

MEDIAWAN

A company with limited liability (*société anonyme*) with a share capital of €284,326.80

Registered office: 16, rue Oberkampf, 75011 Paris

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Statutory auditors' report on the consolidated financial statements

Financial year ended 31 December 2017

GRANT THORNTON

MAZARS

MEDIAWAN

Financial year ended
31 December 2017

Statutory auditors' report on the consolidated financial statements

To the General Meeting of the shareholders of Mediawan,

Opinion

Pursuant to the assignment entrusted to us by your articles of association, we carried out an audit of Mediawan's consolidated financial statements for the financial year ended 31 December 2017, as such financial statement are attached to this report.

We certify that the consolidated financial statements are, in view of IFRS as adopted within the European Union, regular and accurate and give a fair view of the results of operations for the period under review and of the financial situation and assets and liabilities at the end of the financial year of the group made up of the persons and entities included within the scope of consolidation.

The opinion set out above is consistent with the contents of our report to the audit committee.

Basis of opinion

Audit standards

We carried out our audit in accordance with the professional standards applicable in France. We believe that the information we gathered is sufficient and appropriate to form a basis for our opinion.

Our obligations as they result under such standards are set out in the section of this report entitled "Responsibilities of the statutory auditors as regards the audit of consolidated financial statements".

Independence

We carried out our audit assignment in accordance with the

independence rules applicable to us, over the period of 1 January 2017 up until the date on which this report was issued. In particular, we have not provided any of the services prohibited by article 5, paragraph 1 of Regulation (EU) No. 537/2014 or by the code of ethics that regulates the statutory auditor profession.

Grounds for our findings – Key points of the audit

Pursuant to the provisions of articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the grounds for our assessments, we bring to your attention the key points of the audit regarding the risk of material misstatements that, in our professional opinion, were the most significant in the context of the audit of the consolidated financial statements for the financial year, as well as the responses we provided in light of such risks.

These assessments fall within the framework of the audit of the consolidated financial statements taken as a whole and of our opinion expressed hereabove. We do not express an opinion on portions of these consolidated financial statements taken individually.

Acquisition of Groupe AB (see notes 6.1 “Significant events during the period”, 9.1 “Goodwill” and 11.8 “Pro forma financial information”)

Identified risk

In the context of its business activities, on 31 March 2017, MEDIAWAN indirectly acquired 100% of Groupe AB for a total amount of 280 million euros, after adjustment of the price to take into account the finalisation of the closing accounts. This acquisition resulted in the first “Business Combination” (as such term is defined in MEDIAWAN’s articles of association) carried out by MEDIAWAN since it was formed on 15 December 2015.

The acquisition of Groupe AB was financed through a bank loan of 130 million euros and the balance was paid using equity. Groupe AB’s shares were bought by Wannabe, which was specifically incorporated for this acquisition and is entirely controlled by MEDIAWAN.

This transaction resulted in the recognition of a residual amount of goodwill in the amount of 95.4 million euros after allocating the purchase price to the acquired assets and liabilities. The allocation of the purchase price was finalised within the 12 months following the date on which the takeover took place.

Mediawan appointed an independent expert to assist it with identifying and evaluating Groupe AB's principal intangible assets and other assets and liabilities.

Furthermore, as this acquisition had an impact on Mediawan's main aggregates that exceeded 25%, in addition to the data provided pursuant to IFRS 3, pro forma financial information was also presented in a schedule pursuant to the AMF's recommendation no. 2013-08.

The first consolidation of Groupe AB is considered as a key aspect of our audit given the material nature of this acquisition and because Management is required to exercise judgement in order to identify the acquired assets and liabilities and to assess their fair value.

Our response

Our work mainly consisted of:

- obtaining the documents relating to this transaction, such as the purchase agreement and the due diligence report prepared by an independent firm instructed by Mediawan, discussing the transaction with Management in order to understand the characteristics of this acquisition and to assess compliance with the applicable accounting provisions resulting from IFRS 3 (revised);
- obtaining the report of the statutory auditors that was issued following the audit carried out on the target at the date of acquisition and reviewing the main work carried out in the context of such audit;
- using the independent expert's report and our own evaluation experts, assessing the scope of the independent expert's work and the appropriateness of the assumptions and means used to evaluate the acquired assets and liabilities in view of the relevant accounting standards;
- verifying that the appropriate accounting entries were recorded in the consolidated financial statements;
- assuring ourselves that there was no indication of a loss of value that would require significant impairment of goodwill to be recorded;
- verifying the accuracy of the arithmetic.

Finally, we verified the appropriateness of the information provided in the notes to the consolidated financial statements, and in particular, the pro forma financial information.

Evaluating the audio-visual and broadcasting rights (see notes 7.6 “Summary of the significant accounting principles applied by Mediawan”, and 9.2 “Intangible fixed assets”)

Identified risk

Productions and the catalogue of audio-visual and broadcasting rights represent a net book value of 163.4 million euros at 31 December 2017 (i.e., 35% of total assets).

They are defined as follows:

▪ **Audio-visual rights: Productions & Catalogue**

Audio-visual productions are capitalised at their production cost, excluding marketing and financial expenses. Co-producers' shares and the subsidies allocated by the *Centre National de la Cinématographie* are deducted from the gross capitalised amount.

The catalogue of audio-visual rights (resulting from the acquisition of broadcast rights produced by third parties) is capitalised as at the date the rights begin at its cost of acquisition, plus any dubbing costs. Advances and guaranteed minimum revenues are also capitalised.

Amortisation is determined by program category on the basis of generated turnover as compared to actual and projected income, which are re-evaluated at the end of each accounting period. These programme categories are determined on the basis of the Group's strategy with respect to acquiring and producing programmes and reflect the manner in which the market for commercialising these rights operates.

▪ **Distribution rights:**

Acquired rights that are intended for broadcasting on the Group's channels are capitalised at the time of broadcasting and amortised upon broadcast over a maximum period of time equal to the period that was acquired.

These audio-visual rights and broadcast rights are subject to impairment testing on an annual basis at the closing date, or more frequently if there is evidence of a loss in value. An impairment charge is recorded if the recoverable amount of these rights is less than the net book value.

The recoverable amount of these rights is determined on the basis of net cash flows, which take into account the future income from each category of televised programme at the evaluation date, commercial expenses, retransfers to entitled persons and taxes. If the actual value of such net income is insufficient to cover the net book value of such rights, then an impairment charge is recorded in order to bring such net book value in line with the amount of the actual value of estimated future net income.

As regards broadcasting rights, an impairment charge is booked on the basis of the number of remaining broadcasts and the probability of their being broadcast.

We therefore considered that audio-visual and broadcast rights were a key part of our audit, given the significance of the judgements and assumptions determined by Management when calculating future income from each of the categories of televised programmes.

Our response

We tested the manner in which the group's controls over the process for determining the valuation of audio-visual and broadcast rights functioned.

Our other work notably consisted of:

- examining the principles and methods used to determine the valuation of the audio-visual and broadcast rights using applicable accounting standards;
- assessing the life-time retained and the method of amortisation that was selected;
- corroborating the reasonableness of the principal data and assumptions upon which the estimates are based, notably future net income;
- as regards the rights recognised at the time the purchase price for Groupe AB was allocated, assessing the coherence of the amortisation basis and the amortisation period selected as compared to the conclusions of the outside experts used at the time of the acquisition,
- verifying the consistency of these estimates with those used when the purchase price was allocated,
- ensuring that recorded amortisation and losses in value were correctly accounted for.

In addition, we assessed the appropriateness of the information provided in notes 7.6 and 9.2 to the consolidated financial statements.

Verification of the information provided in the management report relating to the group

In accordance with the professional standards applicable in France, we also carried out the legally required specific verification of information relating to the group provided in the Management Board's management report.

We have no observations to make on the information's accuracy or consistency with the consolidated financial statements.

Information resulting from other legal and regulatory obligations

Appointment of the statutory auditor

We were appointed as Mediawan's statutory auditors by the articles of association dated 10 December 2015, for Grant Thornton and Mazars.

At 31 December 2017, Grant Thornton and Mazars were in their third uninterrupted year of their appointment, two of which years took place after the company's shares were admitted for trading on a regulated market.

Responsibilities of management and of the persons making up corporate government as regards the consolidated financial statements

Management is responsible for drawing up consolidated financial statements that present a fair view in accordance with IFRS as adopted within the European Union and for putting in place the internal controls it deems necessary for the preparation of consolidated financial statements that do not contain any material misstatements, whether due to fraud or errors.

When the consolidated financial statements are being prepared, management is responsible for evaluating the company's ability to continue as a going concern, for presenting in such financial statements – as applicable – the necessary information relating to continuing as a going concern, and for applying the going concern

assumption, unless the company is to be wound up or to cease trading.

The audit committee is responsible for monitoring the preparation of financial information and for monitoring the effectiveness of internal controls and risk management systems, as well as – as applicable – the internal auditing of the preparation and processing of accounting and financial information.

The consolidated financial statements are approved by the Management Board.

Responsibilities of the statutory auditors as regards the audit of the consolidated financial statements

Purpose of the audit and process

We are responsible for preparing a report on the consolidated financial statements. Our objective is to obtain reasonable assurances that the consolidated financial statements, when taken as a whole, do not contain any material misstatements. Reasonable assurance corresponds to a high degree of assurance, without, however, guaranteeing that an audit carried out in accordance with professional standards can systematically detect all material misstatements. Material misstatements may arise from fraud or result from errors and are considered to be material when one can reasonably expect that they may, taken individually or as a whole, influence the economic decisions that users of the financial statements make on the basis of such financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our mission of certifying the financial statements does not consist of guaranteeing the viability or the quality of the management of your company.

In the context of an audit carried out in accordance with the professional standards applicable in France, the statutory auditor applies his professional judgment throughout the duration of such audit. Among other things, the statutory auditor:

- identifies and evaluates the risk that the consolidated financial statements may contain material misstatements, whether as a result of fraud or error, defines and implements audit procedures in light of such risks and gathers the information he deems sufficient and appropriate for the purpose of arriving at his opinion. The risk of failing to detect a material misstatement resulting from fraud is higher than

failing to detect a material misstatement resulting from an error, as fraud may imply collusion, falsification, voluntary omissions, false representations or the circumventing of internal controls;

- acquaints himself with the internal controls that are relevant to the audit for the purpose of defining the audit procedures that are appropriate under the circumstances, and not for the purpose of expressing an opinion on the effectiveness of internal controls;
- assesses the appropriateness of the accounting methods that were applied, the reasonableness of the accounting estimates made by management, and the information concerning such methods and estimates that were furnished in the consolidated financial statements;
- assesses the appropriateness of management's application of the going concern assumption, and, on the basis of the information that was collected, whether or not there is significant uncertainty connected with events or circumstances that are liable to call into question the company's ability to operate as a going concern. This assessment is based on the information gathered up until the date of his report, but it is noted, however, that subsequent circumstances or events may call into question the continuity of operations. If the statutory auditor concludes that a significant uncertainty exists, then he must draw the attention of the readers of the report to the information provided in the consolidated financial statements with respect to such uncertainty or, if such information is not provided or is not relevant, he must provide a qualified opinion or refuse to certify such financial statements;
- assesses the overall presentation of the consolidated financial statements and evaluates whether the consolidated financial statements reflect the underlying transactions and events in such a manner as to present a true picture;
- regarding financial information relating to persons or entities included within the scope of consolidation, he collects the information he deems to be sufficient and appropriate for the purpose of expressing an opinion on the consolidated financial statements. The statutory auditor is responsible for the management, supervision and conduct of the audit of the consolidated financial statements and the opinion expressed about such financial statements.

Report to the audit committee

We will provide the audit committee with a report that notably sets out the scope of the audit and the work programme that was

implemented, as well as the conclusions resulting from our work. We will also inform the committee of any material weakness in internal controls that we identified with respect to the procedures for the preparation and processing of accounting and financial information.

Among the information communicated in the report to the audit committee¹⁰ [sic] are the risks of material misstatements which we believe to have been the most significant when auditing the consolidated financial statements for the financial year and which consequently constitute the key points of the audit, which we are responsible for describing in this report.

We also provide the audit committee with the representation contemplated by article 6 of Regulation (EU) no. 537-2014 which confirms our independence within the meaning of the rules applicable in France as they result from, in particular, articles L. 822-10 to L. 822-14 of the French Commercial Code and the professional code of ethics applying to statutory auditors. If required, we will discuss with the audit committee the risks weighing upon our independence and the safeguards that were applied.

Signed in Neuilly-sur-Seine and Courbevoie on 21 March 2018

The Statutory Auditors

GRANT THORNTON
FRENCH MEMBER OF GRANT THORNTON INTERNATIONAL

Laurent Bouby [signature]

MAZARS

Gilles Rainault [signature]

