which leasing agreements are to be included in the statement of financial position in the future periods on the side of the lessee, please refer to Section 5.5 Other financial obligations and contingent liabilities.

In the statement of profit or loss, the expense from operating leases has up until now been reported under the Other operating expenses item. In the future, amortisation of the right of use and interest expenses for the leasing liabilities will be reported instead.

In the statement of cash flows, payments for operating leases have previously been reported in cash flow from operating activities. In the future, the payments for operating leases will be split into interest payments and redemption payments. While the interest payments will continue to be reported in cash flow from operating activities, the redemption payments will be allocated to the cash flow from financing activities.

No further detailed presentation of new or amended standards or interpretations will be provided in the following, since the effects of their initial application on the presentation of the Group's net assets, financial position and results of operations are likely to be of minor significance.

## FOREIGN CURRENCY TRANSLATION

The functional currency of Wild Bunch AG and the reporting currency of the Group is the euro. Transactions in currencies that do not correspond to the functional currency of the respective Group company are recorded by the companies using the exchange rate applicable on the transaction date. Monetary assets and liabilities are translated using the closing rate on the balance sheet date.

Gains or losses arising from the settlement of these transactions and gains or losses from the translation of monetary assets and liabilities are recorded directly in profit or loss.

The functional currency of the foreign subsidiaries always corresponds to the currency of the country in which they carry out their activities. The results and balance sheet items of those Group companies that have a different functional currency from the Group's reporting currency (euro), are translated into euros as follows:

1. The assets and liabilities are translated for each balance sheet date with the closing rate.
2. Income and expenses are translated for each statement of profit or loss at the average rate, unless the use of the average rate does not lead to a reasonable approximation of the cumulative effects of the rates prevailing on the transaction dates, in which case income and expenses are translated at their transaction rates.
3. All resulting exchange differences are recognised in other comprehensive income.

The translation of the foreign currency items in the individual financial statements and the US subsidiary are based on the following exchange rates:

| | **Closing rate (based on € 1)** | |
|---|---|---|
| | **12/31/2017** | 12/31/2016 |
| US-Dollar | **1.1993** | 1.0541 |
| | **Average rate (based on € 1)** | |
| | **2017** | 2016 |
| US-Dollar | **1.1297** | 1.0752 |

All foreign subsidiaries of Wild Bunch AG included in the consolidated financial statements in this financial year and the previous year, with the exception of the US subsidiary, use the euro as their functional currency.

## SEGMENTS

The Group is divided into two segments/business areas, which are controlled separately. Financial information about business areas and geographical segments is presented in the explanatory notes in Section 5.1 Segment reporting.

The distinction between the segments and segment reporting is made on the basis of internal reporting by the organisational units to the Group management in relation to the allocation of resources and the measurement of profitability. The Group's segments are determined on the basis of the organisational units, and the allocation of the organisational units to the segments is based on internal reporting to the management. The Group consists of the segments:

- International sales and distribution, as well as film production and
- miscellaneous activities. The segment encompasses the music area, the operation of a VOD platform and other activities.

The Group functions are shown under the non-allocable income and expenses. These comprise the actual Group management itself, legal, Group accounting, controlling and IT.

### FAIR VALUE MEASUREMENT

The Group assesses its financial instruments, including derivatives and the non-financial assets and liabilities measured at fair value, on each balance sheet date.

The fair value is the price that independent market participants would receive on the sale of an asset, or pay (exit price) on the transfer of a liability, at standard market conditions on the measurement date.

This measurement assumes that the sale or transfer is to be made on the primary market or the most advantageous market for this asset or liability. If a primary market is not available, the most advantageous market for the measurement of fair value is utilised. The fair value of an asset or liability is measured based on the assumption that market participants act in their best economic interest when setting the price for the asset or liability.

The Group uses valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair value. The use of significant observable input factors should be as high as possible, while the use of input factors not based on observable data should be as low as possible.

All assets and liabilities that are measured or reported at fair value in the notes to the financial statements are allocated to the following fair value hierarchy levels based on the lowest input factor that is significant for the measurement overall:

- Level 1: (unadjusted) prices (e.g. stock market prices) listed on markets active on the measurement date for identical assets or liabilities for the Group
- Level 2: input factors other than market prices included in level 1 that are directly or indirectly observable for assets or liabilities (e.g. yield curves, forward exchange rates) and
- Level 3: input factors that are not observable for the asset or liability (e.g. estimated future results).

Fair values are calculated on the basis of the hierarchy table.

The calculation of the fair value of non-current financial instruments that are measured at amortised cost for the disclosures in the notes to the financial statements is determined by discounting the expected future cash flows with the currently applicable interest rates for similar instruments with comparable conditions and residual terms, if measurement according to level 1 is not possible. The interest rates with appropriate maturities are calculated annually on the reporting date. In the case of debt instruments, proprietary default risk is also taken into account.

### REVENUE RECOGNITION/PREPAYMENTS RECEIVED

In accordance with IAS 18, revenue is recognised if all of the following conditions are cumulatively fulfilled:

a. the Wild Bunch Group has passed the significant risks and opportunities involved in the ownership of the goods on to the buyer,
b. the Wild Bunch Group retains neither a continuing right of disposal to the degree usually associated with ownership nor effective control over the assets or rights that were sold,
c. the amount of revenue can be measured reliably,
d. it is sufficiently probable that economic benefits attributable to the sale will flow to the Group,
e. and the incurred and future costs in respect of the sale can be measured reliably.

Revenue is recognised when both the risks and opportunities associated with ownership and both ownership and possession have been transferred at the same time. If the Company retains significant risks connected with ownership, the revenues resulting from the transaction are not recognised.

If the Group receives payments from licensees before revenue is recognised, these payments are initially booked as prepayments received.

Income and expenses that relate to the same transaction are reported at the same time.

The individual sales transactions are explained in detail below:

**1. International sales**

In accordance with IAS 18, sales of global rights (all distribution stages in a distribution territory) made for a fixed fee are license sales, which are recognised under the same conditions as the sale of goods: if the material risks and benefits related to the distribution of the rights are transferred to the customer.

For these sales, most of the risks and benefits related to distributing the rights are considered to have been transferred once all of the following criteria have been met:

a. The license agreement with the defined terms and conditions has been signed by all of the parties and is enforceable.
b. The seller has fulfilled their obligations, the material has been delivered and it has been accepted.
c. The customer is able to use the acquired right without restriction.

The minimum guarantee is the amount for a film right that does not need to be repaid by a third party (e.g. film producer). If licensor shares exceed this minimum guarantee, the excess is recognised as revenue if this is confirmed in writing by the local distributor.

**2. Theatrical rights**

Revenue from the theatrical rights to films are recognised upon theatrical release. Theatres submit reports stating the size of audiences and corresponding proceeds. Revenues from theatrical rights that are paid by cinema operators to the distributor are determined on the basis of a percentage of the proceeds from the sale of cinema tickets.

**3. Home entertainment**

Proceeds from video/DVD rights are accounted for on the basis of monthly sales figures. At the end of the month, provisions are created for returns and discounts granted to customers. These provisions reduce revenues. Revenues from VOD and pay-per-view sales is recognised upon receipt of the invoices prepared by the operators, generally on a monthly basis.

**4. TV rights (Pay- und Free-TV)**

The Wild Bunch Group treats license agreements for TV programmes as the sale of a right or a group of rights.

Revenue from a license agreement for TV programmes is reported if all of the following conditions have been satisfied:

a. The license fee for each film is known,
b. the costs of each film and the costs associated with the sale are known or can be measured appropriately,
c. the collectability of the entire license fee is sufficiently certain,
d. the licensee accepted the film on the basis of the terms accompanying the license agreement,

e. the film is available for its first transmission or broadcast. However, provided that a third-party license that overlaps with the license sold does not exclude use by the licensee, contractual limitations in the license agreement or another license agreement with the same licensee regarding the broadcasting date do not affect these conditions.

Revenues are recorded without the value added tax included in the invoice, any granted price reductions and quantity discounts.

## *GOVERNMENT GRANTS*

In addition to the scope of project film funding listed in the sections below, government grants were made available according to the guidelines of the German Federal Commissioner for Culture and Media (BKM), the German Federal Film Fund (DFFF) and distribution funding as a contingently repayable loan for the remaining funding types amounting to EUR 4,950 thousand (previous year: EUR 6,439 thousand).

**1. Project funding**

A distinction is made between project funding that consists of contingently repayable loans and project subsidies/film project funding granted as non-repayable subsidies based on the guidelines of the BKM and DFFF.

**2. Project funding as a contingently repayable loan**

Film project funding is granted in the form of a non-interest-bearing contingently repayable loan pursuant to the provisions of the German Film Subsidy Act or respective German regional state funding (e.g. Medienboard Berlin-Brandenburg funding guidelines). Such loans must be repaid as soon as and to the extent that the revenue generated by the producer from distributing the film exceeds a certain level. These constitute government grants for assets. The amount for which there is sufficient certainty that it will not need to be repaid is deducted from the carrying amount of the film asset in the statement of financial position.

The grants are reported in profit or loss during the distribution cycle of a film by applying a reduced amortisation amount of capitalised production costs. The amount for which there is sufficient certainty that will not need to be repaid can typically be determined on the date of the cinema release. Should it be determined at a later date that a further portion of the loan has to be repaid, the carrying amount of the film asset is to be increased by this amount and a liability is also expensed. The additional amortisation that would have been recognised in the absence of the grant until this date is recognised directly in profit and loss.

**3. Project subsidies**

Project subsidies are non-repayable grants to which a producer is entitled depending on the number of visitors to a (reference) film to finance the project costs of a subsequent film. These constitute government grants. In the statement of profit or loss, project subsidies are recorded under Other film-related income if the conditions for granting of the subsidy are met. At the same time, the receivables are reported under Other assets in the statement of financial position.

**4. Film project funding based on the guidelines provided by the BKM (DFFF)**

Film project funding based on the guidelines provided by the BKM (DFFF) comprises non-repayable grants awarded to reimburse the production costs of a cinema film when clearly defined requirements are fulfilled.

These constitute government grants for assets. In the statement of financial position, the granted film project funding is deducted from the carrying amount of the film as of the date of the cinema release at the latest. Project funding of EUR 103 thousand (previous year: EUR 1,022 thousand) was deducted from the production costs in the financial year. The grants are capitalised as other receivables prior to the cinema release.

The grants are reported in profit or loss during the distribution cycle of a film by applying a reduced amortisation amount of capitalised production costs.

**5. Distribution funding**

A distinction is made between distribution funding in the form of contingently repayable loans and sales subsidies in the form of non-repayable grants. Distribution funding is granted in the form of a non-interest-bearing contingently repayable loan pursuant to the provisions of the German Film Subsidy Act or respective German regional state funding (e.g. Medienboard Berlin-Brandenburg funding guidelines). Such loans must be repaid as soon as and to the extent that the revenue generated by the distributor from distributing the film exceeds a certain level.

These constitute government grants for expenses that have already been incurred, which are reported as a reduction of release costs in the amount that, with reasonable certainty, will not need to be repaid; the grants amounted to EUR 592 thousand (previous year: EUR 924 thousand) in the financial year. The grants are reported in the period in which the corresponding distribution costs are incurred.

The amount for which there is sufficient certainty that will not need to be repaid can typically be determined on the date of the cinema release. Should it be determined at a later date that a further portion of the loan has to be repaid, this amount is expensed and recorded as a liability.

**6. Sales subsidies**

Sales subsidies are non-repayable grants to which a distributor is entitled depending on the box office figures reached by a reference film for the purposes of financing the release costs for a subsequent film or to finance the minimum guarantee of a subsequent film. These sales subsidies granted are reported as receivables from European, governmental or state funding institutions. Sales subsidies granted are reported in profit or loss as Other film-related income (Section 2.2 Other film-related income).

**7. Investment subsidies**

Investment subsidies are recognised as liabilities. The investment subsidies are written down in profit or loss based on the useful life of the subsidised investments (EUR 23 thousand; previous year: EUR 30 thousand).

### *INTEREST*

Interest is recognised as income or expense in the period to which it relates using the effective interest method as it arises. Please refer to Section 1.5 Borrowing costs for more information.

### *INCOME TAXES*

Income tax expense or income comprises the sum of current tax expenses and deferred taxes.

Current or deferred taxes are recognised in the Group statement of profit or loss, unless they relate to items that are recognised either in other comprehensive income or directly in equity. In this case, current and deferred taxes are also recognised in other comprehensive income or directly in equity. If current or deferred taxes result from the initial recognition of a business combination, the tax effects are taken into consideration when accounting for the business combination.

### *CURRENT TAXES*

Current taxes are calculated on the basis of the results of the financial year and in accordance with the national tax laws of the respective tax jurisdiction. To the extent that the effects of the tax laws are not clear, estimates are made for the calculation of the tax liability on profits that are recorded in the consolidated financial statements. The Group considers the estimates, assessments and assumptions to be appropriate. Expected and actual tax payments or reimbursements for previous years are also included.

## DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities follows according to the statement of financial position (liabilities method). For the consolidated financial statements, deferred taxes are determined for all temporary differences between the carrying amounts and the tax values of the assets and liabilities.

Deferred tax assets arising from deductible temporary differences and tax loss carryforwards are only disclosed to the extent that it is reasonably probable that the company in question will generate sufficient taxable income for the future tax purposes of the loss carryforwards.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced in value if it is no longer probable that sufficient taxable income will be available to allow for all or part of the asset to be realised. The planning for the valuation of deferred tax assets needs to be consistent with the projections used for the measurement of goodwill.

Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are assessed on the basis of the tax rules and tax rates that are expected to be applicable when the asset is realised or the liabilities are paid, based on known tax rates applicable in the different countries on the reporting date. The valuation of deferred tax assets and liabilities reflects the consequences pertaining to taxation that will arise from the ways in which the Group expects to realise the assets or pay the liabilities by the reporting date.

Deferred tax assets and deferred tax liabilities offset each other if a legally enforceable claim exists to set off current tax assets against current tax liabilities, and they relate to the same taxable entity and were levied by the same taxation authority.

## BORROWING COSTS

Borrowing costs directly associated with the acquisition or production of qualifying assets are added to the production costs of these assets until the date on which the assets are largely available for their intended use or for sale. Qualifying assets are assets for which a substantial period of time is necessary to prepare them for their intended use or sale. Borrowing costs in the amount of EUR 0 thousand (previous year: EUR 26 thousand) were capitalised in the financial year. For non-qualified assets, borrowing costs are recognised as an expense in the period in which they are incurred.

## EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the share in the profit after tax belonging to the parent company's shareholders by the weighted average number of shares in circulation during the financial year.

## INTANGIBLE ASSETS

The Wild Bunch Group separately capitalises acquired (i.e. not acquired as part of a business combination) and internally generated intangible assets if:

a. The Company holds economic ownership of the assets on account of past events.

b. It is assumed that the future economic benefits attributable to the asset will flow to the Company.

In accordance with IAS 38, the Wild Bunch Group recognises an internally generated intangible asset at its production cost if:

a. The technical feasibility of finalising work on the intangible asset allows the asset to be available for internal use or sale;
b. There is an intention to finalise the intangible asset and it is possible to use or sell the asset;
c. The asset will generate future economic benefit;
d. It is probable that future economic benefits attributable to the asset will flow to the Company;
e. The costs of the asset can be reliably measured and
f. It is possible to use the intangible asset created.

Intangible assets that do not satisfy these conditions are recognised as expenses.

Intangible assets are carried at cost less any cumulative amortisation and any cumulative impairment losses. Intangible assets are amortised over their estimated useful lives in accordance with IAS 38. The expected useful lives, residual values and amortisation methods are reviewed annually and all necessary changes to estimates are taken into account prospectively. The amortisation period and plan are reviewed at the end of a financial year. The useful lives of the material intangible assets are detailed below:

**1. Patents and licenses**

The acquisition and production costs for patents and licenses are capitalised and subsequently amortised on a straight-line basis over the period of expected benefit. The estimated useful life of patents and licenses varies between five and fifteen years. The amortisation period begins when the asset is available for use.

Capitalised development costs for new projects (particularly screenplay rights) are reviewed regularly to assess whether they can still be used as the basis for a film production. If, after the initial capitalisation of project costs, the start of filming for a film or the sale of the rights is not significantly probable, such costs are written down in full. These are recognised in profit and loss if there is an indication of early impairment.

**2. Film rights**

Film assets include acquired international sales rights and rights to third-party productions, i.e. films that Wild Bunch has not produced itself, as well as the production costs for films that are produced within the Group (proprietary productions and co-productions) and costs for the development of new projects. The acquisition of rights to third-party productions generally comprises cinema, home entertainment and TV rights.

The acquisition costs for third-party productions generally comprise minimum guarantees and dubbing costs for films. Individual instalments of the minimum guarantee are reported as prepayments and capitalised as film assets upon the delivery and acceptance of the material. The dubbing costs are activated with the acceptance of the dub along with the film right.

Proprietary productions are recognised at their production cost. Production costs also include borrowing costs attributable to the respective production.

Acquisition and production costs to acquire or produce films are capitalised in accordance with IAS 38 "Intangible Assets".

The Group writes down the film assets using a revenue-based amortisation method. Films are not subjection to physical depreciation, since they are intangible assets. They are typically analysed by subsequent distribution stages (theatrical, home entertainment, TV and miscellaneous) and are therefore economically consumed through this distribution. The allocation of the consumption to the individual stages of distribution is essentially related to the respective share of the recoverable revenues generated at the respective distribution stage. For this reason, the revenues generated and the economic consumption of the respective film are highly correlated and the Company therefore considers that the conditions for an exception pursuant to IAS 38.98A have been met. To determine the amortisation of a film, the carrying amount is multiplied by the ratio of net proceeds received in the reporting period and future expected net proceeds. The amortisation is carried out from the date of initial publication or from the date of acquisition in cases where the acquisition is made after the initial publication over a maximum period of ten years. The minimum amortisation includes at least the linear accumulated amortisation of 10% per year.

Film libraries acquired as part of a company acquisition are amortised over their expected useful lives, which may also not exceed twelve years.

If indications of impairment exist, an impairment test is also conducted for each film title. A write-down is recorded on the value in use if the acquisition cost or the carrying amount are not covered by the estimated total revenue less any outstanding costs relating to film release, taking into account when such costs will be incurred. Value in use is determined by discounting the estimated cash flows by applying discounting factors that take into account the durations of the distribution steps. The estimated cash flows can change significantly due to a number of factors such as market acceptance. The Wild Bunch Group reviews and revises the expected cash flows and amortisation expenses as changes occur in the data expected so far. Further information can be found in (4) Other intangible assets/Impairment of non-financial assets.

**3. Goodwill**

Goodwill arising from a business combination is carried at cost less possible impairment losses, and is reported separately in the consolidated statement of financial position. For the purposes of impairment testing, goodwill acquired on acquisition is allocated to each of the Group's cash-generating units (or groups of such) expected to benefit from the synergies of the business combination.

Cash-generating units to which part of the goodwill has been allocated must be tested for impairment at least once a year. If there are indications of an impairment of a unit, it may be necessary to carry out impairment tests more frequently. If the recoverable amount of a cash-generating unit is smaller than its carrying amount, the impairment loss first reduces the carrying amount of any goodwill, and the impairment loss is then allocated to the carrying amount of the assets of the unit pro rata, based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill cannot reversed in subsequent periods.

On the sale of a cash-generating unit, the amount of goodwill attributable to this sale is included in the determination of the profit or loss upon disposal.

**4. Other intangible assets**

This category chiefly comprises software programs and intangible assets disclosed as part of purchase price allocation, which are measured at cost less amortisation using the straight-line method and impairment losses.

New software is capitalised at cost and reported as an intangible asset if such costs do not form an integral component of the related hardware. Software is amortised on a straight-line basis over a period of three to four years.

An intangible asset must be derecognised upon disposal or when no further economic benefit is expected from its use or its disposal. The gain or loss from the derecognition of an intangible asset, which is measured by the difference between the net sale proceeds and the carrying amount of the asset, is recognised in the statement of profit or loss at the time at which the asset is derecognised. It is presented in other income or in other expenses.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprises land, rights and constructions pertaining to land, leasehold improvements, technical equipment and machinery, other equipment, operating and office equipment, and prepayments.

The acquisition costs of leasehold improvements are generally depreciated over the term of the respective rental contract (up to ten years). Technical equipment and operating and office equipment are measured at cost less depreciation and impairment losses. Depreciation is applied on a straight-line basis over the average useful life of between three and ten years. Repair and maintenance costs are recognised as expenses at the time at which they are incurred. Installations are capitalised and depreciated over their expected useful lives. The acquisition costs and the associated cumulative depreciation are derecognised upon disposal. The resulting gains or losses are recognised through profit or loss in the financial year. If the acquisition costs of certain components of an item of property, plant and equipment are significant, then these components are recognised and depreciated separately.

### IMPAIRMENT OF NON-FINANCIAL ASSETS

On every reporting date, the Group reviews the carrying amounts of the intangible assets and property, plant and equipment to determine whether there are indications of impairment. Indications of impairment include, for example, a significant reduction in the fair value of an asset, significant changes in the corporate environment, substantial indications of obsolescence or changed earnings forecasts. If such indications are evident, the realisable amount of the asset is estimated to determine the extent of a potential impairment loss. The realisable amount of an asset is the higher of the fair value of an asset or cash-generating unit less sales costs and its value in use. If the realisable amount is calculated from the value in use, this calculation will be based on the expected future cash flows.

The realisable amount must be determined for each individual asset, unless an asset does not generate any cash inflows that are substantially independent of those from other assets or groups of assets. The impairment loss is recorded immediately in profit or loss.

If the impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is written up to the revised estimate of the realisable value. This does not include goodwill. The increase in the carrying amount cannot exceed the carrying amount that would have arisen if no impairment loss had been recorded for the asset or cash-generating unit in prior years. An impairment loss is reversed directly in profit or loss.

When determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions are identifiable, an appropriate valuation model is applied. The calculation model is based on valuation multiples or other available indicators for the fair value. When assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments relating to the interest effect and the specific risks that accompany the asset.

The Group bases its impairment assessment on detailed budget and forecast calculations that are prepared separately for each of the Group's assets and for each of the Group's cash-generating units to which individual assets are allocated.

The annual impairment test for intangible assets is carried out on the basis of the value in use by means of estimated future discounted cash flows, which are derived from medium-term planning. For impairment testing of goodwill, the medium-term planning horizon is five years. For impairment testing of individual film rights, the detailed planning period is three years.

The calculation of the realisable amount contains management estimates and assumptions. The estimates and assumptions are based on premises derived from currently available information. As a result of developments that differ from these assumptions and are outside of the Company's sphere of influence, the amounts that arise may differ from the original expectations, necessitating adjustments to the carrying amounts.

Intangible assets that are not yet available for use are tested for impairment annually and whenever there is an indication of impairment.

The discounting factor is calculated using the weighted average cost of capital method (WACC).

### *FINANCIAL ASSETS AND SHARES IN ASSOCIATES*

Financial assets and investments in associates that are not consolidated or not accounted for using the equity method are calculated at fair value if it can be determined reliably using stock exchange or market prices or by way of recognised valuation methods. Otherwise, the valuation is carried out at amortised cost. The valuation methods include the discounted cash flow method (DCF method) based on the expected investment results.

On each reporting date, the carrying amounts of financial assets and investments in associates are examined to determine whether there are any objective indications of an impairment. If there is an impairment, this will be recognised in profit or loss.

### *INVENTORIES*

Inventories, primarily consisting of DVDs and Blu-rays, are measured at the lower of purchase costs, production costs or net realisable value (sales-oriented, loss-free valuation). Production costs include all individual costs attributable to the creation of goods and services as well as production-related overheads. The net realisable value is the expected sales price achievable under normal business conditions less distribution costs yet to be incurred up to the time of sale. Acquisition/production costs are calculated using the first-in-first-out method (FIFO).

Valuation allowances on goods are calculated on the basis of sales analyses. In this procedure, the management determines whether goods are retaining their value on the basis of historical movements and products located in the warehouse on an individual product basis. If this analysis shows that certain products are no longer retaining their value, their value is adjusted accordingly. Further write-downs are carried out on damaged or defective merchandise.

### *FINANCIAL ASSETS*

Purchases and sales of financial assets that are typical to the market are valued on the settlement date.

**Loans and receivables**

Financial instruments in this category are valued at amortised cost using the effective interest method.

Current trade receivables and other current receivables are valued at cost. Non-interest-bearing monetary receivables with a term exceeding one year are discounted, applying the interest rate appropriate to their maturity.

If there are doubts concerning their recoverability, customer receivables are valued at the lower realisable value. An impairment loss is assumed if objective indications – in particular concerning the creditworthiness of the respective customer, current sector-specific economic developments, the analysis of past receivable defaults and the discontinuation of an active market for the financial asset – suggest that the Company will not receive the full amounts on the due dates. The reported carrying amounts of current receivables are very close to the fair values.

**Financial assets calculated at fair value in profit or loss**

The category of financial assets at fair value through profit or loss normally includes financial assets held for trading and financial assets classified upon initial recognition as financial assets to be calculated at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near future. Derivatives are likewise classified as held for trading, with the exception of derivatives that are a financial guarantee or were designated as a hedging instrument and are effective as such (hedge accounting).

Upon initial recognition, financial assets are designated as financial assets at fair value through profit or loss if this means that any inconsistencies are eliminated or significantly reduced that would arise from the way in which assets would otherwise be valued, or from the reporting of gains and losses using different valuation methods, or if a group of financial assets and/or financial liabilities are managed with a documented risk management or investment strategy and their value changes are assessed on the basis of fair value, and the information about this group of financial assets calculated on this basis is transferred internally to persons with key positions in the Company.

They are calculated at fair value. The realised gains and losses from changes in the fair value of financial instruments are reported in profit or loss at their time of origin.

Subsequent measurement is effected at fair value, corresponding to the stock market price on the reporting date. If no fair value is already available, one is calculated using valuation methods. Such valuation methods include the use of the most recent business transactions between knowledgeable, willing and independent business partners, a comparison with the current fair value of another financial instrument that is largely identical, a discounted cash flow analysis and other valuation models.

As of 31 December 2017, the Company had no financial assets calculated at fair value through profit or loss.

**Derecognition of financial assets**

A financial asset (or a part of a financial asset or part of a group of similar financial assets) is derecognised when one of the three following requirements is fulfilled:

a. The contractual rights to cash flows from a financial asset have expired.
b. The Group retains the contractual rights to receive cash flows back from financial assets but undertakes a contractual obligation to pay the cash flows to a third party without undue delays within the framework of an agreement that fulfils the conditions in IAS 39.19 (pass-through arrangement).
c. The Group has transferred its contractual rights to cash flows from a financial asset and has (a) essentially transferred all of the risks and opportunities that come with ownership of the financial asset or has (b) not essentially transferred or retained all of the risks and opportunities that come with ownership of the financial asset but has transferred control over the asset.

### *DERIVATIVE FINANCIAL INSTRUMENTS*

Where necessary, the Group uses derivative financial instruments to hedge foreign currency exchange rate fluctuations pertaining to purchases of film rights denominated in foreign currencies. These are mainly made in US dollars. The foreign exchange risk arises because income from the utilisation of these rights arises exclusively in euros.

Hedging should decrease the risk of a change in the fair value of an asset. In this case, fixed obligations from purchases of film rights that have not yet been recognised are hedged because they are subject to foreign currency exchange rate fluctuations starting from the conclusion of the contract until it is fulfilled. Foreign currency forward contracts and options are used as hedging instruments.

At the start of hedging, both the hedging relationship and the Group's risk management objectives and strategies are formally established and documented with regard to the hedging. The documentation includes the specification of the hedging instrument and of the underlying transaction, the nature of the hedged risk and a description of how the Company determines the hedging instrument's effectiveness in offsetting the risks from changes in the hedged item's fair value.

Derivative financial instruments are recognised as assets if their fair value is positive and as liabilities if their fair value is negative. The fair value of foreign currency forward contracts is based on bank valuations. These valuations are calculated by the banks with which the transactions have been concluded.

Financial derivatives are calculated at fair value applying generally accepted valuation methods.

As of 31 December 2017, there were no derivative financial instruments.

### *CASH AND CASH EQUIVALENTS*

Cash and cash equivalents consist of cash in hand and current account balances at banks and are valued at cost. They are only reported under cash and cash equivalents insofar as they can be converted at any time into cash amounts that are determinable in advance, are only subject to negligible value fluctuation risks and have a residual term of no more than three months from the date of acquisition.

### *EQUITY*

Bearer shares in circulation are classified as equity. As soon as the Group acquires treasury shares, the consideration paid, including the attributable transaction costs for the relevant shares, is deducted from the equity. When treasury shares are sold or issued, the consideration received is added to the equity.

### *PROVISIONS FOR PENSIONS (EMPLOYEE BENEFITS AFTER TERMINATION OF THE EMPLOYMENT RELATIONSHIP)*

The amount of an obligation resulting from the performance-oriented plan is determined using the projected unit credit method.

The net interest is calculated by multiplying the discount rate by the net debt (pensions obligation less plan assets) or the net asset value if the plan assets exceed the pension obligation at the beginning of the financial year.

The Group recognises the service cost (including current service cost, past service cost and any gains or losses from the plan change or reduction) of the defined benefit obligation in the statement of profit or loss according to their function in the cost of sales, administrative costs or distribution costs.

Revaluations from actuarial gains and losses are recorded immediately in the statement of financial position and posted to the retained earnings (as a debit or a credit) in the Other comprehensive income item in the period in which they are incurred. Revaluations cannot be reclassified in the statement of profit or loss in subsequent periods.

In Germany, the statutory public pensions constitute defined contribution plans according to IAS 19. Payments for defined contribution plans are then recognised as expenses if the employees have carried out the work that entitles them to the contributions.

### *PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS*

In accordance with IAS 37, provisions are recognised for liabilities with an uncertain maturity date or of an uncertain amount. A provision may only be recognised if:

a. the Company has a present obligation (legal or constructive) from a past event,

b. it is probable (i.e. more likely than not) that an outflow of resources with economic benefits will be required to fulfil the obligation and

c. a reliable estimate of the amount of the obligation is possible.

The amount reported as a provision represents the best possible estimate of the expenses required to settle the obligation existing on the reporting date, i.e. the amount the Company would be required to pay on the basis of a reliable consideration of the facts to settle the obligation on the reporting date or to transfer it to a third party on that date. Insofar as the interest effect is significant, non-current provisions are calculated at the present value of the expected cash outflow calculated using the current market interest rate.

Provisions for anticipated losses from onerous contracts are formed if the unavoidable costs for fulfilment of the transaction are higher than the expected economic benefit. Before a provision is formed, impairments relating to assets associated with this transaction are applied.

Liabilities arising from a potential obligation due to a past event and the existence of which is contingent on the occurrence or non-occurrence of one or more uncertain future events that are not entirely within the control of the Company, or which arise from a current obligation based on past events, but which are not reported, because

a. it is improbable that an outflow of resources with economic benefits will result from the fulfilment of this liability or

b. the extent of the obligation cannot be measured with adequate reliability,

are reported as contingent liabilities unless the probability of the outflow of resources with economic benefits for the Company is low.

Contingent assets are not capitalised but are disclosed in the same way as contingent liabilities if an economic benefit is probable for the Group.

### *FINANCIAL LIABILITIES*

Upon initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss or as other financial liabilities measured at amortised cost using the effective interest method.

All financial liabilities are recognised initially at fair value less directly attributable transaction costs in the case of loans and liabilities.

The Group's financial liabilities include trade payables and other liabilities and loans.

Within the scope of subsequent valuation, interest-bearing loans are valued at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised and in the context of amortisations using the effective interest method.

Amortised costs are calculated by taking into account any premium or discount on acquisition and any fees or costs that constitute an integral part of the effective interest rate. The amortisation based on the effective interest method is included in financial expenses in the statement of profit or loss.

The effective interest method is a method for calculating the amortised cost of a financial liability and allocation of interest expenses to the relevant periods. The effective interest rate is the rate with which the estimated future payments are discounted to the carrying amount over the expected term of the financial instrument or a shorter period, if applicable.

A financial liability is derecognised if the obligation that forms the basis of the liability is fulfilled, cancelled or has expired. If an existing financial liability is replaced by another financial liability with the same lender on substantially different contractual terms, or the terms of an existing liability are substantially modified, this exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a current legal right to offset the recognised amounts and an intention to settle on a net basis, or to realise the relevant assets and settle the relevant liabilities at the same time.

### *LEASES*

Ascertaining whether an arrangement includes a lease is based on the commercial content of the agreement on the date it was concluded, whether fulfilment of the contractual agreement depends on the use of a particular asset or assets and whether the agreement confers a right to use the asset, even if that right is not explicitly specified in an agreement.

Operating lease payments are recognised as other operating expenses in the statement of profit or loss on a straight-line basis over the lease term.

As in the previous year, no financial leasing relationships existed as of the reporting date this year (31 December 2017).

# 2. NOTES TO INDIVIDUAL ITEMS IN THE STATEMENT OF PROFIT OR LOSS

## 2.1 REVENUE

| **Revenue** | **2017** | | 2016 | |
|---|---|---|---|---|
| | in € thousand | % | in € thousand | % |
| International sales | 28,274 | 27.88 | 27,453 | 22.47 |
| Cinema rights | 16,511 | 16.28 | 23,760 | 19.45 |
| TV rights | 28,330 | 27.93 | 31,887 | 26.10 |
| Home entertainment rights | 24,165 | 23.83 | 27,771 | 22.73 |
| Other | 4,140 | 4.08 | 11,281 | 9.23 |
| | **101,420** | **100.00** | **122,152** | **100.00** |

Other revenue mainly consists of production revenue of EUR 1,584 thousand (previous year: EUR 4,345 thousand), service revenue of EUR 785 thousand (previous year: EUR 1,105 thousand) and film festival revenue of EUR 562 thousand (previous year: EUR 642 thousand).

## 2.2 OTHER FILM-RELATED INCOME

| **Other film-related income** in € thousand | **2017** | 2016 |
|---|---|---|
| Government grants | 4,950 | 6,439 |
| Value reversal for film assets | 2,752 | 3,211 |
| Other | 20 | 81 |
| | **7,722** | **9,731** |

In the financial year, impairments were reversed for film rights recorded in previous years (Section 3.2 Intangible assets).

## 2.3 COST OF SALES

| **Cost of sales** in € thousand | **2017** | 2016 |
|---|---|---|
| Cost of distribution | 22,061 | 29,383 |
| Amortization of film rights | 46,228 | 57,988 |
| Royalties | 16,440 | 16,901 |
| Other costs | 6,428 | 7,560 |
| | **91,157** | **111,832** |

Other costs mainly include costs for international sales of EUR 3,469 thousand (previous year: EUR 2,781 thousand), film production costs of EUR 1,073 thousand (previous year: EUR 2,754 thousand) as well as impairment charges on customer receivables of EUR 862 thousand (previous year: EUR 918 thousand).

## 2.4 OTHER OPERATING INCOME

Other operating income is made up as follows:

| **Other operating income** in € thousand | **2017** | 2016 |
|---|---|---|
| Income from reversal of provisions | 2,024 | 1,685 |
| Reversal of bad debt allowances | 708 | 3,556 |
| Income from the reversal of provisions for receivables | 623 | 638 |
| Foreign currency exchange gains | 5,015 | 456 |
| Other income | 1,035 | 1,314 |
| | **9,404** | **7,649** |

Other income amounting to EUR 1,035 thousand (previous year: EUR 1,314 thousand) includes oncharged costs of EUR 906 thousand (previous year: EUR 478 thousand).

## 2.5 ADMINISTRATIVE EXPENSES

The administrative expenses are broken down as follows:

| **Administrative expenses** in € thousand | **2017** | 2016 |
|---|---|---|
| Wages and salaries | 9,377 | 10,239 |
| Social contributions | 3,161 | 3,530 |
| Expenses for pensions | 142 | 116 |
| Depreciation and amortization expenses | 302 | 236 |
| Administrative expenses | 8,682 | 8,497 |
| | **21,663** | **22,618** |

Other administrative expenses mainly include legal and consulting costs of EUR 3,984 thousand (previous year: EUR 3,335 thousand), rental expenses of EUR 1,481 thousand (previous year: EUR 1,517 thousand) and office and travel expenses of EUR 2,181 thousand (previous year: EUR 2,011 thousand).

## 2.6 OTHER OPERATING EXPENSES

Other operating expenses include the following items:

| **Other operating expenses** in € thousand | **2017** | 2016 |
|---|---|---|
| Currency losses from operating activities | 4,160 | 1,225 |
| Loss on disposal of financial assets | -34 | 0 |
| Loss on disposal of current assets | 230 | 0 |
| Other | 635 | 104 |
| | **4,991** | **1,329** |

## 2.7 FINANCIAL RESULT

The financial result is made up as follows:

| **Financial result** in € thousand | **2017** | 2016 |
|---|---|---|
| Interest income | 280 | 48 |
| Foreign currency gains from non-operating activities | 590 | 916 |
| Write-ups on financial investments | -0 | 133 |
| Other interest income | 26 | 10 |
| **Financial income** | **897** | **1,107** |
| Interest expense from financial liabilities | 5,753 | 4,489 |
| Foreign currency losses from non-operating activities | 805 | 817 |
| Other interest expense | 251 | 7 |
| **Financial expenses** | **6,809** | **5,313** |
| Share in the result of associates | -258 | 108 |
| Value adjustments on shares in associates | -0 | 0 |
| **Result of associates** | **-258** | **108** |
| **Financial result** | **-6,170** | **-4,097** |

## 2.8 INCOME TAXES

Income taxes include taxes paid or owed on income and earnings as well as deferred taxes. The income taxes consist of corporation tax, the solidarity surcharge, trade tax and the corresponding foreign income taxes. Income tax expense is broken down as follows:

| **Income taxes** in € thousand | **2017** | 2016 |
|---|---|---|
| Current taxes | -1,327 | -1,085 |
| Deferred taxes | 86 | 2.231 |
| **Income taxes** | **-1,241** | **1,146** |

Tax income/expense resulting from application of the 30% tax rate of the Group's parent company can be transferred to the reported income taxes as follows:

| **Tax reconciliation** in € thousand | **2017** | 2016 |
|---|---|---|
| **Earnings before income taxes** | **-5,436** | **-343** |
| **Tax at an effective tax rate of 30 % (previous year: 30 %)** | **1,631** | **102** |
| **Effect of non-taxable earnings on determining the taxable income** | | |
| Tax effect on shareholdings accounted for using the equity method | -77 | 33 |
| Non-deductible operating expenses | -52 | -17 |
| Non-taxable income | 1,079 | 7 |
| Non-creditable withholding taxes | -701 | 0 |
| Non-capitalization of tax credits | -390 | -70 |
| Use of losses carry-forward for which tax deductions have not been deferred | 111 | 295 |
| Revaluation of deferred tax assets for which tax deductions have not been deferred | 0 | 551 |
| Revaluation of deferred tax assets for which tax deductions have been deferred | -2,268 | 0 |
| Revaluation of deferred taxes due to changes in tax rates | -785 | 131 |
| Reallocation of tax effects from previous years | -31 | -25 |
| **Tax effect from deviating tax rates** | | |
| France | 136 | 176 |
| Italy | 16 | -11 |
| Spain | -57 | 54 |
| Ireland | 167 | -78 |
| Austria | 2 | 3 |
| Other | -23 | -5 |
| **Tax income for the reporting year according to the financial statements** | **-1,241** | **1,146** |

For companies based in Germany in the legal form of a stock corporation, corporation tax at a rate of 15 %, and a solidarity surcharge amounting to 5.5% of this corporation tax, is levied. In addition, the profits of these companies are subject to trade tax, the amount of which depends on the community-specific rates. Accordingly, the tax rate of the Group's parent company is 30.0 % (previous year: 30.0 %).

Deferred tax assets and liabilities are broken down as follows:

| **Composition of deferred tax assets and liabilities** in € thousand | Deferred tax assets **2017** | Deferred tax liabilities **2017** | Deferred tax assets 2016 | Deferred tax liabilities 2016 |
|---|---|---|---|---|
| Film rigths | 0 | -5,313 | 163 | -4,766 |
| Other assets | 2,150 | -4,451 | 1,178 | -6,614 |
| License fee payments | 1,492 | 0 | 1,071 | 0 |
| Other liabilites | 0 | -1,535 | 47 | -1,974 |
| Provisions | 0 | 0 | 388 | 0 |
| Other | 571 | -167 | 753 | – 23 |
| **Temparary differences** | **4,213** | **-11,467** | **3,600** | **-13,377** |
| Loss carry-forward | 6,109 | 0 | 8,594 | 0 |
| **Total** | **10,322** | **-11,467** | **12,194** | **-13,377** |
| Offsetting | -8,586 | 8,586 | -7,296 | 7,296 |
| **Reported** | **1,736** | **-2,881** | **4,899** | **-6,081** |

The majority of the deferred tax assets and the total deferred tax liabilities result from circumstances in connection with the valuation of film distribution rights (amortisation differences, capitalisation differences, valuations at the lower fair value and the collectability of receivables from the distribution of film rights). In addition to these causes for deferred taxes, there are other deferred tax assets from tax loss carryforwards.

Eurofilm & Media Ltd. and Continental Films SAS have tax loss carryforwards that have not yet been used of approximately EUR 164 million (previous year: EUR 165 million) and approximately EUR 53 million (previous year: EUR 54 million) for which no deferred tax assets have been recognised.

For the companies of the former Senator Group, there are deductible temporary differences amounting to approximately EUR 3 million for which no deferred tax assets have been recognised. Furthermore, the Management Board assumes that these companies have loss carryforwards amounting to approximately EUR 10 million.

### 2.9 EARNINGS PER SHARE

The earnings per share calculated on the basis of IAS 33 are based on dividing current earnings by the weighted average number of shares in circulation during the period.

There are no potential ordinary shares, meaning that no diluted earnings per share must be reported.

| **Earnings per share** | **2017** | 2016 |
|---|---|---|
| Profit/(loss) attributalbe to shareholders in €k | -6,237 | 417 |
| | | |
| Total weighted average number of shares (no.) | 81,763,015 | 81,597,084 |
| Total diluted weighted average number of shares (no.) | 81,763,015 | 81,597,084 |
| | | |
| Basic earnings per share (€ per share) | -0.08 | 0.01 |
| Diluted earning per share (€ per share) | -0.08 | 0.01 |

## 3. NOTES ON THE ITEMS IN THE STATEMENT OF FINANCIAL POSITION

### 3.1 GOODWILL

| **Goodwill** in € thousand | **2017** | 2016 |
|---|---|---|
| **Acquisition costs** | | |
| 1 January | 124,454 | 124,454 |
| Change in the scope of consolidation | 0 | 0 |
| Additions | 0 | 0 |
| Disposals | 0 | 0 |
| 31 December | **124,454** | **124,454** |
| **Accumulated impairment losses** | | |
| 1 January | 0 | 0 |
| Change in the scope of consolidation | 0 | 0 |
| Additions | 0 | 0 |
| Disposals | 0 | 0 |
| 31 December | 0 | 0 |
| | | |
| **Net book value** | **124,454** | **124,454** |

### ALLOCATION OF GOODWILL TO CASH-GENERATING UNITS

Goodwill has been allocated to the following cash-generating units (CGUs) for the purpose of impairment testing:

- International sales and distribution, as well as film production
- Miscellaneous

Before the recognition of impairment losses, the carrying amount of goodwill was allocated to the cash-generating units as follows:

| **Goodwill and assumptions for the impairment test** in € thousand | Segment International sales and distribution and film production | Segment Other |
|---|---|---|
| **31 December 2017** | | |
| Goodwill | 124,454 | 0 |
| Period planning horizon | 5 years | n/a |
| Average organic gross profit growth | 29.73% | n/a |
| Average gross profit margin | 26.19% | n/a |
| Long-term growth rate | 1.00% | n/a |
| Discount factor before taxes | 9.78% | n/a |
| **31 December 2016** | | |
| Goodwill | 124,454 | 0 |
| Period planning horizon | 5 years | n/a |
| Average organic gross profit growth | 15.00% | n/a |
| Average gross profit margin | 15.00% | n/a |
| Long-term growth rate | 1.00% | n/a |
| Discount factor before taxes | 8.89% | n/a |

### CGU – INTERNATIONAL SALES AND DISTRIBUTION, AS WELL AS FILM PRODUCTION

The realisable amount of the CGU as of 31 December 2017 was EUR 261 million (previous year: EUR 202 million) and was calculated on the basis of the value in use. Cash flow planning was derived from the Group's current budget and covers a period of five years (medium-term planning). A discount rate before tax of 9.78 % (previous year: 8.89 %) was applied and the sustained free cash flows in the perpetuity after the five-year period were extrapolated at an annual growth rate of 1.0 %. The surplus between the value in use and the carrying amount of this CGU was EUR 98 million (previous year: EUR 33 million).

In the medium-term planning, a growth rate of the gross profit of 30 % per annum in the years 2018 to 2022 is expected. Growth is expected primarily from the increase in investments, i.e. in the number of distributed films and in the TV business. The rate of increase in investment is approximately 40 % per annum from 2018 to 2022. Beyond 2022, a long-term growth rate of the sustainable free cash flow in perpetuity of 1 % per year is expected.

The impairment test is sensitive to changes in the underlying assumptions, in particular the annual growth rates of free cash flow and discount rates. The surplus between the realisable amount and the carrying amount of the CGU would be reduced to zero if the discount rate were increased by 3.5 % (previous year: 0.9 %). Likewise, the surplus would be reduced to zero if the annual growth rate of free cash flow were reduced by 4.7 % (previous year: 2.2 %). In the case of a combined variation of the valuation assumptions, the surplus would be reduced to zero if the discount rate were increased by 2.4 % (previous year: 0.5 %) with a simultaneous reduction of the sustainable free cash flow in perpetuity through a decrease in the long-term growth rate by 2.0 % (previous year: 1.0 %).

## 3.2 INTANGIBLE ASSETS

| **Intangible assets** in € thousand | Film distribution rights | Other rights | Prepayments made | **Total** |
|---|---|---|---|---|
| **Acquisition costs** | | | | |
| 1 January 2017 | 576,349 | 559 | 11,172 | 588,080 |
| Change in the scope of consolidation | 0 | 0 | 0 | 0 |
| Additions | 29,093 | 41 | 7,164 | 36,297 |
| Reclassifications | 2,405 | 302 | -2,707 | -0 |
| Disposals | -11,940 | -29 | -2,125 | -14,093 |
| 31 December 2017 | 595,907 | 873 | 13,503 | 610,284 |
| **Accumulated depreciation and amortization expenses** | | | | |
| 1 January 2017 | 488,621 | 559 | 3,307 | 492,487 |
| Change in the scope of consolidation | 0 | 0 | 0 | 0 |
| Additions | 45,428 | 128 | 0 | 45,556 |
| *of which unscheduled* | *5,846* | *0* | *0* | *5,846* |
| Write-ups | -2,752 | 0 | 0 | -2,752 |
| Reclassifications | 1,889 | 4 | -1,894 | -0 |
| Reclassification of potential losses from previous periods | 1,084 | 0 | 0 | 1,084 |
| Disposals | -7,768 | 0 | -13 | -7,780 |
| 31 December 2017 | 526,504 | 691 | 1,400 | 528,595 |
| | | | | |
| **Net book value 31 December 2017** | 69,404 | 182 | 12,103 | 81,689 |

| in € thousand | Film distribution rights | Other rights | Prepayments made | **Total** |
|---|---|---|---|---|
| **Acquisition costs** | | | | |
| 1 January 2016 | 524,264 | 965 | 18,246 | 543,475 |
| Change in the scope of consolidation | 0 | – 1 | -709 | -710 |
| Additions | 51,320 | 1 | 4,001 | 55,322 |
| Reclassifications | 10,575 | -217 | -10,358 | 0 |
| Disposals | -9,810 | -189 | -8 | -10,007 |
| 31 December 2016 | 576,349 | 559 | 11,172 | 588,080 |
| **Accumulated depreciation and amortization expenses** | | | | |
| 1 January 2016 | 434,893 | 502 | 2,055 | 437,450 |
| Change in the scope of consolidation | 0 | -1 | -700 | -701 |
| Additions | 54,680 | 55 | 3,308 | 58,043 |
| *of which unscheduled* | 6,701 | 0 | 3,308 | 10,009 |
| Write-ups | -3,211 | 0 | 0 | -3,211 |
| Reclassifications | 1,165 | 191 | -1,356 | 0 |
| Reclassification of potential losses from previous periods | 5,469 | 0 | 0 | 5,469 |
| Disposals | -4,375 | -188 | 0 | -4,563 |
| 31 December 2016 | 488,621 | 559 | 3,307 | 492,487 |
| | | | | |
| **Net book value 12/31/2016** | **87,728** | **0** | **7,865** | **95,593** |

The Group writes down the film assets using a net revenue-based amortisation method. In addition, the Group carries out an annual impairment test on film distribution and other rights.

For this purpose, the planning calculations for all film rights are regularly updated in accordance with expected market acceptance. On account of the volatility of the film business in general and in particular due to the development of some films not going according to plan, there were indications of impairment of intangible assets on the reporting date if the realisable amount was below the carrying amount of the film right. Conversely, appreciations in value were recognised in the event that the reasons for the previously formed impairment losses were eliminated by higher recoverable amounts.

The Group has updated its assessment of market acceptance and future revenue expectations of the film library and, insofar as they were lower than the previous estimates, these films were tested for impairment.

The examination showed that the carrying amount of certain film distribution rights exceeded the value in use. The value in use is the present value of future cash flows that can be derived from an asset (film distribution rights). As a result of this analysis, the management determined an impairment loss of EUR 5,846 thousand (previous year: EUR 10,009 thousand) in the financial year. The impairment loss was recognised in the statement of profit or loss under production costs.

The impairment loss for the film distribution rights was determined on the basis of factors such as updated revenue estimates for the following films:

| in € thousand | **2017** |
|---|---|
| Enter the void | 468 |
| La grand boucle | 462 |
| The search | 342 |
| Radin | 298 |
| The immigrant | 258 |

| In € thousand | 2016 |
|---|---|
| Histoire de l'amour | 1,775 |
| Les naufrages | 1,138 |
| The search | 486 |
| Voyage of time | 446 |
| The choice | 429 |

In the case of film rights with a negative value in use, i.e. where disposal costs exceed the present value of future cash flow, a provision for potential losses was recognised for onerous contracts. This provision for potential losses arises due to the Group's distribution and marketing obligations towards the film rights' licensors.

The discounted cash flow method applied was based on a pre-tax discount factor of between 2.06 % and 6.36 % (previous year: 1.59 % and 4.21 %). The CAPM (capital asset pricing model) method was applied for the calculation of capital costs with reference to a peer group of companies with similar business models.

The discounted cash flow method is based on future cash flows derived from a planning calculation for each film right. Cash inflows and outflows from the initial distribution at the cinema, home entertainment and TV stages (insofar as the relevant distribution rights are available) are planned in detail; general estimates are applied to each film right for subsequent distribution.

Disposals of film rights arise from the expiry or sale of licence periods.

## 3.3 PROPERTY, PLANT AND EQUIPMENT (OTHER EQUIPMENT, OPERATING AND OFFICE EQUIPMENT)

| **Property, plant and equipment** in € thousand | **2017 Total** | 2016 Total |
|---|---|---|
| **Acquisition costs** | | |
| 1 January | 2,686 | 3,027 |
| Additions | 57 | 48 |
| Reclassifications | 472 | 0 |
| Disposals | -30 | -389 |
| **31 December** | 3,185 | 2,686 |
| **Accumulated depreciation and amortization expenses** | | |
| 1 January | 1,412 | 1,586 |
| Additions | 174 | 212 |
| Reclassifications | 472 | 0 |
| Disposals | -30 | -386 |
| **31 December** | 2,029 | 1,412 |
| | | |
| **Net book value** | **1,156** | **1,274** |

As of the balance sheet date, there are no obligations to acquire property, plant and equipment.

## 3.4 INVESTMENTS IN ASSOCIATES OR JOINT VENTURES

| **Investments in associates or joint ventures** in € thousand | **2017** | 2016 |
|---|---|---|
| 1 January | 2,431 | 3,294 |
| Additions | 0 | 362 |
| Disposals | -657 | -1,333 |
| Partial result | -258 | 108 |
| **31 December** | **1,516** | **2,431** |

Comprehensive financial information about the joint venture corresponding to its financial statements prepared in accordance with IFRS and the reconciliation of this financial information with the carrying amount of the share in the joint venture in the consolidated financial statements is presented below:

| in € thousand | **12/31/2017** | 12/31/2016 |
|---|---|---|
| **Bavaria Pictures GmbH** | | |
| Current assets including cash and cash equivalents of € 1,706 thousand (previous year: € 367 thousand) and prepayments of € 0 thousand (previous year: € 0 thousand | 3,143 | 1,874 |
| Non-current assets | 0 | 1,671 |
| Current liabilities including tax liabilities of € 0 thousand (previous year: € 0 thousand) | 4,336 | 2,569 |
| Non-current liabilities including deferred tax liabilities of € 0 thousand (previous year: € 0 thousand) and a non-current loan of 0 thousand (previous year: € 0 thousand) | 0 | 2,265 |
| Equity | -1,193 | -1,288 |
| Group shareholding | 50.0 % | 50.0 % |
| Accounting using the equity method | 0 | 0 |

| in € thousand | **2017** | 2016 |
|---|---|---|
| Revenue | 1,372 | 3,074 |
| Other operating income | 525 | 251 |
| Cost of materials | -217 | -662 |
| Personnel expenses | -876 | -22 |
| Depreciation and amortization expenses | -584 | -2,262 |
| Other operating expenses | -28 | -160 |
| Interest expense | -9 | -32 |
| Earnings before taxes | 183 | 72 |
| Income taxes | -88 | 0 |
| Income/loss from continuing operations | 95 | 72 |
| Group share in income/loss | 47 | 35 |
| Thereof reported through profit or loss | 0 | 0 |

This is a joint venture in which the parties have joint control, i.e. no shareholder can exercise sole power over the company.

The Group owns 24.90 % (previous year: 35.47 %) of the shares in Circuito Cinema S.r.l., a cinema chain based in Rome.

| in € thousand | **12/31/2017** | 12/31/2016 |
|---|---|---|
| **Circuito Cinema s.r.l.** | | |
| Current assets including cash and cash equivalents of € 167 thousand (previous year: € 92 thousand) and prepayments of € 210 thousand (previous year: € 211 thousand) | 3,973 | 4,030 |
| Non-current assets | 6,411 | 4,946 |
| Current liabilities including tax liabilities of € 215 thousand (previous year: € 159 thousand) | 4,905 | 5,038 |
| Non-current liabilities including deferred tax liabilities of 0 thousand (previous year: € 0 thousand) and non-current loans of € 0 thousand (previous year: € 0 thousand) | 2,609 | 304 |
| Equity | 2,869 | 3,634 |
| Group shareholding | 24.90% | 35.47% |
| Accounting using the equity method | 1,449 | 2,431 |

| in € thousand | **2017** | 2016 |
|---|---|---|
| Revenue | 8,451 | 9,864 |
| Cost of materials | -6,419 | -7,190 |
| Other operating income | 1,380 | 2,091 |
| Personnel expenses | -3,053 | -3,167 |
| Depreciation and amortization expenses | -688 | -685 |
| Other operating expenses | -267 | -808 |
| Financial result | -107 | -136 |
| Earnings before taxes | -704 | -33 |
| Income taxes | 0 | 350 |
| Income/loss from continuing operations | -704 | 316 |
| Group share in income/loss | -258 | 112 |
| Thereof reported through profit or loss | -258 | 112 |

In the financial year, the Group company BIM Distribuzione S.r.l. sold a total of 113,080 shares in Circuito Cinema S.r.l. The shareholding then decreased from 35.47 % to 24.90 %.

The cumulative total amount of unrecognised pro rata negative equity from associates is EUR 597 thousand (previous year: EUR 644 thousand).

## 3.5 FINANCIAL ASSETS

Other financial assets mainly include deposits (EUR 1,684 thousand; previous year: EUR 298 thousand) and equity interests in companies including Cinéma du Panthéon, Paris, France (EUR 285 thousand; previous year: EUR 285 thousand).

## 3.6 INVENTORIES

The inventories of Wild Bunch mainly consist of inventories of audiovisual material (merchandise).

Write-downs on inventories were required in the 2017 financial year amounting to of EUR 130 thousand (previous year: EUR 426 thousand).

## 3.7 TRADE RECEIVABLES

Trade receivables are broken down as follows:

| **Trade receivables** in € thousand | **12/31/2017** | 12/31/2016 |
|---|---|---|
| Trade receivables | 36,537 | 43,520 |
| Less bad debt allowances | -757 | -1,682 |
| Net receivables | 35,780 | 41,838 |
| Prepayments made | 240 | 252 |
| **Total** | **36,020** | **42,090** |

Receivables are recognised at their par value less bad debt allowances.

Valuation allowances on trade receivables are based on both a customer-related assessment and recent experience.

In the 2017 financial year, trade receivables at the par value of EUR 862 thousand (previous year: EUR 918 thousand) were written down in full. These write-downs were necessary due to payment difficulties that occurred.

The following table shows the development of the valuation adjustments recognised for trade receivables:

| **Bad debt allowances** in € thousand | **2017** | 2016 |
|---|---|---|
| 1 January | 1,682 | 990 |
| Change in the scope of consolidation | 0 | 0 |
| Exchange differences | 0 | 0 |
| Additions | 862 | 918 |
| Utilization | -1,164 | 0 |
| Release | -623 | -226 |
| **Total 31 December** | **757** | **1,682** |

As of 31 December 2017, receivables amounting to EUR 16,601 thousand (previous year: EUR 24,419 thousand) were neither subject to individual value adjustments nor overdue. There were no indications here that customers would fail to meet their payment obligations as of the reporting date.

Trade receivables for which there is a default on the reporting date but have not yet been value-adjusted are overdue as follows:

| **Maturity overview** in € thousand | **12/31/2017** | 12/31/2016 |
|---|---|---|
| Trade receivables | 36,537 | 43,520 |
| thereof neither impaired nor past due as of the balance sheet date | 16,601 | 24,419 |
| **Overdue in days** | | |
| less than 90 | 9,779 | 2,267 |
| between 91 and 180 | 1,971 | |
| between 181 and 360 | 2,628 | |
| more than 361 | 5,556 | |

The previous year's values for debts past due by more than 90 days cannot be stated because other ranges were calculated in the previous year. In the previous year, EUR 1,141 thousand was past due by a period of between 91 and 120 days and EUR 14,011 thousand by more than 121 days.

No impairments were recognised for trade receivables of EUR 19,179 thousand (previous year: EUR 17,419 thousand) that were past due as of the reporting date, since there was no significant change in the creditworthiness of these debtors and it is assumed that the outstanding amounts will be settled. The Group does not hold collateral as security for these open items.

## 3.8 OTHER ASSETS

| **Other current assets** in € thousand | **2017** | 2016 |
|---|---|---|
| Claims against film grant institutions | 8,185 | 13,143 |
| Third party money | 4,415 | 9,730 |
| Creditors with debit balances | 888 | 905 |
| Currency forwards | 0 | 0 |
| Other | 1,293 | 1,818 |
| **Other financial assets** | **14,781** | **25,596** |
| Tax receivables | 7,647 | 5,688 |
| Other | 1,404 | 2,460 |
| **Other non-financial assets** | **9,051** | **8,147** |
| **Total** | **23,832** | **33,743** |

The other financial assets mainly consist of receivables from funding bodies and foreign funds (particularly bank accounts of customers in the context of international sales activities) and from tax authorities due to VAT refunds.

The long-term other assets mainly consist of receivables from other payment claims amounting to EUR 608 thousand (previous year: EUR 0 thousand) and differentiated long-term prepayments amounting to EUR 586 thousand (previous year: EUR 2 thousand).

## 3.9 SUBSCRIBED CAPITAL

For a description of the development of equity, please refer to the table of changes in equity. The development of the equity of Wild Bunch AG is described below.

On 5 February 2015, Wild Bunch AG was able to implement the non-cash capital increase approved by the extraordinary General Meeting on 12 September 2014, amounting to EUR 55,872,788, by issuing 55,872,788 new shares against the takeover of all shares in Wild Bunch S.A., Paris (Wild Bunch); the transaction was entered into the commercial register. The share capital therefore increased to EUR 74,330,015.

In accordance with the resolution of the Annual General Meeting and the provisions of the Articles of Association, Wild Bunch AG carried out a cash capital increase under the exclusion of the subscription right on 17 December 2015. In total, 1,391,556 new shares were issued with a pro rata (per share) portion in the share capital of EUR 1.00, increasing the share capital by 1.88 % from EUR 74,330,015 to EUR 75,721,571. The new shares were issued at an issue price of EUR 2.05 per share, providing the Company with gross proceeds of approximately EUR 2.85 million. The purpose of the proceeds is to strengthen the Company's financing structure and to repay liabilities and further implement the Company's growth plans.

After carrying out a cash capital increase of EUR 1,391,556 on 17 December 2015, the Company increased the cash capital again on 8 January 2016 by EUR 5,372,464 and then by a further amount of EUR 668,980 on 2 February 2016. As a result, the Management Board has exhausted the option granted by the Annual General Meeting to utilise the Approved Capital 2015/I by a cash capital increase with the exclusion of subscription rights on a scale of 10 % of the share capital, with just one share remaining. The share capital now amounts to EUR 81,763,015. The new shares were issued at an issue price of EUR 2.05 per share in each case, providing the Company with total gross proceeds of approximately EUR 15.22 million (of which EUR 12.38 million was generated in 2016). The purpose of the proceeds is to strengthen the Company's financing structure and to repay liabilities and further implement the Company's growth plans.

| **Subscribed capital** in number of shares | **12/31/2017** | 12/31/2016 |
|---|---|---|
| Registered capital 81,763,015 shares | 81,763,015 | 81,763,015 |
| Authorized capital (2015/I) up to € 35,773,451.00 | | |
| Contingent capital (2015/I) up to € 19,750,097.00 | | |
| Own shares | -2,414 | -2,414 |
| **Total** | **81,760,601** | **81,760,601** |

The subscribed capital was fully paid up. It is divided into no-par-value shares.

Treasury shares are reported in the statement of financial position as reducing equity. Treasury shares are reported at cost.

By a resolution of the Annual General Meeting on 30 June 2015, the Management Board was authorised, before 29 June 2020, subject to the approval of the Supervisory Board, to purchase treasury shares in a volume of up to a total of 10 % of the share capital existing at the time of the resolution. Shares acquired may at no time exceed 10 % of total share capital when taken together with other treasury shares held by the Company or attributable to the Company in accordance with Sections 71a et seq. of the German Stock Corporation Act (AktG – Aktiengesetz). The Company has in turn undertaken not to trade in treasury shares and only to sell treasury shares under specific circumstances.

On 31 December 2017, the Company held 2,414 treasury shares with a nominal value of EUR 2,414, or around 0.003 % of the share capital.

At the Annual General Meeting on 30 June 2015, the Authorised Capital 2012/I was cancelled to the extent that no use was made of it, and a new authorised capital was determined, which authorises the Management Board, subject to approval by the Supervisory Board, to increase the share capital until 29 June 2020 by up to EUR 37,165,007.00 (Authorised Capital 2015/I). The authorised capital was used to issue 1,391,556 new shares in 2015.

The Management Board was also authorised by the Annual General Meeting on 30 June 2015 to issue bearer or registered convertible bonds or option bonds with a total nominal amount of up to EUR 19,750,097 on one or more occasions until 29 June 2020. Contingent Capital 2015/I is only to be used if the bearers of convertible rights or options exercise such rights, or if conversion obligations from such bonds are met. Contingent Capital 2015/I was entered into the commercial register on 7 July 2015.

## 3.10 CAPITAL RESERVE

Wild Bunch AG, Berlin, acquired 100% of Wild Bunch S.A., Paris, France, with the issue of 55,872,788 new shares on 5 February 2015, when the non-cash capital increase was entered into the commercial register. The fair value is determined by the price of Wild Bunch AG, Berlin, on 5 February 2015, i.e. EUR 1.84 per share, or EUR 33,961,267.68 in total. The difference between the fair value and the calculated pro rata amount of the share capital per approved share was included in the capital reserve.

The legal acquisition of Wild Bunch S.A., Paris, France, by Wild Bunch AG, Berlin (formerly Senator Entertainment AG, Berlin) resulting from the non-cash capital increase represents a reverse acquisition according to IFRS 3. For this reason, the formal equity of the acquirer according to the statement of financial position (Wild Bunch S.A.) was adjusted retroactively to depict the formal equity of the company acquired according to the statement of financial position (Wild Bunch AG, formerly Senator Entertainment AG). The resulting adjustments to the share capital resulted in a negative capital reserve at the time of acquisition.

In December 2015 and in January/February 2016, 1,391,556 and 6,041,444 new shares were issued respectively within the framework of cash capital increases at a subscription price of EUR 2.05 per share. The difference between the subscription price and the calculated proportionate amount of the share capital amounting to EUR 1,461 thousand and EUR 6,344 thousand less costs of EUR 530 thousand was included in the capital reserve.

## 3.11 OTHER RESERVES

Other reserves amounting to EUR -22 thousand (previous year: EUR -139 thousand) result from actuarial gains and losses recognised in equity from pension obligations (Section 3.14 Pension obligations).

## 3.12 NON-CONTROLLING INTERESTS

The non-controlling interests relate to the following companies:

| **Minority interests** in € thousand | **12/31/2017** | 12/31/2016 |
|---|---|---|
| Bunch of Talents SAS, Paris, France | 51 | 51 |
| Elle Driver SAS, Paris, France | 110 | 98 |
| Filmoline SAS, Paris, France | 377 | 336 |
| Insiders LLC, Los Angeles, USA | 4 | 5 |
| Versatile SAS, Paris, France | -80 | -61 |
| Vértigo Films S.L., Madrid, Spain | -973 | –414 |
| Wild Bunch Germany GmbH, Munich | 535 | 450 |
| **Total** | **24** | **465** |

The following is a summary of the financial information contained in the consolidated financial statements of major companies with non-controlling interests:

| in € thousand | **2017** | 2016 |
|---|---|---|
| **Filmoline SAS, Paris, France** | | |
| Revenue | 4,316 | 4,623 |
| Net income | 410 | 425 |
| Current assets | 4,304 | 4,982 |
| Non-current assets | 777 | 1,160 |
| Current liabilities | 2,680 | 4,151 |
| Non-current liabilities | 19 | 19 |
| Cash flow | -539 | 151 |

| in € thousand | **2017** | 2016 |
|---|---|---|
| **Vértigo Films S.L., Madrid, Spain** | | |
| Revenue | 4,493 | 10,016 |
| Net income | -2,791 | 861 |
| Current assets | 2,716 | 5,914 |
| Non-current assets | 10,985 | 13,149 |
| Current liabilities | 14,236 | 7,568 |
| Non-current liabilities | 4,328 | 13,537 |
| Cash flow | -58 | -69 |

| in € thousand | **2017** | 2016 |
|---|---|---|
| **Wild Bunch Germany GmbH, Munich** | | |
| Revenue | 18,445 | 21,350 |
| Net income | 702 | 920 |
| Current assets | 18,412 | 12,794 |
| Non-current assets | 14,661 | 15,290 |
| Current liabilities | 11,290 | 24,431 |
| Non-current liabilities | 17,323 | 0 |
| Cash flow | 722 | 842 |

There is no presentation of financial information for other companies with minority shareholders for reasons of materiality.

## 3.13 CAPITAL MANAGEMENT

The financial management of Wild Bunch AG is conducted centrally at Group level. The Group operates in accordance with value-based financing principles to ensure liquidity at all times and to minimise financial risks. Cash pooling is non-central within the Group. Group-wide cash flows are monitored centrally by the Management Board within the framework of cash management.

Financial management also includes currency management in order to limit the effects of interest rate and currency fluctuations on profit for the year and cash flow. As of the reporting date on 31 December 2017, as in the previous year, Wild Bunch AG did not hold foreign exchange options or swaps for currency hedging.

Furthermore, Wild Bunch AG endeavours to achieve a balanced maturity profile. The key figures for the financial management of Wild Bunch AG are the key figures for sales, earnings before interest, taxes, depreciation and amortisation (EBITDA), earnings before interest and taxes (EBIT), investment sum and net debt.

In order to secure the liquidity situation, the Wild Bunch Group concluded a credit agreement with London-based Bank Leumi Plc (UK) on 5 April 2017 for a revolving credit line amounting to EUR 30 million. In addition, an increase in the credit line of up to EUR 100 million was arranged by the entry of the French companies, subject to additional contractual conditions; for the use of the extended credit line, a renewed approval is required from Bank Leumi Plc (UK) and possibly also from other syndicate banks.

During the provision of this financing, unrestricted access to the loan funds is dependent on Wild Bunch reporting and verifying on a monthly and quarterly basis that it has attained the economic figures upon which the framework credit agreement was concluded. In order to meet its reporting obligations under this agreement, the Management Board has initiated the restructuring of its financial department, which is due to be completed in the 2018 financial year. The financial covenants mainly relate to the following performance indicators: the EBITDA ratio, i.e. consolidated EBITDA in relation to sales revenue, liquidity ratio, i.e. the volume of financing sources available in comparison to the expected financing needs, leverage ratio, i.e. net debt in relation to consolidated EBITDA, and a guaranteed minimum balance sheet equity. The loan could be made payable in full by the bank if the agreed financial covenants (including EBITDA ratio and minimum equity) are breached. The Management Board assumes according to current planning that these financial covenants will be met.

The Management Board is also planning to implement a series of refinancing measures. The short-term objective is the financial restructuring of the Group through a clear reduction in the Group's debt, the short-term inflow of additional cash and cash equivalents from company loans in the amount of approximately EUR 30 million and medium- to long-term financing of investments. (Please note the information stated on the going concern assumption under Section 1.4.)

A sufficiently high equity ratio is required for the flexible use of equity and debt financing options arising in the market. The economic equity is monitored in relation to the balance sheet total. The equity ratio is the ratio between the economic equity on a consolidated basis and the balance sheet total. The economic equity consists of the balance sheet equity and investment grants.

Equity and the equity ratio developed as follows:

| **Equity and equity ratio** | **12/31/2017** | 12/31/2016 |
|---|---|---|
| Equity disclosed in the statement of financial position in € thousand | 81,175 | 87,736 |
| Total assets | 282,446 | 315,808 |
| **Equity ratio %** | **28.7** | **27.8** |

## 3.14 PENSION OBLIGATIONS

The Group maintains performance-oriented retirement plans for all eligible employees of its subsidiaries in France. The Group recognises existing statutory obligations to make severance payments to employees as long-term employee benefits upon termination of employment. The cost of performance-oriented retirement plans after termination of the employment relationship is determined by actuarial calculations. The actuarial valuation is based on assumptions concerning discount rates, expected retirement age, future wage and salary increases, and mortality. If the assumptions do not develop in line with the premises, the actual expenses for pensions may differ from the calculated costs. In view of the long-term orientation of these plans, such estimates are subject to substantial uncertainties. The provision for pensions and similar obligations amounted to EUR 645 thousand as of 31 December 2017 (previous year: EUR 742 thousand). Retirement plans are also maintained in the Italian subsidiary.

### *DEFINED BENEFIT PLANS*

The current actuarial valuations of the present value of the defined benefit obligations were carried out on 31 December 2017 by Valoria Conseil, Paris, France as in the previous year. The present value of the defined benefit obligation and of the related service cost were calculated using the projected unit credit method.

The most important assumptions used for the actuarial valuations were as follows:

| **Assumptions** | **2017** | 2016 |
|---|---|---|
| Discount rate(s) | 1.5 % | 1.6 % |
| Expected rate(s) of salary increase | 2.0 % | 5.0 % |
| Mortality table | TPGF05 | TPGH05 |
| Average age of current employees on retirement (in years) based on recognized French mortality tables | 62 | 62 |
| Number of eligible beneficiaries | 91 | 91 |

* basierend auf den anerkannten französischen Sterbetafeln

Staff turnover was considered by way of age-related fluctuation tables for executive and non-executive employees when valuing provisions for pensions.

Net pension expenses are as follows:

| **Net pension costs** in € thousand | **2017** | 2016 |
|---|---|---|
| Service costs | 60 | 71 |
| Net interest expense | 10 | 15 |
| **Total** | **70** | **86** |

The following overview shows the development of the pension obligation:

| **Development of pension obligations** in € thousand | **2017** | 2016 |
|---|---|---|
| Present value of the defined benefit obligation as of 1 January | 742 | 631 |
| Service costs | 60 | 71 |
| Net interest expense | 10 | 15 |
| Actuarial gains and losses from changes in financial assumptions | -157 | 48 |
| Actuarial gains and losses from changes in demographic assumptions | -10 | -23 |
| **Present value of the defined benefit obligation as of 31 December** | **645** | **742** |

The following table shows the development of actuarial gains and losses recognised in equity that relate to the pension obligation:

| **Development of the actuarial gains and losses recognized in equity and deferred taxes** in € thousand | **2017** | 2016 |
|---|---|---|
| Actuarial gains and losses and deferred taxes recognized in equity as at 1 January | -140 | -124 |
| Actuarial gains and losses | 167 | -24 |
| Deferred taxes on actuarial gains and losses | -50 | 8 |
| **Actuarial gains and losses and deferred taxes recognized in equity as of 31 December** | **-23** | **140** |

The statutory pension scheme in Germany is treated as state scheme in terms of a multi-employer plan as defined by IAS 19.32. In total, in the 2017 financial year, EUR 160 thousand (2016: EUR 188 thousand) was paid by the employer for employees of the domestic subsidiaries into the statutory pension scheme and recorded as expenses (employer contributions).

## 3.15 OTHER PROVISIONS

| **Other provisions** in € thousand | as of 1/1/2017 | Reclassi-fication | Utilization | Reversal | Additions | as of 31/12/2017 |
|---|---|---|---|---|---|---|
| Legal provisions | 14 | – | 0 | 0 | 0 | 14 |
| Other provisions | 11 | 0 | 0 | 0 | 0 | 11 |
| **Non-current provisions** | **25** | **0** | **0** | **0** | **0** | **25** |
| Personnel provisions | 811 | 0 | 307 | 0 | 205 | 709 |
| Provisions for onerous contracts | 1,294 | 1,108 | 1,282 | 0 | 800 | 1,920 |
| Returns | 1,574 | 0 | 1,574 | 0 | 281 | 281 |
| Legal provisions | 20 | 0 | 20 | 0 | 5 | 5 |
| Other provisions | 4 | 0 | 4 | 0 | 0 | 0 |
| **Current provisions** | **3,703** | **1,108** | **3,187** | **0** | **1,291** | **2,915** |
| **Net book value 31 December 2017** | **3,728** | **1,108** | **3,187** | **0** | **1,291** | **2,940** |

The provisions for returns were formed for risks from expected returns of goods from Blu-ray and DVD sales. The provision for returns is based on an analysis of contractual and statutory obligations, historical trends and the Group's experience.

Provisions for impending losses were formed for film rights that were subject to onerous contracts. In these film rights, the recoverable amount is negative, i.e. the minimum guarantee and sales costs still to be paid exceed the proceeds. The recoverable amount was calculated on the basis of the value in use (Section 3.2 Intangible assets).

Personnel provisions relate primarily to outstanding holidays as well as provisions for bonus payments.

The Group expects the provisions of up to EUR 25 thousand (previous year: EUR 25 thousand) to be used within one year.

## 3.16 FINANCIAL LIABILITIES

| **Financial liabilities** in € thousand | **2017** | 2016 |
|---|---|---|
| Bond | 17,964 | 17,909 |
| Liabilities to banks | 74,618 | 64,462 |
| Other financial liabilities | 0 | 0 |
| **Total** | **92,582** | **82,371** |

Analysis of the maturity of financial liabilities:

| **Analysis of the maturity of financial liabilities** in € thousand | as of 12/31/2017 | up to 1 year | 1 to 2 years | 2 to 3 years | over 3 years |
|---|---|---|---|---|---|
| Bond | 17,964 | 1,437 | 18,323 | 0 | 0 |
| Liabilities to banks | 74,618 | 45,980 | 8,652 | 26,183 | 49 |
| Other financial liabilities | 0 | 0 | 0 | 0 | 0 |
| **Total** | **92,582** | **47,418** | **26,974** | **26,183** | **49** |

| **Analysis of the maturity of financial liabilities** in € thousand | as of 12/31/2016 | up to 1 year | 1 to 2 years | 2 to 3 years | over 3 years |
|---|---|---|---|---|---|
| Bond | 17,909 | 1,495 | 1,495 | 18,345 | 0 |
| Liabilities to banks | 64,462 | 28,144 | 16,292 | 23,203 | 1,132 |
| Other financial liabilities | 0 | 0 | 0 | 0 | 0 |
| **Total** | **82,371** | **29,639** | **17,787** | **41,548** | **1,132** |

For information on the financial liabilities, please refer to Appendix I.

### *OTHER INFORMATION*

Film rights and trade receivables serve as collateral for liabilities to banks. As of the balance sheet date, the carrying amounts of the assets provided as collateral for the loans stated in Appendix 1 amounted to a total of EUR 67 million (previous year: EUR 64 million). Thereof, EUR 38.1 million relates to film rights and EUR 28.6 million relates to trade receivables. In addition, the main direct and indirect interests in the Group companies were assigned to the lending banks as collateral. Moreover, there were unused credit lines of EUR 1.6 million (previous year: EUR 16.7 million) on the balance sheet date; their utilisation requires film rights and trade receivables that are eligible for financing under the terms of the credit agreements.

In the financial year, BIM Distribuzione S.r.l. provided a guarantee amounting to EUR 600 thousand for a bank loan that Circuito Cinema S.r.l. received from Banca Nazionale del Lavoro.

The Group has no other lines of credit.

Non-current financial liabilities as of 31 December 2017 had the following levels of utilisation, interest rates and maturities:

| | 12/31/2017 in € thousand | Effective interest rate in % | Maturity |
|---|---|---|---|
| Bond | 17,964 | 8.70 | March 2019 |
| Bank Leumi | 21,877 | 5.96 | July 2020 |
| COFICINE, Paris, France | 12,031 | 4.50 | October 2019 |
| Bank pool, Paris, France | 6,304 | 4.50 | October 2019 |
| Bank pool, Paris, France | 4,032 | 4.50 | September 2019 |
| Ibercaja, Madrid, Spain | 790 | 1.75 | October 2020 |
| Credit Bail, Madrid, Spain | 305 | 5.39 | July 2021 |

Non-current financial liabilities as of 31 December 2016 had the following levels of utilisation, interest rates and maturities:

| | 12/31/2016 in € thousand | Effective interest rate in % | Maturity |
|---|---|---|---|
| Bond | 17,909 | 8.31 | March 2019 |
| COFICINE, Paris, France | 12,031 | 4.50 | October 2019 |
| Bank pool, Paris France, Film Acquisition | 8,326 | 3.00 | September 2018 |
| Bank pooll, Paris, France | 6,304 | 4.50 | October 2019 |
| Bank pool, Paris, France | 1,095 | 3.00 | September 2018 |
| Bank pool, Paris, France | 876 | 3.00 | December 2018 |
| Bank pool, Paris, France | 4,529 | 3.00 | December 2018 |
| Bank pool, Paris, France | 4,032 | 4.5 | September 2019 |
| Ibercaja, Madrid, Spain | 790 | 1.75 | October 2020 |
| Credit Bail, Madrid, Spain | 305 | 5.39 | July 2021 |

## 3.17 TRADE PAYABLES

Trade payables amounted to EUR 52,077 thousand (previous year: EUR 71,216 thousand) as of the balance sheet date, of which EUR 30,056 thousand was attributable to liabilities from fixed assets (previous year: EUR 41,997 thousand).

The liabilities as of 31 December 2017 were partially past due (EUR 19,629 thousand; previous year: EUR 8,064 thousand). The liabilities were paid in the 2018 financial year or deferral agreements were made.

| **Matturity overview** in € thousand | **2017** | 2016 |
|---|---|---|
| Suppliers-accounts payables | 52,077 | 71,216 |
| **thereof** | | |
| Payable daily | 19,618 | 23,355 |
| due within the next 3 months | 12,245 | 21,475 |
| due between 3 and 12 months | 20,215 | 26,386 |
| due after 12 months | 0 | 0 |

| **Maturity overview** in € thousand | **2017** | 2016 |
|---|---|---|
| Suppliers - accounts payables | 52,077 | 71,216 |
| **Overdue in days** | | |
| less than 90 | 5,476 | 1,773 |
| between 91 and 180 | 2,940 | 1,381 |
| between 181 and 360 | 2,783 | 1,075 |
| more than 361 | 8,432 | 3,836 |

## 3.18 OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

| **Other current liabilities** in € thousand | **2017** | 2016 |
|---|---|---|
| Payments to licensors | 19,968 | 28,454 |
| Liabilities to film funding institutions | 534 | 564 |
| Liabilities to production projects | 0 | 360 |
| Other | 4,130 | 5,512 |
| Other financial liablities | 24,631 | 34,890 |
| Deferred income | 14,455 | 19,548 |
| Other tax liabilities | 7,826 | 5,217 |
| Liabilities from social insurance contributions | 2,168 | 2,458 |
| Other | 0 | 0 |
| **Other non-financial liablities** | **24,449** | **27,223** |
| **Total** | **49,080** | **62,113** |

The Group acquires rights from licensors in return for a minimum guarantee and makes use of the rights over the licence period. Revenues from utilising the rights that exceed the minimum guarantee and marketing costs must be settled with the licensors in accordance with contractual stipulations.

The deferred revenue consists mainly of income already received from TV and home entertainment contracts that have not yet been realised as revenue due to the availability of the respective right.

# 4. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

In accordance with IAS 7 "Statement of Cash Flows", Wild Bunch reports cash flow from operating activities using the indirect method, according to which profit or loss for the period is adjusted for the effects of non-cash transactions, deferrals of cash inflows or cash outflows from operating activities in the past or future, and for income or expense items linked to the cash flow from investing or financing activities.

## 4.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash in hand and bank balances with a maturity of less than three months and bank liabilities insofar as they are current accounts.

## 4.2 CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities includes the following cash inflows and outflows:

| **Cash inflows and outflows for interest and income taxes** in € thousand | **2017** | 2016 |
|---|---|---|
| Income tax paid | 1,369 | 771 |
| Income tax refunded | 113 | 184 |
| Interest paid | 5,170 | 4,472 |
| Interest received | 12 | 38 |

## 4.3 CASH FLOW FROM INVESTING ACTIVITIES

The cash outflow from investing activities is mainly the result of investments in film distribution rights and other intangible assets.

## 4.4 CASH FLOW FROM FINANCING ACTIVITIES

Cash flow from financing activities relates mainly to the conclusion of the loan with the London-based Bank Leumi, and to repayment of existing bank loans. For further information concerning financial liabilities please refer to Section 3.16 Financial liabilities.

# 5. FURTHER INFORMATION

## 5.1 SEGMENT REPORTING

The Group is split into the following two mandatory operating segments for the purposes of corporate management:

a. The "International sales and distribution, as well as film production" operating segment includes the production and distribution of films.

b. The "Miscellaneous" operating segment encompasses the music sector, the operation of a VOD platform and other activities.

The Management Board monitors the operating results of the business units in order to make decisions about the allocation of resources and to determine the earnings capacity of units. Segment performance is evaluated based of the result and valued in accordance with the result in the consolidated financial statements.

The Wild Bunch Group's activities essentially relate to France, Italy, Spain, Germany and Austria.

No more than 10% of revenue was generated with any one business partner in the financial year.

The results of the segments in the financial year were essentially in line with the expectations of the Management Board.

### *AREAS OF BUSINESS*

Wild Bunch Group conducts most of its business in the following business areas:

a. International sales and distribution, as well as film production and

b. miscellaneous activities.

The International sales and distribution, as well as film production segment includes international sales and the distribution of films in cinemas in France, Italy, Spain, Germany and Austria, distribution of cinema films for broadcast on television, the sale of cinema films in video and DVD formats, and the film production of cinema films. The Miscellaneous operating segment consists of music activities and operating activities pertaining to the VOD platform.

## OPERATING SEGMENTS

| | International Sales and Distribution and Film Production | | Other | | Group | |
|---|---|---|---|---|---|---|
| **Segment information business areas** in € thousand | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| **Revenue** | **97,082** | **117,416** | **4,338** | **4,737** | **101,420** | **122,152** |
| Other film related income | 6,929 | 8,621 | 792 | 1,110 | 7,722 | 9,731 |
| Cost of sales | -88,251 | -107,882 | -2,906 | -3,950 | -91,157 | -111,832 |
| **Segment profit/loss** | **15,760** | **18,155** | **2,224** | **1,897** | **17,985** | **20,051** |
| **Unassigned result elements** | | | | | | |
| Other operating income | | | | | 9,404 | 7,649 |
| Administrative expenses | | | | | -21,663 | -22,618 |
| Other operating expenses | | | | | -4,991 | -1,329 |
| **Operating result** | | | | | **734** | **3,753** |
| Financial income | | | | | 897 | 1,107 |
| Financial expenses | | | | | -6,809 | -5,313 |
| Equity-result | | | | | -258 | 108 |
| **Earnings before taxes** | | | | | **-5,436** | **-345** |

Impairments of EUR 5,846 thousand (previous year: EUR 10,009 thousand) and income from write-ups of fixed assets amounting to EUR 2,752 thousand (previous year: EUR 3,211 thousand) are attributable exclusively to the segment "International sales and distribution, as well as film production".

The breakdown of the associated assets and liabilities and financial investments in the relevant segment is presented below:

| **Segment information assets** in € thousand | **2017** | 2016 |
|---|---|---|
| International sales and distribution and film production | 258,043 | 289,652 |
| Other | 24,403 | 26,156 |
| **Assets** | **282,446** | **315,808** |

| **Segment information liabilities** in € thousand | **2017** | 2016 |
|---|---|---|
| International sales and distribution and film production | 177,447 | 202,220 |
| Other | 23,824 | 26,403 |
| **Liabilities** | **201,271** | **228,623** |

| **Segment information investments** in € thousand | **2017** | 2016 |
|---|---|---|
| International sales and distribution and film production | 44,510 | 55,319 |
| Other | 0 | 3 |
| **Investments in intangible assets** | **44,510** | **55,322** |

### *SEGMENT INFORMATION*

The segment data was calculated on the basis of accounting and valuation methods used for the consolidated financial statements.

Segment assets represent the assets required by individual segments for their operation.

Segment liabilities are the operating liabilities and provisions of the individual segments.

Investments include expenditure on intangible assets and property, plant and equipment.

### *GEOGRAPHICAL INFORMATION*

The activities of the Wild Bunch Group relate mainly to France, Germany, Italy and Spain. Revenues, long-term assets and investments are segmented according to the company's registered office to obtain geographical information. Revenue from the international sale of film rights (2017: EUR 28,274 thousand; previous year: EUR 27,454 thousand) is reported under Miscellaneous because a breakdown according to geographical region is not possible due to technical reasons.

The Group generated revenue in the following regions:

| **Segment information revenue** in € thousand | **2017** | 2016 |
| --- | --- | --- |
| France | 36,312 | 41,718 |
| Germany | 25,471 | 31,382 |
| Italy | 6,459 | 10,672 |
| Spain | 4,452 | 9,973 |
| Other | 28,725 | 28,407 |
| **Revenue** | **101,420** | **122,152** |

| **Segment information non-current assets*** in € thousand | **2017** | 2016 |
| --- | --- | --- |
| France | 39,629 | 52,770 |
| Germany | 18,885 | 18,482 |
| Italy | 11,534 | 11,374 |
| Spain | 8,643 | 9,118 |
| Other | 4,947 | 5,629 |
| **Non-current assets** | **83,638** | **97,373** |

*Intangible assets, property, plant and equipment and other non-current assets

| **Segment information investments** in € thousand | **2017** | 2016 |
| --- | --- | --- |
| France | 19,991 | 28,529 |
| Germany | 12,976 | 9,767 |
| Italy | 6,270 | 3,835 |
| Spain | 2,829 | 7,999 |
| Other | 2,444 | 5,192 |
| **Investments in intangible assets** | **44,510** | **55,322** |

## 5.2 FINANCIAL INSTRUMENTS / MANAGEMENT OF FINANCIAL RISKS

The fair value of financial instruments, apart from foreign currency derivatives, was calculated by discounting the expected future cash flows using standard interest rates for the market and is highly representative of the carrying amount (level 3).

The Wild Bunch Group uses foreign currency forward contracts to hedge some of the transaction exposures. The period for which forward contracts are concluded is the period in which a foreign exchange risk exists for the underlying transactions, normally one to twelve months. The forward contracts are valued at fair value as of the balance sheet date. As of 31 December 2017, there were no foreign currency forwards.

The following table shows the carrying amounts of the financial assets and liabilities:

| | **12/31/2017** | | | 12/31/2016 | | |
|---|---|---|---|---|---|---|
| **Financial assets**<br>in € thousand | Carrying amount | Amortized costs | Fair value | Carrying amount | Amortized costs | Fair value |
| Financial investments | 2,511 | 2,511 | | 913 | 913 | |
| Accounts receivable trade | 36,020 | 36,020 | | 42,090 | 42,090 | |
| Other financial assets (receivables from other loans granted and other receivables) | 14,781 | 14,781 | | 25,596 | 25,596 | |
| Cash and cash equivalents | 6,593 | 6,593 | | 7,170 | 7,170 | |
| **Financial assets** | **59,905** | **59,905** | | **75,769** | **75,769** | |

| | **12/31/2017** | | | 12/31/2016 | | |
|---|---|---|---|---|---|---|
| **Financial liabilities**<br>in € thousand | Carrying amount | Amortized costs | Fair value | Carrying amount | Amortized costs | Fair value |
| Financial liabilities | 92,583 | 92,583 | | 82,371 | 82,371 | |
| Suppliers - accounts payables | 52,077 | 52,077 | | 71,216 | 71,216 | |
| Other financial liablities | 24,631 | 24,631 | | 36,464 | 36,464 | |
| **Financial liabilities** | **169,291** | **169,291** | | **190,051** | **190,051** | |

They are reported at amortised cost or included in the category for financial liabilities valued at amortised cost, and are accordingly reported using the effective interest method. Their fair values correspond approximately to the carrying amount.

## GENERAL

The Group is subject to the following risks on account of its operating activities:

- Credit risks
- Liquidity risks
- Market risks

Market risks also include risks arising from changes in interest rates.

The following are described below:

- the risks of the respective risk category identified by Wild Bunch as relevant to the Group,
- and the objectives, rules and processes to identify risk and to handle the risks of the Group.

The Wild Bunch Group has a centralised approach to financial risk management in the form of a portfolio to identify, measure and manage risks. The risk items arise from the cash-effective inflows and outflows that are planned and implemented at Group level as market risks relating to changes in interest rates, prices and exchange rates. Interest-rate and price risks are managed by using a mixture of maturities and both fixed and variable interest on items.

## CREDIT RISK

Credit risk is the risk of a customer or contractual partner of the Wild Bunch Group defaulting on payment, necessitating a write-down for the assets, financial investments or receivables reported in the consolidated statement of financial position. Consequently, the risk is limited to the carrying amount of these assets.

Credit risks result mainly from trade receivables. The companies included in the consolidated financial statements monitor their customers' creditworthiness on a regular basis.

There were no indications of defaults for the trade receivables that had not been impaired as of 31 December 2017.

## LIQUIDITY RISKS

In April 2017, the Group concluded a framework credit agreement in the amount of up to EUR 30 million. This could be made payable in full by the bank if the agreed financial covenants (including EBITDA ratio and minimum equity) are breached. The Management Board assumes according to current planning that these financial covenants will be met. There are also further contractual reporting obligations, which, if not met, may also lead to the bank declaring the granted credit immediately due. There is a particular risk that the financial covenants may not be met if the Group's financial situation deteriorates. If credit becomes immediately due, the Group's continued existence depends on procuring other sufficient financial means at short notice.

The continuation of the Group also requires that the refinancing measures described in Section 1.4 under "Going concern assumption" and in 3.4 and 4.3.1 of the management report are implemented. If these are not fully implemented, or are not implemented to the required extent, then the continuation of the company will depend on its ability to procure other sufficient funds.

An additional financing need, beyond the named refinancing measures, may arise if there is a negative difference with the business plan prepared by the Management Board. A significantly negative development would at least result in adverse effects on the planned business performance, in the opinion of the Management Board.

### *MARKET RISKS*

a. Exchange rate risks

Purchases and sales in foreign currencies can pose risks to the Company, depending on the development of exchange rates. A purchase may become more expensive due to a change in an exchange rate and sales realised in a foreign currency can result in a lower level of revenue in euros.

Greater foreign currency risks arise for Wild Bunch primarily from purchases and sales in US dollars. In previous years, various hedges were concluded relating to foreign currency purchases in the financial year in order to reduce currency risks.

Sensitivity analyses in accordance with IFRS 7 were carried out for items in the statement of financial position in US dollars with the following result: If the exchange rate as of the reporting date were 10% higher or lower, the result would have been EUR 1,430 thousand lower or EUR 1,231 thousand higher (previous year: EUR 193 thousand higher or EUR 158 thousand lower). For technical reasons, the aforementioned sensitivity analysis could not be carried out for the companies of the former Wild Bunch S.A. Group for the previous year.

b. Interest rate risks

Fixed and variable interest rates are agreed in the case of interest-bearing receivables and debts of the Company. Changes in the market interest rates for fixed interest debts would only have an impact if these financial instruments were recognised at fair value. Since this is not the case, financial instruments with fixed interest rates are not subject to interest rate risks as defined by IFRS 7.

Sensitivity analyses in accordance with IFRS 7 were carried out for variable-interest financial liabilities with the following result: if the market interest rate had been 100 basis points higher in the financial year, the result would have been EUR 0 thousand (previous year: EUR 0 thousand) lower on account of the negative interbank offered rate in euros. If the market interest rate had been 100 basis points lower in the financial year, the result would have been EUR 0 thousand (previous year: EUR 0 thousand) higher.

## 5.3 EMPLOYEES

The average number of employees was as follows in the financial years:

| **Avearage number of employees** | **2017** | 2016 |
|---|---|---|
| France | 93 | 97 |
| Germany | 35 | 35 |
| Italy | 13 | 14 |
| Spain | 11 | 12 |
| Ireland | 2 | 1 |
| Austria | 1 | 1 |
| **Total** | **155** | **160** |

## 5.4 RELATIONSHIPS WITH RELATED PARTIES

Related parties as defined by IAS 24 are companies or persons that have a controlling influence on the Wild Bunch Group or over which the Group has a controlling influence, in particular non-consolidated subsidiaries, or joint ventures and associates included at cost or equity.

Members of the Management Board and of the Supervisory Board of Wild Bunch AG and their family members are considered related parties (see Section 5.9 Members of the Management Board and the Supervisory Board).

The Company considers Sapinda Asia Ltd., British Virgin Islands ("Sapinda Asia") to be a related company. Sapinda Asia temporarily held 3.68% of the voting rights in the Company during the financial year. Mr Lars Windhorst, who in turn personally holds 3.58% of these voting rights, is subject to disclosure requirements for Sapinda Asia. For this reason, the Company presumes that Mr Lars Windhorst controls Sapinda Asia. Mr Lars Windhorst is also an economic beneficiary within the chain of companies of the Sapinda Group that controls the companies and the companies that control them, with Consortia Partnership Ltd. at the top.

Please refer to Section 5.10 Total remuneration of the Management Board and the Supervisory Board for information concerning the total remuneration of the Management Board and Supervisory Board of Wild Bunch AG. As of 31 December 2017, EUR 1 thousand (previous year's current liabilities: EUR 2 thousand) were due from the Management Board as remuneration and travel expenses. Current liabilities due to members of the Supervisory Board amounted to EUR 3 thousand (previous year: EUR 26 thousand).

In addition, the Company had business relationships with the following related parties:

As of the reporting date, the associate Circuito Cinema S.r.l., Rome, Italy, had receivables amounting to EUR 4 thousand (previous year: EUR 21 thousand) due from the Group company BIM S.r.l., Rome, Italy, and trade payables amounting to EUR 31 thousand (previous year: EUR 6 thousand). In the financial year, BIM S.r.l., Rome, Italy granted Circuito Cinema a loan amounting to EUR 213 thousand. In the financial year, Circuito Cinema invoiced cinema revenue of EUR 94 thousand (previous year: EUR 320 thousand) with shareholder and Group company BIM S.r.l, Rome, Italy. In the financial year, Circuito Cinema rendered services for the marketing of films for the shareholder BIM S.r.l., Rome, Italy amounting to EUR 212 thousand (previous year: EUR 209 thousand).

During the period under review, there was a financial advisory agreement with the investment bank Lazard Frères ("Lazard"), Paris, France, according to which Lazard provides advisory services relating to strategic investor searches. The Supervisory Board member Pierre Tattevin is a partner at the Lazard Paris office. Lazard was commissioned at standard market conditions on the basis of purely performance-dependent remuneration. No such remuneration was due in the period under review.

There were no also material transactions with the other affiliated companies.

## 5.5 OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

Legal action could be taken and receivables from disputes arising in the normal course of business could be asserted against Group companies in the future. The associated risks are analysed with regard to their likelihood of occurrence. Although the result of such legal disputes cannot always be estimated accurately, the Management Board believes that any such risks extending beyond those accounted for in the financial statements will not result in substantial obligations.

The Group reported the following fixed financial obligations as of 31 December 2017:

| | **12/31/2017** | | | | 12/31/2016 | | | |
|---|---|---|---|---|---|---|---|---|
| in € thousand | Total | Remaining time up to 1 year | Remaining time between 1 and 5 years | Remaining time more than 5 years | Total | Remaining time up to 1 year | Remaining time between 1 and 5 years | Remaining time more than 5 years |
| Rent and leases | 7,134 | 1,234 | 4,068 | 1,832 | 8,993 | 1,616 | 4,737 | 2,640 |
| Minimum guarantees | 22,331 | 17,757 | 4,574 | 0 | 29,345 | 21,144 | 8,201 | 0 |
| **Total** | **29,465** | **18,991** | **8,642** | **1,832** | **38,338** | **22,760** | **12,938** | **2,640** |

The rental and leasing relationships are essentially the renting of office spaces. There are no renewal options for these leases.

Most of the financial obligations from minimum guarantees as of 31 December 2017 have a residual term of up to one year; however, the completion dates for individual films are often subject to uncertainties and may be subject to substantial delays in some cases.

There are contingent liabilities in the Group for funding loans that are to be repaid depending on performance (EUR 11,303 thousand; previous year: EUR 10,187 thousand). However, these funding loans are only to be repaid from pro rata future revenues that exceed costs. At present, the Company does not expect that these loans will have to be repaid.

## 5.6 CONTINGENT LIABILITIES

No liabilities such as guarantees or similar existed as of the reporting date.

For the collateralisation of liabilities to banks, please refer to the information in Section 3.16 Financial liabilities.

## 5.7 FEES AND SERVICES RENDERED BY THE AUDITOR

The total fees charged to Wild Bunch Group companies by Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatergesellschaft for the financial year and by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft for the previous year, which are recorded as expenses, are broken down as follows:

| in € thousand | **2017** | 2016 |
|---|---|---|
| Audit services | 320 | 448 |
| Tax auditory services | 0 | 0 |
| Other services | 0 | 168 |
| **Total** | **320** | **616** |

## 5.8 STATEMENT OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Declaration of Compliance with the Corporate Governance Code required in accordance with Section 161 AktG was submitted and made permanently accessible to the shareholders by publication on the Company's website and in the electronic Federal Gazette.

## 5.9 MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

| | |
|---|---|
| Management Board: | Vincent Grimond, CEO<br>Chairman of the Management Board |
| | Max Sturm, CFO |
| | Brahim Chioua, COO |
| | Vincent Maraval, COO |
| Supervisory Board: | Wolf-Dieter Gramatke, Hamburg<br>Chairman (until 5 December 2017)<br>Independent media manager and consultant, Great-Minds Consultants Entertainment – Media-e-business GmbH, Hamburg, Germany |
| | Tarek Malak, Berlin<br>Chairman (since 11 December 2017)<br>Sapinda International Services B.V. (Berlin Branch), Berlin, Germany |
| | Hans Mahr, Köln<br>(Vice Chairman until 16 January 2018)<br>Journalist and owner of mahrmedia, Cologne, Germany |
| | Prof Dr Katja Nettesheim, Berlin<br>(until 27 December 2017)<br>Director of MEDIATE Nettesheim & Partner,<br>business consultant, Berlin, Germany |
| | Benjamin Waisbren, Chicago<br>President of LSC Film Corp. (film coproduction fund), Los Angeles, United States |
| | Pierre Tattevin, Paris<br>Partner and Managing Director, Lazard Frères, Paris, France |

## 5.10 TOTAL REMUNERATION OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

The following disclosures on Management Board remuneration are legally required explanatory information about the financial statements (see Section 314 HGB [ Handelsgesetzbuch – German Commercial Code]) and information required by provisions of the German Corporate Governance Code.

| **Total remuneration of the members of the supervisory boar** in € thousand | Remuneration | Cost reim- bursements | **Total** |
|---|---|---|---|
| Wolf-Dieter Gramatke | 20,523 | 2,669 | 23,192 |
| Hans Mahr | 20,000 | 3,759 | 23,759 |
| Tarek Malak | 16,427 | 0 | 16,427 |
| Prof. Dr. Katja Nettesheim | 15,825 | 636 | 16,461 |
| Benjamin Waisbren | 16,000 | 0 | 16,000 |
| Pierre Tattevin | 16,000 | 0 | 16,000 |
| **Total** | **104,775** | **7,064** | **111,839** |

All Management Board members also receive a short-term incentive (STI) amounting to 1% of the Group EBT of the Wild Bunch Group according to IFRS and in accordance with the audited consolidated financial statements, provided that the minimum Group result is attained or exceeded. The target result for 2015 financial year was EUR 4,500 thousand; for the 2016 financial year, it was EUR 5,000 thousand; and for the 2017 financial year, it was EUR 5,500 thousand. The bonus payable in this respect amounts to a maximum of EUR 125 thousand per annum. In addition, from the year 2015 up to and including 2017, the Management Board members received a long-term incentive (LTI) amounting to 1% of the average consolidated EBT of the Wild Bunch Group in accordance with IFRS and based on the audited consolidated financial statements, provided that the minimum Group result is achieved or exceeded. For the 2016 fiscal year the target average result is EUR 4,750 thousand (based on the results of the 2015 and 2016 fiscal years) and for the financial year 2017 the average target result is EUR 5,250 thousand (based on the results for the 2015, 2016 and 2017 fiscal years). The bonus payable in this respect amounts to a maximum of EUR 150 thousand per annum. As the targets were not met either for the short-term incentives or for the long-term incentives in the financial year or in the previous year, the Management Board members received no bonus payments for 2017 and 2016.

Wild Bunch's Supervisory Board is authorised to decide on an additional voluntary bonus for Management Board members for extraordinary services. This voluntary bonus may amount to a maximum of EUR 100 thousand per year.

In the case of incapacity for work, the Management Board members continue to receive their pay (fixed and performance-related remuneration) for a period of six months, but not beyond the end of their employment relationship. The same applies in the case of the death of a Management Board member for their surviving spouse or partner.

In the event of a change of control event and in the case of removal or exemption from their duties, the Management Board members have an extraordinary right of termination. In this case, the Management Board members Mr Grimond, Mr Chioua and Mr Maraval are entitled to their total remuneration (fixed salary and performance-related remuneration) until the end of the regular contract term, capped at the amount of the total remuneration for two years. Mr Sturm's contract contains no such arrangements.

The Company has taken out a D&O insurance policy in respect of the Company's advisory bodies.

The overall pay for members of the Management Board for the financial year from 1 January to 31 December 2017 is as follows:

| Total remuneration of the members of the management board in € thousand | Salary | Motor vehicle allowance | Life and social security | Salary | Motor vehicle allowance | Life and social security |
|---|---|---|---|---|---|---|
| | | **2017** | | | 2016 | |
| Vincent Grimond | 252 | 0 | 0 | 252 | 0 | 0 |
| Brahim Chioua | 252 | 0 | 0 | 252 | 0 | 0 |
| Vincent Maraval | 252 | 0 | 0 | 252 | 0 | 0 |
| Max Sturm | 265 | 18 | 4 | 258 | 18 | 4 |
| **Total** | **1,021** | **18** | **4** | **1,014** | **18** | **4** |

## 5.11 SHARES OF THE MEMBERS OF THE EXECUTIVE BODIES

On the reporting date of 31 December 2017, the members of bodies named below held the following shares in Wild Bunch AG:

| | Shares | % |
|---|---|---|
| Vincent Grimond | 7,023,531 | 8.59 |
| Brahim Chioua | 5,529,543 | 6.76 |
| Vincent Maraval | 2,598,111 | 3.18 |

## 5.12 EVENTS AFTER THE REPORTING PERIOD (SUPPLEMENTARY REPORT)

### *NEGOTIATIONS WITH INVESTORS REGARDING THE FINANCIAL RESTRUCTURING*

On 15 June 2018, the Company concluded an agreement on financial restructuring of the Wild Bunch Group with Sapinda Holding B.V. and SWB Finance B.V. (hereinafter referred to together as "Sapinda"). This agreement provides for the following essential steps:

- In the first step, Sapinda takes over the existing bank liabilities of Wild Bunch S.A. and liabilities of Wild Bunch S.A. to other creditors with an overall amount of EUR 62.7 million.
- Of this amount, EUR 26.1 million is to remain in the form of a shareholder loan, while the remaining amount of EUR 36.6 million is to be converted into capital in the context of a debt-to-equity swap and reduce the financial liabilities of the Wild Bunch Group on the same scale.
- In the agreement, Sapinda has also undertaken to ensure that all outstanding bonds on the current scale of approximately EUR 18 million are likewise converted into equity in the context of a debt-to-equity swap after acceptance of 60% debt relief. This step also achieves a reduction in the financial liabilities of the Wild Bunch Group and an equivalent strengthening of the equity capital.
- Both of the aforementioned steps are subject to requirements such as obtaining consent from the forthcoming Annual General Meeting for the respective decisions.
- In order to implement the business plan and to finance corporate growth, Sapinda grants intermediate financing to the Wild Bunch Group of up to EUR 15 million, which is to be replaced by a shareholder loan of EUR 30 million in accordance with the resolution by the Annual General Meeting concerning the aforementioned capital increases. Between the end of February and the end of July 2018, Sapinda already provided Wild Bunch AG with a credit line of EUR 5 million for interim financing.

## 5.13 SHARES HELD BY WILD BUNCH AG, BERLIN

| Shareholding of Wild Bunch AG, Berlin | Share | Equity | Annual result |
|---|---|---|---|
| | in % | in € thousand | in € thousand |
| Senator Film Köln GmbH, Cologne [1] | 100.00 | 25 | 0 |
| Senator Film München GmbH, Munich [1] | 100.00 | 25 | 0 |
| Senator Film Produktion GmbH, Berlin [1] | 100.00 | 793 | 0 |
| Senator Film Verleih GmbH, Berlin [1] | 100.00 | 8,900 | 0 |
| Senator Finanzierungs- und Beteiligungs GmbH, Berlin | 100.00 | -23 | 0 |
| Senator Home Entertainment GmbH, Berlin [1] | 100.00 | 25 | 0 |
| Senator MovInvest GmbH, Berlin [1] | 100.00 | 29 | 0 |
| Eurofilm & Media Ltd., Killaloe, Ireland | 100.00 | -16,999 | 1,082 |
| Wild Bunch Austria GmbH, Vienna, Austria [2] | 100.00 | 49 | 40 |
| Central Film Verleih GmbH, Berlin [6] | 100.00 | 400 | -43 |
| Senator Reykjavik GmbH, Berlin [4] | 100.00 | -388 | -10 |
| Bavaria Pictures GmbH, Munich [3] | 50.00 | -1,193 | 94 |
| Wild Bunch S.A., Paris, France | 100.00 | 27,440 | -337 |
| Wild Bunch Germany GmbH, Munich [5] | 88.00 | 645 | 33 |
| BIM Distribuzione s.r.l., Rom, Italy [5] | 100.00 | 341 | -210 |
| Bunch of Talents SAS, Paris, France [5] | 80.00 | 102 | 0 |
| Capricci World, Nantes, France [5] | 33.00 | -50 | 14 |
| Continental Films SAS, Paris, France [5] | 100.00 | 2,869 | -704 |
| Circuito Cinema s.r.l., Rom, Italy [7] | 24.90 | -43,910 | 669 |
| Elle Driver SAS, Paris, France [5] | 95.00 | 1,912 | 256 |
| EWB2 SAS, Paris, France [5] | 100.00 | 3,322 | 14 |
| EWB3 SAS, Paris, France [5] | 100.00 | 4,688 | 65 |
| Filmoline SAS, Paris, France [5] | 90.00 | 1,645 | 791 |
| Insiders LLC, Los Angeles, USA [5] | 45.00 | -584 | 266 |
| Versatile SAS, Paris, France [5] | 95.00 | -1,563 | -241 |
| Vértigo Films S.L., Madrid, Spain [5] | 80.00 | -2,109 | -106 |
| Virtual Films Ltd, Dublin, Ireland [5] | 100.00 | -24,617 | 367 |
| Wild Bunch Distribution SAS, Paris, France [5] | 100.00 | 9,845 | 789 |

| Shareholding of Wild Bunch AG, Berlin | Share | Equity | Jahresergebnis |
|---|---|---|---|
| Wild Side Film SAS, Paris, France[5] | 100.00 | -542 | 458 |
| Wild Side Video SAS, Paris, France[5] | 100.00 | 3,313 | -212 |

[1] Profit transfer agreement with Wild Bunch AG
[2] indirectly via Senator Film Verleih GmbH, Berlin
[3] indirectly via Senator Film München GmbH, Munich
[4] indirectly via Senator Film Produktion GmbH, Berlin
[5] indirectly via Wild Bunch S.A., Paris
[6] 50% indirectly via Wild Bunch S.A., Paris
[7] indirectly via BIM Distribuzione s.r.l., Rome

Unless otherwise stated, the equity and net income of the companies were reported in accordance with the IFRS financial statements for 2017.

Berlin, 6 August 2018

Wild Bunch AG

Vincent Grimond
Chairman of the Management Board (CEO)

Max Sturm
(CFO)

Brahim Chioua
(COO)

Vincent Maraval
(CCO)

## SCHEDULE OF FINANCIAL LIABILITIES

in € thousand

| Company | Bank | Nominal loan amount | Valuta as of 12/31/2017 | Free line as of 12/31/2017 |
|---|---|---|---|---|
| **Overdraft** | | | | |
| 1 Wild Bunch S.A. | OBC | 3,000 | 3,000 | 0 |
| 2 Wild Bunch S.A. | Palatine | 750 | 741 | 9 |
| 3 Wild Bunch S.A. | HSBC | 1,000 | 999 | 1 |
| 4 Wild Bunch S.A. | BNP | 1,500 | 1,497 | 3 |
| 5 a) | OBC | 538 | 538 | 0 |
| 6 b) | Leumi | 30,000 | 21,877 | 1.483 |
| **Sum** | | **36,788** | **28,651** | **1.497** |
| **Corporate loans** | | | | |
| 7 Wild Bunch S.A. | OBC/Palatine/ BNP/BESV/Coficine | 10,000 | 6,304 | 0 |
| 8 Wild Bunch S.A. | OBC/Palatine/ BNP/BESV/Coficine | 3,000 | 3,000 | 0 |
| 9 Continental Films SAS | OBC/Palatine/BNP/ BESV/Coficine | 20,000 | 12,031 | 0 |
| 10 Senator Film Produktion GmbH | CoBa | 60 | 0 | 60 |
| **Sum** | | **33,060** | **21,335** | **60** |
| **Bonds** | | | | |
| 11 Wild Bunch AG | Bondholders | 18,000 | 17,964 | 0 |
| **Sum** | | **18,000** | **17,964** | **0** |
| **Acquisition loans** | | | | |
| 12 Wild Bunch S.A./Continental Films SAS | OBC | 5,600 | 1,769 | n.a. |
| 13 Wild Bunch S.A./Continental Films SAS | Palatine | 6,000 | 1,895 | n.a. |
| 14 Wild Bunch S.A./Continental Films SAS | BNP | 5,000 | 1,579 | n.a. |
| 15 Wild Bunch S.A./Continental Films SAS | BESV | 6,000 | 1,895 | n.a. |
| 16 Wild Bunch S.A./Continental Films SAS | Coficine | 5,400 | 1,705 | n.a. |

a) Continental Films SAS / Wild Bunch Distribution SAS / Wild Side Films SAS
b) Wild Bunch AG / Wild Bunch Germany GmH / Senator Film Verleih GmbH / Senator Home Entertainment GmbH / BIM Distribuzione s.r.l. / Vértigo Films S.L.
c) The borrowers have agreed with the bank on the deferral of the maturity date of this loan until further notice.

| Interest/ Provision p.a. | Variable Component | Due date Interest/ Provision p.a. | Commitment fee | Duration | | Security |
|---|---|---|---|---|---|---|
| | | | | | | |
| 2.00% | EURIBOR (3M) | quart. | n.a. | 12/31/2017 | c) | Rights and revenues from specified movies |
| 2.50% | EURIBOR (3M) | quart. | 1.00% | 12/31/2017 | c) | Rights and revenues from specified movies |
| 2.50% | EURIBOR (3M) | quart. | n.a. | 12/31/2017 | c) | Rights and revenues from specified movies |
| 2.50% | EURIBOR (3M) | quart. | n.a. | 12/31/2017 | c) | Rights and revenues from specified movies |
| 2.00% | EURIBOR (3M) | quart. | n.a. | 12/31/2017 | c) | none |
| 3.50% | EURIBOR | monthly | 0.5%-1.0% | 07/18/2020 | | Trade receivables, intelectual property, shares, cash |
| | | | | | | |
| | | | | | | |
| 2.75% | EURIBOR (12M) | quart. | 1.75% | 10/22/18 | | Rights and revenues from specified movies |
| 3.50% | EURIBOR (12M) | quart. | 1.00% | 09/30/19 | | Rights and revenues from specified movies |
| 2.75% | EURIBOR (12M) | quart. | 1.75% | 10/22/18 | | Rights and revenues from specified movies from Wild Bunch S.A. and film rights held by Continental Film SAS; Share pledges of the companies Wild Bunch Germany GmbH and BIM Distribuzione S.r.l. |
| 4.00% | fix | monthly | n.a. | 10/31/18 | | Trade receivables, intelectual property, shares, cash |
| | | | | | | |
| | | | | | | |
| 8.00% | fix | quart. | n.a. | 03/23/19 | | none |
| | | | | | | |
| | | | | | | |
| 2.00% | EURIBOR (12M) | quart. | 1.00% | 09/30/18 | | Rights and revenues from specified movies |
| 2.00% | EURIBOR (12M) | quart. | 1.00% | 09/30/18 | | Rights and revenues from specified movies |
| 2.00% | EURIBOR (12M) | quart. | 1.00% | 09/30/18 | | Rights and revenues from specified movies |
| 2.00% | EURIBOR (12M) | quart. | 1.00% | 09/30/18 | | Rights and revenues from specified movies |
| 2.00% | EURIBOR (12M) | quart. | 1.00% | 09/30/18 | | Rights and revenues from specified movies |

in € thousand

| Company | Bank | Nominal loan amount | Valuta as of 12/31/2017 | Free line as of 12/31/2017 |
|---|---|---|---|---|
| **Acquisition loans** | | | | |
| 17 Wild Bunch S.A. | OBC | 0 | 490 | n.a. |
| 18 Wild Bunch S.A. | Coficine | 5,000 | 910 | n.a. |
| 19 Wild Bunch S.A. | OBC | 2,100 | 1,324 | n.a. |
| 20 Wild Bunch S.A. | BESV | 0 | 883 | n.a. |
| 21 Wild Bunch S.A. | Coficine | 4,900 | 2,207 | n.a. |
| 22 Wild Bunch S.A. | Coficine | 3,585 | 444 | n.a. |
| 23 Wild Bunch S.A. | Coficine | 4,580 | 1,706 | n.a. |
| 24 Wild Bunch S.A. | Coficine | 1,993 | 767 | n.a. |
| 25 Wild Bunch S.A. | OBC | 1,399 | 757 | n.a. |
| 26 Wild Bunch S.A. | Palatine | 1,914 | 1,036 | n.a. |
| 27 Wild Bunch S.A. | BNP | 337 | 182 | n.a. |
| 28 Wild Bunch S.A. | BESV | 1,531 | 829 | n.a. |
| 29 Wild Bunch S.A. | Coficine | 1,688 | 914 | n.a. |
| 30 Wild Bunch S.A. | Coficine | 2,727 | 543 | n.a. |
| 31 Wild Bunch S.A. | Palatine | 975 | 170 | n.a. |
| 32 Wild Bunch S.A. | Coficine | 2,275 | 396 | n.a. |
| 33 Wild Bunch S.A. | Coficine | 1,669 | 841 | n.a. |
| **Sum** | | **64,673** | **23,239** | **0** |
| **Other loans** | | | | |
| 34 Vértigo Films S.L. | Ibercaja | 790 | 790 | 0 |
| 35 Vértigo Films S.L. | Ibercaja | 400 | 360 | 40 |
| 36 Vértigo Films S.L. | Bank BBVA | 365 | 243 | 0 |
| **Sum** | | **1,555** | **1,393** | **40** |
| **Sum total** | | **154,076** | **92,583** | **1,597** |

a) Continental Films SAS / Wild Bunch Distribution SAS / Wild Side Films SAS
b) Wild Bunch AG / Wild Bunch Germany GmH / Senator Film Verleih GmbH / Senator Home Entertainment GmbH / BIM Distribuzione s.r.l. / Vértigo Films S.L.
c) The borrowers have agreed with the bank on the deferral of the maturity date of this loan until further notice.

| Interest/ Provision p.a. | Variable Component | Due date Interest/ Provision p.a. | Commitment fee | Duration | | Security |
|---|---|---|---|---|---|---|
| | | | | | | |
| 2.00% | EURIBOR (12M) | quart. | 1.00% | 12/10/18 | | Rights and revenues from specified movies |
| 2.00% | EURIBOR (12M) | quart. | 1.00% | 12/10/18 | | Rights and revenues from specified movies |
| 2.00% | EURIBOR (12M) | quart. | 1.00% | 12/30/18 | | Rights and revenues from specified movies |
| 2.00% | EURIBOR (12M) | quart. | 1.00% | 12/30/18 | | Rights and revenues from specified movies |
| 2.00% | EURIBOR (12M) | quart. | 1.00% | 12/30/18 | | Rights and revenues from specified movies |
| 2.00% | EURIBOR (12M) | quart. | 1.00% | 12/31/17 | c) | Rights and revenues from specified movies |
| 2.50% | EURIBOR (12M) | quart. | 1.00% | 10/19/17 | c) | Rights and revenues from specified movies |
| 3.00% | EURIBOR (12M) | quart. | 1.00% | 12/31/17 | c) | Rights and revenues from specified movies |
| 3.50% | EURIBOR (12M) | quart. | 1.00% | 09/30/19 | | Rights and revenues from specified movies |
| 3.50% | EURIBOR (12M) | quart. | 1.00% | 09/30/19 | | Rights and revenues from specified movies |
| 3.50% | EURIBOR (12M) | quart. | 1.00% | 09/30/19 | | Rights and revenues from specified movies |
| 3.50% | EURIBOR (12M) | quart. | 1.00% | 09/30/19 | | Rights and revenues from specified movies |
| 3.50% | EURIBOR (12M) | quart. | 1.00% | 09/30/19 | | Rights and revenues from specified movies |
| 200% | EURIBOR (12M) | quart. | n.a. | 02/09/19 | | Rights and revenues from specified movies |
| 3.50% | EURIBOR (12M) | quart. | 1.00% | 12/31/17 | c) | Rights and revenues from specified movies |
| 3.50% | EURIBOR (12M) | quart. | 1.00% | 12/31/17 | c) | Rights and revenues from specified movies |
| 2.50% | EURIBOR (12M) | quart. | 1.00% | 03/13/18 | | Rights and revenues from specified movies |
| | | | | | | |
| | | | | | | |
| 1.90% | EURIBOR (12M) | monthly | n.a. | 10/31/20 | | Film rights |
| 1.50% | fix | monthly | n.a. | 11/28/19 | | Revenue from sales contracted |
| 5.39% | fix | monthly | n.a. | 07/09/21 | | none |
| | | | | | | |
| | | | | | | |

# RESPONSIBILITY STATEMENT

## AS OF 31 DECEMBER 2017

We assure to the best of our knowledge that, in accordance with the applicable accounting principles, the consolidated financial statements provide a true and fair view of the net assets, financial position and results of operations of the Group and that the combined Group management report and management report, including the business performance, results and the position of the Group, are presented in such a way as to provide a true and fair view and describe the principal opportunities and risks associated with the expected development of the Group.

Berlin, den 6 August 2018

Wild Bunch AG

Vincent Grimond
Chairman of the Management Board (CEO)

Max Sturm
(CFO)

Brahim Chioua
(COO)

Vincent Maraval
(CCO)

# INDEPENDENT AUDITOR'S REPORT

To Wild Bunch AG, Berlin:

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT

### OPINIONS

We have audited the consolidated financial statements of Wild Bunch AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2017 to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined group management report and management report of Wild Bunch AG for the financial year from 1 January 2017 to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the corporate governance declaration as stated in the combined group management report and management report of the parent company.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the group as at 31 December 2017, and of its financial performance for the financial year from 1 January 2017 to 31 December 2017, and
- the accompanying combined group management report and management report as a whole provides an appropriate view of the group's position. In all material respects, this combined group management report and management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined group management report and management report does not cover the content of the corporate governance declaration appended.

Pursuant to § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined group management report and management report.

**Basis for the Opinions**

We conducted our audit of the consolidated financial statements and of the combined group management report and management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the combined group management report and management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined group management report and management report.

**Material Uncertainty in Connection with the Company Continuing as a Going Concern**

We refer to the disclosures in Section 1.4. "Discretion and Uncertainties in Estimates – Acceptance of Company Continuation" of the notes to the consolidated financial statements as well as in Section 4.1.3 "Financial, Accounting and Tax Risks" of the combined group management report and management report. Here it is stated that Wild Bunch AG was exposed to the following liquidity risks jeopardising the Company's going concern at the time of preparing the financial statements.

In April 2017 the Wild Bunch Group concluded a framework loan agreement for a maximum amount of € 30 million. In case of a breach of the financial covenants agreed upon, the bank may call in the loan.

At the time of preparing the financial statements the Management Board of Wild Bunch AG had discussions with investors and creditors about the key points of the financial restructuring of the entire Wild Bunch Group. A successful implementation of this restructuring that would result in relieving the over-indebtedness of the entities of the Group and would inject new financial funds depends on implementing the specific conditions as presented in the combined group management report and management report.

Should the loan be called in by the bank or should the restructuring planned not be successfully implemented, Wild Bunch AG would be forced to arrange for other financing elsewhere in the short term. Otherwise Wild Bunch's going concern would be in jeopardy.

This points to the existence of a material uncertainty that sheds a significant doubt on the Company's ability to continue as a going concern and presents a going concern risk in the meaning of § 322 (2) sentence 3 HGB.

In view of these facts and circumstances, our audit opinion is not qualified.

**Key Audit Matters in the Audit of the Consolidated Financial Statements**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

### *ASSESSMENT OF THE GROUP'S LIQUIDITY PLANNING*

#### *RELATED INFORMATION IN THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT*

The disclosures of the Group's planning are contained in Section 1.4. "Discretion and Uncertainties in Estimates – Acceptance of Company Continuation" of the notes to the consolidated financial statements as well as in Section 3.3. "Expected Development", in Section 3.4. "Overall Statement by the Management Board by the Group's Development" and in Section 4.1.3 "Financial, Accounting and Tax Risks" of the combined group management report and management report. Keeping these considerations in mind, Assessment of the Group's Liquidity Planning were of special significance for our audit.

#### *FACTS AND RISKS FOR THE AUDIT*

The liquidity planning of the Wild Bunch Group is based on the assumption that the financial restructuring being implemented will successfully have been concluded and that sufficient financial funds can be made available to the entities of the Group so that the Group can meet its financial obligations and make the required investments in acquiring film distribution rights and in developing new marketing strategies. A risk exists that these assumptions, on which the planning was based, will not lead to achieving the goals set. In such a case the further development of the Group would be impaired and the existence of the Group as a going concern would be in jeopardy.

#### *AUDIT APPROACH AND FINDINGS*

As part of our audit, we traced the liquidity planning prepared by the Group and assessed the plausibility of the underlying assumptions. We examined the suitability of the considerations for the financial restructuring measures. Furthermore, we acknowledged the external expert opinion on restructuring that was prepared as a part of the restructuring process.

After having intensively discussed the planning and the underlying assumptions with management, we have come to the conclusion that the assumptions and goals planned are plausible. Furthermore, we have examined the possible event of the risks occurring as presented in Section "Material Uncertainty in Connection with Group Continuing as a Going Concern". With respect to the financial restructuring planned, we interviewed the Management Board and gained the knowledge that no indications existed that spoke against a successful implementation of the restructuring measures to be introduced during the time period when the audit was being performed. Also after 31 December 2017 up to the date of the auditor's report, we convinced ourselves that the financing bank (through a waiver letter) intended to maintain its commitment to the overall restructuring concept and not to call in the loan in the case of a breach of the financial covenants.

After having considered the financial restructuring measures to be introduced by Wild Bunch, we are of the opinion that the liquidity planning on the whole has elements of risk but is plausible.

### *RECOVERABILITY OF GOODWILL*

#### *RELATED INFORMATION IN THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT*

The Group's disclosures concerning goodwill are contained in Section 1.4. "Discretion and Uncertainties in Estimates", in Section 1.5 "Accounting Policies – Intangible Assets or – Impairment of Non-financial Assets" and in Section 3.1 "Goodwill" of the notes to the consolidated financial statements.

#### *FACTS AND RISKS FOR THE AUDIT*

The consolidated financial statements of Wild Bunch AG included goodwill in the amount of € 124,454 thousand, which was approximately 44 % of the balance sheet total and which exceeded equity by € 43,279 thousand. Goodwill is tested annually for impairment in order to measure a potential need for write-downs. The result of this measurement largely depends on how the legal representatives estimate prospective cash inflows and derive the discount rates used. Owing to the complexity of the underlying measurements, as well as the discretionary judgement exercised, Recoverability of Goodwill were of special significance for our audit.

#### *AUDIT APPROACH AND FINDINGS*

As part of our audit, we analysed the process implemented by the legal representatives of Wild Bunch AG as well as the accounting and measurement requirements for determining the recoverable amounts of the cash-generating units to which goodwill was allocated for potential risks of error in order to gain an understanding of these steps processed and the internal controls implemented. We acknowledged management's approach for capitalising interest rates as well as for generating future profits as specified in IAS 36.

We analysed the Group's planning underlying the impairment tests performed. We examined the significant assumptions on growth, the course of business planned and future profitability, and we assessed their plausibility and compared it with other firms in the industry. We discussed the planning with the legal representatives, with the experts, who wrote the restructuring expert opinion, and with other external consultants of Wild Bunch AG. On this basis we assessed their suitability.

The appropriateness of other significant measurement assumptions, such as the discount rates, have been evaluated by an internal valuation specialist who based his analysis on market indications. We analysed the parameters used in determining the discount rates with regard to their being properly derived and calculated in accordance with the requirements of IAS 36.

We estimated impairment risks arising through changes in significant measurement assumptions by conducting sensitivity analyses. Moreover, we retraced the mathematical accuracy of the measurement models in compliance with the requirements of IAS 36.

We are of the opinion that the impairment tests performed by the legal representatives of the parent company as well as the measurement parameters applied and the assumptions made were, as a whole, suitable for assessing whether goodwill was impaired.

## RECOVERABILITY OF FILM DISTRIBUTION RIGHTS

### RELATED INFORMATION IN THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT

The Group's disclosures concerning film distribution rights as an element of intangible assets are included in Section 1.4 "Discretion and Uncertainties in Estimates", in Section 1.5 "Accounting Policies – Intangible Assets", and in Section 3.2 "Intangible Assets" of the notes to the consolidated financial statements.

### FACTS AND RISKS FOR THE AUDIT

In the item intangible assets film distribution rights totalling € 69,404 thousand, which is approximately 25 % of the balance sheet total, were disclosed. Film distribution rights form the basis of the business of the Wild Bunch Group. The acquisition costs of film distribution rights are amortised by applying a net revenue-based method. Additionally, film distribution rights annually undergo impairment testing as required by IAS 36. For such testing, the budget calculations for all film rights with respect to the market acceptance expected are regularly updated, and the recoverable amount from film rights (value in use) is determined by using the discounted cash flow method.

The results of these measurements are to a great degree dependent on how the legal representatives estimate future cash inflows from such analyses as well as on the discount rates applied. Such assessments therefore contain material uncertainties. Keeping these considerations in mind, Recoverability of Film Distribution Rights were of special significance for our audit.

### AUDIT APPROACH AND FINDINGS

During our audit we have, amongst others, traced the methodological procedures for performing impairment tests and assessed whether the weighted average of capital costs complied with the requirements given in IAS 36.

For this purpose, we convinced ourselves that the underlying assessments of future net revenues from exploiting film rights were properly determined. For this we performed sampling for matching the remuneration contractually agreed upon for such exploitation with net revenues budgeted, and we acknowledged the suitability of the assumptions made for future revenues from other opportunities for exploiting such film distribution rights. Since the assumptions on future revenues were made by using discretionary judgment, we intensively discussed these issues with the legal representatives.

In addition, we evaluated the parameters used for applying the discount rates and traced the calculation scheme.

We are of the opinion that the impairment tests performed by the legal representatives of the parent company as well as the measurement parameters applied and the assumptions made were, as a whole, suitable for assessing whether film distribution rights were impaired.

### *RECOVERABILITY OF DEFERRED TAX ASSETS*

#### *RELATED INFORMATION IN THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT*

The Group's disclosures on deferred tax assets are in Section 1.5. "Accounting Policies – Deferred Income Taxes and Liabilities" and in Section 2.8. "Income Taxes" of the notes to the consolidated financial statements

#### *FACTS AND RISKS FOR THE AUDIT*

In the consolidated financial statements of Wild Bunch AG deferred tax assets amounting to € 10,322 thousand were recognised and disclosed in the amount of € 1,736 thousand in the consolidated financial statements after having been netted them with deferred tax liabilities totalling € 8,586 thousand. Deferred tax assets comprised € 6,109 thousand from capitalised tax losses carried forward from individual entities of the Group. The measurement of such tax losses carryforward are, as a rule, based on a three-year planning horizon for each entity or for an integrated group of entities for tax purposes.

The result of taxes capitalised depends to a high degree on the allocation of deferred taxes to the individual entities of the Group or on the integrated group of entities for tax purposes and the assumptions made when tax planning is being performed. Keeping these considerations in mind, Recoverability of Deferred Tax Assets were of special significance for our audit.

#### *AUDIT APPROACH AND FINDINGS*

During our audit we traced, amongst others, the methodological procedures for determining deferred assets in how differences in measurement may have occurred and in how tax losses carryforward were calculated. We also assessed the determination and measurement of deferred taxes for compliance with the requirements of IAS 12. In addition, we convinced ourselves that deferred taxes determined for each entity were completely transferred to the consolidation data.

We traced the tax planning for each Group entity or for the integrated group of entities for tax purposes, which was derived from the corporate planning of the Wild Bunch Group, and assessed if it complied with the underlying tax regulations. Furthermore, we acknowledged the possibilities of utilising existing tax losses carryforward for a forecast period, which is principally a period of three years, by considering the underlying tax planning and the tax results achieved in the past.

The results of our audit procedures led to no objections with regard to the recoverability of deferred tax assets.

***REVENUE RECOGNITION AND DEFERRED INCOME***

### *RELATED INFORMATION IN THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT*

For the accounting policies and measurement methods applied in recognising revenues, we refer to the disclosures in the consolidated notes to the financial statements in Section 1.5. "Accounting Policies – Revenue Recognition/Prepayments Received". For quantitative disclosures on revenues, we refer to the disclosures in the consolidated notes to the financial statements in Section 2.1. "Revenues" and in the combined group management Report and management report in Section 2.3 "Business Performance".

### *FACTS AND RISKS FOR THE AUDIT*

In the consolidated financial statements of Wild Bunch AG revenues totalling € 101,420 thousand were recognised. The revenues were primarily generated by exploiting film rights in the areas of theatrical distribution, of international sales as well as of direct electronic distribution and home entertainment.

Owing to the large number of different contractual agreements for various services of the Wild Bunch Group, we judge the issue of revenue recognition as being complex. Keeping these considerations in mind, Revenue Recognition and Deferred Income were of special significance for our audit.

### *AUDIT APPROACH AND FINDINGS*

During our audit we analysed the process implemented by the legal representatives of Wild Bunch AG as well as the accounting policies and measurement methods applied in recognising revenue for possible risks, and we gained an understanding of the procedural steps of the process and the internal controls implemented. We acknowledged the procedures undertaken by the Group for deferring income on the basis of the criteria defined in IAS 18.

In addition, we analysed, amongst others, the material revenues generated in the 2017 financial year in order to ascertain if a correlation existed between the related trade receivables and incoming payments. Moreover, we traced revenues recognised on the basis of contractual agreements by sampling in connection with the revenue recognition requirements of IAS 18. We audited the revenues generated in the 2017 financial year with regard to their being deferred by taking samples of revenue transactions through tests of details just before and just after the reporting date. Also by means of sampling, we obtained balance confirmations from customers.

The results of our audit procedures led to no objections with regard to revenue recognition and to deferred income.

**Other Information**

The executive directors are responsible for the other information. The other information comprises:

- the corporate governance declaration in accordance with § 289f and 315d HGB as cited in the combined group management report and management report,
- the responsibility statement pursuant to § 297(2) sentence 4 HGB and to § 315 (1) sentence 5 HGB in the Section "Declaration of Statutory Representatives" in the 2017 annual report,
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements, the combined group management report and management report and our auditor's report.

The Supervisory Board is responsible for the following information:

- the report of the Supervisory Board in the 2017 annual report.

Our opinions on the consolidated financial statements and on the combined group management report and management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined group management report and management report or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

**Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Group Management Report and Management Report**

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined group management report and management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined group management report and management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined group management report and management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined group management report and management report.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Group Management Report and Management Report**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined group management report and management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined group management report and management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined group management report and management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined group management report and management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined group management report and management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined group management report and management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined group management report and management report t. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined group management report and management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the combined group management report and management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## Other Legal and regulatory requirements

### *FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION*

We were elected as group auditor by a court decision on 29 December 2017. We were engaged by the Supervisory Board on 31 January/15 February 2018. We have been the group auditor of the Wild Bunch AG since the financial year 2017.

We declare that the opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

## German Public Auditor Responsible for the engagement

The German Public Auditor responsible for the engagement is Frank Pannewitz.

Berlin, 6 August 2018

Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

| | |
|---|---|
| Udo Heckeler<br>Wirtschaftsprüfer | Frank Pannewitz<br>Wirtschaftsprüfer |
| (German Public Auditor) | (German Public Auditor) |

# IMPRINT

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