LIONSGATE®

2018 Annual Report

To Our Shareholders:

We're pleased to report that fiscal 2018 was a year in which we continued to scale our global content platform, deepened our product pipelines, invested in new businesses that make our Company stronger, and extended our reach around the world.

During the year, we added hundreds of valuable properties to our nearly 17,000–title library, diversified our film and television production and distribution businesses, and positioned our Starz premium pay network as a premier global brand.

In May 2018, we acquired a majority stake in the 3 Arts Entertainment management and production company, not only deepening our talent relationships but adding to a portfolio of emerging businesses that include location–based entertainment, interactive ventures and games, eSports, over-the-top (OTT) channels and Atom Tickets. Most of these newer platforms have already reached critical mass and are poised to make meaningful contributions to our bottom line.

Financially, we grew adjusted OIBDA by 11% (on a pro forma combined basis) to a record $604 million in the year and continued to generate robust free cash flow of $330 million, with all of our business segments contributing to our strong financial performance.[1]

We also strengthened our balance sheet by restructuring our debt to lock in lower interest rates and increase capacity, and we continued to deleverage ahead of schedule, reducing our net debt by $650 million in the year. In addition, we resumed our quarterly cash dividend of $0.09 per common share.

We enter fiscal 2019 positioned to accelerate the growth of our consumer–facing platforms while continuing to expand the content pipelines of our traditional businesses, backed by a vast library and a strong balance sheet.

As we take a look at the year's highlights, you'll see the extent to which we've executed our "Lionsgate 360" strategy of leveraging our properties and talent relationships across all of our businesses.

Starz Goes Global

Fiscal 2018 was a growth year for Starz. With its integration into the Lionsgate family nearly complete, we focused on three primary goals — expanding Starz's global reach, establishing its OTT offering as a force in the direct-to-consumer space, and driving its continued growth by investing in a robust, year-round slate of premium programming.

During the year, we made significant progress on all fronts. Internationally, we accelerated Starz's rollout by partnering with Amazon Prime Video to launch platforms in the U.K. and Germany and teaming with Bell Media to bring the Starz brand to Canada, while our Starzplay Arabia venture has become a leading subscription video-on-demand (SVOD) platform in the Middle East and North Africa.

By retaining worldwide rights to nearly all of our content, we're well positioned to continue this rapid international growth as a partner of choice for Amazon and other leading digital platforms as they expand their services around the world.

We also more than doubled the number of Starz OTT subscribers in the fiscal year, translating these gains into solid overall revenue growth for Starz as our strong OTT trajectory more than offset headwinds in our traditional MVPD business.

Finally, we continued to expand the slate driving this growth with the addition of exciting new series like the critically-acclaimed Latinx drama *Vida* and the drama *Sweetbitter*, which have already been renewed for their second seasons. The returning juggernaut *Power* continues to grow into a major Starz brand, with the debut of its fifth season in July 2018 driving OTT subscriber adds and significantly expanding viewership from last season.

Combined with the upcoming return of popular series like *Outlander* and *American Gods* and the debut of new series such as the coming-of-age comedy *Now Apocalypse* and the Lionsgate-produced supernatural thriller *The Rook*, we expect Starz to continue building on its strength among African-American, Latinx and female audiences. And we plan to invest in this success by continuing to expand the number of hours of Starz original programming that we air through fiscal 2020.

[1] See Appendix for reconciliation of certain non-GAAP financial measures used herein.

With a growing footprint of distribution partners, a robust and expanding slate of programming, improved consumer analytics and OTT churn already at its lowest level ever, we anticipate continued solid Starz subscriber growth in the year ahead.

Another Profitable Film Slate

Our Motion Picture Group continued to deliver a slate of commercially exciting, critically acclaimed films to target audiences in the fiscal year, with more than 90% of our fiscal 2018 theatrical releases expected to achieve ultimate profitability.

We also continued to demonstrate our ability to convert targeted properties into global hits. The breakout success *Wonder*, with a budget of less than $20 million, earned rave reviews and took audiences by storm on its way to over $300 million at the global box office.

Fiscal 2018 was also a year in which we continued to grow our existing franchises while creating new ones. We began principal photography on *John Wick 3* for a May 2019 theatrical release, readied the John Wick television spin–off, *The Continental*, for production and began developing our next John Wick mobile game.

Our *Kingkiller Chronicle* franchise, based on author Pat Rothfuss' best-selling fantasy book trilogy, is moving into production with an elite creative team that includes Sam Raimi (the *Spider-Man* franchise) directing the feature film, John Rogers (*Leverage*, *The Player*) serving as showrunner for the premium television series, and creative mastermind Lin–Manuel Miranda (*Hamilton*) shepherding the entire project. We've also lined up world-class partners for *Kingkiller* mobile, board and console video games.

The success of our film business is driven in part by our ability to serve an increasingly diverse movie-going audience and to focus on genres that play to our strengths. During the year we continued to build our leadership in serving Latinx audiences with the release of Pantelion's highest-grossing film ever, the hit comedy *Overboard*. We delivered a steady supply of quality films to African-American audiences with Tyler Perry's *Boo 2!*, the comedy *Uncle Drew* and the critically-acclaimed awards contender *Blindspotting.* And following in the footsteps of *The Shack* and double Oscar® winner *Hacksaw Ridge*, we teamed with sister company Roadside Attractions to release our biggest faith-based hit ever, *I Can Only Imagine.*

Looking ahead, we're continuing to assemble a strong and diverse slate deep in areas of proved strength, including: the star-driven comedy *Flarsky*, teaming Seth Rogen and Charlize Theron; the stylish thriller *A Simple Favor*, starring Blake Lively and Anna Kendrick; films based on iconic properties like *Robin Hood* and *Hellboy;* and potential needle movers such as *The Kingkiller Chronicle, John Wick 3*, and the sequel to last year's breakout comedy hit *The Hitman's Bodyguard*.

Supplying Content to Top Streaming Platforms

Our Television Group had an active and productive year supplying premium programming to the top streaming platforms who have become major buyers for our content.

Lionsgate produces six series for Netflix, including *Orange is the New Black*, the critically–acclaimed *Dear White People,* recently renewed for its third season, and the *Joel McHale Show*, which landed an order for additional episodes shortly after its global launch in January.

We're also producing two of YouTube's first original series, the dance series *Step Up: High Water*, adapted from Lionsgate's hit film franchise, and *Kevin Hart: What the Fit*, one of several series emerging from our multifaceted relationship with the global comedy superstar. Both shows have been picked up for their second seasons. In addition, we're producing our first original series for Facebook Watch.

Traditional MVPD's have begun to ramp up their own original series production, and Charter Communications recently ordered two new seasons of our critically-praised anthology series *Manhunt*, which we will coproduce with them for their platform.

One of our Television Group's highest priorities is to supply our Starz platform with premium programming. The supernatural thriller *The Rook*, our first series for Starz since the acquisition, is currently shooting in London in collaboration with our partner Liberty Global. It will air on our Starz platform next year. The John Wick TV spinoff *The Continental* enters production later this year as part of a growing slate of Lionsgate television properties for Starz.

During the year we also continued to deepen our talent relationships. On the heels of our acquisition of a majority stake in 3 Arts in May, we're already collaborating with our new partners on several exciting projects that we will announce shortly.

Extending Our Brands Around the World

Our consumer-facing businesses have become an important part of our content portfolio. During the year we opened our first Lionsgate branded theme park zone at Motiongate in Dubai and a permanent *Saw*-themed escape room attraction in Las Vegas as we begin to roll out branded theme parks, indoor entertainment centers, attractions and shows across the U.S., Europe, the Middle East, and Asia. By the end of fiscal 2020, we expect over 25 million consumers to have visited more than a dozen Lionsgate live and location based entertainment experiences featuring Lionsgate properties like *The Hunger Games*, *Twilight*, *Now You See Me*, *Saw*, *La La Land* and *Mad Men*.

We also continued to ramp up our interactive ventures and games slate. From *John Wick* and *Saw* to *The Kingkiller Chronicle* and *Ash vs. Evil Dead*, most major Lionsgate properties now have a video game component to engage new fans and drive fresh monetization opportunities. *Power Rangers: Legacy Wars* and the *John Wick Chronicles* virtual reality game demonstrated our ability to extend our content platform to millions of gamers, and by the end of 2020 we expect to have released more than 40 titles. We were also one of the first media companies to recognize the potential of eSports, and our investment in the Immortals franchise gives us valuable real estate in a high-growth segment of the industry.

Our PANTAYA and Laugh Out Loud streaming platforms are off to fast starts, scaling our brand and extending our Latinx and African-American verticals into direct-to-consumer growth opportunities. Our state-of-the-art Atom Tickets app, a potential game-changer for moviegoers, continued to gain traction during the year with exhibitors, studios, and consumers alike.

As we continue to grow our content platform around the world, we'll do it the Lionsgate way — staying lean and nimble without a major capital investment in infrastructure. We're focused instead on great content, strong partners, a targeted strategy and opportunistic execution.

In closing, though the content landscape is more dynamic than ever, disruption has always been our friend, and our opportunities have never been greater. As we continue the exciting process of building one of the largest independent content companies in the world, we bring to the task our entrepreneurial culture, a powerful content creation engine, a uniquely holistic strategy, and talent relationships that have never been stronger.

It is a mission that we believe will be rewarding for our employees, prove beneficial to our partners, and will unlock great value for our shareholders.

Jon Feltheimer
Chief Executive Officer

Michael Burns
Vice Chairman

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2018

Commission File No.: 1-14880

LIONS GATE ENTERTAINMENT CORP.

(Exact name of registrant as specified in its charter)

British Columbia, Canada (State or Other Jurisdiction of Incorporation or Organization)	**N/A** (I.R.S. Employer Identification No.)
250 Howe Street, 20th Floor **Vancouver, British Columbia V6C 3R8** **(877) 848-3866**	**2700 Colorado Avenue** **Santa Monica, California 90404** **(310) 449-9200**

(Address of Principal Executive Offices, Zip Code)

Registrant's telephone number, including area code:
(877) 848-3866

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Voting Common Shares, no par value per share	**New York Stock Exchange**
Class B Non-Voting Common Shares, no par value per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or Section 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of September 30, 2017 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately $5,273,583,977, based on the closing sale price of such shares as reported on the New York Stock Exchange.

As of May 21, 2018, 81,963,808 shares of the registrant's no par value Class A voting common shares were outstanding, and 129,432,497 shares of the registrant's no par value Class B non-voting common shares were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement relating to its 2018 annual meeting of shareholders (the "2018 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2018 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

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FORWARD-LOOKING STATEMENTS

This report includes statements that are, or may be deemed to be, "forward-looking statements" within the meaning of the Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "potential," "anticipates," "expects," "intends," "plans," "projects," "forecasts," "may," "will," "could," "would" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those discussed under Part I, Item 1A. "Risk Factors." These factors should not be construed as exhaustive and should be read with the other cautionary statements and information in the report.

We caution you that forward-looking statements made in this report or anywhere else are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially and adversely from those made in or suggested by the forward-looking statements contained in this report as a result of various important factors, including, but not limited to: the substantial investment of capital required to produce and market films and television series, increased costs for producing and marketing feature films and television series; budget overruns; limitations imposed by our credit facilities and notes; unpredictability of the commercial success of our motion pictures and television programming; risks related to acquisition and integration of acquired businesses; the effects of dispositions of businesses or assets, including individual films or libraries; the cost of defending our intellectual property; technological changes and other trends affecting the entertainment industry; potential adverse reactions or changes to business or employee relationships; litigation relating to the acquisition of Starz; impact of the Tax Cuts and Jobs Act; and the other risks and uncertainties discussed under Part I, Item 1.A. "Risk Factors". In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward looking statements contained in this report, those results or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statements, which we make in this report, speak only as of the date of such statement, and we undertake no obligation to update such statements. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

This Annual Report on Form 10-K contains references to our trademarks and to trademarks belonging to other entities. Solely for convenience, trademarks and trade names referred to in this Annual Report on Form 10-K, including logos, artwork and other visual displays, may appear without the ® or TM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names. We do not intend our use or display of other companies' trade names or trademarks to imply a relationship with, or endorsement or sponsorship of us by, any other company.

Unless otherwise indicated or the context requires, all references to the "Company," "Lionsgate," "we," "us," and "our" refer to Lions Gate Entertainment Corp., a corporation organized under the laws of the province of British Columbia, Canada, and its direct and indirect subsidiaries.

PART I

ITEM 1. *BUSINESS.*

LIONSGATE

Overview

Lionsgate is a global content platform whose films, television series, digital products and linear and over-the-top platforms reach next generation audiences around the world. In addition to our filmed entertainment leadership, Lionsgate content drives a growing presence in interactive and location-based entertainment, gaming, virtual reality and other new entertainment technologies. Lionsgate's content initiatives are backed by a 16,000-title film and television library and delivered through a global licensing infrastructure.

We manage and report our operating results through three reportable business segments: *Motion Picture*s, *Television Production* and *Media Networks*. Financial information for our segments is set forth in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report.

Motion Pictures

Our *Motion Pictures* segment includes revenues derived from the following:

- *Theatrical*. Theatrical revenues are derived from the domestic theatrical release of motion pictures licensed to theatrical exhibitors on a picture-by-picture basis (distributed by us directly in the United States and through a sub-distributor in Canada).
- *Home Entertainment*. Home entertainment revenues are derived from the sale or rental of our film productions and acquired or licensed films and certain television programs (including theatrical and direct-to-video releases) on packaged media and through digital media platforms. In addition, we have revenue sharing arrangements with certain digital media platforms which generally provide that, in exchange for a nominal or no upfront sales price, we share in the rental or sales revenues generated by the platform on a title-by-title basis.
- *Television*. Television revenues are primarily derived from the licensing of our theatrical productions and acquired films to the linear pay, basic cable and free television markets.
- *International*. International revenues are derived from the licensing from our international subsidiaries of our productions, acquired films, our catalog product and libraries of acquired titles to international distributors, on a territory-by-territory basis. International revenues also include revenues from the direct distribution of our productions, acquired films, and our catalog product and libraries of acquired titles in the United Kingdom
- *Other*. Other revenues are derived from, among others, our interactive ventures and games division, our global franchise management division (including location-based entertainment), the sales and licensing of music from the theatrical exhibition of our films and the television broadcast of our productions, and from the licensing of our film and television content to ancillary markets.

Television Production

Our *Television Production* segment includes revenues derived from the following:

- *Domestic Television.* Domestic television revenues are derived from the licensing and syndication to domestic markets of scripted and unscripted series, television movies, mini-series and non-fiction programming.

- *International.* International revenues are derived from the licensing and syndication to international markets of scripted and unscripted series, television movies, mini-series and non-fiction programming.
- *Home Entertainment.* Home entertainment revenues are derived from the sale or rental of television production movies or series on packaged media and through digital media platforms.
- *Other*. Other revenues are derived from, among others, product integration in our television episodes and programs, the sales and licensing of music from the television broadcasts of our productions, and from the licensing of our television programs to ancillary markets.

Media Networks

Our *Media Networks* segment includes revenues derived from the following:

- *Starz Networks.* Starz Networks' revenues are derived from the distribution of our STARZ branded premium subscription video services pursuant to affiliation agreements with U.S. multichannel video programming distributors ("MVPDs"), including cable operators, satellite television providers and telecommunications companies and online video providers (collectively, "Distributors"), and on an over-the-top ("OTT") basis.
- *Content and Other.* Original content revenues are derived from the licensing of Starz original programming to digital media platforms, international television networks, through packaged media and other ancillary markets.

Streaming Services. Streaming services revenues are derived from the Lionsgate legacy start-up direct to consumer streaming services on subscription video-on-demand ("SVOD") platforms.

Segment Revenue

For the year ended March 31, 2018, contributions to the Company's consolidated revenues from its reporting segments included *Motion Pictures* 44.1%, *Television Production* 19.5% and *Media Networks* 37.1%.

Within the *Motion Pictures* segment, revenues were generated from the following:

- Theatrical, 15.4%;
- Home Entertainment, 42.5%;
- Television, 15.3%;
- International, 25.1%; and
- Motion Pictures-Other, 1.7%.

Within the *Television Production* segment, revenues were generated from the following:

- Domestic Television, 78.9%;
- International, 16.8%;
- Home Entertainment, 3.8%; and
- Television Production-Other, 0.5%.

Within the *Media Networks* segment, revenues were generated from the following:

- Starz Networks, 91.6%;
- Content and Other, 7.9%; and
- Streaming Services, 0.5%.

Corporate Strategy

We continue to grow and diversify our portfolio of content to capitalize on demand from traditional and emerging platforms throughout the world. We maintain a disciplined approach to acquisition, production and distribution of content, by balancing our financial risks against the probability of commercial success for each project. We pursue the same disciplined approach to investments in, and acquisition of, libraries and other assets complementary to our business. We believe that our strategic focus on content and creation of innovative content distribution strategies will enhance our competitive position in the industry, ensure optimal use of our capital, build a diversified foundation for future growth and generate significant long-term value for our shareholders.

MOTION PICTURES

Motion Pictures — Theatrical

Theatrical Production

Theatrical production consists of "greenlighting" (proceeding with production) and financing motion pictures, as well as the development of screenplays, filming activities and the post-filming editing/post-production process.

We take a disciplined approach to theatrical production with the goal of producing content that can be distributed through various domestic and international platforms. We typically attempt to mitigate the financial risk associated with production by, among other things:

- Negotiating co-financing development and co-production agreements (which provide for joint efforts and cost-sharing between us and one or more third-party companies);
- Pre-licensing international distribution rights on a selective basis, including through international output agreements (which refers to licensing the rights to distribute a film in one or more media generally for a limited term, in one or more specific territories prior to completion of the film);
- Structuring agreements that provide for participation by talent in the financial success of the motion picture in exchange for reducing guaranteed amounts that would be paid regardless of the film's success (referred to as "up-front payments")
- Utilizing governmental incentives, programs and other structures from state and foreign countries (which typically take the form of sales tax refunds, transferable tax credits, refundable tax credits, low interest loans, direct subsidies or cash rebates, calculated based on the amount of money spent in the particular jurisdiction in connection with the production).

Our approach to acquiring films for theatrical release is similar to our approach to film production. We generally seek to limit our financial exposure in acquiring films while adding films of quality and commercial viability to our release schedule and library.

Theatrical Distribution

In general, the economic life of a motion picture consists of its exploitation in theaters, on packaged media and on various digital and television platforms in territories around the world.

Theatrical distribution refers to the marketing and commercial or retail exploitation of motion pictures. We distribute motion pictures directly to movie theaters in the U.S. Generally, distributors and exhibitors will enter into agreements whereby the exhibitor retains a portion of the "gross box office receipts," which are the admissions paid at the box office. The balance is remitted to the distributor. Concurrent with their release in the U.S., motion pictures are generally released in Canada and may also be released in one or more other foreign markets. After the initial theatrical release, distributors seek to maximize revenues by releasing movies in sequential release date windows, which may be exclusive against other non-theatrical distribution channels.

We construct release schedules taking into account moviegoer attendance patterns and competition from other studios' scheduled theatrical releases. We use either wide (generally, more than 2,000 screens nationwide) or limited initial releases, depending on the film. We believe that we generally spend significantly less on prints and advertising for a given film than other studios and design our marketing plans to cost-effectively reach a large audience.

Producing, marketing and distributing a motion picture can involve significant risks and costs, and can cause our financial results to vary depending on the timing of a motion picture's release. For example, marketing costs are generally incurred before and throughout the theatrical release of a film and, to a lesser extent, other distribution windows, and are expensed as incurred. Therefore, we typically incur losses with respect to a particular film prior to and during the film's theatrical exhibition, and profitability for the film may not be realized until after its theatrical release window.

We may revise the release date of a motion picture as the production schedule changes or in such a manner as we believe is likely to maximize revenues or for other business reasons. Additionally, there can be no assurance that any of the motion pictures scheduled for release will be completed, that completion will occur in accordance with the anticipated schedule or budget, or that the film will ever be released.

Theatrical Releases

In fiscal 2018 (i.e., the twelve-month period ended March 31, 2018), we released 42 films in the U.S. across all our labels, which included the following:

- Fifteen (16) films released through our Lionsgate and Summit Entertainment labels (including films developed and produced in-house, films co-developed and co-produced and films acquired from third parties);
- Eight (8) films released through our Lionsgate Premiere label;
- One (1) film released through Good Universe, a motion picture production and global sales company acquired in October 2017;
- Five (5) films released through Pantelion Films, our joint venture with Grupo Televisa S.A.B.; and
- Twelve (12) films released through our partnership with Roadside Attractions.

Fiscal 2018
Theatrical Releases

Title	Release Date	Label/Partnership
Tyler Perry's Acrimony	March 30, 2018	Lionsgate
Finding Your Feet	March 30, 2018	Roadside Attractions
I Can Only Imagine	March 16, 2018	Roadside Attractions
Monster Hunt 2	February 16, 2018	Lionsgate
Early Man	February 16, 2018	Summit
The Party	February 16, 2018	Roadside Attractions
La Boda De Valentina	February 9, 2018	Pantelion Films
Winchester	February 2, 2018	Lionsgate
Forever My Girl	January 19, 2018	Roadside Attractions
The Commuter	January 12, 2018	Lionsgate
*Acts of Violence**	January 12, 2018	Lionsgate Premiere
El Condorito	January 12, 2018	Pantelion Films
The Disaster Artist	December 1, 2017	Good Universe/A24
Wonder	November 17, 2017	Lionsgate
*Cook Off!**	November 17, 2017	Lionsgate Premiere
Last Flag Flying	November 3, 2017	Lionsgate
Jigsaw	October 27, 2017	Lionsgate
Tyler Perry's Boo 2! A Madea Halloween	October 20, 2017	Lionsgate
Wonderstruck	October 20, 2017	Roadside Attractions
Leatherface	October 20, 2017	Lionsgate
My Little Pony: The Movie	October 6, 2017	Lionsgate
Stronger	September 22, 2017	Lionsgate/Roadside Attractions
American Assassin	September 15, 2017	Lionsgate
*Rememory**	September 8, 2017	Lionsgate Premiere
*Unlocked**	September 1, 2017	Lionsgate Premiere
Hazlo Como Hombre (Do It Like An Hombre)	September 1, 2017	Pantelion Films
The Hitman's Bodyguard	August 18, 2017	Summit
The Glass Castle	August 11, 2017	Lionsgate
The Only Living Boy In New York	August 11, 2017	Roadside Attractions
*First Kill**	July 21, 2017	Lionsgate Premiere
Lady Macbeth	July 14, 2017	Roadside Attractions
*Inconceivable**	June 30, 2017	Lionsgate Premiere
The Big Sick	June 23, 2017	Lionsgate
All Eyez on Me	June 16, 2017	Summit
Beatriz at Dinner	June 9, 2017	Roadside Attractions
3 Idiotas	June 2, 2017	Pantelion Films
*Black Butterfly**	May 26, 2017	Lionsgate Premiere
The Wedding Plan	May 12, 2017	Roadside Attractions
The Wall (2017)	May 12, 2017	Roadside Attractions
How To Be A Latin Lover	April 28, 2017	Pantelion Films
Tommy's Honour	April 14, 2017	Roadside Attractions
*Aftermath**	April 7, 2017	Lionsgate Premiere

* Released "day & date" (a release strategy in which select titles are released on video-on-demand ("VOD") and other digital formats on the same day as the title is theatrically released).

From time to time, we also release films through our CodeBlack Films label, our Grindstone Entertainment Group label and though Studio L, our newest label featuring films from our digital content business.

Over the last 16 years, Lionsgate and affiliated companies have distributed films that have earned 124 Academy Award® nominations and 30 wins, as well as numerous Globe Awards®, Producers Guild Awards®, Screen Actors Guild Awards®, Directors Guild Awards®, BAFTA Awards and Independent Spirit Awards nominations and wins.

Motion Pictures — Home Entertainment

Our U.S. home entertainment distribution operation exploits our film and television content library of approximately 16,000 motion picture titles and television episodes and programs, consisting of titles from, among others, Lionsgate, our subsidiaries, affiliates and joint ventures (such as Starz, Summit Entertainment, Anchor Bay Entertainment, Artisan Entertainment, CodeBlack Films, Grindstone Entertainment Group, Modern Entertainment, Trimark, Pantelion Films and Roadside Attractions), as well as titles from third parties such as A24, A&E, Amazon Studios, AMC, CBS Films, Entertainment Studios, Marvel, Miramax, Saban Entertainment, StudioCanal, The Orchard, and Tyler Perry Studios.

Home entertainment revenue consists of packaged media and digital revenue.

Packaged Media

Packaged media distribution involves the marketing, promotion and sale and/or lease of DVDs/Blu-ray discs to wholesalers and retailers who then sell or rent the DVDs/Blu-ray discs to consumers for private viewing. Fulfillment of physical distribution services are substantially licensed to Twentieth Century Fox Home Entertainment.

We distribute or sell content directly to retailers such as Wal-Mart, Best Buy, Target, Amazon, Costco and others who buy large volumes of our DVDs/Blu-ray discs to sell directly to consumers. Sales to Wal-Mart accounted for approximately 43% of net home entertainment packaged media revenue in fiscal 2018. We also directly distribute content to the rental market through Redbox, Netflix and others.

Of these titles, certain are released through our subsidiary, Grindstone Entertainment Group, which acquires and/or produces titles as finished pictures and as “pre-buys” based on script, cast and genres, and creates targeted key art, marketing materials and release plans, which are then distributed direct-to-video, VOD and through other media. In fiscal 2018, Grindstone Entertainment Group released 33 titles.

Additionally, we distribute television product including series such as *American Gods, Ash vs. Evil Dead, Blue Mountain State, Casual, Counterpart, Duck Dynasty*, *Fear the Walking Dead, Grace and Frankie*, *Graves, Narcos, Knightfall, MacGyver, Into the Badlands, Mad Men, Nurse Jackie, Orange Is The New Black, Power, The Royals*, *The Walking Dead*, *Weeds*, library titles such as *Alf* and *Little House on the Prairie*, certain Disney-ABC Domestic Television series, as well as premier children’s brands including our *Alpha and Omega* franchise, Saban Brand’s *Power Rangers*, Aardman’s *Shaun the Sheep* library, LeapFrog Entertainment’s *LeapFrog*, MGA Entertainment’s *LalaLoopsy* and *Bratz*, American Greetings’ *Care Bears*, and our catalog of *Teenage Mutant Ninja Turtles* and Marvel Animated Features.

Our year included the following:

- In fiscal 2018, four (4) of our theatrical releases debuted at number one on DVD/Blu-ray — *La La Land*, *Power Rangers* (which held onto the number one spot for two (2) consecutive weeks), *Tyler Perry’s Boo 2! A Madea Halloween*, and *Wonder* (which held onto the number one spot for two (2) consecutive weeks).
- In fiscal 2018, we shipped approximately 65 million DVD/Blu-ray finished units.
- In calendar 2017, we had an approximate 11% market share for home entertainment, making us the number five (5) studio in market share overall.

- In calendar 2017, we a maintained a box office-to-home entertainment conversion rate of 18% above the industry average, leading all major studios. Box office-to-home entertainment conversion rate is calculated as the ratio of the total of both first cycle DVD release revenues and total digital platform revenues for a theatrical release compared to the total North American box-office revenues from such theatrical release.

Digital Media

Digital media distribution involves delivering content (including certain titles not distributed theatrically or on packaged media) by electronic means directly to consumers in-home and on mobile devices. The key distribution methods today include transactional distribution (such as pay-per-view ("PPV"), electronic-sell-through ("EST") and transactional video-on-demand ("TVOD")), non-transactional video-on-demand distribution (such as SVOD, advertiser-supported video-on-demand ("AVOD") and free video-on-demand ("FVOD")), as well as distribution through various linear pay, basic cable and free television platforms.

Digital transactional platforms and networks to which we distribute our content include, among others, iTunes, Amazon, Wal-Mart's Vudu, Google Play, Microsoft's Xbox, Sony's PlayStation Network and Valve Corporation's Steam platform. Digital SVOD services to which we license our content include, among others, Netflix, Hulu, and Amazon Prime. AVOD services to which we license or content include, among others, Roku, Tubi TV, Pluto and YouTube. We also directly distribute digital transactional content to MVPDs including cable operators (such as Comcast and Charter), satellite television providers (such as DIRECTV and DISH Network) and telecommunications companies (such as Verizon).

Linear networks to which we distribute our content include, among others, pay television networks such as Starz, EPIX, HBO and Showtime, and basic cable networks such as USA Network, FX, Turner Entertainment Networks, BET, Pop, A&E, SyFy, Lifetime, MTV, Bravo, Comedy Central, Paramount Network, Audience Network, Spike, AMC Networks, Freeform, Reelz, Nickelodeon, El Rey, HD Net, Bounce, Telemundo and UniMás.

Our year included the following:

- In fiscal 2018, seven (7) our titles reached the number one ranking on the iTunes' movie charts, which included *La La Land, John Wick: Chapter 2, The Big Sick, Wind River, Hitman's Bodyguard, American Assassin,* and *Wonder*.
- In fiscal 2018, five (5) titles we distribute debuted at the number one ranking on the Rentrak On-Demand charts, which included *La La Land, John Wick: Chapter 2, Hitman's Bodyguard, Tyler Perry's Boo 2! A Madea Halloween* and *Wonder*.
- In fiscal 2018, four (4) of our other titles reached the number two ranking on the Rentrak On-Demand charts, which included *Patriots Day, Saban's Power Rangers, Wind River* and *American Assassin*.

Motion Pictures — Television

We license our theatrical productions and acquired films to the domestic linear pay, basic cable and free television markets. For additional information regarding such distribution, see ***Motion Pictures-Home Entertainment***-*Digital Media* above.

Motion Pictures — International

Our international sales operations are headquartered at our offices in London, England. The primary components of our international business are, on a territory by territory basis through third parties or directly through our international divisions:

- The licensing of rights in all media of our in-house feature film product and third party acquisitions on an output basis;

- The licensing of rights in all media of our in-house product and third party acquisitions on a sales basis for non-output territories;
- The licensing of third party feature films on an agency basis; and
- Direct distribution of theatrical and/or ancillary rights licensing.

We license rights in all media on a territory by territory basis (other than the territories where we self-distribute) of (i) our in-house Lionsgate and Summit Entertainment feature film product, and (ii) films produced by third parties such as Black Label Media, CBS Films, Gold Circle Films, Participant Media, River Road Entertainment, Thunder Road Pictures and other independent producers. Films licensed and/or released by us internationally in fiscal 2018 included such in-house productions as *Sicario: Day of the Soldado, City of Lies, The Spy Who Dumped Me, A Simple Favor, Chaos Walking, Flarsky, Hotel Artemis* and *Anna.* Third party films for which we were engaged as exclusive sales agent and/or released by us internationally in fiscal 2018 included *Belleville Cop, On the Basis of Sex, Green Book* and *Beirut*.

Through our territory by territory sales and output arrangements, we generally cover a substantial portion of the production budget or acquisition cost of new theatrical releases which we license and distribute internationally. Our output agreements for Lionsgate and Summit feature films currently cover twelve (12) major territories including the following:

- Australia/New Zealand;
- Benelux (Belgium/Netherlands/Luxembourg);
- Canada;
- CIS (Commonwealth of Independent States);
- Eastern Europe (Bulgaria, Check Republic, Hungary, Romania and Slovak Republic) ;
- France;
- Italy;
- Middle East;
- Poland;
- Scandinavia;
- Singapore; and
- Spain.

These output agreements generally include all rights for all media (including home entertainment and television rights). We also distribute theatrical titles in Latin America through our partnership with International Distribution Company and certain theatrical titles in China through our relationship with Hunan TV & Broadcast Intermediary Co. In all, our distribution operations cover 13 major international territories.

We also self-distribute motion pictures in the United Kingdom and Ireland through Lions Gate International UK ("Lionsgate UK"). Lionsgate UK has established a reputation in the United Kingdom as a leading producer, distributor and acquirer of commercially successful and critically acclaimed product. In fiscal 2018, Lionsgate UK released the following twenty-three (23) films theatrically:

Fiscal 2018
Theatrical Releases — Lionsgate UK

Title	Release Date	Production/ Acquisition
My Generation	March 14, 2018	Acquisition
Winchester	February 2, 2018	Acquisition
Journey's End	February 2, 2018	Acquisition
Stronger	December 8, 2017	Production
Wonder	December 1, 2017	Production
Film Stars Don't Die In Liverpool	November 17, 2017	Acquisition
Only The Brave	November 10, 2017	Production
Jigsaw	October 26, 2017	Production
The Princess Bride (30th Anniversary)	October 23, 2017	Re-Release
My Little Pony: The Movie	October 20, 2017	Production
The Glass Castle	October 6, 2017	Production
Maze	September 22, 2017	Acquisition
American Assassin	September 14, 2017	Production
Limehouse Golem	September 1, 2017	Acquisition
The Hitman's Bodyguard	August 17, 2017	Acquisition
Valerian and the City of a Thousand Planets	August 2, 2017	Acquisition
All Eyez On Me	June 30, 2017	Acquisition
Churchill	June 16, 2017	Acquisition
My Name Is Lenny	June 9, 2017	Acquisition
The Last Face	May 12, 1017	Acquisition
Unlocked	May 5, 2017	Acquisition
Their Finest	April 21, 2017	Acquisition
The Autopsy of Jane Doe	March 31, 2017	Acquisition

Additionally, with an office in Mumbai, India, we spearhead all licensing to local linear and digital platforms in the territory from feature films, television series and library content under the Lionsgate and Starz brands. Lionsgate India works closely with our theatrical distribution partners to maximize box office for our films, partners with local production companies to develop intellectual property for theatrical release as well as distribution across other media platforms, and also generally explores investment opportunities throughout the Indian media market.

Motion Pictures — Other

Interactive Ventures and Games

Our Interactive Ventures and Games division oversees our interactive business which includes multiplatform games based off our and third party intellectual property, esports, augmented and virtual reality and strategic investments in digital businesses including emerging content platforms, esports franchises and world-class game developers/publishers.

Over the past few years, we have invested in interactive storytellers Telltale Games, Finnish mobile game developer/publisher Next Games, live-streaming native mobile gaming platform Mobcrush, and leading esports franchise Immortals, which includes the Los Angeles Valiant of *The Overwatch League*. In gaming, we currently have a slate of over thirty (30) projects in varying stages of development, production and release. Our game releases to date have included *Saban's Power Rangers: Legacy Wars*, a top ranked free to play mobile game developed and published by nWay, *John Wick Chronicles,* an arcade style shooter game in virtual reality developed and published by Starbreeze, and an *Orange Is The New Black* slot machine game with International Game Technology. We also integrate our intellectual property into some of the world's most popular games including *Saw* into *Dead by Daylight*, *John Wick* and *Reservoir Dogs* into Payday 2, and *Power Rangers* into *Family Guy: The Quest for Stuff*. Moreover, we have also positioned ourselves as a leader in the world of esports through our investments in Immortals and Mobcrush. Indeed, the Los Angeles Valiant was one of twelve (12) teams competing in the 2018 inaugural season of *The Overwatch League*. The league entered into several sponsorships, including Toyota and HP, as well as a streaming with Twitch. The Immortals' Mobile Division also competes in the leagues recently announced for Supercell title *Clash Royale* and Tencent's *Arena of Valor*.

Global Franchise Management

Our Global Franchise Management division broadly covers all theatrical and television promotions and branded partnerships, licensed consumer products and live and location-based entertainment initiatives. Our goal is to drive incremental revenue and build consumer engagement across our entire portfolio of properties via meaningful brand extensions, a consumer products licensing business and launching live shows and location-based entertainment destinations around the world.

Our business includes, among others, the following projects:

- The *La La Land* live film-to-concert series, first launched at the Hollywood Bowl in May 2017, and currently on a worldwide tour in 25 major international countries;
- The opening of our first Lionsgate branded theme park zone in Motiongate Dubai in October 2017;
- The opening of our first permanent horror attraction in Las Vegas, The Official Saw Escape Experience, and five seasonal horror activations at various parks around the world, including the Halloween Fright Nights at the Universal parks in the United States, in support of the theatrical release of *Jigsaw*.
- Development of Lionsgate Entertainment World, an indoor theme park in Hengqin, China;
- Development of Lionsgate Movie World, our first Lionsgate branded outdoor theme park in South Korea;
- Development of Lionsgate Entertainment City, our smaller indoor branded entertainment centers in high traffic locations around the world such as New York and Madrid; and
- Brand partnership activations supporting our theatrical releases thought the year.

Music

Our film and television music departments creatively oversee music for our theatrical and television slates, and certain of our SVOD and direct-to-digital productions, respectively. Our music strategy is to service the Company's creative divisions' music needs, while providing music for use in marketing our films and television shows. For our theatrical slate, the work of the music department includes overseeing songs, scores and soundtracks for all of our productions, co-productions and acquisitions. For our television slate, the work of the music department includes overseeing music staffing, scores and soundtracks for all of our television productions. For our SVOD and digital productions, the work of the music department includes musical oversight similar to our theatrical and television slates, and provided on an as-needed basis. Music revenues are derived from the sales and licensing of music from our films, television, and other productions, and the theatrical exhibition of our films and the broadcast and webcast of our productions.

Ancillary Revenues

Ancillary revenues are derived from the licensing of non-theatrical uses of our films and television content to distributors who, in turn, make such content available to airlines, hotels, schools, oil rigs, public libraries, prisons, community groups, the armed forces, ships at sea and others.

TELEVISION PRODUCTION

Our television business consists of the development, production, syndication and distribution of television programming. We principally generate revenue from the licensing and distribution of such programming to broadcast television networks, pay and basic cable networks, digital platforms and syndicators of first-run programming, which license programs on a station-by-station basis and pay in cash or via barter (i.e., trade of programming for airtime). Each of these platforms may acquire a mix of original and library programming.

After initial exhibition, we distribute programming to subsequent buyers, both domestically and internationally, including basic cable network, premium subscription services or digital platforms (known as "off-network syndicated programming"). Off-network syndicated programming can be sold in successive cycles of sales which may occur on an exclusive or non-exclusive basis. In addition, television programming is sold on home entertainment (packaged media and via digital delivery) and across all other applicable ancillary revenue streams including music publishing, touring and integration.

As with film production, we use tax credits, subsidies, and other incentive programs for television production in order to maximize our returns and ensure fiscally responsible production models.

Television Production — Domestic Television

We currently produce, syndicate and distribute nearly 90 television shows on more than 40 networks (including programming produced by Pilgrim Media Group, of which we own a majority interest).

In fiscal 2018, syndicated programming (through our wholly-owned subsidiary, Debmar-Mercury) and scripted and unscripted programming produced, co-produced or distributed by us and our affiliated entities (other than Starz) included, among others, the following:

Fiscal 2018
Lionsgate — Scripted

Title	Network
Casual	Hulu
Dear White People	Netflix
Dimension 404	Hulu
Graves	Epix
Greenleaf	Own
MacGyver	CBS
Manhunt	Discovery
Nashville	CMT
Nightcap	POP
Orange is the New Black	Netflix
The Royals	E!
Step Up	YouTube
White Famous	Showtime

Fiscal 2018
Lionsgate — Unscripted

Title	Network
Candy Crush	CBS
Checked Inn	OWN
Flea Market Flip	HGTV
The Joel McHale Show with Joel McHale	Netflix
Mad Dog Knives	Discovery
Model Squad	E!
Music City	CMT
On the Run Eating with N.O.R.E.	Complex
Revenge Body	E!
Very Superstitious	A&E
What the Fit	YouTube
Young Guns	Go 90

Fiscal 2018
Unscripted — Pilgrim Media Group

Title	Network
American Chopper	Discovery
Bring It	Lifetime
Days That Shaped America	History
Fast & Loud	Discovery
Fast & Loud Demo Theater	Discovery
Garage Rehab	Discovery
Ghost Brothers	Destination America
The Korean Crisis	History
Love at First Flight	FYI
Mega Race	Discovery
Misfits Garage	Discovery
My Big Fat Fab Life	TLC
Street Outlaws	Discovery
Street Outlaws Memphis	Discovery
Street Outlaws New Orleans	Discovery
Switching Gears	Discovery
Ultimate Fighter	FS1
Welcome to Sweetie Pies	OWN
Wicked Tuna	Nat Geo
Wicked Tuna OB	Nat Geo
Zombie House Flippers	A&E

Fiscal 2018
Syndication — Debmar-Mercury

Title	Network
Anger Management	Syndication
Are We There Yet	Syndication
Buzzr	Syndication
Celebrity Name Game	Syndication
Family Feud	Syndication
House of Payne	Syndication
Meet the Browns	Syndication
Tosh.O	Syndication
Wendy Williams	Syndication

Over the past 11 years, Lionsgate television programming has earned 196 Emmy® Award nominations including 29 wins, as well as numerous Golden Globe® Award nomination and wins.

Television Production- International

We continue to expand our television business through international sales and distribution of original Lionsgate television series, Starz original programming, third party television programming and format acquisitions via packaged media and various digital platforms. International physical (i.e., packaged media) distribution rights (outside of North America, UK and Ireland) for our television portfolio (other than digital media) are licensed to Sony Pictures Home Entertainment. Digital platforms to which we license our content around the world include, among others, iTunes, Netflix and Amazon.

Lionsgate UK also continues to build a robust television business alongside its premier film brand through in-house production/development, as well as through its various joint ventures and investments. Lionsgate UK holds interests in, and has strategic partnerships with, television and film production company Kindle Entertainment, non-scripted television production company Primal Media, television drama company Potboiler Television, and film and television production company Bonafide Films. Additionally, Lionsgate UK has enhanced its television production efforts with nearly twenty (20) projects currently being developed in-house.

In fiscal 2018, our Lionsgate UK television programming (developed in-house and through Lionsgate UK's interest and partnerships) included the following:

Fiscal 2018
Television — Lionsgate UK

Title	Network	Partner(s)
Bigheads	ITV1	Primal Media
Damned	Channel 4	Channel 4, What Larks Productions
Motherland	BBC	BBC, Merman, Delightful
Release The Hounds	ITV2	Primal Media
The Wave	UKTV	Primal Media

Television Production-Home Entertainment

For information regarding television production home entertainment revenue, see *Motion Pictures — Home Entertainment* above.

Television Production- Other

Other revenues are derived from, among other sources, product integration in our television episodes and programs, the sales and licensing of music from the television broadcasts of our productions, and from the licensing of our television programs to other ancillary markets. For additional information, see *Motion Pictures — Other* above.

MEDIA NETWORKS

Media Networks — Starz Networks

Starz Networks is a leading provider of premium subscription video programming to U.S. MVPDs, including cable operators (such as Comcast and Charter), satellite television providers (such as DIRECTV and DISH Network), telecommunications companies (such as AT&T and Verizon), OTT providers (such as Amazon) and on a direct-to-consumer basis.

Our Starz Networks' flagship premium service STARZ had 23.5 million subscribers as of March 31, 2018 (not including subscribers who receive programming free as part of a promotional offer). STARZ offers original series and recently released and library movies without advertisements. Our Starz Networks' other services, STARZ ENCORE and MOVIEPLEX, offer theatrical and independent library movies as well as original and older television series also without advertisements. Our services include 17 linear networks, on-demand and online viewing platforms, and a stand-alone direct-to-consumer service. The linear networks air over 1,000 movies per month from studio partners, including first-run content from Sony Pictures Entertainment, and have a growing line-up of successful original programming. Our Starz Networks' services are offered by Distributors to their subscribers either at a fixed monthly price as part of a programming tier or package or on an a la carte basis, or directly to consumers via the STARZ app at www.starz.com or through our retail partners (such as Apple and Google) for a monthly fee.

The table below depicts our 17 existing linear services, the respective on-demand service, the STARZ app service and highlights some of their key attributes.

STARZ	STARZ; STARZ CINEMA; STARZ ON DEMAND; STARZ COMEDY; STARZ EDGE; STARZ IN BLACK; STARZ KIDS & FAMILY	• Flagship network with 6 premium channels • All 6 channels offered in HD • Powerful original series and big hit movies • First-run output and library films • STARZ ON DEMAND: offers more than 3,200 monthly selections, with over 500 movies and approximately 2,700 series episodes
STARZ ENCORE	STARZ ENCORE; STARZ ENCORE ACTION; STARZ ENCORE BLACK; STARZ ENCORE CLASSIC; STARZ ENCORE ESPAÑOL; STARZ ENCORE FAMILY; STARZ ENCORE SUSPENSE; STARZ ENCORE WESTERNS; STARZ ENCORE ON DEMAND	• 8 premium channel offerings • Favorite films and series across genre-themed channels • First-run and classic favorites • STARZ ENCORE ON DEMAND: offers more than 3,900 monthly selections, with over 500 movies and select series
movieplex	movieplex; indieplex; movieplex On Demand HD; retroplex	• 3 premium channel offerings • All 3 channels offered in HD • Variety of art house, independent films and classic movie library content • MOVIEPLEX ON DEMAND: offers more than 200 movies every month
THE STARZ APP	STARZ	• On-demand streaming and downloadable access to STARZ, STARZ ENCORE and MOVIEPLEX networks' content in a single destination app • The Starz app offers approximately 7,500 monthly movies and series episodes including: ◦ Over 1,300 movies ◦ Approximately 500 Starz Original series episodes ◦ Over 5,600 other series episodes

Demographics

Our Starz Networks' services deliver Obsessable™ original series and hit movies that appeal to a wide range of audiences, attracting both die hard and casual viewers and serving a variety of fandoms. We are focused on developing and delivering content to meet the needs of engaged viewers, including African Americans, Latino, LGBTQIA and female audiences.

Built to serve both our traditional MVPDs as well as the OTT community, the STARZ app is a best-in-class subscription video app designed with fans in mind. In addition to targeting MVPD subscribers, the STARZ app targets audiences who are looking for an alternative to a traditional subscription package. The primary audience for the app consists of a balanced mix of individuals, who are cost-conscious, heavy consumers of video content and likely have at least one OTT subscription service. Other important segments consist of households with children and frequent travelers looking for the ability to download and watch blockbuster theatricals, STARZ original series and favorite TV and movies without an internet connection.

Affiliation agreements

Our Starz Networks' services are distributed pursuant to affiliation agreements with Distributors (primarily MVPDs). These agreements require delivery of programming that meets certain standards. We earn revenue under these agreements either (i) based on the total number of subscribers who receive our services multiplied by rates specified in the affiliation agreements or (ii) based on amounts or rates which are not tied solely to the total number of subscribers who receive our services. Our affiliation agreements expire at various dates through 2022.

We work with Distributors to increase the number of subscribers to our Starz Networks' services. To accomplish this, we may help fund the Distributors' efforts to market these services or may permit Distributors to offer limited promotional periods without payment of subscriber fees. We believe these efforts enhance our relationship with Distributors, improve the awareness of our services and ultimately increase subscribers and revenue over the term of these affiliation agreements.

Distributors report the number of subscribers to our services and pay for services, generally, on a monthly basis. The agreements are generally structured to be multi-year agreements with staggered expiration dates and generally provide for annual contractual rate increases of a fixed percentage or a fixed amount, or rate increases tied to annual increases in the Consumer Price Index.

For the fiscal year ended March 31, 2018, revenue earned under Starz Networks' affiliation agreements combined with revenue earned under other Lionsgate agreements with AT&T (including DIRECTV) accounted for at least 10% of Lionsgate's revenue.

OTT service

The STARZ app is the single destination for both Distributor authenticated and direct OTT subscribers to stream or download our Starz Networks' original series and movie content. The STARZ app:

- Is available on a wide array of platforms and devices;
- Includes on-demand streaming and downloadable access to our Starz Networks' content in a single destination app;
- Offers instant access to approximately 7,500 selections each month (including original series and commercial free movies);
- Is available for purchase as a standalone OTT service for $8.99/month; and
- Is available as an additional benefit to paying MVPD subscribers of the Starz Networks' linear premium services.

Output and Content License Agreements

The majority of content on our Starz Networks' services consists of movies that have been released theatrically. Starz Networks has an exclusive long-term output licensing agreement with Sony for all qualifying movies released theatrically in the U.S. by studios owned by Sony through December 31, 2021. The Sony agreement, which began in 2001, includes all titles released under the Columbia, Screen Gems, Sony Pictures Classics and TriStar labels. Starz Networks does not license movies produced by Sony Pictures Animation. Under this agreement, Starz Networks has valuable exclusive rights to air new movies on linear television services, on-demand or online during two separate windows over a period of approximately three to seven years from their initial theatrical release. Generally, except on a VOD or pay-per-view basis, no other linear service, online streaming or other video service may air or stream these recent releases during Starz Networks' windows, and no other premium subscription service may air or stream these releases between the two windows.

Starz Networks also licenses library content comprised of older, previously released theatrical movies from many of Hollywood's major studios. In addition to theatrical movies, Starz Networks licenses made for television movies, television series and other content from studios, production companies or other rights holders. The rights agreements for library content are of varying duration and generally permit Starz Networks' services to exhibit these movies, series and other programming during certain window periods.

A summary of Starz Networks' significant output and library programming agreements (including a library agreement with Lionsgate) are as follows:

Significant output programming agreements		Significant library programming agreements	
Studio	**Term (1)**	**Studio**	**Term**
Sony	12/2021	Twentieth Century Fox	02/2019
		Warner Bros.	06/2021
		Sony Pictures	10/2021
		Universal	12/2021
		Paramount	10/2022
		Miramax	02/2023
		MGM	04/2025
		The Weinstein Company	01/2026
		Lionsgate	05/2028

(1) Dates based on initial theatrical release.

The Sony output agreement requires Starz Networks to pay for movies at rates calculated on a pricing grid that is based on each film's domestic box office performance (subject to maximum amounts payable per movie and a cap on the number of movies that can be put to Starz Networks each year). The amounts Starz Networks pays for library content vary based on each specific agreement, but generally reflect an amount per movie, series or other programming commensurate with the quality (e.g., utility and perceived popularity) of the content being licensed.

Original programming

Starz Networks produces and contracts with independent production companies and our Television Production operating segment to produce original programming that appears on our Starz Networks' services. These contractual arrangements can provide Starz Networks with:

- Outright ownership of the programming, in which case we wholly-own the series and receive all distribution and other rights to the content;
- An exclusive U.S. pay television license and other distribution or ancillary rights covering specific territories for specified periods of time; or
- An exclusive U.S. pay television license which provides for the programming to appear only on Starz Networks' services for specified periods of time.

Starz Networks' currently announced fiscal 2019 STARZ Originals line-up is as follows:

Title	
America to Me (documentary series)	10
American Gods Season 2	8
Counterpart Season 2	10
Howard's End (limited series)	4
TBD (documentary series)	6
Now Apocalypse Season 1	10
Outlander Season 4	13
Power Season 5	10
Spanish Princess	8
Sweetbitter Season 1	6
Vida Season 1	6
TBD scripted series	10
Warriors of Liberty City (documentary series)	8
Wrong Man (documentary series)	6
	115

Starz Networks fiscal 2018 STARZ Originals line-up was as follows:

Title	Number of Episodes
American Gods Season 1	8
Ash vs Evil Dead Season 3	10
Counterpart Season 1	10
Girlfriend Experience Season 2	14
Outlander Season 3	13
Power Season 4	10
Survivor's Remorse Season 4	10
White Princess	8
	83

Over the past several years, Starz Networks' programming has been nominated and has won numerous Emmy® Awards, Golden Globe® Awards and Screen Actors Guild® Awards.

Transmission

We uplink our programming to four non-preemptible, protected transponders on two satellites positioned in geosynchronous orbit. These satellites feed our signals to various swaths of the Americas. We lease these transponders under long-term lease agreements. These transponder leases have termination dates in 2023. We transmit to these satellites from our uplink center in Englewood, Colorado. We have made arrangements at a third party facility to uplink our linear channels to these satellites in the event we are unable to do so from our uplink center.

Regulatory Matters

In the U.S., the Federal Communications Commission (the "FCC") regulates broadcasters, the providers of satellite communications services and facilities for the transmission of programming services, the cable television systems and other Distributors that distribute such services, and, to some extent, the availability of the programming services themselves through its regulation of program licensing. Cable television systems in the U.S. are also regulated by municipalities or other state and local government authorities. Although cable television systems are subject to federal rate regulation on the provision of basic service, such regulation is limited to those local franchise authorities that have made an affirmative showing that there is no effective competition in the community. Very few franchise authorities have filed the necessary rate regulation certification. Nonetheless, other franchise conditions could place downward pressure on the fees cable television companies are willing or able to pay for programming services, and regulatory carriage requirements also could adversely affect the number of channels available to carry our networks.

Regulation of Carriage of Broadcast Stations

The Cable Television Consumer Protection and Competition Act of 1992 (“1992 Cable Act”) granted broadcasters a choice of must carry rights or retransmission consent rights. The rules adopted by the FCC generally provide for mandatory carriage by cable systems of all local full-power commercial television broadcast signals selecting must carry rights and, depending on a cable system’s channel capacity, non-commercial television broadcast signals. Such statutorily mandated carriage of broadcast stations coupled with the provisions of the Cable Communications Policy Act of 1984, which require cable television systems with 36 or more “activated” channels to reserve a percentage of such channels for commercial use by unaffiliated third parties and permit franchise authorities to require the cable operator to provide channel capacity, equipment and facilities for public, educational and government access channels, could adversely affect our networks by limiting the carriage of our services in cable systems with limited channel capacity.

Closed Captioning

The Telecommunications Act of 1996 also required the FCC to establish rules to ensure that video programming is fully accessible to the hearing impaired through closed captioning. The rules adopted by the FCC require substantial closed captioning, with only limited exemptions. In 2012, the FCC adopted regulations pursuant to the Twenty-First Century Communications and Video Accessibility Act of 2010 that require, among other things, video programming owners to send caption files for Internet protocol (“IP”) delivered video programming to video programming distributors and providers along with program files. In 2014, the FCC adopted closed captioning quality standards for captioning accuracy, synchronicity, completeness and placement and captioning best practices for programmers. In 2016, the FCC amended its closed captioning requirements to make programmers jointly responsible with distributors for captioning compliance, and to adopt certain registration, certification and complaint procedures applicable to programmers. The video programmer registration and compliance certification requirements of the amended rules have not yet become effective. As a result of these captioning requirements, our networks may incur additional costs for closed captioning.

Commercial Advertisement Loudness Mitigation (“CALM”) Act

Congress enacted the Commercial Advertisement Loudness Mitigation (“CALM”) Act in 2010. The CALM Act directs the FCC to incorporate into its rules and make mandatory a technical standard that is designed to prevent digital television commercial advertisements from being transmitted at louder volumes than the program material they accompany. The FCC’s CALM Act implementing regulations became effective in 2012. Although the FCC’s CALM Act regulations place the primary compliance responsibility on Distributors, the FCC’s “safe harbor” compliance approach, which requires programmers to issue “widely available” CALM Act compliance certifications to Distributors, effectively shifts much of that responsibility to programmers.

Copyright Regulation

We are required to obtain any necessary music performance rights from the rights holders. These rights generally are controlled by the music performance rights organizations of the American Society of Composers, Authors and Publishers (ASCAP), Broadcast Music, Inc. (BMI) and the Society of European Stage Authors and Composers (SESAC), each with rights to the music of various artists.

Satellites and Uplink

In general, authorization from the FCC must be obtained for the construction and operation of a communications satellite. The FCC authorizes utilization of satellite orbital slots assigned to the U.S. by the World Radio communication Conference. Such slots are finite in number, thus limiting the number of carriers that can provide satellite transponders and the number of transponders available for transmission of programming services. At present, however, there are numerous competing satellite service providers that make transponders available for video services. The FCC also regulates the earth stations uplinking to and/or downlinking from such satellites.

Program Access

Because overlapping attributable interests continue to exist between us and entities owning cable systems, we remain subject to the FCC's program access and antidiscrimination rules. The 1992 Cable Act and implementing regulations generally prohibit a cable operator that has an attributable interest in a satellite programmer from improperly influencing the terms and conditions of sale to unaffiliated Distributors. Further, the 1992 Cable Act requires that such affiliated programmers make their programming services available to cable operators and competing Distributors on terms and conditions that do not unfairly discriminate among Distributors. The FCC's program licensing rules establish a damages remedy in situations where the defendant knowingly violates the regulations and a timeline for the resolution of complaints, among other things. As part of the FCC's 2008 order approving the acquisition by Liberty Media Corporation (now known as Qurate Retail, Inc.) ("Liberty Media") of a controlling interest in DIRECTV, the FCC imposed program access conditions on Liberty Media and its affiliated entities, which remain applicable to Starz. Under this order, as amended by the FCC's October 5, 2012 order allowing the general restrictions on exclusive contracts to expire, we also are required to make our programming services available to all Distributors on nondiscriminatory terms and conditions.

Online Services

To the extent that our programming services are distributed through online based platforms, we must comply with various federal and state laws and regulations applicable to online communications and commerce. Congress and individual states may consider additional legislation addressing online privacy and other issues.

Proposed Changes in Regulation

The regulation of programming services, cable television systems, direct broadcast satellite providers, broadcast television licensees and online distributed services is subject to the political process and has been in constant flux historically. Further material changes in the law and regulatory requirements must be anticipated and there can be no assurance that our business will not be materially adversely affected by future legislation, new regulation or deregulation.

Starz Networks' Strategy

Our Starz Networks' mission is to be a leading global entertainment brand providing powerful and immersive experiences. To that end, our goal is to provide Distributors and subscribers with high-quality, differentiated premium video services available on multiple viewing platforms. Starz Networks focuses on the following strategic goals:

- *Deliver engaging, brand building, premium original programming.* We believe this is the most effective path to building a differentiated STARZ brand, which resonates with our Distributors and subscribers. Targeting underserved audiences (e.g., African American, Latino, LGBTQIA, female) will continue to be a core pillar of our Starz Networks' original programming content strategy. As a result, our subscribers will have a regular opportunity to see a new episode of a STARZ original series or a new season of an existing STARZ original series on its flagship STARZ service throughout the year.

- *Create compelling consumer offerings*. We intend to ensure that our Starz Networks' services are available in formats and platforms that meet the needs of our Distributors as well as subscribers. We seek to monetize the digital rights we control for our Starz Networks' exclusive original series and those under our programming licensing agreements with Hollywood studios by licensing the digital rights to Starz Networks' services to our traditional distributors and online video providers as well as using these rights for the STARZ app.
- *Expand the STARZ brand and business in new international markets*. In addition to STARZ PLAY Arabia (see *Joint Ventures, Partnerships and Ownership Interests* below), we will continue to look for other opportunities in international markets (such as our exclusive, long term alliance with Bell Media to bring Starz to Canada) to enhance our Starz Networks' brand and ultimately grow this business.

We believe that this strategy, combined with a proven management team, positions Starz Networks for continued success. We look forward to making our Starz Networks services "must haves" for subscribers and a meaningful margin driver for our Distributors, thereby driving value for our stockholders.

Media Networks — Content and Other

Content and other revenues for our *Media Networks* segment are derived from the licensing of Starz original programming to digital media platforms, international television networks, through packaged media and other ancillary markets.

Media Networks — Streaming Services

Streaming services represent revenues derived from the Lionsgate legacy start-up direct to consumer streaming service initiatives on SVOD platforms including PANTAYA and Tribeca Shortlist.

PANTAYA, our joint venture with Hemisphere Media Group, is the first-ever premium streaming destination for world-class movies in Spanish offering the largest selection of current and classic, commercial-free blockbusters and critically acclaimed titles from Latin America and the U.S.

Tribeca Shortlist, our joint venture with Tribeca Enterprises, is a premium SVOD service that features a high-quality collection of handpicked films that are recommended by popular actors, directors, insiders and influencers who know and love movies, including major studio releases and independent studio gems, foreign film favorites and documentaries.

JOINT VENTURES, PARTNERSHIPS AND OWNERSHIP INTERESTS

Our joint ventures, partnerships and ownership interests support our strategy of being multiplatform global industry leader in entertainment. We regularly evaluate our existing properties, libraries and other assets and businesses in order to determine whether they continue to enhance our competitive position in the industry, have the potential to generate significant long-term returns, represent an optimal use of our capital and are aligned with our goals. When appropriate, we discuss potential strategic transactions with third parties for purchase of our properties, libraries or other assets or businesses that factor into these evaluations. As a result, we may, from time to time, determine to sell individual properties, libraries or other assets or businesses or enter into additional joint ventures, strategic transactions and similar arrangements for individual properties, libraries or other assets or businesses.

Atom Tickets. In August 2014, we acquired an interest in Atom Tickets, a first-of-its-kind mobile movie-ticketing platform.

Celestial Tiger Entertainment. In January 2012, we formed Celestial Tiger Entertainment, a joint venture with Saban Capital Group, Inc. and Celestial Pictures, a company wholly-owned by Astro Overseas Limited. Celestial Tiger Entertainment is a leading independent media company dedicated to entertaining audiences in Asia and beyond that creates and distributes branded pay television channels and services targeted at Asian consumers.

Elevation Sales. In 2007, Lionsgate UK acquired an interest in Elevation Sales, a film sales and distribution company in the UK.

Globalgate Entertainment. In May 2016, we partnered with international entertainment executives Paul Presburger, William Pfeiffer and Clifford Werber to launch Globalgate Entertainment. Globalgate, who has built a consortium of international distributors, sources and curates remakes and original intellectual property and co-finances mainstream, wide-release local-language films in key international territories.

Immortals. In January 2017, we acquired an interest in Immortals, an eSports franchise.

Kindle Entertainment. In December 2015, Lionsgate UK acquired an interest in UK television and film production company Kindle Entertainment.

Laugh Out Loud. In March 2016, we entered into a partnership with Kevin Hart and Hartbeat Digital to launch Laugh Out Loud, a comedy brand and multi-platform network that serves as the exclusive home for all content created by Kevin Hart.

Next Games. In July 2014, we entered into a strategic partnership and acquired an interest in Next Games, a mobile game developer and publisher specializing in service-based games based on entertainment franchises, such as movies, television series or books.

Pantelion Films. In September 2010, we launched Pantelion Films, a joint venture with Videocine, an affiliate of Televisa, which produces, acquires and distributes a slate of English and Spanish language feature films that target Hispanic moviegoers in the U.S.

Pilgrim Media Group. In November 2015, we acquired an interest in Craig Piligian's Pilgrim Media Group, which boasts an unscripted programming slate with more than 20 programs in production and over 40 projects in active development.

Pop. Entered into in March 2013, Pop is our joint venture with CBS Corporation. The partnership combines CBS's programming, production and marketing assets with Lionsgate's resources in motion pictures, television and digitally delivered content.

Potboiler Television. In December 2016, Lionsgate UK acquired an interest in Potboiler Television, a UK television drama company that develops and produces thought-provoking and entertaining films and television dramas, stories which have meaning, resonance, integrity and heart.

Primal Media. In July 2016, Lionsgate UK acquired an interest in Primal Media, a production company that develops and produces unscripted programs in the UK, and works with Lionsgate's alternative programming team in the U.S. to produce U.S. formats for the UK market.

Roadside Attractions. In July 2007, we acquired an interest in Roadside Attractions, an independent theatrical distribution company.

STARZ PLAY Arabia. Launched in 2015, STARZ PLAY Arabia is a personalized OTT entertainment service that operates in 19 Middle East/ North African countries. STARZ PLAY Arabia offers a deep selection of Hollywood movies and television series with English, Arabic and French language options, along with local Arabic and Bollywood content.

Telltale Games. In February 2015, we acquired an interest in Telltale Games, an award-winning independent developer and publisher of digital entertainment.

Intellectual Property

We currently use and own or license a number of trademarks, service marks, copyrights, domain names and similar intellectual property in connection with our businesses and own registrations and applications to register them both domestically and internationally. We believe that ownership of, and/or the right to use, such trademarks, service marks, copyrights, domain names and similar intellectual property is an important factor in our businesses and that our success does depends, in part, on such ownership.

Motion picture and television piracy is extensive in many parts of the world, including South America, Asia and certain Eastern European countries, and is made easier by technological advances and the conversion of content into digital formats. This trend facilitates the creation, transmission and sharing of high quality unauthorized copies of content on packaged media and through digital formats. The proliferation of unauthorized copies of these products has had and will likely continue to have an adverse effect on our business, because these products reduce the revenue we receive from our products. Our ability to protect and enforce our intellectual property rights is subject to certain risks and from time to time, we encounter disputes over rights and obligations concerning intellectual property. We cannot provide assurance that we will prevail in any intellectual property disputes.

Competition

Our motion picture production and distribution, television programming and syndication and premium pay television networks businesses (as well as home entertainment, global distribution and sales, interactive ventures and games and location-based entertainment business) operate in highly competitive markets. We compete with companies within the entertainment and media business and from alternative forms of leisure entertainment, such as travel, sporting events, outdoor recreation and other cultural related activities. We compete with the major studios, numerous independent motion picture and television production companies, television networks, pay television services and digital media platforms for the acquisition of literary and film properties, the services of performing artists, directors, producers and other creative and technical personnel and production financing, all of which are essential to the success of our entertainment businesses. In addition, our motion pictures compete for audience acceptance and exhibition outlets with motion pictures produced and distributed by other companies. Likewise, our television product faces significant competition from independent distributors as well as major studios. Moreover, our networks compete with other programming networks for viewing and subscribership by each distributor's customer base. As a result, the success of any of our motion picture, television or networks business is dependent not only on the quality and acceptance of a particular film or program, but also on the quality and acceptance of other competing content released into the marketplace at or near the same time as well as on the ability to license and produce content for the networks that is adequate in quantity and quality and will generate satisfactory subscriber levels.

Given such competition, we attempt to operate with a different business model than others. We typically emphasize a lower cost structure, risk mitigation, reliance on financial partnerships and innovative financial strategies. Our cost structures are designed to utilize our flexibility and agility as well as the entrepreneurial spirit of our employees, partners and affiliates, in order to provide creative entertainment content to serve diverse audiences worldwide.

Social Responsibility and Employee Engagement

Lionshares

We are committed to acting responsibly and making a positive difference in the local and global community through Lionshares, the umbrella for our companywide commitment to our communities. Lionshares is a volunteer program that seeks to provide opportunities for employees within the Lionsgate family to partner with a diverse range of charitable organizations. The program not only enriches the Lionsgate work experience through cultural and educational outreach, but also positively interacts and invests in the local and global community. Specifically, Lionshares strives to:

- Provide diverse activities intended to appeal to a broad range of interests, including: literacy, elderly visits, food banks, animal interactions, disaster relief, community relations, environmental activities, health/fitness, cancer awareness and charitable fundraising.
- Partner with leading organizations with expertise in these areas.
- Create an effective and influential impact through human contact.
- Share time and experience, not just among Lionsgate employees, but with the greater community as well.

Employee Resource Groups

We provide our employees with an opportunity to enhance cross-cultural awareness, develop leadership skills and network across the Company's various business units and levels with resource groups such as Lionsgate Multicultural Group, Lionsgate Pride, Lionsgate Vets and Lionsgate Women's Empowerment Group.

- Lionsgate Multicultural Group engages in third party partnerships that promote diversity, equity and inclusion within the Company and the industry, allowing for an exchange of ideas and resources that contribute to overall innovation.

- Lionsgate Pride supports, develops and inspires future LGBTQ leaders within the Company and the industry.
- Lionsgate Vets creates a community of veterans and their supporters working together to enhance veteran presence and engage the industry from the unique perspective of a military background.
- Lionsgate Women's Empowerment Group creates a community that improves the prominence of female leaders and empowers women at all levels within the Company and the industry.

Employees

As of May 21, 2018, we had 1,686 full-time employees in our worldwide operations, including full-time and part-time employees of our wholly-owned subsidiaries and consolidated ventures. We also utilize many consultants in the ordinary course of our business and hire additional employees on a project-by-project basis in connection with the production of our motion pictures and television programming.

Corporate History

We are a corporation organized under the laws of the Province of British Columbia, resulting from the merger of Lions Gate Entertainment Corp. and Beringer Gold Corp. on November 13, 1997. Beringer Gold Corp. was incorporated under the Business Corporation Act (British Columbia) on May 26, 1986 as IMI Computer Corp. Lions Gate Entertainment Corp. was incorporated under the Canada Business Corporations Act using the name 3369382 Canada Limited on April 28, 1997, amended its articles on July 3, 1997 to change its name to Lions Gate Entertainment Corp., and on September 24, 1997, continued under the Business Corporation Act (British Columbia) ("BCBCA").

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and amendments to those reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Exchange Act, are available, free of charge, on our website at investors.lionsgate.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the "SEC"). The Company's *Disclosure Policy, Corporate Governance Guidelines, Standards for Director Independence, Code of Business Conduct and Ethics for Directors, Officers and Employees, Policy on Shareholder Communications, Related Person Transaction Policy, Charter of the Audit & Risk Committee, Charter of the Compensation Committee* and *Charter of the Nominating and Corporate Governance Committee* and any amendments thereto are also available on the Company's website, as well as in print to any shareholder who requests them. The information posted on our website is not incorporated into this Annual Report on Form 10-K. We will disclose on our website waivers of, or amendments to, our *Code of Business Conduct and Ethics* that applies to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, or persons performing similar functions.

The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

ITEM 1A. *RISK FACTORS.*

You should carefully consider the risks described below as well as other information included in, or incorporated by reference into this Form 10-K. The risks described below are not the only ones facing the Company. Additional risks that we are not presently aware of, or that we currently believe are immaterial, may also become important factors that affect us. All of these risks and uncertainties could adversely affect our business, financial condition, operating results, liquidity and prospects.

Risks Related to Our Business

We face substantial capital requirements and financial risks.

Our business requires a substantial investment of capital. The production, acquisition and distribution of motion picture and television content requires substantial capital. A significant amount of time may elapse between our expenditure of funds and the receipt of revenues after release or distribution of such content. This may require us to fund a significant portion of our capital requirements under the Senior Credit Facilities or other financing sources. Although we reduce the risks of our production exposure through tax credit programs, government and industry programs, other studios and co-financiers and other sources, we cannot assure you that we will continue to successfully implement these arrangements or that we will not be subject to substantial financial risks relating to the production, acquisition and distribution of future motion picture and television content. In addition, if we increase (through internal growth or acquisition) our production slate or our production budgets, we may be required to increase overhead and/or make larger up-front payments to talent and, consequently, bear greater financial risks. Any of the foregoing could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

The costs of producing and marketing feature films is high and may increase in the future. The costs of producing and marketing feature films generally increase each year, which may make it more difficult for our films to generate a profit. A continuation of this trend would leave us more dependent on other media, such as packaged media, digital media, television and international markets, which revenues may not be sufficient to offset an increase in the cost of motion picture production and marketing. If we cannot successfully exploit these other media, it could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Budget overruns may adversely affect our business. While our business model requires that we be efficient in the production of motion picture and television content, actual production costs may exceed their budgets. The production, completion and distribution of such content can be subject to a number of uncertainties, including delays and increased expenditures due to disruptions or events beyond our control. As a result, if production incurs substantial budget overruns, we may have to seek additional financing or fund the overrun ourselves. We cannot make assurances regarding the availability of such additional financing on terms acceptable to us, or that we will recoup these costs. For instance, increased costs incurred with respect to a particular film may result in a delayed release and the postponement to a potentially less favorable date, all of which could cause a decline in box office performance, and, thus, the overall financial success of such film. Budget overruns could also prevent a picture from being completed or released. Any of the foregoing could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

We may incur significant write-offs if our feature films and other projects do not perform well enough to recoup costs.

We are required to amortize capitalized production costs over the expected revenue streams as we recognize revenue from the associated films or other projects. The amount of production costs that will be amortized each quarter depends on, among other things, how much future revenue we expect to receive from each project. Unamortized production costs are evaluated for impairment each reporting period on a project-by-project basis. If estimated remaining revenue is not sufficient to recover the unamortized production costs, those costs will be written down to fair value. In any given quarter, if we lower our previous forecast with respect to total anticipated revenue from any film or other project, we may be required to accelerate amortization or record impairment charges with respect to the unamortized costs, even if we previously recorded impairment charges for such film or other project. Such impairment charges could adversely impact our business, operating results and financial condition.

Changes in our business strategy, plans for growth or restructuring of our businesses may increase our costs or otherwise affect the profitability of our businesses.

As changes in our business environment occur, we may adjust our business strategies to meet these changes, which may include growing a particular area of business or restructuring a particular business or asset. In addition, external events including changing technology, changing consumer patterns, acceptance of our theatrical and television offerings and changes in macroeconomic conditions may impair the value of our assets. When these changes or events occur, we may incur costs to change our business strategy and may need to write down the value of assets. We may also make investments in existing or new businesses, including investments in international expansion of our business and in new business lines. In recent years, such investments have been made in our interactive ventures and games business, in our global franchise management business (including location-based entertainment) and investments related to direct-to-consumer offerings. Some of these investments may have short-term returns that are negative or low and the ultimate prospects of the businesses may be uncertain. In any of these events, our costs may increase, we may have significant charges associated with the write-down of assets, or returns on new investments may be lower than prior to the change in strategy, plans for growth or restructuring.

We have entered into output licensing agreements that require Starz to make substantial payments.

Starz has an output licensing agreement with Sony to acquire theatrical releases that will expire on December 31, 2021. Starz is required to pay Sony for films released at rates calculated on a pricing grid that is based on each film's domestic box office performance (subject to maximum amounts payable per film and a cap on the number of films that can be put to Starz each year), and the amounts payable pursuant to such agreement will be substantial. We believe that the theatrical performance of the films Starz will receive under the agreements will perform at levels consistent with the performance of films Starz has received from Sony in the past. We also assume a certain number of annual releases of first run films by Sony's studios consistent with the number Starz received in prior years. Should the films perform at higher levels across the slate of films Starz receives or the quantity of films increase, then our payment obligations would increase and would have a materially adverse effect on our business, financial condition, operating results, liquidity and prospects.

Our revenues and results of operations may fluctuate significantly.

Our results of operations are difficult to predict and depend on a variety of factors. Our results of operations depend significantly upon the commercial success of the motion picture, television and other content that we sell, license or distribute, which cannot be predicted with certainty. In particular, the underperformance at the box office of one or more motion pictures in any period may cause our revenue and earnings results for that period (and potentially, subsequent periods) to be less than anticipated, in some instances, to a significant extent. Accordingly, our results of operations may fluctuate significantly from period to period, and the results of any one period may not be indicative of the results for any future periods.

Our results of operations also fluctuate due to the timing, mix, number and availability of our theatrical motion picture and home entertainment releases, as well as license periods for content. Our operating results may increase or decrease during a particular period or fiscal year due to differences in the number and/or mix of films released compared to the corresponding period in the prior fiscal year.

Low ratings for television programming produced by us may lead to the cancellation of a program and can negatively affect future license fees for the cancelled program. If we decide to no longer air programming due to low ratings or other factors, we could incur significant programming impairments, which could have a material adverse effect on our results of operations in a given period.

Moreover, our results of operations may be impacted by the success of all of our theatrical releases, including critically acclaimed and award winning films. We cannot assure you that we will manage the production, acquisition and distribution of all future motion pictures successfully including critically acclaimed, award winning and/or commercially popular films or that we will produce or acquire motion pictures that will receive critical acclaim or perform well commercially. Any inability to achieve such commercial success could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Our operating results also fluctuate due to our accounting practices (which are standard for the industry) which may cause us to recognize the production and marketing expenses in different periods than the recognition of related revenues, which may occur in later periods. For example, in accordance with generally accepted accounting principles and industry practice, we are required to expense film advertising costs as incurred, but are also required to recognize the revenue from any motion picture or television program over the entire revenue stream expected to be generated by the individual picture or television program. In addition, we amortize film and television programming costs using the "individual-film-forecast" method. Under this accounting method, we amortize film and television programming costs for each film or television program based on the following ratio:

$$\frac{\text{Revenue earned by title in the current year-to-date period}}{\text{Estimated total future revenues by title as of the beginning of the year}}$$

We regularly review, and revise when necessary, our total revenue estimates on a title-by-title basis. This review may result in a change in the rate of amortization and/or a write-down of the film or television asset to its estimated fair value. Results of operations in future years depend upon our amortization of our film and television costs. Periodic adjustments in amortization rates may significantly affect these results.

In addition, the comparability of our results may be affected by changes in accounting guidance or changes in our ownership of certain assets and businesses. Accordingly, our results of operations from year to year may not be directly comparable to prior reporting periods.

As a result of the foregoing and other factors, our results of operations may fluctuate significantly from period to period, and the results of any one period may not be indicative of the results for any future period.

We do not have long-term arrangements with many of our production or co-financing partners. We typically do not enter into long term production contracts with the creative producers of motion picture and television content that we produce, acquire or distribute. Moreover, we generally have certain derivative rights that provide us with distribution rights to, for example, prequels, sequels and remakes of certain content we produce, acquire or distribute. However, there is no guarantee that we will produce, acquire or distribute future content by any creative producer or co-financing partner, and a failure to do so could adversely affect our business, financial condition, operating results, liquidity and prospects.

We rely on a few major retailers and distributors and the loss of any of those retailers or distributors could reduce our revenues and operating results. A small number of other retailers and distributors account for a material percentage of our revenues. We do not have long-term agreements with retailers. We cannot assure you that we will continue to maintain favorable relationships with our retailers and distributors or that they will not be adversely affected by economic conditions. If any of these retailers or distributors reduces or cancels a significant order or becomes bankrupt, it could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

We depend on distributors that carry our Starz Networks' programming, and no assurance can be given that we will be able to maintain and renew these affiliation agreements on favorable terms or at all. Starz currently distributes programming through affiliation agreements with many distributors, including AT&T, Cablevision, Charter, Comcast, Cox, DISH Network and Verizon. These agreements are scheduled to expire at various dates through 2022. The largest distributors have significant leverage in their relationship with certain programmers, including Starz. For the fiscal year ended March 31, 2018, revenue earned under Starz Networks' affiliation agreements combined with revenue earned under other Lionsgate agreements with AT&T (including DIRECTV) accounted for at least 10% of Lionsgate's revenue.

The renewal negotiation process for affiliation agreements is typically lengthy. In certain cases, renewals are not agreed upon prior to the expiration of a given agreement, while the programming typically continues to be carried by the relevant distributor pursuant to the other terms and conditions in the affiliation agreement. We may be unable to obtain renewals with our current Starz Networks' distributors on acceptable terms, if at all. We may also be unable to successfully negotiate affiliation agreements with new distributors to carry our programming. The failure to renew affiliation agreements on acceptable terms, or the failure to negotiate new affiliation agreements at all, in each case covering a material portion of multichannel television households, could result in a discontinuation of carriage, or could otherwise materially adversely affect our subscriber growth, revenue and earnings which could materially adversely affect our business, financial condition, operating results, liquidity and prospects.

In some cases, if a distributor is acquired, the affiliation agreement of the acquiring distributor will govern following the acquisition. In those circumstances, the acquisition of a distributor that is party to affiliation agreements with us that are more favorable to us would adversely impact our business, financial condition, operating results, liquidity and prospects.

Increasing rates paid by distributors to other programmers may result in increased rates charged to their subscribers for their services, making it more costly for subscribers to purchase our STARZ and STARZ ENCORE services. The amounts paid by distributors to certain programming networks for the rights to carry broadcast networks and sports networks have increased substantially in recent years. As a result, distributors have passed on some of these increases to their subscribers. The rates that subscribers pay for programming from distributors continue to increase each year and these increases may impact our ability, as a premium subscription video provider, to increase or even maintain our subscriber levels and may adversely impact our revenue and earnings which could have a materially adverse effect on our business, financial condition, operating results, liquidity and prospects.

We depend on distributors to market Starz's networks and other services, the lack of which may result in reduced customer demand. At times, certain of our distributors do not allow us to participate in cooperative marketing campaigns to market Starz's networks and services. Our inability to participate in the marketing of our networks and other services may put us at a competitive disadvantage. Also, our distributors are often focused more on marketing their bundled service offerings (video, Internet and telephone) than premium video services. If our distributors do not sign up new subscribers to our networks, we may lose subscribers which would have a materially adverse effect on our business, financial condition, operating results, liquidity and prospects.

Our revenues and results of operations are vulnerable to currency fluctuations. We report our revenues and results of operations in U.S. dollars, but a significant portion of our revenue is earned outside of the U.S. Our currency exposure is primarily between Canadian dollars, British pound sterling, Euros and U.S. dollars. We cannot accurately predict the impact of future exchange rate fluctuations on revenues and operating margins. Moreover, we may experience currency exposure on distribution and production revenues and expenses from foreign countries. This could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

We must respond successfully to ongoing changes in the U.S. television industry and consumer viewing patterns to remain competitive. We derive revenues and profits from our STARZ and STARZ ENCORE networks and the production and licensing of television programming to broadcast and cable networks and other premium pay television services. The U.S. television industry is continuing to evolve rapidly, with developments in technology leading to new methods for the distribution of video content and changes in when, where and how audiences consume video content. These changes pose risks to the traditional U.S. television industry including the disruption of the traditional television content distribution model by OTT services, which are increasing in number and some of which have significant and growing subscriber/user bases. Over the past few years, the number of subscribers to traditional services in the U.S. has declined each year. Developments in technology and new content delivery products and services have also led to an increasing amount of video content that is available through OTT services and consumers spending an increased amount of time viewing such content, as well as changes in consumers' expectations regarding the availability and packaging of video content, their willingness to pay for access to such content, their perception of what quality entertainment is and how much it should cost, and the ease for a consumer to unsubscribe or switch. We are engaged in efforts to respond to and mitigate the risks from these changes, including launching the STARZ service on these OTT services and on a direct-to-consumer basis and making our STARZ OTT service available on an authenticated basis as an additional benefit to paying subscribers of our linear premium services. Growth in OTT service subscribers may be slower than the decline of service subscribers on traditions services in the U.S., and we may incur significant costs to implement our strategy and initiatives, and if we are not successful, our competitive position, businesses and results of operations could be adversely affected.

The directional guidance we provide from time to time is subject to several factors that we may not be successful in achieving. From time to time, we provide directional guidance for certain financial periods which depends on a number of factors that we may not be successful in achieving, including, but not limited to, the timing and commercial success of content that we distribute, which cannot be accurately predicted. In particular, underperformance at the box office of one or more motion pictures in any period may cause our revenue and earnings results for that period (and potentially, subsequent periods) to be less than anticipated, in some instances significantly. Accordingly, our results of operations may fluctuate significantly from period to period, and the results of any one period may not be indicative of the results for future periods. Management prepares directional guidance on the basis of available information at such time, and believes such estimates are prepared on a reasonable basis. However, such estimates should not be relied on as necessarily indicative of our actual financial results. Our inability to achieve directional guidance could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

A significant portion of our library revenues comes from a small number of titles, a portion of which we may be limited in our ability to exploit.

We depend on a limited number of titles in any given fiscal quarter for the majority of the revenues generated by our library. In addition, many of the titles in our library are not presently distributed and generate substantially no revenue. Additionally, our rights to the titles in our library vary; in some cases, we have only the right to distribute titles in certain media and territories for a limited term. If we cannot acquire new product and the rights to popular titles through production, distribution agreements, acquisitions, mergers, joint ventures or other strategic alliances, or renew expiring rights to titles generating a significant portion of our revenue on acceptable terms, any such failure could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Failure to manage future growth may adversely affect our business.

We are subject to risks associated with possible acquisitions, business combinations, or joint ventures. From time to time, we engage in discussions and activities with respect to possible acquisitions, sale of assets, business combinations, or joint ventures intended to complement or expand our business. We may not realize the anticipated benefit from any of the transactions we pursue. Regardless of whether we consummate any such transaction, the negotiation of a potential transaction and the integration of the acquired business could require us to incur significant costs and cause diversion of management's time and resources. Any such transaction could also result in impairment of goodwill and other intangibles, development write-offs and other related expenses. Such transaction may pose challenges in the consolidation and integration of information technology, accounting systems, personnel and operations. We may also have difficulty managing the combined entity in the short term if we experience a significant loss of management personnel during the transition period after a significant acquisition. No assurance can be given that expansion or acquisition opportunities will be successful, completed on time, or that we will realize expected operating efficiencies, cost savings, revenue enhancements, synergies or other benefits. Any of the foregoing could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

We may seek claims against a seller for claims against us relating to any acquisition or business combination that the seller may not indemnify us for or that may exceed the seller's indemnification obligations. There may be liabilities assumed in any acquisition or business combination that we did not discover or that we underestimated in the course of performing our due diligence. Although a seller generally will have indemnification obligations to us under an acquisition or merger agreement, these obligations usually will be subject to financial limitations, such as deductibles and maximum recovery amounts, as well as time limitations. We cannot assure you that our right to indemnification from any seller will be enforceable, collectible or sufficient in amount, scope or duration to fully offset the amount of any undiscovered or underestimated liabilities that we may incur. Any such liabilities could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

We may not be able to obtain additional funding to meet our requirements. Our ability to grow through acquisitions, business combinations and joint ventures, to maintain and expand our development, production and distribution of motion pictures and television content, and to fund our operating expenses depends upon our ability to obtain funds through equity financing, debt financing (including credit facilities) or the sale or syndication of some or all of our interests in certain projects or other assets or businesses. If we do not have access to such financing arrangements, and if other funds do not become available on terms acceptable to us, there could be a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Our dispositions may not aid our future growth. If we determine to sell individual properties, libraries or other assets or businesses, we will benefit from the net proceeds realized from such sales. However, our revenues may suffer in the long term due to the disposition of a revenue generating asset, or the timing of such dispositions may be poor, causing us to fail to realize the full value of the disposed asset, all of which may diminish our ability to service our indebtedness and repay our notes and our other indebtedness at maturity. Furthermore, our future growth may be inhibited if the disposed asset contributed in a significant way to the diversification of our business platform.

Limitations on control of joint ventures may adversely impact our operations.

We hold our interests in certain businesses as a joint venture or in partnership with non-affiliated third parties. As a result of such arrangements, we may be unable to control the operations, strategies and financial decisions of such joint venture or partnership entities which could, in turn, result in limitations on our ability to implement strategies that we may favor and may limit our ability to transfer our interests. Consequently, any losses experienced by these entities could adversely impact our results of operations and the value of our investment.

Our success depends on attracting and retaining key personnel.

Our success depends upon the continued efforts, abilities and expertise of our executive teams and other key employees, including production, creative and technical personnel. Our success also depends on our ability to identify, attract, hire, train and retain such personnel. We have entered into employment agreements with top executive officers and production executives but do not currently have significant "key person" life insurance policies for any employee. Although it is standard in the industry to rely on employment agreements as a method of retaining the services of key employees, these agreements cannot assure us of the continued services of such employees. In addition, competition for the limited number of business, production and creative personnel necessary to create and distribute our entertainment content is intense and may grow in the future. We cannot assure you that we will be successful in identifying, attracting, hiring, training and retaining such personnel in the future, and our inability to do so could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Our success depends on external factors in the motion picture and television industry.

Our success depends on the commercial success of motion pictures and television programming, which is unpredictable. Generally, the popularity of our programs depends on many factors, including the critical acclaim they receive, the format of their initial release, their talent, their genre and their specific subject matter, audience reaction, the quality and acceptance of motion pictures or television content that our competitors release into the marketplace at or near the same time, critical reviews, the availability of alternative forms of entertainment and leisure activities, general economic conditions and other tangible and intangible factors, many of which we do not control and all of which may change. We cannot predict the future effects of these factors with certainty. In addition, because a performance in ancillary markets, such as home video and pay and free television, is often directly related to its box office performance or television ratings, poor box office results or poor television ratings may negatively affect future revenue streams. Our success will depend on the experience and judgment of our management to select and develop new investment and production opportunities. We cannot assure that our motion pictures and television programing will obtain favorable reviews or ratings, that our motion pictures will perform well at the box office or in ancillary markets, or that broadcasters will license the rights to broadcast any of our television programs in development or renew licenses to broadcast programs in our library. Additionally, we cannot assure that any original programming content will appeal to our distributors and subscribers. The failure to achieve any of the foregoing could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Our business depends on the appeal of our content to distributors and subscribers, which is difficult to predict. Our business depends in part upon viewer preferences and audience acceptance of Starz’s network programming. These factors are difficult to predict and are subject to influences beyond our control, such as the quality and appeal of competing programming, general economic conditions and the availability of other entertainment activities. We may not be able to anticipate and react effectively to shifts in tastes and interests in markets. A change in viewer preferences could cause Starz’s programming to decline in popularity, which could jeopardize renewal of affiliation agreements with distributors. In addition, our competitors may have more flexible programming arrangements, as well as greater amounts of available content, distribution and capital resources and may be able to react more quickly than we can to shifts in tastes and interests.

To an increasing extent, the success of our business depends on exclusive original programming and our ability to accurately predict how audiences will respond to our original programming. Because original programming often involves a greater degree of financial commitment, as compared to acquired programming that we license from third parties, and because our branding strategies depend significantly on a relatively small number of original series, a failure to anticipate viewer preferences for such series could be especially detrimental to our business.

In addition, theatrical feature films constitute a significant portion of the programming on our STARZ and STARZ ENCORE programming networks. In general, the popularity of feature-film content on linear television is declining, due in part to the broad availability of such content through an increasing number of distribution platforms prior to our linear window. Should the popularity of feature-film programming suffer significant further declines, Starz may lose subscribership or be forced to rely more heavily on original programming, which could increase our costs.

If Starz's programming does not gain the level of audience acceptance we expect, or if we are unable to maintain the popularity of Starz's programming, we may have a diminished negotiating position when dealing with distributors, which could reduce our revenue and earnings. We cannot ensure that we will be able to maintain the success of any of Starz's current programming, or generate sufficient demand and market acceptance for Starz's new original programming. This could materially adversely impact our business, financial condition, operating results, liquidity and prospects.

Starz's networks' success depends upon the availability of programming that is adequate in quantity and quality, and we may be unable to secure or maintain such programming. Starz's networks' success depends upon the availability of quality programming, particularly original programming and films that is suitable for its target markets. While we produce some of Starz's original programming, we obtain most of Starz's programming (including some of Starz's original series, films and other acquired programming) through agreements with third parties that have produced or control the rights to such programming. These agreements expire at varying times and may be terminated by the other party if we are not in compliance with their terms.

We compete with other programming networks to secure desired programming, the competition for which has increased as the number of programming networks has increased. Other programming networks that are affiliated with programming sources such as movie or television studios or film libraries may have a competitive advantage over us in this area. In addition to other cable programming networks, we also compete for programming with national broadcast television networks, local broadcast television stations, VOD services and online based content delivery services such as Amazon, Hulu, iTunes and Netflix. Some of these competitors have exclusive contracts with motion picture studios or independent motion picture distributors or own film libraries.

We cannot assure you that we will ultimately be successful in negotiating renewals of Starz's programming rights agreements or in negotiating adequate substitute agreements. In the event that these agreements expire or are terminated and are not replaced by programming content, including additional original programming, acceptable to Starz's distributors and subscribers, it would have a materially adverse impact on our business, financial condition, operating results, liquidity and prospects.

Global economic turmoil and regional economic conditions in the U.S. could adversely affect our business. Global economic turmoil may cause a general tightening in the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy, levels of intervention from the U.S. federal government and other foreign governments, decreased consumer confidence, overall slower economic activity and extreme volatility in credit, equity and fixed income markets. A decrease in economic activity in the U.S. or in other regions of the world in which we do business could adversely affect demand for our content, thus reducing our revenues and earnings. A decline in economic conditions could reduce performance of our theatrical, television and home entertainment releases. In addition, an increase in price levels generally could result in a shift in consumer demand away from the entertainment we offer, which could also adversely affect our revenues and, at the same time, increase our costs. For instance, lower household income and decreases in U.S. consumer discretionary spending, which is sensitive to general economic conditions, may affect cable television and other video service subscriptions, in particular with respect to digital programming packages on which our STARZ and STARZ ENCORE networks are typically carried and premium video programming packages and premium a la carte services on which our networks are typically carried. A reduction in spending may cause a decrease in subscribers to our networks, which could have a materially adverse impact on our business, financial condition, operating results, liquidity and prospects. Moreover, financial institution failures may cause us to incur increased expenses or make it more difficult to finance any future acquisitions, or engage in other financing activities. We cannot predict the timing or the duration of any downturn in the economy and we are not immune to the effects of general worldwide economic conditions.

We could be adversely affected by strikes or other union job actions. We are directly or indirectly dependent upon highly specialized union members who are essential to the production of motion pictures and television content. A strike by, or a lockout of, one or more of the unions that provide personnel essential to the production of motion pictures or television content could delay or halt our ongoing production activities, or could cause a delay or interruption in our release of new motion pictures and television content. A strike may result in increased costs and decreased revenue, which could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Business interruptions could adversely affect our operations. Our operations are vulnerable to outages and interruptions due to fire, floods, power loss, telecommunications failures and similar events beyond our control. Our headquarters are located in Southern California, which is subject to earthquakes. Although we have developed certain plans to respond in the event of a disaster, there can be no assurance that they will be effective in the event of a specific disaster. In the event of a short-term power outage, we have installed uninterrupted power source equipment designed to protect our equipment. A long-term power outage, however, could disrupt our operations. Although we currently carry business interruption insurance for potential losses (including earthquake-related losses), there can be no assurance that such insurance will be sufficient to compensate us for losses that may occur or that such insurance may continue to be available on affordable terms. Any losses or damages incurred by us could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

We face substantial competition in all aspects of our business.

We are smaller and less diversified than many of our competitors. Unlike us, an independent distributor and producer, most of the major U.S. studios are part of large diversified corporate groups with a variety of other operations that can provide both the means of distributing their products and stable sources of earnings that may allow them to better offset fluctuations in the financial performance of their motion picture and television operations. The major studios also have more resources with which to compete for ideas, storylines and scripts created by third parties as well as for actors, directors and other personnel required for production. These resources may also give them an advantage in acquiring other businesses or assets, including film libraries, that we might also be interested in acquiring.

The motion picture industry is highly competitive. The number of motion pictures released by our competitors may create an oversupply of product in the market, reduce our share of box office receipts and make it more difficult for our films to succeed commercially. The limited supply of motion picture screens compounds this product oversupply problem, which may be most pronounced during peak release times such as holidays, when theater attendance is expected to be highest. As a result of changes in the theatrical exhibition industry, including reorganizations and consolidations, and major studio releases occupying more screens, the number of screens available to us when we want to release a picture may decrease. If the number of motion picture screens decreases, box office receipts, and the correlating future revenue streams, such as from home entertainment and pay and free television, of our motion pictures may also decrease. Moreover, we cannot guarantee that we can release all of our films when they are otherwise scheduled due to production or other delays, or a change in the schedule of a major studio. Any such change could adversely impact a film's financial performance. In addition, if we cannot change our schedule after such a change by a major studio because we are too close to the release date, the major studio's release and its typically larger promotion budget may adversely impact the financial performance of our film.

The home entertainment industry is highly competitive. We compete with all of the major U.S. studios which distribute their theatrical, television and titles acquired from third parties on DVDs/Blu-ray discs and other media and have marketing budgets greater than ours. We not only compete for ultimate consumer sales, but also with these parties and independent home entertainment distributors for location and shelf space placement at retailers and other distributors. The quality and quantity of titles as well as the quality of our marketing programs determines how much shelf space we are able to garner at any given time as retailers and other distributors look to maximize sales.

We also compete with U.S. studios and other distributors that may have certain competitive advantages over us to acquire the rights to sell or rent DVDs/Blu-ray discs and other media. Our ability to license and produce quality content in sufficient quantities has a direct impact on our ability to acquire shelf space at retail locations and on websites. In addition, certain of our content is obtained through agreements with other parties that have produced or own the rights to such content, while other U.S. studios may produce most of the content they distribute.

Our DVDs/Blu-ray discs sales and other media sales are also impacted by myriad choices consumers have to view entertainment content, including over-the-air broadcast television, cable television networks, online services, mobile services, radio, print media, motion picture theaters and other sources of information and entertainment. The increasing availability of content from these varying media outlets may reduce our ability to sell DVDs/ Blu-ray discs and other media in the future, particularly during difficult economic conditions.

We are subject to intense competition for marketing and carriage of our Starz networks. The subscription video programming industry is highly competitive. Our STARZ and STARZ ENCORE networks compete with other programming networks and other video programming services for marketing and distribution by distributors. We face intense competition from other providers of programming networks for the right to be carried by a particular distributor and for the right to be carried by such distributor on a particular "tier" or in a particular "package" of service. Certain programming networks affiliated with broadcast networks like ABC, CBS, Fox or NBC or other programming networks affiliated with sports and certain general entertainment networks with strong viewer ratings have a competitive advantage over our networks in obtaining distribution through the "bundling" of carriage agreements for such programming networks with a distributor's right to carry the affiliated broadcasting network. The inability of our programming networks to be carried by one or more distributors, or the inability of our programming networks to be placed on a particular tier or programming package could have a materially adverse effect on our business, financial condition, operating results, liquidity and prospects.

We must successfully respond to rapid technological changes and alternative forms of delivery or storage to remain competitive.

The entertainment industry continues to undergo significant developments as advances in technologies and new methods of product delivery and storage (including the emergence of alternative distribution platforms), and certain changes in consumer behavior driven by these developments emerge. New technologies affect the demand for our content, the manner in which our content is distributed to consumers, the sources and nature of competing content offerings and the time and manner in which consumers acquire and view our content. New technologies also may affect our ability to maintain or grow our business and may increase our capital expenditures. We and our distributors must adapt our businesses to shifting patterns of content consumption and changing consumer behavior and preferences through the adoption and exploitation of new technologies.

For instance, such changes may impact the revenue we are able to generate from traditional distribution methods by decreasing the viewership of our networks on systems of cable operators, satellite television providers and telecommunication companies, or by decreasing the number of households subscribing to services offered by those distributors. If we cannot successfully exploit these and other emerging technologies, our appeal to targeted audiences might decline which could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Any continued or permanent inability to transmit Starz's programming via satellite would result in lost revenue and could result in lost subscribers.

Our success is dependent upon our continued ability to transmit Starz's programming to distributors from Starz's satellite uplink facility, which transmissions are subject to FCC compliance in the U.S. Starz has entered into long-term satellite transponder leases that expire in 2023 in the U.S. for carriage of our Starz's networks' programming. These leases provide for the continued carriage of Starz's programming on available replacement transponders and/or replacement satellites, as applicable, throughout the term of the leases, in the event of a failure of either the transponders and/or satellites currently carrying Starz's programming. Although we believe that we take reasonable and customary measures to ensure continued satellite transmission capability, termination or interruption of satellite transmissions may occur and could have a materially adverse effect on our business, financial condition, operating results, liquidity and prospects.

Despite Starz's efforts to secure transponder capacity with long-term satellite transponder leases, there is a risk that when these leases expire, we may not be able to secure capacity on a transponder on the same or similar terms, if at all. This may result in an inability to transmit content and could result in significant lost revenue and lost subscribers and would have a materially adverse effect on our business, financial condition, operating results, liquidity and prospects.

If Starz's technology facilities fail or their operations are disrupted, our business could be damaged.

Starz's programming is transmitted from Starz's uplink center in Englewood, Colorado. Starz uses this center for a variety of purposes, including signal processing, satellite uplinking, program editing, on-air promotions, creation of programming segments (i.e., interstitials) to fill short gaps between featured programs, quality control and live and recorded playback. Starz's uplink center is equipped with backup generator power and other redundancies. However, like other facilities, this facility is subject to interruption from fire, lightning, adverse weather conditions and other natural causes. Equipment failure, employee misconduct or outside interference could also disrupt the facility's services. Starz has made arrangements at a third-party facility to uplink Starz's linear channels and services to Starz's satellites in the event Starz is unable to do so from this facility. Additionally, Starz has direct fiber connectivity to certain of Starz's distributors, which would allow continuous operation with respect to a significant segment of Starz's subscriber base in the event of a satellite transmission interruption. Notwithstanding these precautions, any significant or prolonged interruption at Starz's facility, and any failure by Starz's third-party facility to perform as intended, would have a materially adverse effect on our business, financial condition, operating results, liquidity and prospects.

We face risks from doing business internationally.

We distribute content outside the U.S. and derive revenues from international sources. As a result, our business is subject to certain risks inherent in international business, many of which are beyond our control. These risks may include:

- laws and policies affecting trade, investment and taxes, including laws and policies relating to the repatriation of funds and withholding taxes, and changes in these laws;
- anti-corruption laws and regulations such as the Foreign Corrupt Practices Act and the U.K. Bribery Act that impose strict requirements on how we conduct our foreign operations and changes in these laws and regulations;
- changes in local regulatory requirements including restrictions on content, differing cultural tastes and attitudes;
- international jurisdictions where laws are less protective of intellectual property and varying attitudes towards the piracy of intellectual property;
- financial instability and increased market concentration of buyers in foreign television markets, including in European pay television markets;
- the instability of foreign economies and governments;
- fluctuating foreign exchange rates;

- the spread of communicable diseases in such jurisdictions, which may impact business in such jurisdictions; and
- war and acts of terrorism.

Events or developments related to these and other risks associated with international trade could adversely affect our revenues from non-U.S. sources, which could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Protection of electronically stored data is costly and if our data is compromised in spite of this protection, we may incur additional costs, lost opportunities and damage to our reputation.

We maintain information in digital form as necessary to conduct our business, including confidential and proprietary information, copies of films, television programs and other content and personal information regarding our employees. Data maintained in digital form is subject to the risk of intrusion, tampering and theft. We develop and maintain systems to prevent this from occurring, but it is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. Moreover, despite our efforts, the possibility of intrusion, tampering and theft cannot be eliminated entirely, and risks associated with each of these remain. In addition, we provide confidential information, digital content and personal information to third parties when it is necessary to pursue business objectives. While we obtain assurances that these third parties will protect this information and, where appropriate, monitor the protections employed by these third parties, there is a risk that data systems of these third parties may be compromised. If our data systems or data systems of these third parties are compromised, our ability to conduct our business may be impaired, we may lose profitable opportunities or the value of those opportunities may be diminished and we may lose revenue as a result of unlicensed use of our intellectual property. A breach of our network security or other theft or misuse of confidential and proprietary information, digital content or personal employee information could subject us to business, regulatory, litigation and reputation risk, which could have a materially adverse effect on our business, financial condition and results of operations.

Protecting and defending against intellectual property claims may have a material adverse effect on our business.

Our ability to compete depends, in part, upon successful protection of our intellectual property. We attempt to protect proprietary and intellectual property rights to our productions through available copyright and trademark laws and licensing and distribution arrangements with reputable international companies in specific territories and media for limited durations. Despite these precautions, existing copyright and trademark laws afford only limited practical protection in certain countries where we distribute our products. As a result, it may be possible for unauthorized third parties to copy and distribute our productions or certain portions or applications of our intended productions, which could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Litigation may also be necessary to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Any such litigation, infringement or invalidity claims could result in substantial costs and the diversion of resources and could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Our more successful and popular film or television products or franchises may experience higher levels of infringing activity, particularly around key release dates. Alleged infringers have claimed and may claim that their products are permitted under fair use or similar doctrines, that they are entitled to compensatory or punitive damages because our efforts to protect our intellectual property rights are illegal or improper, and that our key trademarks or other significant intellectual property are invalid. Such claims, even if meritless, may result in adverse publicity or costly litigation. We vigorously defend our copyrights and trademarks from infringing products and activity, which can result in litigation. We may receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurance that a favorable final outcome will be obtained in all cases. Additionally, one of the risks of the film and television production business is the possibility that others may claim that our productions and production techniques misappropriate or infringe the intellectual property rights of third parties with respect to their previously developed films and televisions series, stories, characters, other entertainment or intellectual property. Regardless of the validity or the success of the assertion of any such claims, we could incur significant costs and diversion of resources in enforcing our intellectual property rights or in defending against such claims, which could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Our business involves risks of liability claims for content of material, which could adversely affect our business, results of operations and financial condition.

As a distributor of media content, we may face potential liability for defamation, invasion of privacy, negligence, copyright or trademark infringement (as discussed above), and other claims based on the nature and content of the materials distributed. These types of claims have been brought, sometimes successfully, against producers and distributors of media content. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Piracy of films and television programs could adversely affect our business over time.

Piracy is extensive in many parts of the world and is made easier by the availability of digital copies of content and technological advances allowing conversion of films and television content into digital formats. This trend facilitates the creation, transmission and sharing of high quality unauthorized copies of motion pictures and television content. The proliferation of unauthorized copies of these products has had and will likely continue to have an adverse effect on our business, because these products reduce the revenue we receive from our products. In order to contain this problem, we may have to implement elaborate and costly security and anti-piracy measures, which could result in significant expenses and losses of revenue. We cannot assure you that even the highest levels of security and anti-piracy measures will prevent piracy.

In particular, unauthorized copying and piracy are prevalent in countries outside of the U.S., Canada and Western Europe, whose legal systems may make it difficult for us to enforce our intellectual property rights. While the U.S. government has publicly considered implementing trade sanctions against specific countries that, in its opinion, do not make appropriate efforts to prevent copyright infringements of U.S. produced motion pictures and television content, there can be no assurance that any such sanctions will be enacted or, if enacted, will be effective. In addition, if enacted, such sanctions could impact the amount of revenue that we realize from the international exploitation of our content.

Service disruptions or failures of the Company's or our vendors' information systems and networks as a result of computer viruses, misappropriation of data or other bad acts, natural disasters, extreme weather, accidental releases of information or other similar events, may disrupt our businesses, damage our reputation or have a negative impact on our results of operations.

Shutdowns or service disruptions of our information systems or networks or to vendors that provide information systems, networks or other services to us pose increasing risks. Such disruptions may be caused by third-party hacking of computers and systems; dissemination of computer viruses, worms and other destructive or disruptive software; denial of service attacks and other bad acts, as well as power outages, natural disasters, extreme weather, terrorist attacks, or other similar events. Shutdowns or disruption from such events could have an adverse impact on us and our customers, including degradation or disruption of service, loss of data, release or threatened release of data publicly, misuse or threatened misuse of data, and damage to equipment and data.

System redundancy may be ineffective or inadequate, and our disaster recovery planning may not be sufficient to cover everything that could happen. Significant events could result in a disruption of our operations, reduced revenues, the loss of or damage to the integrity of data used by management to make decisions and operate our business, damage to our reputation or brands or a loss of customers. We may not have adequate insurance coverage to compensate it for any losses associated with such events.

We are also subject to risks caused by the misappropriation, misuse, falsification or intentional or accidental release or loss of data maintained in our information systems and networks or of our vendors, including sensitive or confidential personnel, customer or vendor data, business information or other sensitive or confidential information (including our content). The number and sophistication of attempted and successful information security breaches have increased in recent years and, as a result, the risks associated with such an event continue to increase. We expect that outside parties will attempt to penetrate our systems and those of our vendors or fraudulently induce our employees or customers or employees of our vendors to disclose sensitive or confidential information to obtain or gain access to our data, business information or other sensitive or confidential information. If a material breach of our information systems or those of our vendors occurs, the market perception of the effectiveness of our information security measures could be harmed, we could lose customers, our revenues could be adversely affected and our reputation, brands and credibility could be damaged. In addition, if a material breach of our information systems occurs, we could be required to expend significant amounts of money and other resources to review data and systems to determine the extent of any breach, repair or replace information systems or networks or to comply with notification requirements. We also could be subject to actions by regulatory authorities and claims asserted in private litigation in the event of a breach of our information systems or our vendors.

Although we develop and maintain information security practices and systems designed to prevent these events from occurring, the development and maintenance of these systems are costly and require ongoing monitoring and updating as technologies change and tactics to overcome information security measures become more sophisticated. Despite our efforts, the possibility of these events occurring cannot be eliminated entirely. Moreover, the techniques used by parties seeking to evade the information security practices and systems to infiltrate, disrupt, or for some other hostile purpose change rapidly and often are not recognized until launched against some targets. Information security risks will continue to increase, and we will need to expend additional resources to protect our information systems, networks, data, business information and other sensitive or confidential information as we distribute more of our content digitally, engage in more electronic transactions directly with consumers, acquire more consumer data, including information about consumers' viewing behavior, their credit card information and other personal data, increase the number of information technology systems used in our business operations, rely on cloud-based services and information systems and increases our use of third-party service providers to perform information technology services.

Our activities are subject to a variety of laws and regulations relating to privacy and child protection, which, if violated, could subject us to an increased risk of litigation and regulatory actions.

In addition to our company websites and applications, we use third-party applications, websites, and social media platforms to promote our projects and engage consumers, as well as monitor and collect certain information about users of our online forums. A variety of laws, rules and regulations have been adopted in recent years aimed at protecting all individuals, including children who use the internet such as the Children's Online Privacy and Protection Act of 1998 ("COPPA"). COPPA sets forth, among other things, a number of restrictions on what website operators can present to children under the age of 13 and what information can be collected from them. There are also a variety of laws and regulations governing individual privacy and the protection and use of information collected from such individuals, particularly in relation to an individual's personally identifiable information (e.g., credit card numbers). Many foreign countries have adopted similar laws governing individual privacy, including safeguards which relate to the interaction with children. If our online activities were to violate any applicable current or future laws and regulations, we could be subject to litigation and regulatory actions, including fines and other penalties.

Our Starz networks business is limited by regulatory constraints which may adversely impact our operations.

Although our Starz network business generally is not directly regulated by the FCC, under the Communications Act of 1934 and the 1992 Cable Act, there are certain FCC regulations that govern our network business. Furthermore, to the extent that regulations and laws, either presently in force or proposed, hinder or stimulate the growth of the cable television and satellite industries, our network business will be affected.

Regulations governing our network businesses are subject to the political process and have been in constant flux historically. Further material changes in the law and regulatory requirements must be anticipated. We cannot assure you that we will be able to anticipate material changes in laws or regulatory requirements or that future legislation, new regulation or deregulation will not have a materially adverse effect on our business, financial condition, operating results, liquidity and prospects.

While we believe we currently have adequate internal control over financial reporting, we are required to assess our internal control over financial reporting on an annual basis and any future adverse results from such assessment could result in a loss of investor confidence in our financial reports and have an adverse effect on our securities.

Section 404 of the Sarbanes-Oxley Act of 2002 and the accompanying rules and regulations promulgated by the SEC to implement it require us to include in our Annual Report on Form 10-K an annual report by our management regarding the effectiveness of our internal control over financial reporting. The report includes, among other things, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year. This assessment must include disclosure of material weaknesses in our internal control over financial reporting identified by management. If our management identifies any such material weakness that cannot be remediated in a timely manner, we will be unable to assert such internal control is effective. While we believe our internal control over financial reporting is effective, the effectiveness of our internal controls in future periods is subject to the risk that our controls may become inadequate because of changes in conditions, and, as a result, the degree of compliance of our internal control over financial reporting with the applicable policies or procedures may deteriorate. If we are unable to conclude that our internal control over financial reporting is effective (or if our independent auditors disagree with our conclusion), we may lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our securities.

We could be required to make a cash payment to Starz stockholders who demanded appraisal, and such payment could exceed the merger consideration that we would have paid to such stockholders.

In connection with the merger between us and Starz, Starz received demands for appraisal from purported holders of approximately 25.0 million shares of Starz Series A common stock. We have not determined at this time whether any of such demands satisfy the requirements of Delaware law for perfecting appraisal rights. As of March 31, 2018, we have not paid the merger consideration for the shares that have demanded appraisal but have recorded a liability of $869.3 million for the estimated value of the merger consideration that would have been payable to such shares, plus interest accrued at the Federal Reserve discount rate plus 5%, compounded quarterly. Subsequently, prior to February 6, 2017, we were notified that holders of approximately 2.5 million of such shares withdrew their demand for appraisal and have accepted the merger consideration. Since the merger closed on December 8, 2016, five petitions for appraisal have been filed in the Court of Chancery of the State of Delaware. See Note 16 to our consolidated financial statements for a discussion of these proceedings. Should the pending appraisal proceedings reach a verdict, stockholders that are determined to have validly perfected their appraisal rights will be entitled to a cash payment equal to the fair value of their shares, plus interest, as determined by the court. The amounts that we may be required to pay to stockholders in connection with the pending appraisal proceedings is uncertain at this time, but could be greater than the merger consideration to which such stockholders would have been entitled had they not demanded appraisal.

Any decisions to reduce or discontinue paying cash dividends to our shareholders or repurchase our common shares pursuant to our previously announced share repurchase program could cause the market price for our common shares to decline.

Our Board of Directors assesses relevant factors when considering the declaration of a dividend on or repurchases of our common stock. Our payment of quarterly cash dividends and repurchases of our common shares pursuant to our share purchase program will be subject to, among other things, our financial position and results of operations, available cash and cash flow, capital requirements, and other factors. Any reduction or discontinuance by us of the payment of quarterly cash dividends or repurchases of our common shares pursuant to our share repurchase program could cause the market price of our common shares to decline. Moreover, in the event our payment of quarterly cash dividends or repurchases of our common shares are reduced or discontinued, our failure or inability to resume paying cash dividends or repurchasing our common shares at historical levels could result in a lower market valuation of our common shares.

Risks Related Our Indebtedness

We have incurred significant indebtedness that could adversely affect our operations and financial condition.

We currently have a substantial amount of indebtedness. As of March 31, 2018, we and our subsidiaries have corporate debt of approximately $2,520.0 million, capitalized lease obligations of approximately $50.5 million and production loan obligations of approximately $352.9 million, and the Senior Credit Facilities provide for unused commitments of $1.5 billion. On the same basis, approximately $2,050.5 million of such indebtedness is secured (including all of our capital lease obligations but excluding all of our production loan obligations).

Our high level of debt could have adverse consequences on our business, such as:

- making it more difficult for us to satisfy our obligations with respect to our notes and our other debt;
- limiting our ability to refinance such indebtedness or to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing our vulnerability to economic downturns and adverse developments in our business;
- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under the Senior Credit Facilities, are at variable rates of interest;
- limiting our flexibility in planning for, and reducing our flexibility in reacting to, changes in the conditions of the financial markets and our industry;
- placing us at a competitive disadvantage compared to other, less leveraged competitors;
- increasing our cost of borrowing; and
- restricting the way in which we conduct our business because of financial and operating covenants in the agreements governing our existing and future indebtedness and exposing us to potential events of default (if not cured or waived) under covenants contained in our debt instruments.

In addition, the Senior Credit Facilities and the indenture that govern our 5.875% Senior Notes due 2024 issued in October 2016 (the "2016 5.875% Senior Notes") and our new 5.875% Senior Notes due 2024 issued in March 2018 (the "2018 5.875% Senior Notes") each contain restrictive covenants limiting our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all our debt.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

A significant portion of our cash flows from operations is expected to be dedicated to the payments of principal and interest obligations under the Senior Credit Facilities, the 2016 5.875% Senior Notes and the 2018 5.875% Senior Notes. Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. The Senior Credit Facilities, the indenture that governs the 2016 5.875% Senior Notes, and the indenture that governs the 2018 5.875% Senior Notes restrict our ability to dispose of assets and use the proceeds from those dispositions, and they also restrict our ability to raise debt or certain types of equity to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

In addition, we conduct a substantial portion of our operations through our subsidiaries, certain of which are not guarantors of the 2018 5.875% Senior Notes or our other indebtedness. Accordingly, repayment of our indebtedness, including the 2018 5.875% Senior Notes, is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are guarantors of the 2018 5.875% Senior Notes or our other indebtedness, our subsidiaries do not have any obligation to pay amounts due on the 2018 5.875% Senior Notes or our other indebtedness or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the 2018 5.875% Senior Notes. Each subsidiary is a distinct legal entity, and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the senior credit facilities, the indenture that governs the 2018 5.875% Senior Notes, and the indenture that governs the 2018 5.875% Senior Notes limit the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations.

If we cannot make scheduled payments on our debt, we will be in default and holders of the 2016 5.875% Senior Notes and/or the 2018 5.875% Senior Notes could declare all outstanding principal and interest under such notes to be due and payable, the lenders under the Senior Credit Facilities could terminate their commitments to loan money, the lenders under our secured debt could foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation.

Despite our current level of indebtedness, we and our subsidiaries may still be able to incur substantially more debt. This could further exacerbate the risks to our financial condition described above.

We and our subsidiaries may be able to incur significant additional indebtedness in the future. Although the Senior Credit Facilities, the indenture that governs the 2016 5.875% Senior Notes, and the indenture that governs the 2018 5.875% Senior Notes contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness. If new debt is added to our current debt levels, the related risks that we and the guarantors now face could intensify.

The terms of the Senior Credit Facilities, the indenture that governs the 2016 5.875% Senior Notes, and the indenture that governs the 2018 5.875% Senior Notes, restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.

The Senior Credit Facilities, the indenture that governs the 2016 5.875% Senior Notes, and the indenture that governs our 2018 5.875% Senior Notes, contain a number of restrictive covenants that impose significant operating and financial restrictions on us and limits our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability to:

- incur, assume or guarantee additional indebtedness;
- issue certain disqualified stock;
- pay dividends or distributions or redeem or repurchase capital stock;
- prepay, redeem or repurchase debt that is junior in right of payment to the 2018 5.875% Senior Notes;
- make loans or investments;
- incur liens;
- restrict dividends, loans or asset transfers from our restricted subsidiaries;
- sell or otherwise dispose of assets, including capital stock of subsidiaries and sale/leaseback transactions;
- enter into transactions with affiliates; and
- enter into new lines of business.

The indenture that governs the 2016 5.875% Senior Notes and the indenture that governs the 2018 5.875% Senior Notes also limit the ability of Lions Gate and our guarantors to consolidate or merge with or into, or sell substantially all of our assets to, another person.

In addition, the restrictive covenants in the Senior Credit Facilities require us to maintain specified financial ratios, tested quarterly. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we may be unable to meet them.

A breach of the covenants or restrictions under the Senior Credit Facilities, the indenture that governs the 2016 5.875% Senior Notes, and the indenture that governs the 2018 5.875% Senior Notes could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under the Senior Credit Facilities would permit the lenders to terminate all commitments to extend further credit pursuant to the revolving facility thereunder. Furthermore, if we were unable to repay the amounts due and payable under the Senior Credit Facilities, the lenders thereof could proceed against the collateral granted to them to secure the Senior Credit Facilities. In the event our lenders or noteholders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness.

As a result of these restrictions, we may be:

- limited in how we conduct our business;

- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our strategy. In addition, our financial results, our substantial indebtedness and our credit ratings could adversely affect the availability and terms of our financing.

An increase in the ownership of our Class A voting common shares by certain shareholders could trigger a change in control under the agreements governing our indebtedness.

The agreements governing certain of our long-term indebtedness contain change in control provisions that are triggered when any of our shareholders, directly or indirectly, acquires ownership or control of in excess of a certain percentage of the total voting power of our Class A voting common shares, no par value per share (the "Class A voting shares").

Upon the occurrence of certain change of control events, the holders of the 2016 5.875% Senior Notes and the 2018 5.875% Senior Notes may require us to repurchase all or a portion of such 2016 5.875% Senior Notes and such 2018 5.875% Senior Notes. Dr. Mark H. Rachesky, M.D. and his affiliates, who collectively currently hold over 18% of our voting stock and 21% of our non-voting common stock, are "Permitted Holders" for purposes of the indenture that governs the 2016 5.875% Senior Notes and the indenture that governs the 2018 5.875% Senior Notes. Accordingly, certain increases of ownership or other transactions involving Dr. Rachesky and his affiliates would not constitute a change of control under the indenture that governs the 2018 5.875% Senior Notes and the indenture that governs the 2018 5.875% Senior Notes (in which case holders of the 2016 5.875% Senior Notes and the 2018 5.875% Senior Notes would not have a right to have their 2016 5.875% Senior Notes or 2018 5.875% Senior Notes, as applicable, repurchased), but could constitute a change of control under the other existing or future indebtedness of us and our subsidiaries.

We may not be able to repurchase outstanding debt upon a qualifying change of control for such debt, because the we may not have sufficient funds. Further, we may be contractually restricted under the terms of the Senior Credit Facilities from repurchasing all of the 2016 5.875% Senior Notes and the 2018 5.875% Senior Notes tendered by holders upon a change in control. Our failure to repurchase the 2016 5.875% Senior Notes and the 2018 5.875% Senior Notes upon a change in control would cause a default under the indenture that governs the 2016 5.875% Senior Notes and the indenture that governs the 2018 5.875% Senior Notes and a cross-default under the Senior Credit Facilities.

The Senior Credit Facilities will also provide that certain change of control events will result in an event of default that permits lenders to accelerate the maturity of borrowings thereunder and, in the case of the Senior Credit Facilities, to enforce security interests in the collateral securing such debt, thereby limiting our ability to raise cash to purchase our outstanding 2016 5.875% Senior Notes and 2018 5.875% Senior Notes, and reducing the practical benefit of the offer-to-purchase provisions to the holders of the 2016 5.875% Senior Notes and the 2018 5.875% Senior Notes. Any of our future debt agreements may contain similar provisions.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under the Senior Credit Facilities are at variable rates of interest and expose us to interest rate risk. If interest rates were to increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease.

Risk Related to Governmental Rules and Regulations

The Internal Revenue Service may not agree that we should be treated as a non-U.S. corporation for U.S. federal tax purposes and may not agree that our U.S. affiliates should not be subject to certain adverse U.S. federal income tax rules.

Under current U.S. federal tax law, a corporation is generally considered for U.S. federal tax purposes to be a tax resident in the jurisdiction of its organization or incorporation. Because we are incorporated in Canada, we would generally be classified as a non-U.S. corporation (and, therefore, a non-U.S. tax resident) under these rules. However, Section 7874 of the Code ("Section 7874") provides an exception to this general rule under which a non-U.S. incorporated entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal tax purposes.

Under Section 7874, if (a) the Starz stockholders own (within the meaning of Section 7874) 80% or more (by vote or value) of our post-reclassification shares after the Starz merger by reason of holding Starz common stock (the "80% ownership test," and such ownership percentage the "Section 7874 ownership percentage"), and (b) our "expanded affiliated group" does not have "substantial business activities" in Canada when compared to the total business activities of such expanded affiliated group (the "substantial business activities test"), we will be treated as a U.S. corporation for U.S. federal tax purposes. If the Section 7874 ownership percentage of the Starz stockholders in Lions Gate after the merger is less than 80% but at least 60% (the "60% ownership test"), and the substantial business activities test is not met, Starz and its U.S. affiliates (including the U.S. affiliates historically owned by us) may, in some circumstances, be subject to certain adverse U.S. federal income tax rules (which, among other things, could limit our ability to utilize certain U.S. tax attributes to offset U.S. taxable income or gain resulting from certain transactions).

Based on the terms of the merger, the rules for determining share ownership under Section 7874 and certain factual assumptions, Starz stockholders are believed to own (within the meaning of Section 7874) less than 60% (by both vote and value) of our post-reclassification shares after the merger by reason of holding shares of Starz common stock. Therefore, under current law, it is expected that we should not be treated as a U.S. corporation for U.S. federal tax purposes and that Section 7874 should otherwise not apply to us or our affiliates as a result of the merger.

However, the rules under Section 7874 are relatively new and complex and there is limited guidance regarding their application. In particular, stock ownership for purposes of computing the Section 7874 ownership percentage is subject to various adjustments under the Code and the Treasury regulations promulgated thereunder, some of the relevant determinations must be made based on facts as they exist at the time of closing of the merger, and there is limited guidance regarding Section 7874 generally, including with respect to the application of the ownership tests described above and any related adjustments. As a result, the determination of the Section 7874 ownership percentage is complex and is subject to factual and legal uncertainties. Thus, there can be no assurance that the Internal Revenue Service (the "IRS") will agree with the position that we should not be treated as a U.S. corporation for U.S. federal tax purposes or that Section 7874 does not otherwise apply as a result of the merger.

In addition, on April 4, 2016, the U.S. Treasury Department (the "U.S. Treasury") and the IRS issued temporary Treasury regulations under Section 7874 (the "Temporary Section 7874 Regulations"), which, among other things, require certain adjustments that generally increase, for purposes of the Section 7874 ownership tests, the percentage of the stock of a foreign acquiring corporation deemed owned (within the meaning of Section 7874) by the former shareholders of an acquired U.S. corporation by reason of holding stock in such U.S. corporation. Further on January 13, 2017, the IRS and the U.S. Treasury published new and final temporary regulations (the "New Regulations") which finalized with some modifications the previous Temporary Section 7874 Regulations.

For example, these New Regulations disregard, for purposes of determining the Section 7874 ownership percentage, (a) any "non-ordinary course distributions" (within the meaning of the temporary regulations) made by the acquired U.S. corporation (such as Starz) during the 36 months preceding the acquisition, including certain dividends and share repurchases, (b) potentially any cash consideration received by the shareholders of such U.S. corporation in the acquisition to the extent such cash is, directly or indirectly, provided by the U.S. corporation, as well as (c) certain stock of the foreign acquiring corporation that was issued as consideration in a prior acquisition of another U.S. corporation (or U.S. partnership) during the 36 months preceding the signing date of a binding contract for the acquisition being tested. Taking into account the effect of these New Regulations, it is currently believed that the Section 7874 ownership percentage of the Starz stockholders in Lions Gate after the merger is less than 60%. However, these New Regulations are new and complex, there is no guidance regarding their application and some of the relevant determinations must be made based on facts as they exist at the time of the closing of the acquisition. Accordingly, there can be no assurance that the Section 7874 ownership percentage of the Starz stockholders after the merger will be less than 60% as determined under the temporary regulations, or that the IRS will not otherwise successfully assert that either the 80% ownership test or the 60% ownership test were met after the merger.

If the 80% ownership test has been met after the merger and we were accordingly treated as a U.S. corporation for U.S. federal tax purposes under Section 7874, we would be subject to substantial additional U.S. tax liability. In addition, non-U.S. shareholders of Lions Gate would be subject to U.S. withholding tax on the gross amount of any dividends paid by us to such shareholders (subject to an exemption or reduced rate available under an applicable tax treaty). Regardless of any application of Section 7874, we are expected to be treated as a Canadian tax resident for Canadian tax purposes. Consequently, if we were to be treated as a U.S. corporation for U.S. federal tax purposes under Section 7874, we could be liable for both U.S. and Canadian taxes, which could have a material adverse effect on our financial condition and results of operations.

If the 60% ownership test has been met, several adverse U.S. federal income tax rules could apply to our U.S. affiliates (including Starz and its U.S. affiliates). In particular, in such case, Section 7874 could limit the ability of such U.S. affiliates to utilize certain U.S. tax attributes (including net operating losses and certain tax credits) to offset any taxable income or gain resulting from certain transactions, including any transfers or licenses of property to a foreign related person during the 10-year period following the merger. The Temporary Section 7874 Regulations generally expand the scope of these rules. In addition, the Temporary Section 7874 Regulations (and certain related temporary regulations issued under other provisions of the Code) include new rules that would apply if the 60% ownership test has been met, which, in such situation, may limit our ability to restructure or access cash earned by certain of its non-U.S. subsidiaries, in each case, without incurring substantial U.S. tax liabilities. Moreover, in such case, Section 4985 of the Code and rules related thereto would impose an excise tax on the value of certain stock compensation held directly or indirectly by certain "disqualified individuals" at a rate currently equal to 15%.

Future potential changes to the tax laws could result in Lions Gate being treated as a U.S. corporation for U.S. federal tax purposes or in Starz and its U.S. affiliates (including the U.S. affiliates historically owned by us) being subject to certain adverse U.S. federal income tax rules.

As discussed above, under current law, we are expected to be treated as a non-U.S. corporation for U.S. federal tax purposes and Section 7874 is not otherwise expected to apply as a result of the merger. However, changes to Section 7874, or the U.S. Treasury regulations promulgated thereunder, could affect our status as a non-U.S. corporation for U.S. federal tax purposes or could result in the application of certain adverse U.S. federal income tax rules to Starz and its U.S. affiliates (including the U.S. affiliates historically owned by us). Any such changes could have prospective or retroactive application. If we were to be treated as a U.S. corporation for federal tax purposes or if Starz and its U.S. affiliates (including the U.S. affiliates historically owned by us) were to become subject to such adverse U.S. federal income tax rules, we and our U.S. affiliates could be subject to substantially greater U.S. tax liability than currently contemplated.

Recent legislative and other proposals have aimed to expand the scope of U.S. corporate tax residence, including in such a way as would cause us to be treated as a U.S. corporation if the management and control of

Lions Gate were determined to be located primarily in the U.S. In addition, recent legislative and other proposals have aimed to expand the scope of Section 7874, or otherwise address certain perceived issues arising in connection with so-called inversion transactions. Such proposals, if made effective on or prior to the date of the closing of the merger, could cause us to be treated as a U.S. corporation for U.S. federal tax purposes, in which case, we would be subject to substantially greater U.S. tax liability than currently contemplated.

Other recent legislative and other proposals (including most recently final Treasury regulations under Section 385 of the Code issued by the U.S. Treasury and the IRS on October 13, 2016 (the "Final Section 385 Regulations"), if enacted or finalized, could cause us and our affiliates to be subject to certain intercompany financing limitations, including with respect to their ability to deduct certain interest expense, and could cause us and our affiliates to recognize additional taxable income. Any such proposals, and any other relevant provisions that can change on a prospective or retroactive basis, could have a significant adverse effect on us and our affiliates.

It is presently uncertain whether any such proposals or other legislative action relating to the scope of U.S. tax residence, revamp of the corporate tax system, Section 7874 or so-called inversion transactions and inverted groups will be enacted into law.

Future changes to U.S. and non-U.S. tax laws could adversely affect us.

The U.S. Congress, the Organisation for Economic Co-operation and Development and other government agencies in jurisdictions where we and our affiliates will conduct business have had an extended focus on issues related to the taxation of multinational corporations. One example is in the area of "base erosion and profit shifting," including situations where payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. The Organisation of Economic Co-operation and Development in particular is contemplating changes to numerous long-standing international tax principles through its so-called BEPS project, which is focused on a number of issues, including sharing of profits between affiliated entities in different tax jurisdictions. As a result of BEPS and other similar initiatives, the tax laws in the U.S., Canada and other countries in which we and our affiliates will do business could change on a prospective or retroactive basis, and any such changes could adversely affect us.

Changes in foreign, state and local tax incentives may increase the cost of original programming content to such an extent that they are no longer feasible.

Original programming requires substantial financial commitment, which can occasionally be offset by foreign, state or local tax incentives. However, there is a risk that the tax incentives will not remain available for the duration of a series. If tax incentives are no longer available or reduced substantially, it may result in increased costs for us to complete the production, or make the production of additional seasons more expensive. If we are unable to produce original programming content on a cost effective basis our business, financial condition and results of operations would be materially adversely affected.

Changes to the U.S. Model Income Tax Treaty could adversely affect us.

On February 17, 2016, the U.S. Treasury released a newly revised U.S. model income tax convention (the "model"), which is the baseline text used by the U.S. Treasury to negotiate tax treaties. The new model treaty provisions were preceded by draft versions released by the U.S. Treasury on May 20, 2015 (the "May 2015 draft") for public comment. The revisions made to the model address certain aspects of the model by modifying existing provisions and introducing entirely new provisions. Specifically, the new provisions target (a) permanent establishments subject to little or no foreign tax, (b) special tax regimes, (c) expatriated entities subject to Section 7874, (d) the anti-treaty shopping measures of the limitation on benefits article and (e) subsequent changes in treaty partners' tax laws.

With respect to new model provisions pertaining to expatriated entities, because it is expected that the merger will not result in the creation of an expatriated entity as defined in Section 7874, payments of interest, dividends, royalties and certain other items of income by or to Starz and/or its U.S. affiliates to or from non-U.S. persons would not be expected to be subject to such provisions (which, if applicable, could cause such payments to become subject to full withholding tax), even if applicable treaties were subsequently amended to adopt the new model provisions. In response to comments the U.S. Treasury received regarding the May 2015 draft, the new model treaty provisions pertaining to expatriated entities fix the definition of “expatriated entity” to the meaning ascribed to such term under Section 7874(a)(2)(A) as of the date the relevant bilateral treaty is signed. However, as discussed above, the rules under Section 7874 are relatively new, complex and are the subject of current and future legislative and regulatory changes. Accordingly, there can be no assurance that the IRS will agree with the position that the merger does not result in the creation of an expatriated entity (within the meaning of Section 7874) under the law as in effect at the time any applicable treaty were to be amended or that such a challenge would not be sustained by a court, or that such position would not be affected by future or regulatory action which may apply retroactively to the merger.

Our tax rate is uncertain and may vary from expectations.

There is no assurance that we will be able to maintain any particular worldwide effective corporate tax rate because of uncertainty regarding the tax policies jurisdictions in which we and our affiliates operate. Our actual effective tax rate may vary from our expectations, and such variance may be material. Additionally, tax laws or their implementation and applicable tax authority practices in any particular jurisdiction could change in the future, possibly on a retroactive basis, and any such change could have an adverse impact on us and our affiliates.

Legislative or other governmental action in the U.S. could adversely affect our business.

Legislative action may be taken by the U.S. Congress that, if ultimately enacted, could limit the availability of tax benefits or deductions that we currently claim, override tax treaties upon which we rely, or otherwise increase the taxes that the U.S. imposes on our worldwide operations. Such changes could materially adversely affect our effective tax rate and/or require us to take further action, at potentially significant expense, to seek to preserve our effective tax rate. In addition, if proposals were enacted that had the effect of limiting our ability as a Canadian company to take advantage of tax treaties with the U.S., we could incur additional tax expense and/or otherwise incur business detriment.

Changes in, or interpretations of, tax rules and regulations, and changes in geographic operating results, may adversely affect our effective tax rates.

We are subject to income taxes in the U.S. and foreign tax jurisdictions. We also conduct business and financing activities between our entities in various jurisdictions and we are subject to complex transfer pricing regulations in the countries in which we operate. Although uniform transfer pricing standards are emerging in many of the countries in which we operate, there is still a relatively high degree of uncertainty and inherent subjectivity in complying with these rules. Our future effective tax rates could be affected by changes in tax laws or the interpretation of tax laws, by changes in the amount of revenue or earnings that we derive from international sources in countries with high or low statutory tax rates, or by changes in the valuation of our deferred tax assets and liabilities. Unanticipated changes in our tax rates could affect our future results of operations.

In addition, we may be subject to examination of our income tax returns by federal, state, and foreign tax jurisdictions. We regularly assess the likelihood of outcomes resulting from possible examinations to determine the adequacy of our provision for income taxes. In making such assessments, we exercise judgment in estimating our provision for income taxes. While we believe our estimates are reasonable, we cannot assure you that final determinations from any examinations will not be materially different from those reflected in our historical income tax provisions and accruals. Any adverse outcome from any examinations may have an adverse effect on our business and operating results, which could cause the market price of our securities to decline.

Based on our current assessment, we believe that substantially all of our deferred tax assets will be realized. There is no assurance that we will attain our future expected levels of taxable income or that a valuation allowance against new or existing deferred tax assets will not be necessary in the future.

Guidance, regulations, or technical corrections issued in connection with the Tax Cuts and Jobs Act could adversely impact our effective tax rate.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was signed into law, making significant changes to the taxation of U.S. business entities. The Tax Act reduced the U.S. corporate income tax rate from 35% to 21% and included numerous other provisions reflecting fundamental tax reform. The Tax Act could limit the availability of tax benefits or deductions that we currently claim or otherwise increase the taxes that the U.S. imposes on our worldwide operations. We have included the estimated impact of the new law on our financials based on management's current knowledge and assumptions. The Internal Revenue Service and U.S. Treasury Department may, however, issue guidance, regulations, or technical corrections that could change our interpretation of the Tax Act, which could have an adverse impact on our effective tax rate.

ITEM 1B. *UNRESOLVED STAFF COMMENTS.*

Not applicable.

ITEM 2. *PROPERTIES.*

Our corporate office is located at 250 Howe Street, 20th Floor, Vancouver, BC V6C 3R8. Our principal executive offices are located at 2700 Colorado Avenue, Santa Monica, California, 90404, where we occupy 192,584 square feet (per a lease that expires in August 2023).

In addition, we lease the following properties used by our *Motion Pictures, Television Production* and *Media Networks* segments:

- 280,000 square feet at 8900 Liberty Circle, Englewood, Colorado (per a lease that expires in December 2023);
- 93,670 square feet at 12020 Chandler Blvd., Valley Village, California (per a lease that expires in December 2020);
- 60,116 square feet at 1647 Stewart Street, Santa Monica, California (per a lease that expires in December 2028);
- 34,332 square feet at 530 Fifth Avenue, New York, New York (per a lease that expires in August 2028);
- 22,992 square feet at 2600 Colorado Avenue, Santa Monica, California (per a lease that expires in January 2020);
- 11,907 square feet at 2401 W. Big Beaver Road, Troy, Michigan (per a lease that expires in September 2019);
- 11,243 square feet at 45 Mortimer Street, London, United Kingdom (per a lease that expires in July 2029);
- 8,794 square feet at 9777 Wilshire Blvd., Beverly Hills, California (per a lease that expires in March 2020);
- 1,968 square feet at 1235 Bay Street, Toronto, Ontario (per a lease that expires in December 2020);
- 1,645 square feet at A6 Gonti Road, Beijing, China (per a lease that expires in June 2020);

- 1,200 square feet at 205, Landmark Building, New Link Road, Mumbai, India (per a lease that expires in October 2020);
- 975 square feet at 3 Boulevard Royal, Luxembourg City, Luxembourg (per a lease that expires in May 2021); and
- 620 square feet at Millennium City 5, 418 Kwun Tong Road, Kwun Tong, Hong Kong (per a lease that expires in October 2019).

We believe that our current facilities are adequate to conduct our business operations for the foreseeable future. We believe that we will be able to renew these leases on similar terms upon expiration. If we cannot renew, we believe that we could find other suitable premises without any material adverse impact on our operations.

ITEM 3. *LEGAL PROCEEDINGS.*

From time to time, the Company is involved in certain claims and legal proceedings arising in the normal course of business. While the resolution of these matters cannot be predicted with certainty, we do not believe, based on current knowledge, that the outcome of any currently pending legal proceedings in which the Company is currently involved will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flow.

For a discussion of certain claims and legal proceedings, see Note 16 - Commitments and Contingencies to our consolidated financial statements, which discussion is incorporated by reference into this Part I, Item 3, Legal Proceedings.

ITEM 4. *MINE SAFETY DISCLOSURES.*

Not Applicable.

PART II

ITEM 05. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.*

Market Information

Our common shares were previously listed on the NYSE under the symbols "LGF." Effective December 9, 2016, each then existing Lionsgate common share was converted into 0.5 shares of a newly issued class of Class A voting shares and 0.5 shares of a newly issued class of Lionsgate Class B non-voting shares, no par value per share (the "Class B non-voting shares"). Our Class A voting shares are listed on the NYSE under the symbol "LGF.A". Our Class B non-voting shares are listed on the NYSE under the symbol "LGF.B".

As of May 21, 2018, the closing price of our Class A voting shares on the NYSE was $23.72, and the closing price of our Class B non-voting shares on the NYSE was $22.24.

The following table presents the high and low sale prices of our common shares on the NYSE for each period, based on inter-dealer prices that do not include retail mark-ups, mark-downs or commissions, and cash dividends declared for each period:

	Class A (LGF.A)		Dividends	Class B (LGF.B)		Dividends
Common shares (per share)	**High**	**Low**	**Declared**	**High**	**Low**	**Declared**
Year Ended March 31, 2019						
First quarter (through May 21, 2018)	$27.02	$21.54	—	$25.19	$19.97	—
Year Ended March 31, 2018						
Fourth quarter (January 1, 2018 to March 31, 2018)	$36.48	$25.34	$0.09	$34.41	$23.76	$0.09
Third quarter (October 1, 2017 to December 31, 2017)	$34.75	$27.44	—	$33.10	$26.66	—
Second quarter (July 1, 2017 to September 30, 2017)	$33.49	$26.40	—	$31.88	$25.51	—
First quarter (April 1, 2017 to June 30, 2017)	$29.25	$24.56	—	$27.14	$22.50	—
Year Ended March 31, 2017						
Fourth quarter (January 1, 2017 to March 31, 2017)	$29.03	$24.27	—	$27.14	$22.72	—
Third quarter (December 9, 2016 to December 31, 2016)	$28.23	$26.09	—	$27.01	$24.46	—

	LGF		
	High	**Low**	**Dividends Declared**
Year ended March 31, 2017			
Third quarter (October 1, 2016 to December 8, 2016)	$26.29	$18.28	—
Second quarter (July 1, 2016 to September 30, 2016)	$22.30	$18.52	—
First quarter (April 1, 2016 to June 30, 2016)	$23.52	$19.37	$0.09

Holders

As of May 21, 2018, there were approximately 539 and 701 shareholders of record of our Class A voting shares and Class B non-voting shares, respectively.

Dividends

On February 8, 2018, our Board of Directors approved a quarterly cash dividend of nine cents ($0.09) per each of the Class A voting shares and the Class B non-voting shares payable May 1, 2018, to shareholders of record as of March 31, 2018. The amount of any future dividends, if any, that we pay to our shareholders is determined by our Board of Directors, at its discretion, and is dependent on a number of factors, including our financial position, results of operations, cash flows, capital requirements and restrictions under our credit agreements, and shall be in compliance with applicable law. We cannot guarantee the amount of dividends paid in the future, if any.

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this item is incorporated by reference to our Proxy Statement for our 2018 Annual General Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended March 31, 2018.

Taxation

The following is a general summary of certain Canadian federal income tax consequences to U.S. Holders (who, at all relevant times, deal at arm's length with the Company) of the purchase, ownership and disposition of common shares. For the purposes of this Canadian income tax discussion, a "U.S. Holder" means a holder of common shares who (1) for the purposes of the Income Tax Act (Canada) (the "ITA") is not, has not, and will not be, or deemed to be, resident in Canada at any time while he, she or it holds common shares, (2) at all relevant times is a resident of the United States under the Canada-United States Tax Convention (1980) (the "Convention") and is eligible for benefits under the Convention, (3) is not a "foreign affiliate" as defined in the ITA of a person resident in Canada, and (4) does not and will not use or be deemed to use the common shares in carrying on a business in Canada. This summary does not apply to a U.S. Holder that is an insurer or an "authorized foreign bank" within the meaning of the ITA. Such U.S. Holders should seek tax advice from their advisors.

This summary is not intended to be, and should not be construed to be, legal or tax advice and no representation with respect to the tax consequences to any particular investor is made. The summary does not address any aspect of any provincial, state or local tax laws or the tax laws of any jurisdiction other than Canada or the tax considerations applicable to non-U.S. Holders. Accordingly, prospective investors should consult with their own tax advisors for advice with respect to the income tax consequences to them having regard to their own particular circumstances, including any consequences of an investment in common shares arising under any provincial, state or local tax laws or the tax laws of any jurisdiction other than Canada.

This summary is based upon the current provisions of the ITA, the regulations thereunder and the proposed amendments thereto publicly announced by the Department of Finance, Canada before the date hereof and our understanding of the current administrative policies and assessing practices of the Canada Revenue Agency published in writing prior to the date hereof. No assurance may be given that any proposed amendment will be enacted in the form proposed, if at all. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action.

The following summary applies only to U.S. Holders who hold their common shares as capital property. In general, common shares will be considered capital property of a holder where the holder is neither a trader nor dealer in securities, does not hold the common shares in the course of carrying on a business and is not engaged in an adventure in the nature of trade in respect thereof. This summary does not apply to a U.S. Holder that is a "financial institution" within the meaning of the mark-to-market rules contained in the ITA or to holders who have entered into a "derivative forward agreement" or a "synthetic disposition arrangement" as these terms are defined in the ITA.

Amounts in respect of common shares paid or credited or deemed to be paid or credited as, on account or in lieu of payment of, or in satisfaction of, dividends to a shareholder who is not a resident of Canada within the meaning of the ITA will generally be subject to Canadian non-resident withholding tax. Canadian withholding tax applies to dividends that are formally declared and paid by the Company and also to deemed dividends that may be triggered by a cancellation of common shares if the cancellation occurs otherwise than as a result of a simple open market transaction. For either deemed or actual dividends, withholding tax is levied at a basic rate of 25%, which may be reduced pursuant to the terms of an applicable tax treaty between Canada and the country of residence of the non-resident shareholder. Under the Convention, the rate of Canadian non-resident withholding tax on the gross amount of dividends received by a U.S. Holder, which is the beneficial owner of such dividends, is generally 15%. However, where such beneficial owner is a company that owns at least 10% of the voting shares of the company paying the dividends, the rate of such withholding is 5%. For these purposes, a company that is a resident of the United States for the purposes of the Convention and which holds an interest in an entity (other than an entity that is resident in Canada) that is fiscally transparent under the laws of the United States will be considered to own the voting shares of the Company owned by that fiscally transparent entity in proportion to the company's ownership interest in the fiscally transparent entity.

In addition to the Canadian withholding tax on actual or deemed dividends, a U.S. Holder also needs to consider the potential application of Canadian income tax on capital gains. A U.S. Holder will generally not be subject to tax under the ITA in respect of any capital gain arising on a disposition of common shares (including, generally, on a purchase by the Company on the open market) unless at the time of disposition such shares constitute taxable Canadian property of the holder for purposes of the ITA and such U.S. Holder is not entitled to relief under the Convention. If the common shares are listed on a designated stock exchange (which includes the NYSE) at the time they are disposed of, they will generally not constitute taxable Canadian property of a U.S. Holder unless, at any time during the 60-month period immediately preceding the disposition of the common shares, the U.S. Holder, persons with whom he, she or it does not deal at arm's length, or the U.S. Holder together with such non-arm's length persons, owned 25% or more of the issued shares of any class or series of the capital stock of the Company and at any time during the immediately preceding 60-month period, the shares derived their value principally from one or any combination of (i) real or immovable property situated in Canada, (ii) Canadian resource properties, (iii) timber resource properties, and (iv) options in respect of, or interests in, such properties. Assuming that the common shares have never derived their value principally from any of the items listed in (i)-(iv) above, capital gains derived by a U.S. Holder from the disposition of common shares will generally not be subject to tax in Canada.

Issuer Purchases of Equity Securities

On May 31, 2007, our Board of Directors authorized the repurchase of up to $50 million of our common shares. On each of May 29, 2008 and November 6, 2008, our Board of Directors authorized additional repurchases up to an additional $50 million of our common shares. On December 17, 2013, our Board of Directors authorized the Company to increase its stock repurchase plan to $300 million and on February 2, 2016, our Board of Directors authorized the Company to further increase its stock repurchase plan to $468 million. To date, approximately $283.2 million (or 15,729,923) of our common shares have been purchased, leaving approximately $184.7 million of authorized potential purchases. The remaining $184.7 million of our common shares may be purchased from time to time at the Company's discretion, including quantity, timing and price thereof, and will be subject to market conditions. Such purchases will be structured as permitted by securities laws and other legal requirements. The share repurchase program has no expiration date.

No common shares were purchased by us during the year ended March 31, 2018.

Additionally, during the three months ended March 31, 2018, 48,404 Class A voting shares and 121,914 Class B non-voting shares were withheld upon the vesting of restricted share units and share issuances to satisfy minimum statutory federal, state and local tax withholding obligations.

Unregistered Sales of Equity Securities

On June 30, 2016, the Company entered into an Agreement and Plan of Merger ("Merger Agreement") with Starz and Orion Arm Acquisition Inc. a Delaware corporation and a wholly owned subsidiary of the Company ("Merger Sub"), pursuant to which Merger Sub merged with and into Starz, with Starz continuing as the surviving corporation and becoming an indirect wholly owned subsidiary of the Company.

On October 21, 2016, the Company and Lions Gate Entertainment Inc. ("LGEI") entered into a Securities Issuance and Payment Agreement (the "Securities Issuance Agreement"), pursuant to which the Company and LGEI agreed to issue to AT&T Media Holdings, Inc. ("AT&T") $50 million in, at LGEI's election, (a) an equal number of Class A voting shares and Class B non-voting shares, (b) cash or (c) a combination thereof, and paid in three $16.67 million annual installments, beginning on the first anniversary of the consummation of the Merger. The Class A voting shares and Class B non-voting shares will be deemed to have a value equal to the 30-day volume weighted average price of the Company's Class A voting shares and Class B non-voting shares, respectively, as of the business day immediately prior to the applicable payment date.

The Company entered into the Securities Issuance Agreement in connection with Starz's multi-year extensions of its affiliation agreements with both AT&T Services, Inc. and DIRECTV, LLC (the "affiliation agreements"). The Securities Issuance Agreement became effective upon the closing of the Merger on December 8, 2016 and will terminate upon certain terminations of the affiliation agreements. On December 8, 2017, the Company issued the first installment under the Securities Issuance Agreement of 266,667 Class A voting shares and 278,334 Class B non-voting shares to AT&T as a private placement in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended. The shares were registered for resale pursuant to a registration statement on Form S-3 dated February 8, 2018.

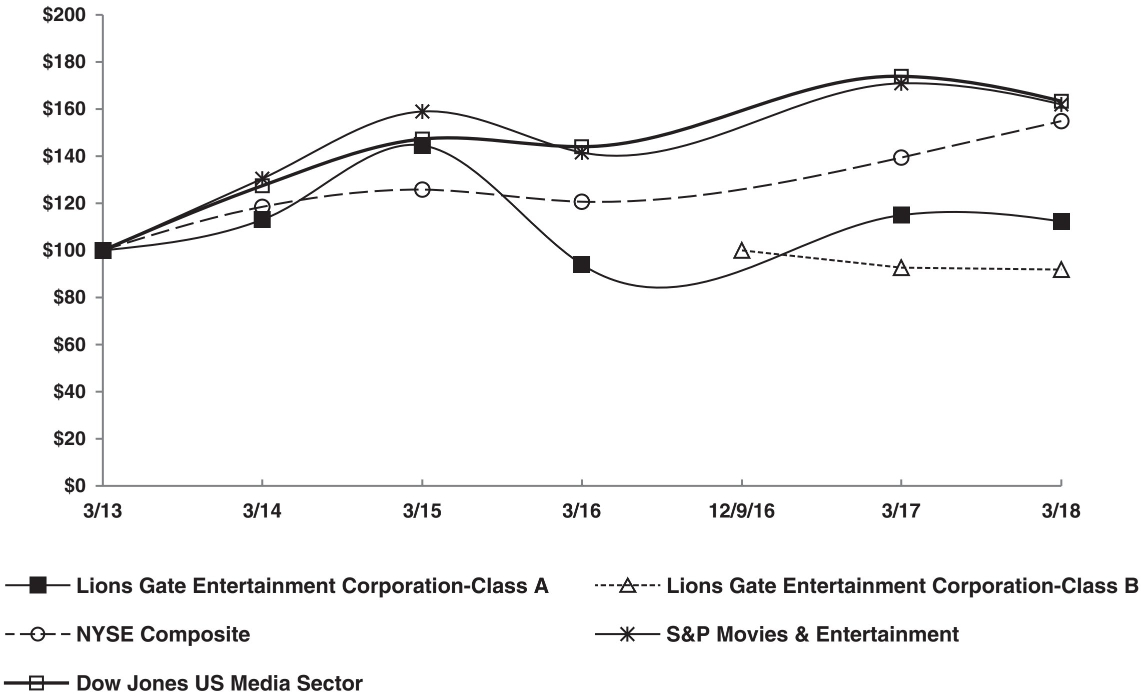
Stock Performance Graph

The following graph compares our cumulative total shareholder return with those of the NYSE Composite Index and the S&P Movies & Entertainment Index for the period commencing March 31, 2013 and ending March 31, 2018. All values assume that $100 was invested on March 31, 2013 in our common shares and each applicable index and all dividends were reinvested.

The comparisons shown in the graph below are based on historical data and we caution that the stock price performance shown in the graph below is not indicative of, and is not intended to forecast, the potential future performance of our common shares.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Lions Gate Entertainment Corporation, the NYSE Composite Index, the S&P Movies & Entertainment Index and the Dow Jones US Media Sector Index



*$100 invested on 3/31/13 in stock or index, including reinvestment of dividends.
Fiscal year ending March 31.

	3/13	3/14	3/15	3/16	12/9/16	3/17	3/18
Lions Gate Entertainment Corporation-Class A(1)	**$100.00**	**$112.85**	**$144.39**	**$ 94.06**		**$114.85**	**$112.08**
Lions Gate Entertainment Corporation-Class B(1)					**$100.00**	**$ 92.45**	**$ 91.66**
NYSE Composite	**$100.00**	**$118.47**	**$125.61**	**$120.69**		**$139.44**	**$154.78**
S&P Movies & Entertainment	**$100.00**	**$130.47**	**$158.88**	**$141.49**		**$170.73**	**$161.90**
Dow Jones US Media Sector	**$100.00**	**$127.42**	**$147.14**	**$143.90**		**$173.79**	**$163.22**

(1) Immediately prior to the December 8, 2016 consummation of the Starz merger, we effected the reclassification of our capital stock, pursuant to which each existing Lionsgate common share was converted into 0.5 shares of a newly issued Class A voting shares and 0.5 shares of a newly issued Class B non-voting shares, subject to the terms and conditions of the merger agreement.

The graph and related information are being furnished solely to accompany this Form 10-K pursuant to Item 201(e) of Regulation S-K. They shall not be deemed "soliciting materials" or to be "filed" with the SEC (other than as provided in Item 201), nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.

ITEM 6. *SELECTED FINANCIAL DATA.*

The consolidated financial statements for all periods presented in this Form 10-K are prepared in conformity with U.S. GAAP.

The Selected Consolidated Financial Data below includes the results of Starz from its acquisition date of December 8, 2016 onwards, and Pilgrim Media Group from its acquisition date of November 12, 2015 onwards. Due to the acquisitions of Starz and Pilgrim Media Group, the Company's results of operations for the years ended March 31, 2018, 2017 and 2016 and financial positions as at March 31, 2018, 2017 and 2016 are not directly comparable to prior reporting periods.

	Year Ended March 31,				
	2018	2017	2016	2015	2014
	(Amounts in millions, except per share amounts)				
Statement of Operations Data:					
Revenues	$4,129.1	$3,201.5	$2,347.4	$2,399.6	$2,630.3
Expenses:					
Direct operating	2,309.6	1,903.8	1,415.3	1,315.8	1,369.4
Distribution and marketing	897.6	806.8	661.8	591.5	739.5
General and administration	454.4	355.4	262.4	252.8	247.4
Depreciation and amortization	159.0	63.1	13.1	6.6	6.5
Restructuring and other	59.8	88.7	19.8	10.7	7.5
Total expenses	3,880.4	3,217.8	2,372.4	2,177.4	2,370.3
Operating income (loss)	248.7	(16.3)	(25.0)	222.2	260.0
Interest expense					
Interest expense	(137.2)	(99.7)	(54.9)	(52.5)	(66.2)
Interest on dissenting shareholders' liability	(56.5)	(15.5)	—	—	—
Total interest expense	(193.7)	(115.2)	(54.9)	(52.5)	(66.2)
Interest and other income	10.4	6.4	1.9	2.9	6.0
Loss on extinguishment of debt	(35.7)	(40.4)	—	(11.7)	(39.6)
Gain on sale of equity interest in EPIX	201.0	—	—	—	—
Gain on Starz investment	—	20.4	—	—	—
Impairment of long-term investments and other assets	(29.2)	—	—	—	—
Equity interests income (loss)	(52.8)	10.7	44.2	52.5	24.7
Income (loss) before income taxes	148.7	(134.4)	(33.8)	213.4	184.9
Income tax benefit (provision)	319.4	148.9	76.5	(31.6)	32.9
Net income	468.1	14.5	42.7	181.8	152.0
Less: Net loss attributable to noncontrolling interest	5.5	0.3	7.5	—	—
Net income attributable to Lions Gate Entertainment Corp. shareholders	$ 473.6	$ 14.8	$ 50.2	$ 181.8	$ 152.0
Per share information attributable to Lions Gate Entertainment Corp. shareholders:					
Basic net income per common share	$ 2.27	$ 0.09	$ 0.34	$ 1.31	$ 1.11
Diluted net income per common share	$ 2.15	$ 0.09	$ 0.33	$ 1.23	$ 1.04
Weighted average number of common shares outstanding:					
Basic	208.4	165.0	148.5	139.0	—
Diluted	220.4	172.2	154.1	151.8	—

	Year Ended March 31,				
	2018	2017	2016	2015	2014
	(Amounts in millions, except per share amounts)				
Dividends declared per common share	$ 0.09	$ 0.09	$ 0.34	$ 0.26	$ 0.10
Balance Sheet Data (at end of period):					
Cash and cash equivalents	$ 378.1	$ 321.9	$ 57.7	$ 102.7	$ 25.7
Investment in films and television programs and program rights(1)	1,945.2	1,991.2	1,457.6	1,381.8	1,274.6
Total assets	8,967.6	9,196.9	3,834.2	3,264.0	2,816.9
Total debt, net(2)	2,557.4	3,124.9	865.2	686.6	643.3
Production loans, net	352.5	353.3	690.0	600.5	418.0
Dissenting shareholders' liability(3)	869.3	812.9	—	—	—
Redeemable noncontrolling interests	101.8	93.8	90.5	—	—
Total Lions Gate Entertainment Corp. shareholders' equity	3,155.9	2,514.4	850.3	842.3	584.5
Total equity	3,156.9	2,514.4	850.3	842.3	584.5

(1) Total of investment in films and television programs and current and long-term portion of program rights.

(2) Total debt includes corporate debt, convertible senior subordinated notes and capital lease obligations, net of unamortized discount and debt issuance costs, if applicable.

(3) Dissenting shareholders' liability is classified as a current liability as of March 31, 2018 based on the timing of the scheduled trial set to commence in the second half of fiscal 2019 (see Note 16 to our consolidated financial statements). As of March 31, 2017, dissenting shareholders' liability was classified as a non-current liability.

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.*

Overview

Lions Gate Entertainment Corp. (the "Company," "Lionsgate," "Lions Gate," "we," "us" or "our") is a vertically integrated next generation global content leader with a diversified presence in motion picture production and distribution, television programming and syndication, premium pay television networks, home entertainment, global distribution and sales, interactive ventures and games and location-based entertainment. We classify our operations through three reporting segments: *Motion Pictures, Television Production,* and *Media Networks* (see further discussion below).

Starz Merger

On December 8, 2016, upon shareholder approval, pursuant to an Agreement and Plan of Merger dated June 30, 2016 ("Merger Agreement"), Lionsgate and Starz consummated a merger, under which Lionsgate acquired Starz for a combination of cash and common stock (the "Starz Merger"). See Note 2 to our consolidated financial statements for further details of the Starz Merger.

Following the Starz Merger, beginning in the quarter ended December 31, 2016, the Company reorganized its segment structure and now manages and reports its operating results through three reportable business segments: *Motion Pictures*, *Television Production* and *Media Networks* (Media Networks was not a reportable segment prior to the quarter ended December 31, 2016). As a result of the Starz Merger, beginning December 8, 2016, the Motion Pictures segment includes Starz's third-party distribution business. See Note 15 to our consolidated financial statements for our segment information disclosure.

Revenues

Our revenues are derived from the Motion Pictures, Television Production and Media Networks segments, as described below. Our revenues are derived from the U.S., Canada, the United Kingdom and other foreign countries. None of the non-U.S. countries individually comprised greater than 10% of total revenues for the years ended March 31, 2018, 2017 and 2016.

Motion Pictures

Our *Motion Pictures* segment includes revenues derived from the following:

- *Theatrical.* Theatrical revenues are derived from the domestic theatrical release of motion pictures licensed to theatrical exhibitors on a picture-by-picture basis (distributed by us directly in the U.S. and through a sub-distributor in Canada). The revenues from Canada are reported net of distribution fees and release expenses of the Canadian sub-distributor. The financial terms that we negotiate with our theatrical exhibitors in the U.S. generally provide that we receive a percentage of the box office results and are negotiated on a picture-by-picture basis.
- *Home Entertainment.* Home entertainment revenues are derived from the sale or rental of our film productions and acquired or licensed films and certain television programs (including theatrical and direct-to-video releases) on packaged media and through digital media platforms. In addition, we have revenue sharing arrangements with certain digital media platforms which generally provide that, in exchange for a nominal or no upfront sales price, we share in the rental or sales revenues generated by the platform on a title-by-title basis.
- *Television.* Television revenues are primarily derived from the licensing of our theatrical productions and acquired films to the linear pay, basic cable and free television markets.
- *International.* International revenues are derived from the licensing from our international subsidiaries of our productions, acquired films, our catalog product and libraries of acquired titles to international

distributors, on a territory-by-territory basis. International revenues also include revenues from the direct distribution of our productions, acquired films, and our catalog product and libraries of acquired titles in the United Kingdom.

- *Other.* Other revenues are derived from, among others, our interactive ventures and games division, our global franchise management and strategic partnerships division (which includes location-based entertainment), the sales and licensing of music from the theatrical exhibition of our films and the television broadcast of our productions, and from the licensing of our film and television content to ancillary markets.

Television Production

Our *Television Production* segment includes revenues derived from the following:

- *Domestic Television*. Domestic television revenues are derived from the licensing and syndication to domestic markets of scripted and unscripted series, television movies, mini-series and non-fiction programming.
- *International.* International revenues are derived from the licensing and syndication to international markets of scripted and unscripted series, television movies, mini-series and non-fiction programming.
- *Home Entertainment.* Home entertainment revenues are derived from the sale or rental of television production movies or series on packaged media and through digital media platforms.
- *Other.* Other revenues are derived from, among others, product integration in our television episodes and programs, the sales and licensing of music from the television broadcasts of our productions, and from the licensing of our television programs to ancillary markets.

Media Networks

Our *Media Networks* segment includes revenues derived from the following:

- *Starz Networks.* Starz Networks' revenues are derived from the distribution of our STARZ branded premium subscription video services pursuant to affiliation agreements with U.S. multichannel video programming distributors ("MVPDs"), including cable operators, satellite television providers and telecommunications companies, and over-the-top ("OTT") providers (collectively, "Distributors"), and on a direct-to-consumer basis. Starz Networks' revenue is recognized in the period during which programming is provided, either: (i) based solely on the total number of subscribers who receive our services multiplied by rates specified in the affiliation agreements; (ii) based on amounts or rates specified in the affiliation agreements which are not tied solely to the total number of subscribers who receive our services, or (iii) the total number of subscribers who receive our direct-to-consumer service multiplied by the applicable retail rate.
- *Content and Other.* Original content revenues are derived from the licensing of Starz original programming to digital media platforms, international television networks, through packaged media and other ancillary markets.
- *Streaming Services.* Streaming services revenues are derived from the Lionsgate legacy start-up direct to consumer streaming services on subscription video-on-demand ("SVOD") platforms.

Expenses

Our primary operating expenses include direct operating expenses, distribution and marketing expenses and general and administration expenses.

Direct operating expenses include amortization of film and television production or acquisition costs, amortization of programming production or acquisition costs and programming related salaries, participation and residual expenses, provision for doubtful accounts, and foreign exchange gains and losses.

Participation costs represent contingent consideration payable based on the performance of the film or television program to parties associated with the film or television program, including producers, writers, directors or actors. Residuals represent amounts payable to various unions or "guilds" such as the Screen Actors Guild — American Federation of Television and Radio Artists, Directors Guild of America, and Writers Guild of America, based on the performance of the film or television program in certain ancillary markets or based on the individual's (i.e., actor, director, writer) salary level in the television market.

Distribution and marketing expenses primarily include the costs of theatrical prints and advertising ("P&A") and of DVD/ Blu-ray duplication and marketing. Theatrical P&A includes the costs of the theatrical prints delivered to theatrical exhibitors and the advertising and marketing cost associated with the theatrical release of the picture. DVD/Blu-ray duplication represents the cost of the DVD/Blu-ray product and the manufacturing costs associated with creating the physical products. DVD/Blu-ray marketing costs represent the cost of advertising the product at or near the time of its release or special promotional advertising. Marketing costs for Media Networks includes advertising, consumer marketing, distributor marketing support and other marketing costs. In addition, distribution and marketing costs includes our Media Networks segment operating costs for the direct-to-consumer service, transponder expenses and maintenance and repairs.

General and administration expenses include salaries and other overhead.

CRITICAL ACCOUNTING POLICIES

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The application of the following accounting policies, which are important to our financial position and results of operations, requires significant judgments and estimates on the part of management. As described more fully below, these estimates bear the risk of change due to the inherent uncertainty of the estimate. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ materially from our estimates. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations will be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. For a summary of all of our accounting policies, including the accounting policies discussed below, see Note 1 to our consolidated financial statements.

Accounting for Films and Television Programs and Program Rights. We capitalize costs of production and acquisition, including financing costs and production overhead, to investment in films and television programs. These costs for an individual film or television program are amortized and participation and residual costs are accrued to direct operating expenses in the proportion that current year's revenues bear to management's estimates of the ultimate revenue at the beginning of the current year expected to be recognized from the exploitation, exhibition or sale of such film or television program. Ultimate revenue includes estimates over a period not to exceed ten years following the date of initial release of the motion picture. For an episodic television series, the period over which ultimate revenues are estimated cannot exceed ten years following the date of delivery of the first episode, or, if still in production, five years from the date of delivery of the most recent episode, if later. For previously released film or television programs acquired as part of a library, ultimate revenue includes estimates over a period not to exceed twenty years from the date of acquisition.

Due to the inherent uncertainties involved in making such estimates of ultimate revenues and expenses, these estimates have differed in the past from actual results and are likely to differ to some extent in the future from actual results. In addition, in the normal course of our business, some films and titles are more successful or less successful than anticipated. Management regularly reviews and revises when necessary its ultimate revenue and cost estimates, which may result in a change in the rate of amortization of film costs and participations and residuals and/or write-down of all or a portion of the unamortized costs of the film or television program to its estimated fair value. Management estimates the ultimate revenue based on experience with similar titles or title genre, the general public appeal of the cast, actual performance (when available) at the box office or in markets currently being exploited, and other factors such as the quality and acceptance of motion pictures or programs that our competitors release into the marketplace at or near the same time, critical reviews, general economic conditions and other tangible and intangible factors, many of which we do not control and which may change.

An increase in the estimate of ultimate revenue will generally result in a lower amortization rate and, therefore, less film and television program amortization expense, while a decrease in the estimate of ultimate revenue will generally result in a higher amortization rate and, therefore, higher film and television program amortization expense, and also periodically results in an impairment requiring a write-down of the film cost to the title's fair value. These write-downs are included in amortization expense within direct operating expenses in our consolidated statements of operations. Investment in films and television programs is stated at the lower of amortized cost or estimated fair value. The valuation of investment in films and television programs is reviewed on a title-by-title basis, when an event or change in circumstances indicates that the fair value of a film or television program is less than its unamortized cost. In determining the fair value of our films and television programs, we employ a discounted cash flows ("DCF") methodology with assumptions for cash flows. Key inputs employed in the DCF methodology include estimates of a film's ultimate revenue and costs as well as a discount rate. The discount rate utilized in the DCF analysis is based on our weighted average cost of capital plus a risk premium representing the risk associated with producing a particular film or television program. The fair value of any film costs associated with a film or television program that we plan to abandon is zero. As the primary determination of fair value is determined using a DCF model, the resulting fair value is considered a Level 3 measurement (as defined in Note 10 to our consolidated financial statements). Additional amortization is recorded in the amount by which the unamortized costs exceed the estimated fair value of the film or television program. Estimates of future revenue involve measurement uncertainty and it is therefore possible that reductions in the carrying value of investment in films and television programs may be required as a consequence of changes in our future revenue estimates.

Program rights for films and television programs (including original series) exhibited by the Media Networks segment are generally amortized on a title-by-title or episode-by-episode basis over the anticipated number of exhibitions or license period. We estimate the number of exhibitions based on the number of exhibitions allowed in the agreement and the expected usage of the content. Certain other program rights are amortized to expense on a straight-line basis over the respective lives of the agreements. Programming rights may include rights to more than one exploitation windows under its output and library agreements. For films with multiple windows, the license fee is allocated between the windows based upon the proportionate estimated fair value of each window which generally results in the majority of the cost allocated to the first window on newer releases. Programming costs vary due to the number of airings and cost of our original series, the number of films licensed and the cost per film paid under our output and library programming agreements.

The cost of the Media Networks' segment original content is allocated between the pay television market and the ancillary revenue markets (e.g., home video, digital platforms, international television, etc.) based on the estimated relative fair values of these markets. The amount associated with the pay television market is reclassified to program rights when the program is aired and the portion attributable to the ancillary markets remains in investment in films and television programs. Costs allocated to the pay television market are amortized to expense over the anticipated number of exhibitions for each original series while costs associated with the ancillary revenue markets are amortized to expense based on the proportion that current revenue from the original series bears to its ultimate revenue. Estimates of fair value for the pay television and ancillary markets involve uncertainty as well as estimates of ultimate revenue. All the costs of programming produced by the Media Networks segment and included in investment in films and television programs and program rights, net are classified as long term. Amounts included in program rights, other than internally produced programming, that are expected to be amortized within a year from the balance sheet date are classified as short-term.

Changes in management's estimate of the anticipated exhibitions of films and original series on our networks could result in the earlier recognition of our programming costs than anticipated. Conversely, scheduled exhibitions may not capture the appropriate usage of the program rights in current periods which would lead to the write-off of additional program rights in future periods and may have a significant impact on our future results of operations and our financial position.

Revenue Recognition. Revenue from the theatrical release of feature films is recognized at the time of exhibition based on our participation in box office receipts. Revenue from the sale of DVDs and Blu-ray discs in the retail market, net of an allowance for estimated returns and other allowances, is recognized on the later of receipt by the customer or "street date" (when it is available for sale by the customer). Under revenue sharing arrangements, including digital and EST arrangements, such as download-to-own, download-to-rent, video-on-demand, and subscription video-on-demand, revenue is recognized when we are entitled to receipts and such receipts are determinable. Revenues from television or digital licensing for fixed fees are recognized when the feature film or television program is available to the licensee for telecast. For television licenses that include separate availability "windows" during the license period, revenue is allocated to the "windows" of availability in the arrangement. Revenue from sales to international territories are recognized when access to the feature film or television program has been granted or delivery has occurred, as required under the contract, and the right to exploit the feature film or television program has commenced. For multiple media rights contracts with a fee for a single film or television program where the contract provides for media holdbacks (defined as contractual media release restrictions), the fee is allocated to the various media based on our assessment of the relative fair value of the rights to exploit each media and is recognized as each holdback is released. For multiple-title contracts with a fee, the fee is allocated on a title-by-title basis, based on our assessment of the relative fair value of each title.

Programming revenue is recognized in the period during which programming is provided, pursuant to affiliation agreements. If an affiliation agreement has expired and our programming is continuing to be aired by the Distributor, revenue is recognized based on the terms of the expired agreement or the actual payment from the distributor, whichever is less. Payments to distributors for marketing support costs for which Starz does not receive a direct benefit are recorded as a reduction of revenue.

Sales Returns Allowance. Revenues are recorded net of estimated returns and other allowances. We estimate reserves for DVD/Blu-ray returns based on previous returns experience, point-of-sale data available from certain retailers, current economic trends, and projected future sales of the title to the consumer based on the actual performance of similar titles on a title-by-title basis in each of the DVD/Blu-ray businesses. Factors affecting actual returns include, among other factors, limited retail shelf space at various times of the year, success of advertising or other sales promotions, and the near term release of competing titles. We believe that our estimates have been materially accurate in the past; however, due to the judgment involved in establishing reserves, we may have adjustments to our historical estimates in the future. Our estimate of future returns affects reported revenue and operating income. If we underestimate the impact of future returns in a particular period, then we may record less revenue in later periods when returns exceed the estimated amounts. If we overestimate the impact of future returns in a particular period, then we may record additional revenue in later periods when returns are less than estimated. An incremental change of 1% in our estimated sales returns rate (i.e., provisions for returns divided by gross sales of related product) for home entertainment products would have had an impact of approximately $6.0 million, $7.1 million and $5.4 million on our total revenue in the fiscal years ended March 31, 2018, 2017, and 2016, respectively.

Provisions for Accounts Receivable. We estimate provisions for accounts receivable based on historical experience and relevant facts and information regarding the collectability of the accounts receivable. In performing this evaluation, significant judgments and estimates are involved, including an analysis of specific risks on a customer-by-customer basis for our larger customers and an analysis of the length of time receivables have been past due. The financial condition of a given customer and its ability to pay may change over time or could be better or worse than anticipated and could result in an increase or decrease to our allowance for doubtful accounts, which is recorded in direct operating expenses.

Income Taxes. We are subject to federal and state income taxes in the U.S., and in several foreign jurisdictions. We record deferred tax assets related to net operating loss carryforwards and certain temporary differences, net of applicable reserves in these jurisdictions. We recognize a future tax benefit to the extent that realization of such benefit is more likely than not on a jurisdiction by jurisdiction basis; otherwise a valuation allowance is applied. In order to realize the benefit of our deferred tax assets, we will need to generate sufficient taxable income in the future in each of the jurisdictions which have these deferred tax assets. However, the assessment as to whether there will be sufficient taxable income in a jurisdiction to realize our net deferred tax assets in that jurisdiction is an estimate which could change in the future depending primarily upon the actual performance of our Company. We will be required to continually evaluate the more likely than not assessment that our net deferred tax assets will be realized, and if operating results deteriorate in a particular jurisdiction, we may need to record a valuation allowance for all or a portion of our deferred tax assets through a charge to our income tax provision. Based on our assessment in the quarter ended March 31, 2018, we recorded a valuation allowance of $68.2 million against certain U.S. and foreign deferred tax assets that may not be realized on a more likely than not basis.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was signed into law, making significant changes to the taxation of U.S. business entities. The Tax Act reduced the U.S. corporate income tax rate from 35% to 21%, imposed a one-time transition tax in connection with the move from a worldwide tax system to a territorial tax system, provided for accelerated deductions for certain U.S. film production costs, imposed limitations on certain tax deductions such as executive compensation in future periods, and included numerous other provisions. We are currently in the process of evaluating the full impact of the Tax Act on our financial statements and have not completed this evaluation. We have reported provisional amounts reflecting our reasonable estimates of the impact of the Tax Act. The estimated impact of the Tax Act is based on a preliminary review of the new law and is subject to revision based upon further analysis and interpretation of the Tax Act.

Our effective tax rates differ from the federal statutory rate and are affected by many factors, including the overall level of pre-tax income, mix of our pre-tax income generated across the various jurisdictions in which we operate, changes in tax laws and regulations in those jurisdictions, further interpretation and legislative guidance regarding the new Tax Act, changes in valuation allowances on our deferred tax assets, tax planning strategies available to us and other discrete items.

Goodwill. Goodwill is reviewed for impairment each fiscal year or between the annual tests if an event occurs or circumstances change that indicates it is more likely than not that the fair value of a reporting unit is less than its carrying value. We perform our annual impairment test as of January 1 in each fiscal year. We performed our last annual impairment test on our goodwill as of January 1, 2018 by comparing the fair value of each reporting unit to its carrying amount to determine if there was a potential goodwill impairment. Based on our qualitative assessments, including but not limited to, the results of our most recent quantitative impairment test, consideration of macroeconomic conditions, industry and market conditions, cash flows, and changes in our share price, we concluded that it was more likely than not that the fair value of our reporting units was greater than their carrying value.

Consolidation. We consolidate entities in which we own more than 50% of the voting common stock and control operations and also variable interest entities for which we are the primary beneficiary. Investments in nonconsolidated affiliates in which we own more than 20% of the voting common stock or otherwise exercise significant influence over operating and financial policies, but not control of the nonconsolidated affiliate, are accounted for using the equity method of accounting. Investments in nonconsolidated affiliates in which we own less than 20% of the voting common stock are accounted for using the cost method of accounting.

Business Combinations. We account for our business combinations under the acquisition method of accounting. Identifiable assets acquired, liabilities assumed and any noncontrolling interest in the acquiree are recognized and measured as of the acquisition date at fair value. Goodwill is recognized to the extent by which the aggregate of the acquisition-date fair value of the consideration transferred and any noncontrolling interest in the acquiree exceeds the recognized basis of the identifiable assets acquired, net of assumed liabilities.

Determining the fair value of assets acquired, liabilities assumed and noncontrolling interest requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash flows, discount rates and asset lives among other items.

Recent Accounting Pronouncements

See Note 1 to the accompanying consolidated financial statements for a discussion of recent accounting guidance.

RESULTS OF OPERATIONS

Fiscal 2018 Compared to Fiscal 2017

Consolidated Results of Operations

The following table sets forth our consolidated results of operations for the fiscal years ended March 31, 2018 and 2017. Due to the Starz Merger, fiscal 2017 includes the results of operations from Starz from the acquisition date of December 8, 2016. Revenue from Starz across all segments was $1.65 billion for the fiscal year ended March 31, 2018, as compared to $483.2 million for the period from the acquisition date of December 8, 2016 to March 31, 2017.

	Year Ended March 31,		Increase (Decrease)	
	2018	2017	Amount	Percent
	(Amounts in millions)			
Revenues				
Motion Pictures	$1,822.1	$1,920.6	$ (98.5)	(5.1)%
Television Production	805.3	837.4	(32.1)	(3.8)%
Media Networks	1,532.5	456.6	1,075.9	nm
Intersegment eliminations	(30.8)	(13.1)	(17.7)	nm
Total revenues	4,129.1	3,201.5	927.6	29.0%
Expenses:				
Direct operating	2,309.6	1,903.8	405.8	21.3%
Distribution and marketing	897.6	806.8	90.8	11.3%
General and administration	454.4	355.4	99.0	27.9%
Depreciation and amortization	159.0	63.1	95.9	152.0%
Restructuring and other	59.8	88.7	(28.9)	(32.6)%
Total expenses	3,880.4	3,217.8	662.6	20.6%
Operating income (loss)	248.7	(16.3)	265.0	nm
Interest expense	(193.7)	(115.2)	(78.5)	68.1%
Interest and other income	10.4	6.4	4.0	62.5%
Loss on extinguishment of debt	(35.7)	(40.4)	4.7	(11.6)%
Gain on sale of equity interest in EPIX	201.0	—	201.0	nm
Gain on Starz investment	—	20.4	(20.4)	nm
Impairment of long-term investments and other assets	(29.2)	—	(29.2)	nm
Equity interests income (loss)	(52.8)	10.7	(63.5)	nm
Income (loss) before income taxes	148.7	(134.4)	283.1	nm
Income tax benefit	319.4	148.9	170.5	114.5%
Net income	468.1	14.5	453.6	nm
Less: Net loss attributable to noncontrolling interest	5.5	0.3	5.2	nm
Net income attributable to Lions Gate Entertainment Corp. shareholders	$ 473.6	$ 14.8	$ 458.8	nm

nm — Percentage not meaningful

Revenues. Consolidated revenues increased in fiscal 2018, due to the inclusion of Starz revenue for the entire fiscal year, as compared to the period from the acquisition date of December 8, 2016 to March 31, 2017 in fiscal 2017, offset partially by decreases in Motion Pictures revenues and, to a lesser extent, Television Production revenues. The Media Networks and Motion Pictures revenues in fiscal 2018 include $1,525.4 million and $126.4 million, respectively, of revenues from Starz, as compared to $453.7 million and $29.5 million, respectively, in fiscal 2017 from the date of acquisition.

The decrease in Motion Pictures revenue was primarily due to decreases in theatrical and international revenue driven by our smaller theatrical slate (15 feature films released in fiscal 2018 compared to 18 in fiscal 2017). In addition, fiscal 2017 included significant theatrical and international contributions from *La La Land, Now You See Me 2* and *Deepwater Horizon.* These decreases were partially offset by an increase in Motion Pictures home entertainment revenue, driven by a greater contribution in fiscal 2018 from the Starz third party distribution business as a result of the Starz Merger.

A significant component of revenue comes from home entertainment. The following table sets forth total home entertainment revenue for our reporting segments for the fiscal years ended March 31, 2018 and 2017:

	Year Ended March 31,		Increase (Decrease)	
	2018	2017	Amount	Percent
	(Amounts in millions)			
Home Entertainment Revenue				
Motion Pictures	$774.0	$707.7	$ 66.3	9.4%
Television Production	30.2	39.9	(9.7)	(24.3)%
Media Networks	83.8	25.0	58.8	235.2%
	$888.0	$772.6	$115.4	14.9%

Direct Operating Expenses. Direct operating expenses by segment were as follows for the fiscal years ended March 31, 2018 and 2017:

	Year Ended March 31,				Increase (Decrease)	
	2018		2017			
	Amount	% of Segment Revenues	Amount	% of Segment Revenues	Amount	Percent
	(Amounts in millions)					
Direct operating expenses						
Motion Pictures	$ 977.8	53.7%	$ 976.4	50.8%	$ 1.4	0.1%
Television Production	668.5	83.0	711.9	85.0	(43.4)	(6.1)%
Media Networks	628.4	41.0	202.2	44.3	426.2	210.8%
Other	45.6	nm	18.8	nm	26.8	142.6%
Intersegment eliminations	(10.7)	nm	(5.5)	nm	(5.2)	nm
	$2,309.6	55.9%	$1,903.8	59.5%	$405.8	21.3%

nm — Percentage not meaningful.

Direct operating expenses increased in fiscal 2018, primarily due to the inclusion of Starz expenses for the entire fiscal year and a slight increase in Motion Pictures direct operating expense. These increases were offset partially by lower Television Production direct operating expenses attributable to lower Television Production revenue, and lower direct operating expenses as a percentage of Television Production revenue. See further discussion in the Segment Results of Operations section below.

Other primarily consists of the amortization of the non-cash fair value adjustments on film and television assets associated with the application of purchase accounting related to the acquisition of Starz, Pilgrim Media Group and Good Universe and to a lesser extent, share-based compensation associated with certain employees whose salaries are included in Media Networks direct operating expense.

Distribution and Marketing Expenses. Distribution and marketing expenses by segment were as follows for the fiscal years ended March 31, 2018 and 2017:

	Year Ended March 31,		Increase (Decrease)	
	2018	2017	Amount	Percent
	(Amounts in millions)			
Distribution and marketing expenses				
Motion Pictures	$551.7	$706.4	$(154.7)	(21.9)%
Television Production	29.3	33.6	(4.3)	(12.8)%
Media Networks	333.9	70.8	263.1	nm
Other	0.9	0.4	0.5	nm
Intersegment eliminations	(18.2)	(4.4)	(13.8)	nm
	$897.6	$806.8	$ 90.8	11.3%
U.S. theatrical P&A expense included in Motion Pictures distribution and marketing expense	$319.1	$474.5	$(155.4)	(32.8)%

nm — Percentage not meaningful.

Distribution and Marketing expenses increased in fiscal 2018, due to the inclusion of distribution and marketing expenses from Starz in the Media Networks segment for the entire fiscal year, offset partially by decreased Motion Pictures theatrical P&A expenses. See further discussion in the Segment Results of Operations section below.

Other consists of share-based compensation associated with certain employees whose salaries are included in Media Networks distribution and marketing expense.

General and Administrative Expenses. General and administrative expenses by segment were as follows for the fiscal years ended March 31, 2018 and 2017:

	Year Ended March 31,				Increase (Decrease)	
	2018	% of Revenues	2017	% of Revenues	Amount	Percent
	(Amounts in millions)					
General and administrative expenses						
Motion Pictures	$113.2		$105.3		$ 7.9	7.5%
Television Production	40.3		32.1		8.2	25.5%
Media Networks	100.9		45.0		55.9	nm
Corporate	110.3		92.5		17.8	19.2%
	364.7	8.8%	274.9	8.6%	89.8	32.7%
Share-based compensation expense	83.6		75.5		8.1	10.7%
Purchase accounting and related adjustments	6.1		5.0		1.1	22.0%
Total general and administrative expenses	$454.4	11.0%	$355.4	11.1%	$99.0	27.9%

nm — Percentage not meaningful.

General and administrative expenses increased in fiscal 2018, resulting from the inclusion of general and administrative expense from Starz in the Media Networks segment for a full fiscal year, increased corporate general and administrative expenses, higher share-based compensation expense, and increased Motion Pictures and Television Production general and administrative expense. See further discussion in the Segment Results of Operations section below.

Corporate general and administrative expenses increased primarily due to increases in professional fees and salaries and related expenses.

Share-based compensation expense represents the portion of share-based compensation expense included in general and administrative expenses that is not allocated to segment or corporate general and administrative expense. The increase in share-based compensation expense included in general and administrative expense is primarily due to compensation expense associated with the replacement of Starz share-based payment awards (see Note 2 to our consolidated financial statements). The following table reconciles this amount to total share-based compensation expense:

	Year Ended March 31,	
	2018	2017
	(Amounts in millions)	
Share-based compensation expense by expense category		
Other general and administrative expense	$83.6	$75.5
Restructuring and other[1]	2.9	2.4
Direct operating expense	1.1	1.2
Distribution and marketing expense	0.9	0.4
Total share-based compensation expense	$88.5	$79.5

(1) Represents share-based compensation expense included in restructuring and other expenses reflecting the impact of the acceleration of certain vesting schedules for equity awards pursuant to certain severance arrangements.

Purchase accounting and related adjustments represent the charge for the accretion of the noncontrolling interest discount related to Pilgrim Media Group that is included in general and administrative expense (see Note 11 to our consolidated financial statements).

Depreciation and Amortization Expense. Depreciation and amortization of $159.0 million for fiscal 2018 increased $95.9 million from $63.1 million in fiscal 2017. The increase is primarily due to the depreciation and amortization associated with the property and equipment and intangible assets related to the Starz acquisition.

Restructuring and Other. Restructuring and other decreased $28.9 million, and includes restructuring and severance costs, certain transaction and related costs, and certain unusual items, when applicable and were as follows for the fiscal years ended March 31, 2018 and 2017 (see Note 14 to our consolidated financial statements):

	Year Ended March 31,		Increase (Decrease)	
	2018	2017	Amount	Percent
	(Amounts in millions)			
Restructuring and other:				
Severance[1]				
Cash	$21.5	$26.7	$ (5.2)	(19.5)%
Accelerated vesting on equity awards (see Note 12)	2.9	2.4	0.5	20.8%
Total severance costs	24.4	29.1	(4.7)	(16.2)%
Transaction and related costs[2]	22.2	59.6	(37.4)	(62.8)%
Development expense[3]	13.2	—	13.2	nm
	$59.8	$88.7	$(28.9)	(32.6)%

nm — Percentage not meaningful.

(1) Severance costs in the fiscal year ended March 31, 2018 were primarily related to the restructuring of the Motion Pictures business in connection with the acquisition of Good Universe and additional workforce reductions in connection with the Starz Merger. Severance costs in the fiscal year ended March 31, 2017 were primarily related to workforce reductions for redundancies in connection with the Starz Merger.

(2) Transaction and related costs in the fiscal years ended March 31, 2018 and 2017 reflect transaction, integration and legal costs incurred associated with certain strategic transactions. In fiscal 2018, these costs were primarily related to the the sale of EPIX (see Note 5 to our consolidated financial statements), the Starz Merger, legal fees associated with the Starz class action lawsuits and certain other legal matters. In fiscal 2017, these costs were primarily related to the Starz Merger, the legal fees associated with the Starz class action lawsuits, and an arbitration award of $5.8 million and related legal expenses.

(3) Development expense in the fiscal year ended March 31, 2018 represents write-downs resulting from the restructuring of the Motion Pictures business in connection with the acquisition of Good Universe and new management's decisions around the creative direction on certain development projects which were abandoned in the fiscal year.

Interest Expense. Interest expense of $193.7 million in fiscal 2018 increased $78.5 million from fiscal 2017, driven by the increase in debt in connection with the Starz Merger and interest accrued in connection with the dissenting shareholders' liability associated with the Starz Merger. The following table sets forth the components of interest expense for the fiscal years ended March 31, 2018 and 2017:

	Year Ended March 31,	
	2018	**2017**
	(Amounts in millions)	
Interest Expense		
Cash Based:		
Revolving credit facility[1]	$ 3.9	$ 9.6
Term Loan A[1]	32.8	10.3
Term Loan B[1]	45.6	22.3
5.875% Senior Notes	30.7	13.1
5.25% Senior Notes	—	8.1
Term Loan Due 2022	—	14.1
Other	9.9	9.3
	122.9	86.8
Amortization of debt discount and financing costs	14.3	12.9
	137.2	99.7
Interest on dissenting shareholders' liability[2]	56.5	15.5
Total interest expense	$193.7	$115.2

(1) See Note 7 to our consolidated financial statements for further description of our debt transactions.

(2) Represents interest accrued in connection with the dissenting shareholders' liability associated with the Starz Merger. See Note 2 to our consolidated financial statements.

Loss on Extinguishment of Debt. Loss on extinguishment of debt was $35.7 million in fiscal 2018, related to the March 2018 Senior Credit Facilities refinancing, the March 2018 exchange of $512.3 million of the 5.875% Senior Notes, the December 2017 Term Loan B refinancing, and other voluntary prepayments on the Previous Term Loan B-1/ Previous Term Loan B. See Note 7 to our consolidated financial statements for further detail of these transactions.

Loss on extinguishment of debt was $40.4 million in fiscal 2017 related to the extinguishment of debt in connection with the Starz Merger financing in the third quarter of fiscal 2017, and the early repayment of $400.0 million in principal amount on the Previous Term Loan B in the fourth quarter of fiscal 2017. See Note 7 to our consolidated financial statements.

Gain on Sale of Equity Interest in EPIX. Gain on sale of equity interest in EPIX in fiscal 2018 of $201.0 million represents the gain recorded in connection with the May 11, 2017 sale of our 31.15% equity interest in EPIX to MGM (see Note 5 to our consolidated financial statements). There was no comparable gain in fiscal 2017.

Gain on Starz Investment. Gain on Starz investment in fiscal 2017 of $20.4 million represents the difference between the fair value of the Starz available-for-sale securities on the date of the Starz Merger (December 8, 2016) and the original cost of the previously held Starz available-for-sale securities, with no comparable gain in fiscal 2018.

Impairment of Long-Term Investments and Other Assets. During fiscal 2018, we recognized $29.2 million of other-than-temporary impairments on our investments and notes receivable (included in other assets), which were written down to their estimated fair value (see Note 5 to our consolidated financial statements). There was no comparable charge in fiscal 2017.

Equity Interests Income (Loss). The following table represents our portion of the income or (loss) of our equity method investees based on our percentage ownership for the fiscal years ended March 31, 2018 and 2017:

	March 31, 2018 Ownership Percentage	Year Ended March 31, 2018	Year Ended March 31, 2017
		(Amounts in millions)	
EPIX[1][2]	n/a[1]	$ 4.0	$ 31.0
Pop[2]	50.0%	(9.0)	(6.9)
Other[3]	Various	(47.8)	(13.4)
		$(52.8)	$ 10.7

(1) In May 2017, we sold all of our 31.15% equity interest in EPIX to MGM (see Note 5 to our consolidated financial statements).

(2) We license certain of our theatrical releases and other films and television programs to EPIX and Pop. A portion of the profits of these licenses reflecting our ownership share in the venture is eliminated through an adjustment to the equity interest income (loss) of Pop and EPIX (through the date of sale of our ownership interest of May 11, 2017). These profits are recognized as they are realized by the venture (see Note 5 to our consolidated financial statements).

(3) Other primarily consists of equity interest losses from our equity method interests in Laugh Out Loud, Playco, Atom Tickets and Defy Media Group in fiscal 2018, compared to equity interest losses from our equity method interest in Atom Tickets and Playco in fiscal 2017.

Income Tax Benefit. We had an income tax benefit of $319.4 million in fiscal 2018, compared to a benefit of $148.9 million in fiscal 2017. Our income tax benefit differs from the federal statutory rate multiplied by pre-tax income (loss) due to the mix of our pre-tax income (loss) generated across the various jurisdictions in which we operate and the tax deductions generated by our capital structure, which includes a favorable permanent book-tax difference in our Canadian jurisdiction for certain foreign affiliate dividends. Canadian tax law permits such dividends to be received without being subject to tax. In addition, our total income tax benefit of $319.4 million in fiscal 2018 includes a net benefit of $259.1 million, consisting of a $165.0 million benefit from the impact of the change in U.S. federal tax rates (see below) on our beginning net deferred tax liability balances, a benefit of $162.3 million primarily for foreign affiliate dividends resulting from an internal capital restructuring in connection with our third party debt refinancing (see Note 7 to our consolidated financial statements), offset by charges of $58.8 million and $9.4 million from increases in our valuation allowance associated with certain U.S. and foreign deferred tax assets, respectively, that may not be realized on a more likely than not basis. The impact is reflected in Note 13 to our consolidated financial statements in the table that reconciles income taxes computed at U.S. statutory income tax rates to the income tax provision (benefit).

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was signed into law, making significant changes to the taxation of U.S. business entities. The Tax Act reduced the U.S. corporate income tax rate from 35% to 21%, imposed a one-time transition tax in connection with the move from a worldwide tax system to a territorial tax system, changed the ability to claim certain tax deductions, and included numerous other provisions. As we have a March 31 fiscal year-end, the lower corporate income tax rate will be phased in, resulting in a U.S. statutory federal rate of approximately 31.5% for our fiscal year ended March 31, 2018, and 21% for subsequent fiscal years. Since we are not in a current U.S federal tax paying position for fiscal 2018, our U.S. tax provision consists primarily of deferred tax benefits calculated at the 21% tax rate. Due to the reduction of the U.S. federal corporate income tax rate, we recorded a $165.0 million income tax benefit from the reduction of our beginning net U.S. deferred tax liabilities in the fiscal year ended March 31, 2018, which was considered a provisional amount based on reasonable estimates.

We have also made provisional estimates of other effects of the Tax Act, such as the measurement of deferred tax assets and liabilities related to executive compensation, the one-time transition tax, net operating loss carryovers, foreign tax credits, and accelerated deductions for U.S. film costs. We are currently in the process of evaluating the full impact of the Tax Act on our financial statements and have not completed this evaluation. We have reported provisional amounts reflecting our reasonable estimates of the impact of the Tax Act. The estimated impact of the Tax Act is based on a preliminary review of the new law and is subject to revision based upon further analysis and interpretation of the Tax Act. We will complete our accounting for the Tax Act once we have obtained, prepared, and analyzed all information needed (including computations) for our analysis, but no later than one year from the enactment date of the Tax Act.

At March 31, 2018, we had U.S. net operating loss carryforwards of approximately $1,260.5 million available to reduce future federal income taxes which expire beginning in 2029 through 2038, state net operating loss carryforwards of approximately $712.8 million available to reduce future state income taxes which expire in varying amounts beginning 2021, and Canadian loss carryforwards of $132.5 million, which will expire beginning in 2034. In addition, at March 31, 2018, we had U.S. credit carryforwards related to foreign taxes paid of approximately $68.3 million to offset future federal income taxes that will expire beginning in 2021.

Net Income Attributable to Lions Gate Entertainment Corp. Shareholders. Net income attributable to our shareholders for the fiscal year ended March 31, 2018 was $473.6 million, or basic net income per common share of $2.27 on 208.4 million weighted average common shares outstanding and diluted net income per common share of $2.15 on 220.4 million weighted average common shares outstanding. This compares to net income attributable to our shareholders for the fiscal year ended March 31, 2017 of $14.8 million, or basic net income per common share of $0.09 on 165.0 million weighted average common shares outstanding and diluted net income per common share of $0.09 on 172.2 million weighted average common shares outstanding.

Segment Results of Operations

The segment results of operations presented below do not include the elimination of intersegment transactions which are eliminated when presenting consolidated results, and exclude items separately identified in the restructuring and other line item in the consolidated statement of operations.

Motion Pictures

The table below sets forth Motion Pictures gross contribution and segment profit for the fiscal years ended March 31, 2018 and 2017:

	Year Ended March 31,		Increase (Decrease)	
	2018	2017	Amount	Percent
	(Amounts in millions)			
Motion Pictures Segment:				
Revenue	$1,822.1	$1,920.6	$ (98.5)	(5.1)%
Expenses:				
Direct operating expense	977.8	976.4	1.4	0.1%
Distribution & marketing expense	551.7	706.4	(154.7)	(21.9)%
Gross contribution	292.6	237.8	54.8	23.0%
General and administrative expenses	113.2	105.3	7.9	7.5%
Segment profit	$ 179.4	$ 132.5	$ 46.9	35.4%
U.S. theatrical P&A expense included in distribution and marketing expense	$ 319.1	$ 474.5	$(155.4)	(32.8)%
Direct operating expense as a percentage of revenue	53.7%	50.8%		
Gross contribution as a percentage of revenue	16.1%	12.4%		

Revenue. The table below sets forth Motion Pictures revenue by media and product category for the fiscal years ended March 31, 2018 and 2017:

	Year Ended March 31,						
	2018			2017			
	Feature Film(1)	Other Than Feature Film(2)	Total	Feature Film(1)	Other Than Feature Film(2)	Total	Total Increase (Decrease)
	(Amounts in millions)						
Motion Pictures Revenue							
Theatrical	$ 238.5	$ 42.9	$ 281.4	$ 353.7	$ 17.6	$ 371.3	$(89.9)
Home Entertainment							
Packaged Media	213.4	186.9	400.3	247.0	156.8	403.8	(3.5)
Digital Media(3)	206.1	167.6	373.7	192.7	111.2	303.9	69.8
Total Home Entertainment	419.5	354.5	774.0	439.7	268.0	707.7	66.3
Television	220.2	58.3	278.5	238.7	40.4	279.1	(0.6)
International	356.2	100.5	456.7	439.7	94.1	533.8	(77.1)
Other	24.1	7.4	31.5	18.2	10.5	28.7	2.8
	$1,258.5	$563.6	$1,822.1	$1,490.0	$430.6	$1,920.6	$(98.5)

(1) **Feature Film:** Includes theatrical releases through our Lionsgate and Summit Entertainment film labels, which includes films developed and produced in-house, films co-developed and co-produced and films acquired from third parties.

(2) **Other Than Feature Film:** Includes Managed Brands, which represents direct-to-DVD motion pictures, acquired and licensed brands, third-party library product and ancillary-driven platform theatrical releases through our specialty films distribution labels including Lionsgate Premiere, through CodeBlack Films, and with our equity method investee, Roadside Attractions. This category also includes certain specialty theatrical releases with our equity method investee, Pantelion Films, and other titles.

(3) **Digital Media Revenue:** Consists of revenues generated from pay-per-view and video-on-demand platforms, EST, and digital rental.

Theatrical revenue decreased $89.9 million, or 24.2%, in fiscal 2018 as compared to fiscal 2017, due to a smaller theatrical slate and the performance of the Feature Films released, which included a significant contribution in fiscal 2017 from *La La Land.*

Home entertainment revenue increased $66.3 million, or 9.4%, in fiscal 2018, as compared to fiscal 2017, primarily driven by increased home entertainment revenue from Other Than Feature Film of $86.5 million, partially offset by a decrease of $20.2 million of home entertainment revenue from our Feature Films. The increase in home entertainment revenue from Other Than Feature Film was driven by increased revenue from the Starz third party distribution business in fiscal 2018 (increase of $91.4 million as compared to fiscal 2017). The decrease in home entertainment revenue from our Feature Films was driven by lower packaged media revenue in fiscal 2018 from the smaller Fiscal 2018 theatrical slate, as compared to the packaged media revenue in fiscal 2017 from the Fiscal 2017 theatrical slate, partially offset by higher digital media revenue in fiscal 2018 from our Fiscal 2017 theatrical slate.

International motion pictures revenue decreased $77.1 million, or 14.4%, in fiscal 2018, as compared to fiscal 2017, driven by our smaller Fiscal 2018 theatrical slate, and significant contributions in fiscal 2017 from *Now You See Me 2* and *Deepwater Horizon.*

Direct Operating Expense. The increase in direct operating expenses as a percentage of motion pictures revenue was primarily driven by the change in the mix of titles and product categories generating revenue in fiscal 2018 as compared to fiscal 2017, and an increase in investment in film write-downs. Included in Motion Pictures direct operating expenses are investment in film write-downs of approximately $33.6 million in fiscal 2018, compared to approximately $17.0 million in fiscal 2017.

Distribution and Marketing Expense. The decrease in distribution and marketing expense in fiscal 2018 is primarily due to lower theatrical P&A, driven by lower P&A spending in fiscal 2018 on fewer Feature Film theatrical releases. In fiscal 2018, approximately $10.3 million of P&A was incurred in advance for films to be released in fiscal 2019, such as *Uncle Drew, Traffik* and *The Spy Who Dumped Me.* In fiscal 2017, approximately $1.9 million of P&A was incurred in advance for films to be released in fiscal 2018, such as *All Eyez on Me, How to Be a Latin Lover* and *American Assassin.*

Gross Contribution. Gross contribution and gross contribution margin of the Motion Pictures segment for fiscal 2018 increased as compared to fiscal 2017, primarily due to lower U.S. theatrical P&A as a percentage of Motion Pictures revenue due to lower P&A spending on the fewer number of Feature Film releases in the current fiscal year, offset partially by higher direct operating expenses as a percentage of Motion Pictures revenue.

General and Administrative Expense. General and administrative expenses of the Motion Pictures segment increased $7.9 million, or 7.5%, primarily due to increases in salaries and related expenses and incentive compensation.

Television Production

The table below sets forth Television Production gross contribution and segment profit for the fiscal years ended March 31, 2018 and 2017:

	Year Ended March 31,		Increase (Decrease)	
	2018	2017	Amount	Percent
	(Amounts in millions)			
Television Production Segment:				
Revenue	$805.3	$837.4	$(32.1)	(3.8)%
Expenses:				
Direct operating expense	668.5	711.9	(43.4)	(6.1)%
Distribution & marketing expense	29.3	33.6	(4.3)	(12.8)%
Gross contribution	107.5	91.9	15.6	17.0%
General and administrative expenses	40.3	32.1	8.2	25.5%
Segment profit	$ 67.2	$ 59.8	$ 7.4	12.4%
Direct operating expense as a percentage of revenue	83.0%	85.0%		
Gross contribution as a percentage of revenue	13.3%	11.0%		

Revenue. The table below sets forth Television Production revenue and the changes in revenue by media for the fiscal years ended March 31, 2018 and 2017:

	Year Ended March 31,		Increase (Decrease)	
	2018	2017	Amount	Percent
	(Amounts in millions)			
Television Production				
Domestic Television	$635.4	$641.9	$ (6.5)	(1.0)%
International	135.1	149.1	(14.0)	(9.4)%
Home Entertainment Revenue				
Digital	26.8	34.1	(7.3)	(21.4)%
Packaged Media	3.4	5.8	(2.4)	(41.4)%
Total Home Entertainment Revenue	30.2	39.9	(9.7)	(24.3)%
Other	4.6	6.5	(1.9)	(29.2)%
	$805.3	$837.4	$(32.1)	(3.8)%

The primary component of Television Production revenue is domestic television revenue. Domestic television revenue decreased slightly in fiscal 2018 as compared to fiscal 2017, primarily due to lower domestic television license fees on new scripted television programs, partially offset by an increase of $13.8 million in revenues associated with the fees earned from the distribution in ancillary markets of Starz Original Series.

International revenue in fiscal 2018 decreased $14.0 million, or 9.4%, as compared to fiscal 2017, primarily driven by revenue in fiscal 2017 from *Orange Is the New Black* Seasons 4 & 5 and *Mad Men* Seasons 1 to 7, which compared to revenue in fiscal 2018 from *Orange Is the New Black* Season 6, and *Step Up: High Water* Season 1.

Home entertainment revenue in fiscal 2018 decreased $9.7 million, or 24.3%, as compared to fiscal 2017, primarily driven by lower digital revenue due to a significant contribution from *Guilt* Season 1 in fiscal 2017. The decrease was also, to a lesser extent, due to lower packaged media revenue.

Direct Operating Expense. The decrease in direct operating expenses as a percentage of television production revenue is primarily due to the fees associated with the distribution in ancillary markets of Starz Original Series, which have no corresponding direct operating cost in the Television Production segment, and to a lesser extent, was also driven by the mix of titles generating revenue in fiscal 2018 as compared to fiscal 2017.

Gross Contribution. Gross contribution and gross contribution margin of the Television Production segment for fiscal 2018 increased as compared to fiscal 2017, primarily due to lower direct operating expenses as a percentage of television production revenue.

General and Administrative Expense. General and administrative expenses of the Television Production segment increased $8.2 million, or 25.5%, primarily due to increases in salaries and related expenses, incentive compensation and general and administrative expenses associated with the distribution of Starz Originals.

Media Networks

The table below sets forth Media Networks gross contribution and segment profit for the fiscal years ended March 31, 2018 and 2017. Media Networks was not previously a reportable segment prior to the quarter ended December 31, 2016, and in fiscal 2017, the results of operations in the Media Networks segment represent primarily activity related to Starz Networks from the acquisition date of December 8, 2016 to March 31, 2017.

	Year Ended March 31,	
	2018	2017
	(Amounts in millions)	
Media Networks Segment:		
Revenue	$1,532.5	$456.6
Expenses:		
Direct operating expense	628.4	202.2
Distribution & marketing expense	333.9	70.8
Gross contribution	570.2	183.6
General and administrative expenses	100.9	45.0
Segment profit	$ 469.3	$138.6
Direct operating expense as a percentage of revenue	41.0%	44.3%
Gross contribution as a percentage of revenue	37.2%	40.2%

The following table sets forth the Media Networks segment revenue and segment profit by product line:

	Year Ended March 31,		Increase (Decrease)	
	2018	2017	Amount	Percent
	(Amounts in millions)			
Segment Revenue:				
Starz Networks	$1,404.1	$423.4	$ 980.7	nm
Content and Other	121.3	30.3	91.0	nm
Streaming Services	7.1	2.9	4.2	144.8%
	$1,532.5	$456.6	$1,075.9	nm
Segment Profit:				
Starz Networks	$ 468.0	$165.9	$ 302.1	nm
Content and Other	40.2	8.2	32.0	nm
Streaming Services	(38.9)	(35.5)	(3.4)	9.6%
	$ 469.3	$138.6	$ 330.7	238.6%

nm — Percentage not meaningful.

Revenue. The increase in Media Networks revenue in fiscal 2018 was due to the inclusion of Starz revenue for the entire fiscal year, as compared to the period from the acquisition date of December 8, 2016 to March 31, 2017 in fiscal 2017. The table below sets forth, for the periods presented, subscriptions to our STARZ network:

	March 31, 2018	March 31, 2017
	(Amounts in millions)	
Period End Subscriptions:		
STARZ	23.5	24.2

Direct Operating and Distribution and Marketing Expenses. Starz Networks' direct operating and distribution and marketing expenses primarily represent programming cost amortization and advertising and marketing costs. The level of programing cost amortization and advertising and marketing costs and thus the gross contribution margin for the Media Networks segment can fluctuate from period to period depending on the number of new shows and particularly new original series premiering on the network during the period. Programming cost amortization and advertising and marketing costs generally increase in periods where new original series are premiering on STARZ. During the fiscal year ended March 31, 2018, the following original series premiered on STARZ: *The White Princess* (premiere date of April 16, 2017), *American Gods* Season 1 (premiere date of April 30, 2017), *Power* Season 4 (premiere date of June 25, 2017), *Survivor's Remorse* Season 4 (premiere date of August 20, 2017), *Outlander* Season 3 (premiere date of September 10, 2017), and *The Girlfriend Experience* Season 2 (premiere date of November 5, 2017), *Counterpart* Season 1 (premiere date of January 21, 2018) *Ash Vs. Evil Dead* Season 3 (premiere date of February 25, 2018). During the period from December 8, 2016 through March 31, 2017, the original series, *Black Sails (Season 4)* (premiere date of January 29, 2017) and *The Missing (Season 2)* (premiere date of February 12, 2017), premiered on STARZ.

Gross Contribution. Gross contribution of the Media Networks segment for fiscal 2018 was primarily from Starz Networks.

General and Administrative Expense. General and administrative expenses of the Media Networks segment in fiscal 2018 of $100.9 million represent general and administrative expenses associated with Starz Networks and Streaming Services. In fiscal 2017, general and administrative expenses of $45.0 million represent general and administrative expenses associated with Starz Networks from the acquisition date of December 8, 2016 to March 31, 2017, and general and administrative expenses from Streaming Services.

Media Networks Supplemental Pro Forma Financial Information:

The following table sets forth the Media Networks segment profit on a pro forma basis as if the Starz Merger and our segment reorganization (see Note 15 to our consolidated financial statements) occurred on April 1, 2016:

	Year Ended March 31,		Increase (Decrease)	
	2018	2017	Amount	Percent
	(Amounts in millions)			
Media Networks Segment:				
Revenue	$1,532.5	$1,458.9	$ 73.6	5.0%
Expenses:				
Direct operating expense	628.4	686.2	(57.8)	(8.4)%
Distribution & marketing expense	333.9	203.1	130.8	64.4%
Gross contribution	570.2	569.6	0.6	0.1%
General and administrative expenses	100.9	122.5	(21.6)	(17.6)%
Segment profit	$ 469.3	$ 447.1	$ 22.2	5.0%
Direct operating expense as a percentage of revenue	41.0%	47.0%		
Gross contribution as a percentage of revenue	37.2%	39.0%		

NOTE: *The pro forma amounts above were determined by combining the historical financial information of Lionsgate and Starz for each respective period, applying the new Lionsgate segment structure (see Note 15 to our consolidated financial statements), and applying the acquisition related accounting. However, the effects of purchase accounting are not part of the definition of segment profit, and have been excluded accordingly. In addition, the pro forma information does not apply any operating costs synergies. The amounts are presented for illustrative purposes and are not necessarily indicative of the combined financial results that might have been achieved for the periods had the acquisition taken place on April 1, 2016, nor are they indicative of the future combined results of Lionsgate and Starz.*

The following table sets forth the Media Networks segment revenue and segment profit by product line on a pro forma basis:

	Year Ended March 31, 2018	Year Ended March 31, 2017	Increase (Decrease) Amount	Increase (Decrease) Percent
	(Amounts in millions)			
Segment Revenue:				
Starz Networks	$1,404.1	$1,374.8	$29.3	2.1%
Content and Other	121.3	81.2	40.1	49.4%
Streaming Services	7.1	2.9	4.2	144.8%
	$1,532.5	$1,458.9	$73.6	5.0%
Segment Profit:				
Starz Networks	$ 468.0	$ 473.7	$ (5.7)	(1.2)%
Content and Other	40.2	8.9	31.3	351.7%
Streaming Services	(38.9)	(35.5)	(3.4)	9.6%
	$ 469.3	$ 447.1	$22.2	5.0%

Revenue. On a pro forma basis, Starz Networks revenue represented 92% and 94% of Media Networks revenue for fiscal 2018 and 2017, respectively. The increase in pro forma Starz Networks revenue was due to a $52.1 million increase due to higher effective rates primarily driven by OTT revenue growth, partially offset by a $22.8 million decrease due to lower average subscriptions related to subscriber losses at certain MVPDs. During fiscal 2018, the original series *The White Princess, American Gods* Season 1, *Power* Season 4, *Survivor's Remorse* Season 4, *Outlander* Season 3, *The Girlfriend Experience* Season 2, *Counterpart* Season 1 and *Ash Vs. Evil Dead* Season 3 premiered on STARZ. During fiscal 2017, the original series *Outlander* Season 2, *The Girlfriend Experience* Season 1, *Power* Season 3, *Survivor's Remorse* Season 3, *Ash vs. Evil Dead* Season 2 *Blunt Talk* Season 2, *Black Sails* Season 4 and *The Missing* Season 2 premiered on STARZ.

The increase in pro forma Content and Other revenue was driven by a significant contribution of revenues from domestic and worldwide digital media licensing arrangements in fiscal 2018 primarily for the Starz Original Series *Power* Seasons 1 — 4, *The Girlfriend Experience* Season 2, *Ash Vs. Evil Dead* Seasons 1 — 3, *Black Sails* Season 4, and *The White Princess.*

Direct Operating and Distribution and Marketing Expense. The decrease in pro forma direct operating expense is primarily due to lower costs for Starz Networks, driven by decreased programming cost amortization related to output licensing arrangements and Starz Originals, partially offset by an increase in programming cost amortization related to library content and higher development costs. In addition, pro forma direct operating expense as a percentage of revenue for Content and Other decreased due to increased revenue. These decreases were partially offset by an increase in direct operating expense for Streaming Services.

The increase in pro forma distribution and marketing expense is due to an increase in Starz Networks' advertising and marketing costs associated with the STARZ app and increased spend on Starz Originals, and to a lesser extent, due to an increase in distribution and marketing expense for Content and Other and Streaming Services.

Gross Contribution. On a pro forma basis, gross contribution of the Media Networks segment for fiscal 2018 was primarily from Starz Networks. The pro forma slight increase in gross contribution is driven by higher gross contribution from Content and Other, which was mostly offset by a decrease in gross contribution from Starz Networks and Streaming Services.

General and Administrative Expense. Pro forma general and administrative expenses of the Media Networks segment in fiscal 2018 decreased due to lower Starz Networks general and administrative expenses primarily attributable to lower payroll and related expenses due to prior year headcount reductions, and a slight decrease in costs associated with Streaming Services.

Fiscal 2017 Compared to Fiscal 2016

Consolidated Results of Operations

The following table sets forth our consolidated results of operations for the fiscal years ended March 31, 2017 and 2016. The results of operations below include the results of Starz from its acquisition date of December 8, 2016 onwards, and Pilgrim Media Group from its acquisition date of November 12, 2015 onwards. Revenue from Starz across all segments was $483.2 million in fiscal 2017, with no comparable revenue in fiscal 2016. Revenue from Pilgrim Media Group was $136.6 million in fiscal 2017, compared to $52.5 million in fiscal 2016.

Media Networks was not previously a reportable segment prior to the quarter ended December 31, 2016, and amounts in fiscal 2016 represent the Lionsgate legacy start-up direct to consumer streaming services on SVOD platforms (Streaming Services).

	Year Ended March 31,		Increase (Decrease)	
	2017	2016	Amount	Percent
	(Amounts in millions)			
Revenues				
Motion Pictures	$1,920.6	$1,677.4	$ 243.2	14.5%
Television Production	837.4	669.9	167.5	25.0%
Media Networks	456.6	0.1	456.5	nm
Intersegment eliminations	(13.1)	—	(13.1)	nm
Total revenues	3,201.5	2,347.4	854.1	36.4%
Expenses:				
Direct operating	1,903.8	1,415.3	488.5	34.5%
Distribution and marketing	806.8	661.8	145.0	21.9%
General and administration	355.4	262.4	93.0	35.4%
Depreciation and amortization	63.1	13.1	50.0	381.7%
Restructuring and other	88.7	19.8	68.9	348.0%
Total expenses	3,217.8	2,372.4	845.4	35.6%
Operating loss	(16.3)	(25.0)	8.7	nm
Interest expense	(115.2)	(54.9)	(60.3)	109.8%
Interest and other income	6.4	1.9	4.5	236.8%
Loss on extinguishment of debt	(40.4)	—	(40.4)	nm
Gain on Starz investment	20.4	—	20.4	nm
Equity interests income	10.7	44.2	(33.5)	(75.8)%
Loss before income taxes	(134.4)	(33.8)	(100.6)	297.6%
Income tax benefit (provision)	148.9	76.5	72.4	94.6%
Net income	14.5	42.7	(28.2)	(66.0)%
Less: Net loss attributable to noncontrolling interest	0.3	7.5	(7.2)	nm
Net income attributable to Lions Gate Entertainment Corp. shareholders	$ 14.8	$ 50.2	$ (35.4)	(70.5)%

nm — Percentage not meaningful

Revenues. Consolidated revenues increased in fiscal 2017, due to the inclusion of revenue from the Starz Merger from the date of acquisition (December 8, 2016), an increase in Motion Pictures revenues, and an increase in Television Production revenues (which included revenues in fiscal 2017 and fiscal 2016 of $136.6 million and $52.5 million, respectively, from Pilgrim Media Group, acquired November 12, 2015). The

Media Networks and Motion Pictures revenues in fiscal 2017 include $453.7 million and $29.5 million, respectively, of revenues from Starz from the date of acquisition.

The increase in Motion Pictures revenue was primarily due to higher home entertainment, television and theatrical revenues driven by a larger theatrical slate (18 feature films released in fiscal 2017 compared to 14 in fiscal 2016), offset partially by lower international revenues as compared to fiscal 2016, which included the release of *The Hunger Games: Mockingjay — Part 2.* The increase in Television Production revenues was primarily driven by higher domestic television revenue. See further discussion in the Segment Results of Operations section below.

A significant component of revenue comes from home entertainment. The following table sets forth total home entertainment revenue for our reporting segments for the fiscal years ended March 31, 2017 and 2016:

	Year Ended March 31,		Increase (Decrease)	
	2017	2016	Amount	Percent
	(Amounts in millions)			
Home Entertainment Revenue				
Motion Pictures	$707.7	$579.7	$128.0	22.1%
Television Production	39.9	60.3	(20.4)	(33.8)%
Media Networks	25.0	0.1	24.9	nm
	$772.6	$640.1	$132.5	20.7%

nm — Percentage not meaningful

Direct Operating Expenses. Direct operating expenses by segment were as follows for the fiscal years ended March 31, 2017 and 2016:

	Year Ended March 31,				Increase (Decrease)	
	2017		2016			
	Amount	% of Segment Revenues	Amount	% of Segment Revenues	Amount	Percent
	(Amounts in millions)					
Direct operating expenses						
Motion Pictures	$ 976.4	50.8%	$ 874.3	52.1%	$102.1	11.7%
Television Production	711.9	85.0	531.8	79.4	180.1	33.9%
Media Networks	202.2	44.3	2.8	nm	199.4	nm
Other	18.8	nm	6.4	nm	12.4	nm
Intersegment eliminations	(5.5)	nm	—	nm	(5.5)	nm
	$1,903.8	59.5%	$1,415.3	60.3%	$488.5	34.5%

nm — Percentage not meaningful.

Direct operating expenses increased in fiscal 2017, primarily due to higher revenue for Media Networks, Television Production and Motion Pictures. See further discussion in the Segment Results of Operations section below.

Other primarily consists of the amortization of the non-cash fair value adjustments on film and television assets associated with the application of purchase accounting related to the acquisition of Starz and Pilgrim Media Group and to a lesser extent, share-based compensation associated with certain employees whose salaries are included in Media Networks direct operating expense.

Distribution and Marketing Expenses. Distribution and marketing expenses by segment were as follows for the fiscal years ended March 31, 2017 and 2016:

	Year Ended March 31,		Increase (Decrease)	
	2017	2016	Amount	Percent
	(Amounts in millions)			
Distribution and marketing expenses				
Motion Pictures	$706.4	$619.9	$ 86.5	14.0%
Television Production	33.6	39.4	(5.8)	(14.7)%
Media Networks	70.8	2.5	68.3	nm
Other	0.4	—	0.4	nm
Intersegment eliminations	(4.4)	—	(4.4)	nm
	$806.8	$661.8	$145.0	21.9%
U.S. theatrical P&A expense included in Motion Pictures distribution and marketing expense	$474.5	$393.1	$ 81.4	20.7%

nm — Percentage not meaningful.

Distribution and Marketing expenses increased in fiscal 2017, due to increased Motion Pictures theatrical P&A expenses associated with a larger theatrical slate and increased Media Networks distribution and marketing expenses due to the inclusion of Starz distribution and marketing expense from the acquisition date, partially offset by lower Television Production distribution and marketing expenses. See further discussion in the Segment Results of Operations section below.

Other consists of share-based compensation associated with certain employees whose salaries are included in Media Networks distribution and marketing expense.

General and Administrative Expenses. General and administrative expenses by segment were as follows for the fiscal years ended March 31, 2017 and 2016:

	Year Ended March 31,				Increase (Decrease)	
	2017	% of Revenues	2016	% of Revenues	Amount	Percent
			(Amounts in millions)			
General and administrative expenses						
Motion Pictures	$105.3		$ 92.4		$12.9	14.0%
Television Production	32.1		23.5		8.6	36.6%
Media Networks	45.0		4.8		40.2	nm
Corporate	92.5		83.4		9.1	10.9%
	274.9	8.6%	204.1	8.7%	70.8	34.7%
Share-based compensation expense	75.5		56.3		19.2	34.1%
Purchase accounting and related adjustments	5.0		1.9		3.1	nm
Total general and administrative expenses	$355.4	11.1%	$262.3	11.2%	$93.1	35.5%

nm — Percentage not meaningful.

General and administrative expenses increased in fiscal 2017, resulting from higher share-based compensation expense, Motion Pictures, Television Production and corporate general and administrative expenses, and increased Media Networks resulting from the inclusion of general and administrative expenses from Starz from the acquisition date. See further discussion in the Segment Results of Operations section below.

Corporate general and administrative expenses increased primarily due to increases in salaries and related expenses and incentive compensation.

Share-based compensation expense represents the portion of share-based compensation expense included in general and administrative expenses that is not allocated to segment or corporate general and administrative expense. The increase in share-based compensation expense included in general and administrative expense in fiscal 2017 as compared to fiscal 2016 is primarily due to compensation expense associated with the replacement of Starz share-based payment awards. The following table reconciles this amount to total share-based compensation expense:

	Year Ended March 31,	
	2017	2016
	(Amounts in millions)	
Share-based compensation expense by expense category		
Other general and administrative expense	$75.5	$56.3
Segment and corporate general and administrative expense[1]	—	22.2
Restructuring and other[2]	2.4	—
Direct operating expense	1.2	—
Distribution and marketing expense	0.4	—
Total share-based compensation expense	$79.5	$78.5

(1) Represents immediately vested stock awards granted as part of our annual bonus program issued in lieu of cash bonuses, which is, when granted, included in segment or corporate general and administrative expenses.

(2) Represents share-based compensation expense included in restructuring and other expenses reflecting the impact of the acceleration of certain vesting schedules for equity awards pursuant to certain severance arrangements.

Purchase accounting and related adjustments represent the charge for the accretion of the noncontrolling interest discount related to Pilgrim Media Group that is included in general and administrative expense (see Note 11 to our consolidated financial statements).

Depreciation and Amortization Expense. Depreciation and amortization of $63.1 million for fiscal 2017 increased $50.0 million from $13.1 million in fiscal 2016. The increase is primarily due to the depreciation and amortization associated with the property and equipment and intangible assets related to the Starz acquisition.

Restructuring and Other. Restructuring and other increased $68.9 million, and includes restructuring and severance costs, certain transaction and related costs, and certain unusual items, when applicable and were as follows for the fiscal years ended March 31, 2017 and 2016 (see Note 14 to our consolidated financial statements):

	Year Ended March 31,		Increase (Decrease)	
	2017	2016	Amount	Percent
	(Amounts in millions)			
Restructuring and other:				
Severance[1]				
Cash	$26.7	$ 0.6	$26.1	nm
Accelerated vesting on equity awards (see Note 12)	2.4	—	2.4	nm
Total severance costs	29.1	0.6	28.5	nm
Transaction related costs[2]	59.6	16.5	43.1	261.2%
Pension withdrawal costs[3]	—	2.7	(2.7)	(100.0)%
	$88.7	$19.8	$68.9	348.0%

nm — Percentage not meaningful.

(1) Severance costs in the fiscal year ended March 31, 2017 were primarily related to workforce reductions for redundancies in connection with the Starz Merger.

(2) Transaction and related costs in the fiscal years ended 2017 and 2016 reflect transaction, integration and legal costs associated with certain strategic transactions. In fiscal 2017, these costs were primarily related to the Starz Merger, the legal fees associated with the Starz class action lawsuits, and an arbitration award of $5.8 million and related legal expenses. In fiscal 2016, these costs were primarily related to the acquisition of a majority interest in Pilgrim Media Group and certain shareholder transactions.

(3) Pension withdrawal costs in the fiscal year ended March 31, 2016 were related to an underfunded multi-employer pension plan in which the Company was no longer participating.

Interest Expense. Interest expense of $115.2 million in fiscal 2017 increased $60.3 million from fiscal 2016. The following table sets forth the components of interest expense for the fiscal years ended March 31, 2017 and 2016:

	Year Ended March 31,	
	2017	2016
	(Amounts in millions)	
Interest Expense		
Cash Based:		
Revolving credit facilities	$ 9.6	$ 5.4
Previous Term Loan A	10.3	—
Previous Term Loan B	22.3	—
5.875% Senior Notes	13.1	—
5.25% Senior Notes	8.1	11.8
Term Loan Due 2022	14.1	20.2
Other	9.3	8.3
	86.8	45.7
Amortization of debt discount and financing costs	12.9	9.2
	99.7	54.9
Interest on dissenting shareholders' liability(1)	15.5	—
	$115.2	$54.9

(1) Represents interest accrued in connection with the dissenting shareholders' liability associated with the Starz Merger (see Note 2 to our consolidated financial statements).

Interest and Other Income. Interest and other income was $6.4 million in fiscal 2017, compared to $1.9 million in fiscal 2016.

Loss on Extinguishment of Debt. Loss on extinguishment of debt was $40.4 million in fiscal 2017, related to the extinguishment of debt in connection with the Starz Merger financing in the third quarter of fiscal 2017, and the early repayment of $400.0 million in principal amount on the Previous Term Loan B in the fourth quarter of fiscal 2017, compared to none in fiscal 2016.

Gain on Starz Investment. Gain on Starz investment in fiscal 2017 of $20.4 million represents the difference between the fair value of the Starz available-for-sale securities on the date of the Starz Merger (December 8, 2016) and the original cost of the Starz available-for-sale securities, compared to none in fiscal 2016.

Equity Interests Income (Loss). The following table represents our portion of the income or (loss) of our equity method investees based on our percentage ownership for the fiscal years ended March 31, 2017 and 2016:

	March 31, 2017 Ownership Percentage	Year Ended March 31,	
		2017	2016
		(Amounts in millions)	
EPIX[1][2]	31.15%	$ 31.0	$52.1
Pop[1]	50.0%	(6.9)	(1.8)
Other	Various	(13.4)	(6.1)
		$ 10.7	$44.2

(1) We license certain of our theatrical releases and other films and television programs to EPIX and Pop. A portion of the profits of these licenses reflecting our ownership share in the venture is eliminated through an adjustment to the equity interest income (loss) of the venture. These profits are recognized as they are realized by the venture (see Note 5 to our consolidated financial statements).

(2) In May 2017, we sold all of our 31.15% equity interest in EPIX to MGM (see Note 5 to our consolidated financial statements).

Income Tax Benefit. We had an income tax benefit of $148.9 million in fiscal 2017, compared to a benefit of $76.5 million in fiscal 2016. Our income tax benefit differs from the federal statutory rate multiplied by pre-tax income (loss) and has changed from fiscal 2016. Our income tax benefit is affected by many factors, including the overall level of pre-tax income, the mix of pre-tax income generated across the various jurisdictions in which we operate, changes in tax laws and regulations in those jurisdictions, changes in valuation allowances on our deferred tax assets, tax planning strategies available to us, and other discrete items.

The increase in our income tax benefit in fiscal 2017 as compared to fiscal 2016 is driven by lower pre-tax income and a change in the mix of pre-tax income (loss) generated across the various jurisdictions in which we operate and reflects the impact of the implementation of certain business and financing strategies. This includes a favorable permanent book-tax difference in our Canadian jurisdiction for certain foreign affiliate dividends. Canadian tax law permits such dividends to be received without being subject to tax. The impact is reflected in Note 13 to our consolidated financial statements in the table that reconciles income taxes computed at U.S. statutory income tax rates to the income tax provision (benefit).

Net Income Attributable to Lions Gate Entertainment Corp. Shareholders. Net income attributable to our shareholders for the fiscal year ended March 31, 2017 was $14.8 million, or basic net income per common share of $0.09 on 165.0 million weighted average common shares outstanding and diluted net income per common share of $0.09 on 172.2 million weighted average common shares outstanding. This compares to net income attributable to our shareholders for the fiscal year ended March 31, 2016 of $50.2 million, or basic net income per common share of $0.34 on 148.5 million weighted average common shares outstanding and diluted net income per common share of $0.33 on 154.1 million common shares outstanding.

Segment Results of Operations

The segment results of operations presented below do not include the elimination of intersegment transactions which are eliminated when presenting consolidated results, and exclude items separately identified in the restructuring and other line item in the consolidated statement of operations.

Motion Pictures

The table below sets forth Motion Pictures gross contribution and segment profit for the fiscal years ended March 31, 2017 and 2016:

	Year Ended March 31, 2017	Year Ended March 31, 2016	Increase (Decrease) Amount	Increase (Decrease) Percent
	(Amounts in millions)			
Motion Pictures Segment:				
Revenue	$1,920.6	$1,677.4	$243.2	14.5%
Expenses:				
Direct operating expense	976.4	874.3	102.1	11.7%
Distribution & marketing expense	706.4	619.9	86.5	14.0%
Gross contribution	237.8	183.2	54.6	29.8%
General and administrative expenses	105.3	92.4	12.9	14.0%
Segment profit	$ 132.5	$ 90.8	$ 41.7	45.9%
U.S. theatrical P&A expense included in distribution and marketing expense	$ 474.5	$ 393.1	$ 81.4	20.7%
Direct operating expense as a percentage of revenue	50.8%	52.1%		
Gross contribution as a percentage of revenue	12.4%	10.9%		

Revenue. The table below sets forth Motion Pictures revenue by media and product category for the fiscal years ended March 31, 2017 and 2016:

	2017 Feature Film(1)	2017 Other Than Feature Film(2)	2017 Total	2016 Feature Film(1)	2016 Other Than Feature Film(2)	2016 Total	Total Increase (Decrease)
	(Amounts in millions)						
Motion Pictures Revenue							
Theatrical	$ 353.7	$ 17.6	$ 371.3	$ 296.5	$ 17.6	$ 314.1	$ 57.2
Home Entertainment							
Packaged Media	247.0	156.8	403.8	226.4	136.5	362.9	40.9
Digital Media(3)	192.7	111.2	303.9	135.7	81.1	216.8	87.1
Total Home Entertainment	439.7	268.0	707.7	362.1	217.6	579.7	128.0
Television	238.7	40.4	279.1	166.2	38.9	205.1	74.0
International	439.7	94.1	533.8	444.1	104.1	548.2	(14.4)
Other	18.2	10.5	28.7	20.8	9.5	30.3	(1.6)
	$1,490.0	$430.6	$1,920.6	$1,289.7	$387.7	$1,677.4	$243.2

(1) **Feature Film:** Includes releases through our Lionsgate and Summit Entertainment film labels, which includes films developed and produced in-house, films co-developed and co-produced and films acquired from third parties.

(2) **Other Than Feature Film:** Includes Managed Brands, which represents direct-to-DVD motion pictures, acquired and licensed brands, third-party library product and ancillary-driven platform theatrical releases through our specialty films distribution labels including Lionsgate Premiere, through CodeBlack Films, and with our equity method investee, Roadside Attractions. This category also includes certain specialty theatrical releases with our equity method investee, Pantelion Films, and other titles.

(3) **Digital Media Revenue:** Consists of revenues generated from pay-per-view and video-on-demand platforms, EST, and digital rental.

Theatrical revenue increased $57.2 million, or 18.2%, in fiscal 2017 as compared to fiscal 2016, primarily driven by a larger theatrical slate, which included the performances of *La La Land, John Wick 2, Tyler Perry's Boo! A Madea Halloween, Now You See Me 2, Deepwater Horizon* and *Power Rangers* in fiscal 2017, offset partially by a significant contribution in fiscal 2016 from *The Hunger Games: Mockingjay — Part 2.* Additionally, while *Hacksaw Ridge* had a strong performance at the box office, under the terms of our distribution arrangement, we recorded only our distribution fee as theatrical revenue in fiscal 2017.

Home entertainment revenue increased $128.0 million, or 22.1%, in fiscal 2017, as compared to fiscal 2016. The increase was primarily driven by the greater number of and the performance of our Feature Film titles released on packaged media and digital media in fiscal 2017 as compared to fiscal 2016. Home entertainment revenues in fiscal 2017 of $193.7 million from our Fiscal 2017 Theatrical Slate titles (primarily *Now You See Me 2, Deepwater Horizon, Hacksaw Ridge, Hell or High Water,* and *Mechanic: Resurrection)* compared to home entertainment revenues in fiscal 2016 of $147.2 million from our Fiscal 2016 Theatrical Slate (primarily *The Hunger Games: Mockingjay — Part 2, Sicario, The Last Witch Hunter* and *The Age of Adaline)*. In addition, home entertainment revenue from Other Than Feature Film increased $50.4 million, which included $28.8 million of home entertainment revenue from the Starz third party distribution business from the date of acquisition (December 8, 2016).

Television revenue increased $74.0 million, or 36.1%, in fiscal 2017, as compared to fiscal 2016, due primarily to a greater number of Feature Film titles with television windows opening in fiscal 2017. In particular, significant revenue was generated in fiscal 2017 from our Fiscal 2017 and Fiscal 2016 Theatrical Slates (primarily *The Divergent Series: Allegiant, The Hunger Games: Mockingjay — Part 2, Now You See Me 2, Gods of Egypt)*, which compared to revenue generated in fiscal 2016 from our Fiscal 2015 Theatrical Slate (primarily *The Divergent Series: Insurgent, The Hunger Games: Mockingjay — Part 1, John Wick).*

International motion pictures revenue decreased $14.4 million, or 2.6%, in fiscal 2017, as compared to fiscal 2016, primarily due to lower revenue from our Fiscal 2017 Theatrical Slate in fiscal 2017, as compared to the revenue generated from our Fiscal 2016 Theatrical Slate in fiscal 2016, which included a significant contribution from *The Hunger Games: Mockingjay — Part 2.*

Direct Operating Expense. The decrease in direct operating expenses as a percentage of motion pictures revenue was primarily driven by the lower amortization rates in fiscal 2017 of our Fiscal 2017 Theatrical Slate as compared to the amortization rates in fiscal 2016 of our Fiscal 2016 Theatrical Slate, and in particular, *The Hunger Games: Mockingjay — Part 2.* Included in Motion Pictures direct operating expenses are investment in film write-downs of approximately $17.0 million in fiscal 2017, compared to approximately $20.4 million in fiscal 2016.

Distribution and Marketing Expense. The increase in distribution and marketing expense in fiscal 2017 as compared to fiscal 2016 is primarily due to higher theatrical P&A. Theatrical P&A in the Motion Pictures segment in fiscal 2017 increased as compared to fiscal 2016, primarily driven by higher P&A spending in fiscal 2017 on our Feature Film theatrical releases due to a greater number of releases requiring P&A in fiscal 2017, offset partially by lower P&A incurred in advance for films to be released in subsequent periods. In fiscal 2017, approximately $1.9 million of P&A was incurred in advance for films to be released in fiscal 2018, such as *All Eyez on Me, How to Be a Latin Lover* and *American Assassin.* In fiscal 2016, approximately $16.6 million of P&A was incurred in advance for films to be released in fiscal 2017, such as *Criminal, Now You See Me 2,* and *Deepwater Horizon.*

Gross Contribution. Gross contribution of the Motion Pictures segment for fiscal 2017 increased as compared to fiscal 2016, due to higher revenue and lower direct operating expenses as a percentage of Motion Pictures revenue, offset partially by higher distribution and marketing expenses primarily driven by higher U.S. theatrical P&A associated with a greater number of feature film releases in fiscal 2017.

General and Administrative Expense. General and administrative expenses of the Motion Pictures segment increased $12.9 million, or 14.0%, primarily due to increases in salaries and related expenses primarily from incentive compensation and to a lesser extent the general and administrative expenses from the Starz third party distribution business from the date of acquisition (December 8, 2016).

Television Production

The table below sets forth Television Production gross contribution and segment profit for the fiscal years ended March 31, 2017 and 2016:

	Year Ended March 31, 2017	Year Ended March 31, 2016	Increase (Decrease) Amount	Increase (Decrease) Percent
	(Amounts in millions)			
Television Production Segment:				
Revenue	$837.4	$669.9	$167.5	25.0%
Expenses:				
Direct operating expense	711.9	531.8	180.1	33.9%
Distribution & marketing expense	33.6	39.4	(5.8)	(14.7)%
Gross contribution	91.9	98.7	(6.8)	(6.9)%
General and administrative expenses	32.1	23.5	8.6	36.6%
Segment profit	$ 59.8	$ 75.2	$ (15.4)	(20.5)%
Direct operating expense as a percentage of revenue	85.0%	79.4%		
Gross contribution as a percentage of revenue	11.0%	14.7%		

Revenue. The table below sets forth Television Production revenue and the changes in revenue by media for the fiscal years ended March 31, 2017 and 2016:

	Year Ended March 31, 2017	Year Ended March 31, 2016	Increase (Decrease) Amount	Increase (Decrease) Percent
	(Amounts in millions)			
Television Production				
Domestic Television	$641.9	$415.5	$226.4	54.5%
International	149.1	190.2	(41.1)	(21.6)%
Home Entertainment Revenue				
Digital	34.1	48.8	(14.7)	(30.1)%
Packaged Media	5.8	11.5	(5.7)	(49.6)%
Total Home Entertainment Revenue	39.9	60.3	(20.4)	(33.8)%
Other	6.5	3.9	2.6	66.7%
	$837.4	$669.9	$167.5	25.0%

The primary component of Television Production revenue is domestic television revenue. Domestic television revenue increased in fiscal 2017, as compared to fiscal 2016, primarily due to an increase in television episodes delivered, which included a significant contribution of revenue from episodes delivered of *Orange Is The New Black* Season 5 in fiscal 2017.

The increase was also due to increased domestic television revenue from Pilgrim Media Group, acquired on November 12, 2015. Television Production revenue included revenue from Pilgrim Media Group in fiscal 2017 and 2016 of $136.6 million and $52.5 million, respectively, which included revenue from *The Runner* Season 1, and *The Ultimate Fighter* Seasons 23 & 24 in fiscal 2017 and from *Wicked Tuna* Season 5, *Bring It* Season 3 and *Kocktails with Khloe* Seasons 1 & 2 in fiscal 2016.

International revenue in fiscal 2017 decreased $41.1 million, or 21.6% as compared to fiscal 2016, primarily driven by a significant contribution in fiscal 2016 from *Orange Is the New Black* Seasons 1 — 4.

Home entertainment revenue in fiscal 2017 decreased $20.4 million, or 33.8% as compared to fiscal 2016, primarily driven by a significant contribution of digital revenue from *Mad Men* Season 7 in fiscal 2016. The decrease was also, to a lesser extent, due to lower packaged media revenue.

Direct Operating Expense. The increase in direct operating expense is primarily due to an increase in Television Production revenue. The increase in direct operating expenses as a percentage of Television Production revenue is primarily due to the mix of titles generating revenue in fiscal 2017 as compared to fiscal 2016. In particular, fiscal 2017 includes revenue from a greater number of new television programs as compared to fiscal 2016, such as *Dear White People, Greenleaf, Feed the Beast, Graves,* and *Kicking & Screaming,* which typically result in higher amortization expenses in relation to revenues initially, until there are a sufficient number of subsequent seasons ordered and episodes produced, such that revenue can be generated from syndication in domestic and international markets.

Gross Contribution. Gross contribution of the Television Production segment for fiscal 2017 decreased as compared to fiscal 2016, primarily due to higher direct operating expenses as a percentage of television production revenue.

General and Administrative Expense. General and administrative expenses of the Television Production segment increased $8.6 million, or 36.6%, primarily due to increases in salaries and related expenses associated with our Television syndication and international production activities and an increase in general and administrative expenses associated with Pilgrim Media Group (acquired November 12, 2015).

Media Networks

The table below sets forth Media Networks gross contribution and segment profit for the fiscal years ended March 31, 2017 and 2016. Media Networks was not previously a reportable segment prior to the quarter ended December 31, 2016, and in fiscal 2017, the results of operations in the Media Networks segment represent primarily activity related to Starz Networks from the acquisition date of December 8, 2016 to March 31, 2017. In fiscal 2016, the results of operations in the Media Networks segment represented the Lionsgate legacy direct to consumer streaming services on SVOD platforms (Streaming Services).

	Year Ended March 31,	
	2017	**2016**
	(Amounts in millions)	
Media Networks Segment:		
Revenue	$456.6	$ 0.1
Expenses:		
Direct operating expense	202.2	2.8
Distribution & marketing expense	70.8	2.5
Gross contribution	183.6	(5.2)
General and administrative expenses	45.0	4.8
Segment profit	$138.6	$(10.0)
Direct operating expense as a percentage of revenue	44.3%	nm
Gross contribution as a percentage of revenue	40.2%	nm

The following table sets forth the Media Networks segment revenue and segment profit by product line:

	Year Ended March 31,		Increase (Decrease)	
	2017	2016	Amount	Percent
	(Amounts in millions)			
Segment Revenue:				
Starz Networks	$423.4	$ —	$423.4	nm
Content and Other	30.3	—	30.3	nm
Streaming Services	2.9	0.1	2.8	nm
	$456.6	$ 0.1	$456.5	nm
Segment Profit:				
Starz Networks	$165.9	$ —	$165.9	nm
Content and Other	8.2	—	8.2	nm
Streaming Services	(35.5)	(10.0)	(25.5)	255.0%
	$138.6	$(10.0)	$148.6	nm

nm — Percentage not meaningful.

Revenue. The table below sets forth, for the periods presented, subscriptions to our STARZ network:

	March 31, 2017	March 31, 2016[(1)]
	(Amounts in millions)	
Period End Subscriptions:		
STARZ	24.2	24.0

(1) Represents STARZ subscriptions previously reported by Starz in its Form 10-Q for the quarter ended March 31, 2016.

Media Networks revenue for fiscal 2017 primarily represents revenues from December 8, 2016 (date of Starz Merger) through March 31, 2017 from the distribution of STARZ branded premium subscription video programming to U.S. MVPDs including cable operators, satellite television providers, telecommunication companies, online video providers and on an OTT basis. Media Networks, to a lesser extent, also includes revenue from licensing its original series programming in ancillary markets.

Direct Operating and Distribution and Marketing Expenses. Starz Networks' direct operating and distribution and marketing expenses primarily represent programming cost amortization and advertising and marketing costs that have been expensed since December 8, 2016 (date of Starz Merger). The level of programing cost amortization and advertising and marketing costs and thus the gross contribution margin for the Media Networks segment can fluctuate from period to period depending on the number of new shows and particularly new original series premiering on the network during the period. Programming cost amortization and marketing costs generally increase in periods where new original series are premiering on STARZ. During the period from December 8, 2016 through March 31, 2017, the original series, *Black Sails (Season 4)* (premiere date of January 29, 2017) and *The Missing (Season 2)* (premiere date of February 12, 2017), premiered on STARZ.

Gross Contribution. Gross contribution of the Media Networks segment for fiscal 2017 was primarily from Starz Networks.

General and Administrative Expense. General and administrative expenses of the Media Networks segment in fiscal 2017 of $45.0 million represent general and administrative expenses associated with Starz Networks from the acquisition date of December 8, 2016 to March 31, 2017, and Streaming Services.

Media Networks Supplemental Pro Forma Financial Information:

The following table sets forth the Media Networks segment profit on a pro forma basis as if the Starz Merger and our segment reorganization (see Note 15 to our consolidated financial statements) occurred on April 1, 2015:

	Year Ended March 31, 2017	Year Ended March 31, 2016	Increase (Decrease) Amount	Increase (Decrease) Percent
	(Amounts in millions)			
Media Networks Segment:				
Revenue	$1,458.9	$1,419.4	$ 39.5	2.8%
Expenses:				
Direct operating expense	686.2	718.0	(31.8)	(4.4)%
Distribution & marketing expense	203.1	172.1	31.0	18.0%
Gross contribution	569.6	529.3	40.3	7.6%
General and administrative expenses	122.5	123.4	(0.9)	(0.7)%
Segment profit	$ 447.1	$ 405.9	$ 41.2	10.2%
Direct operating expense as a percentage of revenue	47.0%	50.6%		
Gross contribution as a percentage of revenue	39.0%	37.3%		

NOTE: *The pro forma amounts above were determined by combining the historical financial information of Lionsgate and Starz for each respective period, applying the new Lionsgate segment structure (see Note 15 to our consolidated financial statements), and applying the acquisition related accounting. However, the effects of purchase accounting are not part of the definition of segment profit, and have been excluded accordingly. In addition, the pro forma information does not apply any operating costs synergies. The amounts are presented for illustrative purposes and are not necessarily indicative of the combined financial results that might have been achieved for the periods had the acquisition taken place on April 1, 2015, nor are they indicative of the future combined results of Lionsgate and Starz.*

The following table sets forth the Media Networks segment revenue and segment profit by product line on a pro forma basis:

	Year Ended March 31, 2017	Year Ended March 31, 2016	Increase (Decrease) Amount	Increase (Decrease) Percent
	(Amounts in millions)			
Segment Revenue:				
Starz Networks	$1,374.8	$1,330.3	$ 44.5	3.3%
Content and Other	81.2	89.0	(7.8)	(8.8)%
Streaming Services	2.9	0.1	2.8	nm
	$1,458.9	$1,419.4	$ 39.5	2.8%
Segment Profit:				
Starz Networks	$ 473.7	$ 400.6	$ 73.1	18.2%
Content and Other	8.9	15.3	(6.4)	(41.8)%
Streaming Services(1)	(35.5)	(10.0)	(25.5)	255.0%
	$ 447.1	$ 405.9	$ 41.2	10.2%

nm — Percentage not meaningful

(1) Streaming Services segment profit includes general and administrative expense of $11.5 million and $4.8 million in fiscal 2017 and 2016, respectively.

Revenue. The primary component of Media Networks revenue is Starz Networks revenue. On a pro forma basis, Starz Networks revenue represented 94% of Media Networks revenue for fiscal 2017 and 2016. The increase in pro forma revenue was primarily due to an increase in revenue from Starz Networks, due to higher effective rates driven by growth in subscribers to our Starz branded OTT platforms, offset by a $17 million decrease related to the fiscal 2016 sale of Starz's animation studio, Film Roman, LLC, in October 2015 included in Content and Other.

Direct Operating and Distribution and Marketing Expense. The decrease in pro forma direct operating expense for Starz Networks is primarily due to lower programming cost amortization expenses associated with a lower cost per film and a lower number of exhibitions of content under output licensing arrangements.

The increase in pro forma distribution and marketing expense is primarily the result of an increase in Starz Networks' advertising and marketing costs due to increased spend associated with the launch of the Starz app.

Gross Contribution. On a pro forma basis, gross contribution of the Media Networks segment for fiscal 2017 was primarily from Starz Networks. The pro forma increase in gross contribution is driven by increased gross contribution from Starz Networks, primarily due to higher revenue and lower direct operating expense from Starz Networks, partially offset by an increase in distribution and marketing expense.

General and Administrative Expense. Pro forma general and administrative expenses of the Media Networks segment in fiscal 2017 decreased slightly due to lower Starz Networks general and administrative expenses, mostly offset by increased costs associated with our start-up direct to consumer streaming services on SVOD platforms (Streaming Services).

Liquidity and Capital Resources

Sources and Uses of Cash

Our liquidity and capital resources have been provided principally through cash generated from operations, debt, and our production loans. Our debt at March 31, 2018 primarily consisted of our Revolving Credit Facility, Term Loan A, Term Loan B, 5.875% senior notes due 2024 (the "5.875% Senior Notes") and convertible senior subordinated notes.

Our principal uses of cash in operations include the funding of film and television productions, film and programming rights acquisitions, and the distribution and marketing of films and television programs. We also use cash for debt service (i.e. principal and interest payments) requirements, equity or cost method investments, quarterly cash dividends, the purchase of common shares under our share repurchase program, capital expenditures, and acquisitions of businesses. The Company also has a redeemable noncontrolling interest balance of $101.8 million, which may require the use of cash in the event the holders of the noncontrolling interests require the Company to repurchase their interests (see Note 11 to our consolidated financial statements).

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Anticipated Cash Requirements. The nature of our business is such that significant initial expenditures are required to produce, acquire, distribute and market films and television programs, while revenues from these films and television programs are earned over an extended period of time after their completion or acquisition. We believe that cash flow from operations, cash on hand, revolving credit facility availability, tax-efficient financing, and available production financing will be adequate to meet known operational cash, and debt service (i.e. principal and interest payments) requirements for the foreseeable future, including the funding of future film and television production, film and programming rights acquisitions and theatrical and video release schedules, and future equity or cost method investment funding requirements, and the purchase of common shares under our share repurchase program. We monitor our cash flow liquidity, availability, fixed charge coverage, capital base, film spending and leverage ratios with the long-term goal of maintaining our credit worthiness.

Our current financing strategy is to fund operations and to leverage investment in films and television programs through our cash flow from operations, our revolving credit facility, single-purpose production financing, government incentive programs, film funds, and distribution commitments. In addition, we may acquire businesses or assets, including individual films or libraries that are complementary to our business. Any such transaction could be financed through our cash flow from operations, credit facilities, equity or debt financing. If additional financing beyond our existing cash flows from operations and credit facilities cannot fund such transactions, there is no assurance that such financing will be available on terms acceptable to us. We may also dispose of businesses or assets, including individual films or libraries, and use the net proceeds from such dispositions to fund operations or such acquisitions, or to repay debt.

Share Repurchase Plan. On February 2, 2016, our Board of Directors authorized to increase our previously announced share repurchase plan from $300 million to $468 million. To date, approximately $283.2 million of our common shares have been purchased, leaving approximately $184.7 million of authorized potential purchases. The remaining $184.7 million of our common shares may be purchased from time to time at our discretion, including quantity, timing and price thereof, and will be subject to market conditions. Such purchases will be structured as permitted by securities laws and other legal requirements. We did not repurchase any shares during the fiscal year ended March 31, 2018.

Dividends. During the fiscal year ended March 31, 2018, our Board of Directors declared a quarterly dividend of $0.09 per each of the Class A voting shares, and the Class B non-voting shares, payable May 1, 2018 to shareholders of record as of March 31, 2018. The amount of any future dividends, if any, that we pay to our shareholders is determined by our Board of Directors, at its discretion, and is dependent on a number of factors, including our financial position, results of operations, cash flows, capital requirements and restrictions under our credit agreements, and shall be in compliance with applicable law. We cannot guarantee the amount of dividends paid in the future, if any.

Discussion of Operating, Investing, Financing Cash Flows

Cash and cash equivalents increased by $59.4 million for the fiscal year ended March 31, 2018, increased by $263.4 million for the fiscal year ended March 31, 2017, and decreased by $45.4 million for the fiscal year ended March 31, 2016, before foreign exchange effects on cash. Components of these changes are discussed below in more detail.

Operating Activities. Cash flows provided by (used in) operating activities for the fiscal years ended March 31, 2018, 2017 and 2016 were as follows:

	Year Ended March 31,			Net Change	
	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
	(Amounts in millions)				
Operating Activities:					
Operating income (loss)	$ 248.7	$ (16.3)	$ (25.0)	$ 265.0	$ 8.7
Amortization of films and television programs and program rights	1,641.7	1,414.0	1,029.1	227.7	384.9
Non-cash share-based compensation	88.4	76.9	77.9	11.5	(1.0)
Cash interest	(122.9)	(86.8)	(45.7)	(36.1)	(41.1)
Current income tax provision	19.9	(14.5)	(8.6)	34.4	(5.9)
Other non-cash charges included in operating activities	189.5	87.8	17.0	101.7	70.8
Cash flows from operations before changes in operating assets and liabilities	2,065.3	1,461.1	1,044.7	604.2	416.4
Changes in operating assets and liabilities:					
Accounts receivable, net and other assets	(8.6)	(87.8)	(158.3)	79.2	70.5
Investment in films and television programs and program rights	(1,526.4)	(1,092.0)	(1,066.4)	(434.4)	(25.6)
Other changes in operating assets and liabilities	(141.1)	277.3	161.0	(418.4)	116.3
Changes in operating assets and liabilities	(1,676.1)	(902.5)	(1,063.7)	(773.6)	161.2
Net Cash Flows Provided By (Used In) Operating Activities	$ 389.2	$ 558.6	$ (19.0)	$(169.4)	$577.6

Fiscal 2018 as Compared to Fiscal 2017. Cash flows provided by operating activities for the fiscal year ended March 31, 2018 were $389.2 million compared to cash flows provided by operating activities of $558.6 million for the fiscal year ended March 31, 2017. The decrease in cash provided by operating activities for the fiscal year ended March 31, 2018 as compared to the fiscal year ended March 31, 2017 is due to higher investment in films and television program and program rights and decreases from changes in other operating assets and liabilities. These decreases were partially offset by higher cash flows from operations before changes in operating assets and liabilities and lower increases in accounts receivables.

Fiscal 2017 as Compared to Fiscal 2016. Cash flows provided by operating activities for the fiscal year ended March 31, 2017 were $558.6 million compared to cash flows used in operating activities of $19.0 million for the fiscal year ended March 31, 2016. The increase in cash provided by operating activities for the fiscal year ended March 31, 2017 as compared to the fiscal year ended March 31, 2016 is due to higher cash flows from operations before changes in operating assets and liabilities, lower increases in accounts receivables, and increases from changes in other operating assets and liabilities.

Investing Activities. Cash flows provided by (used in) investing activities for the fiscal years ended March 31, 2018, 2017 and 2016 were as follows:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Investing Activities:			
Proceeds from the sale of equity method investees	$393.7	$ —	$ —
Investment in equity method investees and other	(53.4)	(20.6)	(16.8)
Distributions from equity method investees	—	3.1	—
Business acquisitions, net of cash acquired of $18.7, $73.5, and $15.8, respectively	(1.8)	(1,102.6)	(126.9)
Capital expenditures	(45.9)	(25.2)	(18.4)
Net Cash Flows Provided By (Used In) Investing Activities	$292.6	$(1,145.3)	$(162.1)

Fiscal 2018 as Compared to Fiscal 2017. Cash provided by investing activities of $292.6 million for the fiscal year ended March 31, 2018 compared to cash used in investing activities of $1.15 billion for the fiscal year ended March 31, 2017, as reflected above. The change was primarily due to proceeds from the sale of our equity interest in EPIX in the fiscal year ended March 31, 2018 offset partially by cash used for investment in equity method investees, compared to cash used for the purchase of Starz of $1.1 billion, net of cash acquired, in the fiscal year ended March 31, 2017.

Fiscal 2017 as Compared to Fiscal 2016. Cash used in investing activities of $1.15 billion for the fiscal year ended March 31, 2017 compared to $162.1 million for the fiscal year ended March 31, 2016, as reflected above. The change was primarily due to cash used for the purchase of Starz of $1.1 billion, net of cash acquired, in fiscal 2017, compared to cash used for the purchase of Pilgrim Media Group of $126.9 million, net of cash acquired, in fiscal 2016.

Financing Activities. Cash flows provided by (used in) financing activities for the fiscal years ended March 31, 2018, 2017 and 2016 were as follows:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Debt — borrowings	$ 3,712.6	$ 4,002.8	$ 629.5
Debt — repayments	(4,335.7)	(2,766.9)	(444.5)
Net (repayments of) proceeds from debt	(623.1)	1,235.9	185.0
Production loans — borrowings	319.7	296.0	572.6
Production loans — repayments	(332.8)	(632.6)	(483.1)
Net (repayments of) proceeds from production loans	(13.1)	(336.6)	89.5
Repurchase of common shares	—	—	(73.2)
Other financing activities	13.8	(49.2)	(65.6)
Net Cash Flows Provided By (Used In) Financing Activities	$ (622.4)	$ 850.1	$ 135.7

Fiscal 2018. Cash flows used in financing activities of $622.4 million for the fiscal year ended March 31, 2018 compared to cash flows provided by financing activities of $850.1 million for the fiscal year ended March 31, 2017. Cash flows used in financing activities for the fiscal year ended March 31, 2018 primarily reflects net repayments of debt borrowings, which included required and voluntary repayments, offset by a net increase from our March 2018 Senior Credit Facilities refinancing of $225.0 million. The March 2018 Senior Credit Facilities refinancing included the repayment of $950.0 million in principal amount under the Previous

Term Loan A and borrowings of $750.0 million in principal amount under the new Term Loan A, and the repayment of $825.0 million principal amount under the Previous Term Loan B-1 and borrowings of $1,250.0 million under the new Term Loan B. The December 2017 Term Loan B refinancing included the repayment of $25.0 million under the Previous Term Loan B. In addition, cash flows used in financing activities in the fiscal year ended March 31, 2018 reflects net production loan repayments of $13.1 million and cash provided by other financing activities, which includes proceeds from the exercise of stock options partially offset by tax withholding payments.

Fiscal 2017. Cash flows provided by financing activities of $850.1 million for the fiscal year ended March 31, 2017 compared to cash flows provided by financing activities of $135.7 million for the year ended March 31, 2016. Cash flows provided by financing activities for the fiscal year ended March 31, 2017 primarily relate to borrowings, partially offset by repayments, in connection with the Starz Merger. In connection with the Starz Merger, the Company used the proceeds of the 2016 5.875% Senior Notes, Previous Term Loan A, Previous Term Loan B and a portion of the Previous Revolving Credit Facility to finance a portion of the consideration and transaction costs for the Starz Merger and the associated transactions, including the discharge of Starz's senior notes and repayment of all amounts outstanding under Starz's credit agreement. In addition, the fiscal year ended March 31, 2017 reflects net production loan repayments of $336.6 million and cash used for other financing activities, which includes dividend payments of $26.8 million and payments for tax withholding of $40.9 million required on equity awards.

Fiscal 2016. Cash flows provided by financing activities of $135.7 million for the year ended March 31, 2016 primarily reflects net proceeds from debt borrowings of $185.0 million, which included net borrowings under our previously outstanding 2012 Revolving Credit Facility of $161.0 million and net proceeds of $24.0 million from additional borrowings under the Term Loan Due 2022, and net borrowings under production loans of $89.5 million, offset by cash used for share repurchases and other financing activities which includes dividend payments of $47.4 million and payments for tax withholding of $24.2 million required on equity awards offset by the proceeds from the exercise of stock options.

Debt

See Note 7 to our consolidated financial statements for a discussion of our debt. The principal amounts of our debt outstanding, excluding film obligations and production loans, as of March 31, 2018 and March 31, 2017 were as follows:

		Principal Amounts Outstanding	
	Maturity Date	March 31, 2018	March 31, 2017
		(Amounts in millions)	
Revolving Credit Facility[(1)]	March 2023	$ —	$ —
Term Loan A[(1)]	March 2023	750.0	987.5
Term Loan B[(1)]	March 2025	1,250.0	1,600.0
5.875% Senior Notes[(2)]	November 2024	520.0	520.0
Convertible senior subordinated notes[(3)]	April 2018	60.0	60.0
Capital lease obligations[(4)]	Various	50.5	57.7
		$2,630.5	$3,225.2

(1) ***Senior Credit Facilities (Revolving Credit Facility, Term Loan A and Term Loan B):***

As of March 31, 2017, amounts were outstanding under the Previous Term Loan A and Previous Term Loan B, see the "Debt Transactions" section following for further details.

(i) *Revolving Credit Facility Availability of Funds & Commitment Fee:* The Revolving Credit Facility provides for borrowings and letters of credit up to an aggregate of $1.5 billion, and at March 31, 2018 there was $1.5 billion available, reduced by outstanding letters of credit, if any. There were no letters of credit outstanding at March 31, 2018. We are required to pay a quarterly commitment fee on the Revolving Credit Facility of 0.250% to 0.375% per annum, depending on the achievement of certain leverage ratios, as defined in the Amended Credit Agreement, on the total Revolving Credit Facility of $1.5 billion less the amount drawn.

(ii) *Interest:*

- *Revolving Credit Facility and Term Loan A:* Initially bear interest at a rate per annum equal to LIBOR plus 1.75% (or an alternative base rate plus 0.75%) margin, with a LIBOR floor of zero. The margin is subject to potential increases of up to 50 basis points (two (2) increases of 25 basis points each) upon certain increases to net first lien leverage ratios, as defined in the Amended Credit Agreement (effective interest rate of 3.63% as of March 31, 2018).
- *Term Loan B:* As of March 22, 2018, pursuant to the Amended Credit Agreement described below, the Term Loan B bears interest at a rate per annum equal to LIBOR plus 2.25% margin, with a LIBOR floor of zero (or an alternative base rate plus 1.25% margin) (effective interest rate of 4.13% as of March 31, 2018).

(iii) *Required Principal Payments:*

- *Term Loan A:* Quarterly principal payments beginning the last day of the first full fiscal quarter ending after March 22, 2018, at quarterly rates of 0.00% for the first year, 1.25% for the second year, 1.75% for the third year, and 2.50% for the fourth and fifth years, with the balance payable at maturity.
- *Term Loan B:* Quarterly principal payments beginning the last day of the first full fiscal quarter ending after March 22, 2018, at a quarterly rate of 0.25%, with the balance payable at maturity.

  The Term Loan A and Term Loan B also require mandatory prepayments in connection with certain asset sales, subject to certain significant exceptions, and the Term Loan B is subject to additional mandatory repayment from specified percentages of excess cash flow, as defined in the Amended Credit Agreement.

(iv) *Security and Covenants:* The Senior Credit Facilities are guaranteed by the Guarantors (as defined in the Amended Credit Agreement) and are secured by a security interest in substantially all of the assets of Lionsgate and the Guarantors (as defined in the Amended Credit Agreement), subject to certain exceptions. The Senior Credit Facilities contain a number of restrictions and covenants, and as of March 31, 2018, we were in compliance with all applicable covenants.

(2) ***5.875% Senior Notes:*** The 5.875% Senior Notes contain a number of restrictions and covenants, and as of March 31, 2018, we were in compliance with all applicable covenants. Interest is payable each year at a rate of 5.875% per year.

(3) ***Convertible Senior Subordinated Notes:*** Represents 1.25% convertible senior subordinated notes due April 2018, with a conversion price of $29.09 per share of Class A voting shares and $29.08 per share of Class B non-voting shares at March 31, 2018, all of which were subsequently repaid in April 2018 (see Note 22 to our consolidated financial statements).

(4) ***Capital Lease Obligations:*** Represents lease agreements acquired in the Starz Merger (see Note 2), and include a ten-year commercial lease for a building with an imputed annual interest rate of 7.2%, with an additional four successive five-year renewal periods at our option and capital lease arrangements for Starz's transponder capacity that expire from 2019 to 2023 and have imputed annual interest rates ranging from 5.5% to 7.0%.

Debt Transactions

Senior Credit Facilities. On December 8, 2016, Lions Gate Entertainment Corp. entered into a credit and guarantee agreement (the "Credit Agreement") which provided for a $1.0 billion five-year revolving credit facility (the “Previous Revolving Credit Facility”) (ii) a $1.0 billion five-year term loan A facility (the “Previous Term Loan A”) and (iii) a $2.0 billion seven-year term loan B facility (the “Previous Term Loan B”). The Previous Term Loan B was issued at 99.5%.

December 2017 Previous Term Loan B Refinancing. On December 11, 2017, the Company entered into an amendment No. 1 (the “Repricing Amendment”) to the Credit Agreement to reduce the interest rate on the Previous Term Loan B. In connection with the Repricing Amendment, the Company prepaid $25.0 million of principal outstanding under the Previous Term Loan B and repriced the remaining $900.0 million of principal then outstanding through the incurrence of a new six-year term loan B-1 facility in aggregate principal amount of $900.0 million (the “Previous Term Loan B-1”). The Previous Term Loan B-1 bore interest, at the Company’s option, at a rate per annum equal to LIBOR (subject to a LIBOR floor of 0.75%) plus 2.25% (or an alternative base rate plus 1.25%) margin. In each case, the applicable margin under the Previous Term Loan B-1 was 0.75% per annum less than the applicable margin under the Previous Term Loan B.

March 2018 Senior Credit Facilities Refinancing. On March 22, 2018, the Company entered into an amendment No. 2 (the “Second Amendment”) to the Credit Agreement (as amended by the Repricing Amendment and the Second Amendment, the “Amended Credit Agreement”) to refinance its Previous Revolving Credit Facility, Previous Term Loan A and Previous Term Loan B-1. In connection with the Second Amendment, the Company repaid in full the then outstanding principal amounts of $950.0 million under the Previous Term Loan A and $825.0 million under the Previous Term Loan B-1, and terminated all commitments under the Previous Revolving Credit Facility. In addition, the Company incurred a new five-year Term Loan A in aggregate principal amount of $750.0 million (the “Term Loan A”), incurred a new seven-year Term Loan B in aggregate principal amount of $1,250.0 million (the “Term Loan B”), and obtained a new $1.5 billion five-year revolving credit facility (the “Revolving Credit Facility”, and together with the Term Loan A and Term Loan B, the “Senior Credit Facilities”). The interest rate under the new Term Loan A and Revolving Credit Facility is LIBOR plus 1.75%. See the “Senior Credit Facilities” section above for interest rate details and required principal payments.

Other Voluntary Prepayments. In addition to the prepayments in connection with the Repricing Amendment and Second Amendment described above, during the years ended March 31, 2018 and 2017, the Company made other voluntary prepayments totaling $740.0 million and $400.0 million, respectively, in principal outstanding under the Previous Term Loan B-1/ Previous Term Loan B, together with accrued and unpaid interest with respect to such principal amounts.

5.875% Senior Notes Exchange. On October 27, 2016, Lions Gate Entertainment Corp. issued $520.0 million aggregate principal amount of 5.875% senior notes due 2024 (the “2016 5.875% Senior Notes”). On March 28, 2018, in connection with a private exchange offer of the $520.0 million aggregate principal amount of its 2016 5.875% Senior Notes, an indirect, wholly owned subsidiary of the Company issued $512.3 million aggregate principal amount of new 5.875% senior notes due 2024 (the “2018 5.875% Senior Notes”, and collectively with the 2016 5.875% Senior Notes, the “5.875% Senior Notes”). The new 2018 5.875% Senior Notes were exchanged by the Company for $512.3 million of the 2016 5.875% Senior Notes.

Debt Redemptions and Repayments Associated with the Starz Merger. During the year ended March 31, 2017, the Company used the proceeds of the 2016 5.875% Senior Notes, the Previous Term Loan A, the Previous Term Loan, and a portion of the Previous Revolving Credit Facility (amounting to $50.0 million) to finance a portion of the consideration and transaction costs for the Starz Merger (see Note 2) and the associated transactions, including the repayment of all amounts outstanding under Lionsgate’s previous $800 million senior revolving credit facility issued in 2012, term loan and senior notes and the discharge of Starz’s senior notes and repayment of all amounts outstanding under Starz’s credit agreement.

Amendment of Term Loan Due 2022. During the year ended March 31, 2016, we amended the credit agreement governing our previously outstanding Term Loan Due 2022, and pursuant to the amended credit agreement, borrowed an additional aggregate amount of $25.0 million.

Production Loans

The amounts outstanding under our production loans as of March 31, 2018 and 2017 were as follows:

	March 31, 2018	March 31, 2017
	(Amounts in millions)	
Production loans(1)	$352.9	$353.8

(1) Represents individual loans for the production of film and television programs that we produce. Production loans have contractual repayment dates either at or near the expected film or television program completion date, with the exception of certain loans containing repayment dates on a longer term basis, and incur interest at rates ranging from 4.24% to 4.99%.

Table of Debt and Contractual Commitments

The following table sets forth our future annual repayment of debt, and our contractual commitments as of March 31, 2018:

	Year Ended March 31,						
	2019	2020	2021	2022	2023	Thereafter	Total
	(Amounts in millions)						
Future annual repayment of debt and other obligations recorded as of March 31, 2018 (on-balance sheet arrangements)							
Revolving credit facility	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Term Loan A	—	37.5	52.5	75.0	585.0	—	750.0
Term Loan B	12.5	12.5	12.5	12.5	12.5	1,187.5	1,250.0
5.875% Senior Notes	—	—	—	—	—	520.0	520.0
Film obligations and production loans(1)	327.9	167.1	1.7	1.5	1.1	—	499.3
Principal amounts of convertible senior subordinated notes(2)	60.0	—	—	—	—	—	60.0
Capital lease obligations	5.2	3.0	3.0	0.9	0.9	37.5	50.5
	405.6	220.1	69.7	89.9	599.5	1,745.0	3,129.8
Contractual commitments by expected repayment date (off-balance sheet arrangements)							
Film obligation and production loan commitments(3)	566.9	182.6	137.5	67.0	14.6	14.1	982.7
Interest payments(4)	113.6	111.7	109.2	106.4	103.1	185.9	729.9
Operating lease commitments	24.1	25.5	30.0	23.6	29.1	34.9	167.2
Other contractual obligations	153.0	61.3	26.4	10.5	4.2	—	255.4
	857.6	381.1	303.1	207.5	151.0	234.9	2,135.2
Total future repayment of debt and other commitments under contractual obligations(5)(6)	$1,263.2	$601.2	$372.8	$297.4	$750.5	$1,979.9	$5,265.0

(1) Film obligations include minimum guarantees, theatrical marketing obligations, and accrued licensed program rights obligations. Production loans represent loans for the production of film and television programs that we produce. Repayment dates are based on anticipated delivery or release date of the related film or contractual due dates of the obligation.

(2) Represents 1.25% convertible senior subordinated notes due April 2018, with a conversion price of $29.09 per share of Class A voting shares and $29.08 per share of Class B non-voting shares at March 31, 2018, all of which were subsequently repaid in April 2018 (see Note 22 to our consolidated financial statements).
(3) Film obligation commitments include distribution and marketing commitments, minimum guarantee commitments, and program rights commitments. Distribution and marketing commitments represent contractual commitments for future expenditures associated with distribution and marketing of films which we will distribute. The payment dates of these amounts are primarily based on the anticipated release date of the film. Minimum guarantee commitments represent contractual commitments related to the purchase of film rights for pictures to be delivered in the future. Program rights commitments represent contractual commitments under programming license agreements related to films that are not available for exhibition until some future date (see below for further details). Production loan commitments represent amounts committed for future film production and development to be funded through production financing and recorded as a production loan liability when incurred. Future payments under these commitments are based on anticipated delivery or release dates of the related film or contractual due dates of the commitment. The amounts include estimated future interest payments associated with the commitment.
(4) Includes cash interest payments on our debt, excluding the interest payments on the revolving credit facility as future amounts are not fixed or determinable due to fluctuating balances and interest rates.
(5) Not included in the amounts above is a $869.3 million dissenting shareholders' liability associated with the Starz Merger, which classified as a current liability based on the timing of the scheduled trial set to commence in the second half of fiscal 2019 (see Note 2 to our consolidated financial statements).
(6) Not included in the amounts above are $101.8 million of redeemable noncontrolling interest, as future amounts and timing are subject to a number of uncertainties such that we are unable to make sufficiently reliable estimations of future payments (see Note 11 to our consolidated financial statements).

We are obligated to pay programming fees for all qualifying films that are released theatrically in the U.S. by Sony's Columbia Pictures, Screen Gems, Sony Pictures Classics and TriStar labels through 2021. We do not license films produced by Sony Pictures Animation. The programming fees to be paid by us to Sony are based on the quantity and domestic theatrical exhibition receipts of qualifying films. Since the term of the output programming agreement with Sony applies to all films released theatrically through December 31, 2021, the Company is obligated to pay fees for films that have not yet been released in theaters. We are unable to estimate the amounts to be paid under these agreements for films that have not yet been released in theaters, however, such amounts are expected to be significant. We have also entered into agreements with a number of other motion picture producers and are obligated to pay fees for the rights to exhibit certain films that are released by these producers.

For additional details of commitments and contingencies, see Note 16 to our consolidated financial statements.

Theatrical Slate Participation

On March 10, 2015, we entered into a theatrical slate participation arrangement with TIK Films (U.S.), Inc. and TIK Films (Hong Kong) Limited (collectively, "TIK Films"), both wholly owned subsidiaries of Hunan TV & Broadcast Intermediary Co. Ltd. Under the arrangement, TIK Films, in general and subject to certain limitations including per picture and annual caps, contributed a minority share of 25% of our production or acquisition costs of "qualifying" theatrical feature films, released during the three-year period ended January 23, 2018, and participate in a pro-rata portion of the pictures' net profits or losses similar to a co-production arrangement based on the portion of costs funded. The arrangement excluded among others, any theatrical feature film incorporating any elements from the *Twilight, Hunger Games,* or *Divergent* franchises. The percentage of the contribution could vary on certain pictures.

Amounts provided from TIK Films are reflected as a participation liability in our consolidated balance sheet and amounted to $151.8 million at March 31, 2018 (March 31, 2017—$170.1 million). The difference between the ultimate participation expected to be paid to TIK Films and the amount provided by TIK Films is amortized as a charge to or a reduction of participation expense under the individual-film-forecast method.

Filmed Entertainment Backlog

Backlog represents the amount of future revenue not yet recorded from contracts for the licensing of films and television product for television exhibition and in international markets. Backlog at March 31, 2018 was $1.2 billion (March 31, 2017—$1.4 billion).

Off-Balance Sheet Arrangements

We do not have any transactions, arrangements and other relationships with unconsolidated entities that will affect our liquidity or capital resources. We have no special purpose entities that provided off-balance sheet financing, liquidity or market or credit risk support, nor do we engage in leasing, hedging or research and development services that could expose us to liability that is not reflected on the face of our consolidated financial statements. Our commitments to fund operating leases, minimum guarantees, production loans, equity method investment funding requirements and all other contractual commitments not reflected on the face of our consolidated financial statements are presented in the table above.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.*

Currency and Interest Rate Risk Management

Market risks relating to our operations result primarily from changes in interest rates and changes in foreign currency exchange rates. Our exposure to interest rate risk results from the financial debt instruments that arise from transactions entered into during the normal course of business. As part of our overall risk management program, we evaluate and manage our exposure to changes in interest rates and currency exchange risks on an ongoing basis. Hedges and derivative financial instruments will be used in the future in order to manage our interest rate and currency exposure. We have no intention of entering into financial derivative contracts, other than to hedge a specific financial risk.

Currency Rate Risk. We enter into forward foreign exchange contracts to hedge its foreign currency exposures on future production expenses and tax credit receivables denominated in various foreign currencies (i.e., cash flow hedges). We also enter into forward foreign exchange contracts that economically hedge certain of our foreign currency risks, even though hedge accounting does not apply or the Company elects not to apply hedge accounting. As of March 31, 2018, we had the following outstanding forward foreign exchange contracts (all outstanding contracts have maturities of less than 18 months from March 31, 2018):

March 31, 2018				
Foreign Currency	**Foreign Currency Amount**		**US Dollar Amount**	**Weighted Average Exchange Rate Per $1 USD**
	(Amounts in millions)		**(Amounts in millions)**	
British Pound Sterling	£ 20.8	in exchange for	$29.0	£ 0.72
Euro	€ 1.5	in exchange for	$ 1.7	€ 0.87
Canadian Dollar	C$15.1	in exchange for	$12.1	C$1.25
Australian Dollar	A$ 4.1	in exchange for	$ 3.2	A$1.27

Changes in the fair value representing a net unrealized fair value loss on foreign exchange contracts that qualified as effective hedge contracts outstanding during the fiscal year ended March 31, 2018 were losses, net of tax, of $0.2 million (2017 - $3.5 million; 2016 — $0.2 million), and are included in accumulated other comprehensive loss, a separate component of shareholders' equity. Changes in the fair value representing a net unrealized fair value loss on foreign exchange contracts that did not qualify as effective hedge contracts outstanding during the year ended March 31, 2018 were $0.1 million (2017 — nil; 2016 — $1.3 million) and are included in direct operating expenses in the accompanying consolidated statements of income. These contracts are entered into with major financial institutions as counterparties. We are exposed to credit loss in the event of nonperformance by the counterparty, which is limited to the cost of replacing the contracts, at current market rates. We do not require collateral or other security to support these contracts. See Note 17 to our consolidated financial statements for additional information on our financial instruments.

Interest Rate Risk. Certain of our borrowings, primarily borrowings under our Senior Credit Facilities and certain production loans, are, and are expected to continue to be, at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income would decrease. The applicable margin with respect to loans under the revolving credit facility and Term Loan A is a percentage per annum equal to 1.75% plus an adjusted rate based on LIBOR. Assuming the revolving credit facility is drawn up to its maximum borrowing capacity of $1.5 billion, based on the applicable LIBOR in effect as of March 31, 2018, each quarter point change in interest rates would result in a $5.7 million change in annual interest expense on the revolving credit facility and Term Loan A. The applicable margin with respect to loans under our Term Loan B is a percentage per annum equal to 2.25% plus LIBOR. Assuming the Term Loan B outstanding balance and the applicable LIBOR in effect as of March 31, 2018, a quarter point change in interest rates would result in a $3.1 million change in annual interest expense.

The variable interest production loans incur interest at rates ranging from approximately 4.24% to 4.99% and applicable margins ranging from 2.0% over the one, two, or three-month LIBOR to 2.50% over the one, two, or three-month LIBOR. A quarter point increase of the interest rates on the outstanding principal amount of our variable rate production loans would result in $0.9 million in additional costs capitalized to the respective film or television asset.

At March 31, 2018, our 5.875% Senior Notes and convertible senior subordinated notes had an aggregate outstanding carrying value of $560.4 million, and an estimated fair value of $599.8 million. A 1% increase or decrease in the level of interest rates would increase or decrease the fair value of the 5.875% Senior Notes and convertible senior subordinated notes by approximately $12.8 million and $23.2 million, respectively.

The following table presents our financial instruments that are sensitive to changes in interest rates. The table also presents the cash flows of the principal amounts of the financial instruments with the related weighted-average interest rates by expected maturity or required principal payment dates and the fair value of the instrument as of March 31, 2018:

	Year Ended March 31,							Fair Value March 31,
	2019	2020	2021	2022	2023	Thereafter	Total	2018
	(Amounts in millions)							
Variable Rates:								
Revolving Credit Facility(1)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Average Interest Rate	—	—	—	—	—	—		
Term Loan A(1)(4)	—	37.5	52.5	75.0	585.0	—	750.0	750.9
Average Interest Rate	—	3.63%	3.63%	3.63%	3.63%	—		
Term Loan B(2)(4)	12.5	12.5	12.5	12.5	12.5	1,187.5	1,250.0	1,251.6
Average Interest Rate	4.13%	4.13%	4.13%	4.13%	4.13%	4.13%		
Production loans(3)(4)	223.4	129.5	—	—	—	—	352.9	352.9
Average Interest Rate	4.74%	4.69%	—	—	—	—		
Fixed Rates:								
5.875% Senior Notes(5)	—	—	—	—	—	520.0	520.0	539.5
Average Interest Rate	—	—	—	—	—	5.875%		
April 2013 1.25% Notes(6)	60.0	—	—	—	—	—	60.0	60.3
Average Interest Rate	1.25%	—	—	—	—	—		
	$295.9	$179.5	$65.0	$87.5	$597.5	$1,707.5	$2,932.9	$2,955.2

(1) Revolving credit facility and Term Loan A expire on March 22, 2023 and initially bear interest at a rate per annum equal to LIBOR plus 1.75% margin, with a LIBOR floor of zero (or an alternative base rate plus 0.75% margin). The margin is subject to potential increases of up to 50 basis points (two (2) increases of 25 basis points each) upon certain increases to net first lien leverage ratios, as defined in the Amended Credit Agreement (effective interest rate of 3.63% as of March 31, 2018).

(2) Term Loan B maturing on March 24, 2025, and initially bears interest at a rate per annum equal to LIBOR plus 2.25% margin, with a LIBOR floor of zero (or an alternative base rate plus 1.25% margin).

(3) Represents amounts owed to film production entities on anticipated delivery date or release date of the titles or the contractual due dates of the obligation, that incur interest at rates ranging from approximately 4.24% to 4.99%.

(4) On May 10, 2018, the Company entered into an interest rate swap agreement effectively converting its LIBOR-based floating rate to a fixed rate of 2.915% on $1.0 billion notional amount of LIBOR-based debt. The interest rate swap agreement matures on March 24, 2025.

(5) Senior notes with a fixed interest rate equal to 5.875%.

(6) Represents 1.25% convertible senior subordinated notes due April 2018, with a conversion price of $29.09 per share of Class A voting shares and $29.08 per share of Class B non-voting shares at March 31, 2018, all of which were subsequently repaid in April 2018 (see Note 22 to our consolidated financial statements).

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.*

The Auditors' Report and our Consolidated Financial Statements and Notes thereto appear in a separate section of this report (beginning on page F-1 following Part IV). The index to our Consolidated Financial Statements is included in Item 15.

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.*

Not applicable.

ITEM 9A. *CONTROLS AND PROCEDURES.*

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. We periodically review the design and effectiveness of our disclosure controls and internal control over financial reporting. We make modifications to improve the design and effectiveness of our disclosure controls and internal control structure, and may take other corrective action, if our reviews identify a need for such modifications or actions.

As of March 31, 2018, the end of the period covered by this report, the Company's management had carried out an evaluation under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer of the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that such controls and procedures were effective as of March 31, 2018.

Internal Control Over Financial Reporting

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that (a) transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and (b) that our receipts and expenditures are being recorded and made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a materially effect on the financial statements.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management has made an assessment of the effectiveness of our internal control over financial reporting as of March 31, 2018. Management based its assessment on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework).

Based on this assessment, our management has concluded that, as of March 31, 2018, the Company maintained effective internal control over financial reporting. The effectiveness of the Company's internal control over financial reporting has been audited by the Company's independent auditor, Ernst & Young LLP, a registered public accounting firm. Their report is included below.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting during the fiscal fourth quarter ended March 31, 2018, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Lions Gate Entertainment Corp.

Opinion on Internal Control over Financial Reporting

We have audited Lions Gate Entertainment Corp.'s (the Company) internal control over financial reporting as of March 31, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2018 consolidated financial statements and the related notes and schedule listed in the Index at Item 15(a) and our report dated May 24, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Los Angeles, California
May 24, 2018

ITEM 9B. ***OTHER INFORMATION.***

None.

PART III

ITEM 10. ***DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.***

The information required by this Item is incorporated by reference to our Proxy Statement for our 2018 Annual General Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended March 31, 2018.

ITEM 11. ***EXECUTIVE COMPENSATION.***

The information required by this Item is incorporated by reference to our Proxy Statement for our 2018 Annual General Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended March 31, 2018.

ITEM 12. ***SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS.***

The information required by this Item is incorporated by reference to our Proxy Statement for our 2018 Annual General Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended March 31, 2018.

ITEM 13. ***CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.***

The information required by this Item is incorporated by reference to our Proxy Statement for our 2018 Annual General Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended March 31, 2018.

ITEM 14. ***PRINCIPAL ACCOUNTING FEES AND SERVICES.***

The information required by this Item is incorporated by reference to our Proxy Statement for our 2018 Annual General Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended March 31, 2018.

PART IV

ITEM 15. ***EXHIBITS, FINANCIAL STATEMENT SCHEDULES.***

(a) The following documents are filed as part of this report:

(1) Financial Statements

The financial statements listed on the accompanying Index to Financial Statements are filed as part of this report at pages F-1 to F-73.

(2) Financial Statement Schedules

Schedule II. Valuation and Qualifying Accounts

All other Schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule.

(3) and (b) Exhibits

The exhibits listed on the accompanying Index to Exhibits are filed as part of this report.

Item 15(a).

Schedule II. Valuation and Qualifying Accounts

Lions Gate Entertainment Corp.

March 31, 2018

(In Millions)

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses[(1)]	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
Year Ended March 31, 2018:					
Reserves:					
Returns and allowances	$68.6	$168.3	$ —	$(180.7)[(3)]	$56.2
Provision for doubtful accounts	$ 9.0	$ (1.0)	$ —	$ (0.5)[(5)]	$ 7.5
Deferred tax valuation allowance	$ 5.9	$ 67.3	$ —	$ —	$73.2
Year Ended March 31, 2017:					
Reserves:					
Returns and allowances	$51.8	$149.3	$24.3[(2)]	$(156.8)[(3)]	$68.6
Provision for doubtful accounts	$ 6.0	$ (0.2)	$ 3.2[(2)]	$ —	$ 9.0
Deferred tax valuation allowance	$10.1	$ 0.4	$ 1.4[(2)]	$ (6.0)[(4)]	$ 5.9
Year Ended March 31, 2016:					
Reserves:					
Returns and allowances	$64.4	$136.8	$ —	$(149.4)[(3)]	$51.8
Provision for doubtful accounts	$ 4.1	$ 1.9	$ —	$ —	$ 6.0
Deferred tax valuation allowance	$ 9.3	$ —	$ 0.8	$ —	$10.1

(1) Charges for returns and allowances are charges against revenue.
(2) Opening balances due to the acquisition of Starz on December 8, 2016.
(3) Actual returns and fluctuations in foreign currency exchange rates.
(4) Valuation allowance reversal, of which $1.4 million was recorded as a tax benefit in the consolidated statement of income, and $4.6 million was recorded in other comprehensive income. The $4.6 million relates to the gain on Starz investment.
(5) Uncollectible accounts written off and fluctuations in foreign currency exchange rates.

Item 15(b).

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Exhibit	Filing Date/ Period End Date
2.1	Agreement and Plan of Merger, dated as of June 30, 2016, by and among Lions Gate, Starz, and Orion Arm Acquisition Inc.	8-K	2.1	7/1/2016
2.2	Membership Interest Purchase Agreement dated April 5, 2017 among Lions Gate Films Holdings Company #2, Inc., Viacom International Inc., Paramount NMOC LLC, and Metro-Goldwyn-Mayer Studios Inc.	8-K	2.1	4/5/2017
3.1	Articles	8-K	3.1	12/8/2016
3.2	Notice of Articles	8-K/A	3.1	12/9/2016
4.1	Supplemental Indenture, dated as of December 8, 2016, among Lions Gate Entertainment Corp., the guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee	8-K	4.1	12/8/2016
4.2	Supplemental Indenture, dated as of December 8, 2016, among Lions Gate Entertainment Corp., Lions Gate Entertainment, Inc., and The Bank of New York Mellon Trust Company, N.A., as trustee	8-K	4.2	12/8/2016
4.3	Supplemental Indenture, dated as of December 8, 2016, among Lions Gate Entertainment Corp., Lions Gate Entertainment, Inc., and U.S. Bank National Association, as trustee	8-K	4.3	12/8/2016
10.1*x	Director Compensation Summary			
10.2	Form of Director Indemnity Agreement	10-Q	10.62	12/31/2008
10.3	Letter Agreement between Mark H. Rachesky and Lions Gate Entertainment Corp. dated July 9, 2009	8-K	10.65	7/10/2009
10.4	Registration Rights Agreement, dated as of October 22, 2009, by and among Lions Gate Entertainment Corp. and the persons listed on the signature pages thereto	8-K	10.68	10/23/2009
10.5	Membership Interest Purchase Agreement, dated as of January 13, 2012, among Lions Gate Entertainment Corp., LGAC 1, LLC, LGAC 3, LLC, Summit Entertainment, LLC, S Representative, LLC and the several sellers party thereto	8-K	2.1	1/17/2012
10.6*	Employment Agreement, dated May 30, 2013, between the Company and Jon Feltheimer	8-K	10.1	6/3/2013
10.7	Stock Exchange Agreement, dated as of February 10, 2015, by and between Lions Gate Entertainment Corp., LG Leopard Canada LP and the stockholders listed on Schedule 1 thereto	8-K	10.1	2/11/2015
10.8	Underwriting Agreement dated April 8, 2015, by and among Lions Gate Entertainment Corp., MHR Capital Partners Master Account LP, MHR Capital Partners (100) LP, MHR Institutional Partners II LP, MHR Institutional Partners IIA LP, MHR Institutional Partners III LP and J.P. Morgan Securities LLC	8-K	1.1	4/9/2015

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Exhibit	Filing Date/ Period End Date
10.9	Investor Rights Agreement, dated as of November 10, 2015, by and among Lions Gate Entertainment Corp., Liberty Global plc, Discovery Communications, Inc., Liberty Global Incorporated Limited, Discovery Lightning Investments Ltd. and affiliates of MHR Fund Management, LLC	8-K	10.1	11/10/2015
10.10	Voting and Standstill Agreement, dated as of November 10, 2015, by and among Lions Gate Entertainment Corp., Liberty Global plc, Discovery Communications, Inc., Liberty Global Incorporated Limited, Discovery Lightning Investments Ltd., Dr. John C. Malone and affiliates of MHR Fund Management, LLC	8-K	10.2	11/10/2015
10.11	Registration Rights Agreement, dated as of November 10, 2015, by and among Lions Gate Entertainment Corp. and Liberty Global Incorporated Limited	8-K	10.3	11/10/2015
10.12	Registration Rights Agreement, dated as of November 10, 2015, by and among Lions Gate Entertainment Corp. and Discovery Lightning Investments Ltd.	8-K	10.4	11/10/2015
10.13	Underwriting Agreement, dated November 12, 2015, by and among Lions Gate Entertainment Corp., J.P. Morgan Securities LLC, Liberty Global Incorporated Limited, Discovery Lightning Investments Ltd. And Bank of America, N.A.	8-K	1.1	11/13/2015
10.14*	Employment Agreement between Lions Gate Films, Inc. and Brian Goldsmith dated November 13, 2015	8-K	10.1	11/19/2015
10.15	Amendment No. 1, dated as of February 3, 2016, to Registration Rights Agreement, dated as of October 22, 2009, by and among Lions Gate Entertainment Corp. and the persons listed on the signatures pages thereto	10-Q	10.116	2/4/2016
10.16	Stock Exchange Agreement, dated as of June 30, 2016, by and among Lions Gate, Orion Arm Acquisition Inc., and the stockholders listed on Schedule 1 thereto	8-K	10.1	7/1/2016
10.17	Amendment to Voting and Standstill Agreement, dated as of June 30, 2016, by and among Lions Gate, Liberty Global plc, Discovery, Dr. John C. Malone, MHR Fund Management, LLC, Liberty, Discovery Communications, Inc. and the Mammoth Funds (as defined therein)	8-K	10.7	7/1/2016
10.18	Amendment No. 1 to Investor Rights Agreement, dated as of June 30, 2016, by and among Lions Gate, Mammoth, Liberty, Discovery, Liberty Global plc, Discovery Communications, Inc., and the affiliated funds of Mammoth party thereto	8-K	10.8	7/1/2016
10.19	Commitment Letter, dated as of June 27, 2016, among Lions Gate, and JPMorgan Chase Bank, N.A., Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank AG New York Branch, Deutsche Bank AG Cayman Islands Branch, and Deutsche Bank Securities Inc.	8-K	10.9	7/1/2016
10.20*	Amendment to Employment Agreement, dated October 11, 2016, between the Company and Jon Feltheimer	8-K	10.1	10/13/2016

Exhibit Number	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date/ Period End Date
10.21	Indenture, dated as of October 27, 2016, by and between LG FinanceCo Corp. and Deutsche Bank Trust Company Americas, as trustee	8-K	4.1	10/27/2016
10.22	Securities Issuance and Payment Agreement, dated as of October 21, 2016, by and among Lions Gate Entertainment Corp., Lions Gate Entertainment Inc. and AT&T Media Holdings, Inc.	8-K	10.1	10/27/2016
10.23	Registration Rights Agreement, dated as of October 21, 2016, by and among Lions Gate Entertainment Corp. and AT&T Media Holdings, Inc.	8-K	10.2	10/27/2016
10.24*	Amendment to Employment Agreement, dated November 3, 2016, between Lions Gate Entertainment Corp. and Michael Burns	8-K	10.1	11/4/2016
10.25	Credit and Guarantee Agreement, dated as of December 8, 2016, among Lions Gate, as borrower, the guarantors party thereto, the lenders referred to therein, and JPMorgan Chase Bank, N.A., as Administrative Agent	8-K	10.1	12/8/2016
10.26*	Employment Agreement between Lions Gate Entertainment Inc. and James W. Barge dated December 28, 2016	10-Q	10.137	12/31/2016
10.27*	Executive Annual Bonus Program	10-Q	10.36	6/30/2017
10.28*	Lions Gate Entertainment Corp. 2017 Performance Incentive Plan	8-K	10.1	9/15/2017
10.29*	Form of Restricted Share Unit Award Agreement	10-Q	10.38	9/30/2017
10.30*	Separation and General Release Agreement effective as of November 14, 2017	10-Q	10.41	9/30/2017
10.31	Amendment No. 1, dated as of December 11, 2017, to the Credit and Guarantee Agreement dated as of December 8, 2016, among Lions Gate Entertainment Corp., as borrower, each guarantor party thereto, each lender party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and the other parties thereto	8-K	10.1	12/11/2017
10.32*	Separation and General Release Agreement between Lions Gate Entertainment, Inc. and Steven Beeks effective as of December 21, 2017	10-Q	10.42	12/31/2017
10.33*	Consulting Services Agreement between Lions Gate Films, Inc. and Steven Beeks effective as of December 21, 2017	10-Q	10.43	12/31/2017
10.34	Amendment No. 2, dated as of March 22, 2018, to the Credit and Guarantee Agreement dated as of December 8, 2016, among Lions Gate Entertainment Corp., as borrower, each guarantor party thereto, each lender party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and the other parties thereto (as previously amended by that certain Amendment No. 1 dated as of December 11, 2017).	8-K	10.1	3/22/2018
10.35	Indenture, dated as of March 28, 2018, by and between Lions Gate Capital Holdings LLC, as issuer, the guarantors named therein, and Deutsche Bank Trust Company Americas, as trustee	8-K	4.1	3/28/2018

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Exhibit	Filing Date/ Period End Date
10.36*x	Form of Nonqualified Stock Option Agreement			
10.37*x	Form of Incentive Stock Option Agreement			
10.38*x	Form of Share Appreciation Rights Agreement			
21.1x	Subsidiaries of the Company			
23.1x	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm (with respect to financial statements of Lions Gate Entertainment Corp.)			
23.2x	Consent of Ernst & Young LLP, Independent Auditors (with respect to financial statements of Pop Media Group, LLC)			
24.1x	Power of Attorney (Contained on Signature Page)			
31.1x	Certification of CEO pursuant to Section 302 of Sarbanes-Oxley Act of 2002			
31.2x	Certification of CFO pursuant to Section 302 of Sarbanes-Oxley Act of 2002			
32.1x	Certification of CEO and CFO pursuant to Section 906 of Sarbanes-Oxley Act of 2002			
99.1x	Pop Media Group, LLC Audited Consolidated Financial Statements as of March 31, 2018 and 2017, and for each of the three fiscal years ended March 31, 2018			
101	The following materials from the Company's Annual Report on Form 10-K for the year ended March 31, 2018 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Equity, (v) the Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements			

* Management contract or compensatory plan or arrangement.
x Filed herewith

ITEM 16. ***FORM 10-K SUMMARY.***

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on May 24, 2018.

LIONS GATE ENTERTAINMENT CORP.

By: /s/ James W. Barge

James W. Barge
Chief Financial Officer

DATE: May 24, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates so indicated.

Each person whose signature appears below authorizes each of Jon Feltheimer, Michael Burns, and James W. Barge, severally and not jointly, to be his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in such person's name, place and stead, in any and all capacities, to sign any amendments to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2018; granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, shall lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ JAMES W. BARGE James W. Barge	Chief Financial Officer *(Principal Financial Officer and Principal Accounting Officer)*	May 24, 2018
/s/ MICHAEL BURNS Michael Burns	Director	May 24, 2018
/s/ GORDON CRAWFORD Gordon Crawford	Director	May 24, 2018
/s/ ARTHUR EVRENSEL Arthur Evrensel	Director	May 24, 2018
/s/ JON FELTHEIMER Jon Feltheimer	Chief Executive Officer *(Principal Executive Officer)* and Director	May 24, 2018
/s/ EMILY FINE Emily Fine	Director	May 24, 2018
/s/ MICHAEL T. FRIES Michael T. Fries	Director	May 24, 2018
/s/ SIR LUCIAN GRAINGE Sir Lucian Grainge	Director	May 24, 2018

Signature	Title	Date
/s/ DR. JOHN C. MALONE Dr. John C. Malone	Director	May 24, 2018
/s/ G. SCOTT PATERSON G. Scott Paterson	Director	May 24, 2018
/s/ MARK H. RACHESKY, M.D. Mark H. Rachesky, M.D.	Chairman of the Board of Directors	May 24, 2018
/s/ DARYL SIMM Daryl Simm	Director	May 24, 2018
/s/ HARDWICK SIMMONS Hardwick Simmons	Director	May 24, 2018
/s/ DAVID M. ZASLAV David M. Zaslav	Director	May 24, 2018

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Lions Gate Entertainment Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Lions Gate Entertainment Corp. (the Company) as of March 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at March 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of Mach 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated May 24, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2001.

Los Angeles, California
May 24, 2018

LIONS GATE ENTERTAINMENT CORP.

CONSOLIDATED BALANCE SHEETS

	March 31, 2018	March 31, 2017
	(Amounts in millions)	
ASSETS		
Cash and cash equivalents	$ 378.1	$ 321.9
Restricted cash	—	2.8
Accounts receivable, net	946.0	908.1
Program rights	253.2	261.7
Other current assets	195.8	195.9
Total current assets	1,773.1	1,690.4
Investment in films and television programs and program rights, net	1,692.0	1,729.5
Property and equipment, net	161.7	165.5
Investments	164.9	371.5
Intangible assets	1,937.7	2,046.7
Goodwill	2,740.8	2,700.5
Other assets	458.6	472.8
Deferred tax assets	38.8	20.0
Total assets	$8,967.6	$9,196.9
LIABILITIES		
Accounts payable and accrued liabilities	$ 447.7	$ 573.0
Participations and residuals	504.5	514.9
Film obligations and production loans	327.9	367.2
Debt — short term portion	79.1	77.9
Dissenting shareholders' liability	869.3	—
Deferred revenue	183.9	156.9
Total current liabilities	2,412.4	1,689.9
Debt	2,478.3	3,047.0
Participations and residuals	438.3	359.7
Film obligations and production loans	171.3	116.0
Other liabilities	46.4	50.3
Dissenting shareholders' liability	—	812.9
Deferred revenue	70.3	72.7
Deferred tax liabilities	91.9	440.2
Redeemable noncontrolling interest	101.8	93.8
Commitments and contingencies (Note 16)		
EQUITY		
Class A voting common shares, no par value, 500.0 shares authorized, 81.8 shares issued (March 31, 2017 — 81.1 shares issued)	628.7	605.7
Class B non-voting common shares, no par value, 500.0 shares authorized, 129.3 shares issued (March 31, 2017 — 126.4 shares issued)	2,020.3	1,914.1
Retained earnings	516.6	10.6
Accumulated other comprehensive loss	(9.7)	(16.0)
Total Lions Gate Entertainment Corp. shareholders' equity	3,155.9	2,514.4
Noncontrolling interests	1.0	—
Total equity	3,156.9	2,514.4
Total liabilities and equity	$8,967.6	$9,196.9

See accompanying notes.

LIONS GATE ENTERTAINMENT CORP.

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions, except per share amounts)		
Revenues	$4,129.1	$3,201.5	$2,347.4
Expenses:			
Direct operating	2,309.6	1,903.8	1,415.3
Distribution and marketing	897.6	806.8	661.8
General and administration	454.4	355.4	262.4
Depreciation and amortization	159.0	63.1	13.1
Restructuring and other	59.8	88.7	19.8
Total expenses	3,880.4	3,217.8	2,372.4
Operating income (loss)	248.7	(16.3)	(25.0)
Interest expense			
Interest expense	(137.2)	(99.7)	(54.9)
Interest on dissenting shareholders' liability	(56.5)	(15.5)	—
Total interest expense	(193.7)	(115.2)	(54.9)
Interest and other income	10.4	6.4	1.9
Loss on extinguishment of debt	(35.7)	(40.4)	—
Gain on sale of equity interest in EPIX	201.0	—	—
Gain on Starz investment	—	20.4	—
Impairment of long-term investments and other assets	(29.2)	—	—
Equity interests income (loss)	(52.8)	10.7	44.2
Income (loss) before income taxes	148.7	(134.4)	(33.8)
Income tax benefit	319.4	148.9	76.5
Net income	468.1	14.5	42.7
Less: Net loss attributable to noncontrolling interests	5.5	0.3	7.5
Net income attributable to Lions Gate Entertainment Corp. shareholders	$ 473.6	$ 14.8	$ 50.2
Per share information attributable to Lions Gate Entertainment Corp. shareholders:			
Basic net income per common share	$ 2.27	$ 0.09	$ 0.34
Diluted net income per common share	$ 2.15	$ 0.09	$ 0.33
Weighted average number of common shares outstanding:			
Basic	208.4	165.0	148.5
Diluted	220.4	172.2	154.1
Dividends declared per common share	$ 0.09	$ 0.09	$ 0.34

See accompanying notes.

LIONS GATE ENTERTAINMENT CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Net income	$468.1	$ 14.5	$ 42.7
Foreign currency translation adjustments, net of tax	7.0	(8.1)	(3.1)
Net unrealized gain (loss) on available-for-sale securities, net of tax	(0.5)	56.4	(37.6)
Reclassification adjustment for gain on available-for-sale securities realized in net income	—	(17.8)	—
Net unrealized loss on foreign exchange contracts, net of tax	(0.2)	(3.5)	(0.2)
Comprehensive income	474.4	41.5	1.8
Less: Comprehensive loss attributable to noncontrolling interest	5.5	0.3	7.5
Comprehensive income attributable to Lions Gate Entertainment Corp. shareholders	$479.9	$ 41.8	$ 9.3

See accompanying notes.

LIONS GATE ENTERTAINMENT CORP.

CONSOLIDATED STATEMENTS OF EQUITY

	Class A Voting Common Shares		Class B Non-Voting Common Shares		Common Shares		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total LGEC Shareholders' Equity	Non-controlling Interests (a)	Total Equity
	Number	Amount	Number	Amount	Number	Amount					
	(Amounts in millions)										
Balance at March 31, 2015	—	$ —	—	$ —	145.5	$ 830.8	$ 13.7	$ (2.2)	$ 842.3	$—	$ 842.3
Exercise of stock options	—	—	—	—	0.4	6.1	—	—	6.1	—	6.1
Share-based compensation, net	—	—	—	—	1.0	48.5	—	—	48.5	—	48.5
Conversion of convertible senior subordinated notes	—	—	—	—	2.0	16.2	—	—	16.2	—	16.2
Issuance of common shares related to acquisitions and other	—	—	—	—	1.5	57.4	—	—	57.4	—	57.4
Repurchase of common shares, no par value	—	—	—	—	(3.6)	(73.2)	—	—	(73.2)	—	(73.2)
Dividends declared	—	—	—	—	—	—	(50.4)	—	(50.4)	—	(50.4)
Net income	—	—	—	—	—	—	50.2	—	50.2	—	50.2
Other comprehensive loss	—	—	—	—	—	—	—	(40.9)	(40.9)	—	(40.9)
Redeemable noncontrolling interest adjustments to redemption value	—	—	—	—	—	—	(5.9)	—	(5.9)	—	(5.9)
Balance at March 31, 2016	—	$ —	—	$ —	146.8	$ 885.8	$ 7.6	$(43.1)	$ 850.3	$—	$ 850.3
Exercise of stock options	—	—	—	—	0.6	0.7	—	—	0.7	—	0.7
Share-based compensation, net	—	—	—	—	1.0	36.4	—	—	36.4	—	36.4
Dividends declared	—	—	—	—	—	(7.0)	(6.3)	—	(13.3)	—	(13.3)
Reclassification of common shares	74.2	458.0	74.2	458.0	(148.4)	(916.3)			(0.3)	—	(0.3)
Issuance of common shares related to acquisitions and other	4.6	121.6	46.9	1,206.1	—	0.4	—	—	1,328.1	—	1,328.1
Issuance of replacement equity awards related to the Starz Merger	—	—	1.1	186.5	—	—	—	—	186.5	—	186.5
Exercise of stock options	0.1	0.9	1.8	23.8	—	—	—	—	24.7	—	24.7
Share-based compensation	0.2	3.8	0.4	18.3	—	—	—	—	22.1	—	22.1
Conversion of convertible senior subordinated notes	2.0	21.4	2.0	21.4	—	—	—	—	42.8	—	42.8
Net income	—	—	—	—	—	—	14.8	—	14.8	—	14.8
Other comprehensive income	—	—	—	—	—	—	—	27.1	27.1	—	27.1
Redeemable noncontrolling interest adjustments to redemption value	—	—	—	—	—	—	(5.5)	—	(5.5)	—	(5.5)
Balance at March 31, 2017	81.1	$605.7	126.4	$1,914.1	—	$ —	$ 10.6	$(16.0)	$2,514.4	$—	$2,514.4
Cumulative effect of accounting changes	—	—	—	—	—	—	60.8	—	60.8	—	60.8
Exercise of stock options	0.3	1.7	2.6	44.8	—	—	—	—	46.5	—	46.5
Share-based compensation, net	0.1	12.8	—	52.9	—	—	—	—	65.7	—	65.7
Issuance of common shares	0.3	8.5	0.3	8.5	—	—	—	—	17.0	—	17.0
Noncontrolling interests	—	—	—	—	—	—	—	—	—	7.0	7.0
Dividends declared	—	—	—	—	—	—	(19.1)	—	(19.1)	—	(19.1)
Net income	—	—	—	—	—	—	473.6	—	473.6	(6.0)	467.6
Other comprehensive income	—	—	—	—	—	—	—	6.3	6.3	—	6.3
Redeemable noncontrolling interest adjustments to redemption value	—	—	—	—	—	—	(9.3)	—	(9.3)	—	(9.3)
Balance at March 31, 2018	81.8	$628.7	129.3	$2,020.3	$ —	$ —	$516.6	$ (9.7)	$3,155.9	$ 1.0	$3,156.9

(a) Excludes redeemable noncontrolling interests, which are reflected in temporary equity (see Note 11).

See accompanying notes.

LIONS GATE ENTERTAINMENT CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Operating Activities:			
Net income	$ 468.1	$ 14.5	$ 42.7
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	159.0	63.1	13.1
Amortization of films and television programs and program rights	1,641.7	1,414.0	1,029.1
Interest on dissenting shareholders' liability	56.5	15.5	—
Amortization of debt discount and financing costs	14.3	12.9	9.2
Non-cash share-based compensation	88.4	76.9	77.9
Other non-cash items	20.1	4.3	2.0
Distribution from equity method investee	—	14.0	—
Gain on Starz investment	—	(20.4)	—
Loss on extinguishment of debt	35.7	40.4	—
Equity interests loss (income)	52.8	(10.7)	(44.2)
Gain on sale of equity interest in EPIX	(201.0)	—	—
Impairment of long-term investments and other assets	29.2	—	—
Deferred income tax benefit	(299.5)	(163.4)	(85.1)
Changes in operating assets and liabilities:			
Restricted cash	2.8	0.1	(0.4)
Accounts receivable, net and other assets	(8.6)	(87.8)	(158.3)
Investment in films and television programs and program rights, net	(1,526.4)	(1,092.0)	(1,066.4)
Accounts payable and accrued liabilities	(181.7)	152.9	28.9
Participations and residuals	62.6	205.3	134.9
Film obligations	5.1	17.1	(30.7)
Deferred revenue	(29.9)	(98.1)	28.3
Net Cash Flows Provided By (Used In) Operating Activities	389.2	558.6	(19.0)
Investing Activities:			
Proceeds from the sale of equity method investee, net of transaction costs	393.7	—	—
Investment in equity method investees	(53.4)	(20.6)	(16.8)
Distributions from equity method investee	—	3.1	—
Business acquisitions, net of cash acquired of $18.7, $73.5, and $15.8 in 2018, 2017 and 2016, respectively (see Note 2)	(1.8)	(1,102.6)	(126.9)
Capital expenditures	(45.9)	(25.2)	(18.4)
Net Cash Flows Provided By (Used In) Investing Activities	292.6	(1,145.3)	(162.1)
Financing Activities:			
Debt — borrowings	3,712.6	4,002.8	629.5
Debt — repayments	(4,335.7)	(2,766.9)	(444.5)
Production loans — borrowings	319.7	296.0	572.6
Production loans — repayments	(332.8)	(632.6)	(483.1)
Repurchase of common shares	—	—	(73.2)
Dividends paid	—	(26.8)	(47.5)
Distributions to noncontrolling interest	(8.2)	(6.9)	—
Exercise of stock options	44.9	25.4	6.1
Tax withholding required on equity awards	(22.9)	(40.9)	(24.2)
Net Cash Flows Provided By (Used In) Financing Activities	(622.4)	850.1	135.7
Net Change In Cash And Cash Equivalents	59.4	263.4	(45.4)
Foreign Exchange Effects on Cash	(3.2)	0.8	0.4
Cash and Cash Equivalents — Beginning Of Period	321.9	57.7	102.7
Cash and Cash Equivalents — End Of Period	$ 378.1	$ 321.9	$ 57.7

See accompanying notes.

LIONS GATE ENTERTAINMENT CORP.

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business, Basis of Presentation and Significant Accounting Policies

Description of Business

Lions Gate Entertainment Corp. ("Lionsgate," the "Company," "we," "us" or "our") is a global content platform whose films, television series, digital products and linear and over-the-top platforms reach next generation audiences around the world. In addition to our filmed entertainment leadership, Lionsgate content drives a growing presence in interactive and location-based entertainment, gaming, virtual reality and other new entertainment technologies. Lionsgate's content initiatives are backed by a 16,000-title film and television library and delivered through a global licensing infrastructure.

Basis of Presentation

Generally Accepted Accounting Principles

These consolidated financial statements have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP").

Principles of Consolidation

The accompanying consolidated financial statements of the Company include the accounts of Lionsgate and its majority-owned and controlled subsidiaries. The Company reviews its relationships with other entities to identify whether it is the primary beneficiary of a variable interest entity ("VIE"). If the determination is made that the Company is the primary beneficiary, then the entity is consolidated.

All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The most significant estimates made by management in the preparation of the financial statements relate to ultimate revenue and costs for investment in films and television programs; the allocations made in connection with the amortization of program rights; estimates of sales returns and other allowances and provisions for doubtful accounts; fair value of equity-based compensation; fair value of assets and liabilities for allocation of the purchase price of companies acquired; income taxes including the assessment of valuation allowances for deferred tax assets; accruals for contingent liabilities; and impairment assessments for investment in films and television programs, property and equipment, equity investments, goodwill and intangible assets. Actual results could differ from such estimates.

Reclassifications

Certain amounts presented in prior years have been reclassified to conform to the current year's presentation.

Significant Accounting Policies

Revenue Recognition

Revenue from the theatrical release of feature films is recognized at the time of exhibition based on the Company's participation in box office receipts. Revenue from the sale of DVDs and Blu-ray discs in the retail market, net of an allowance for estimated returns and other allowances, is recognized on the later of receipt by the customer or "street date" (when it is available for sale by the customer). Under revenue sharing arrangements, including digital and electronic-sell-through ("EST") arrangements, such as download-to-own, download-to-rent, video-on-demand and subscription video-on-demand, revenue is recognized when the Company is entitled to receipts and such receipts are determinable. Revenues from television or digital licensing for fixed fees are recognized when the feature film or television program is available to the licensee for telecast. For television licenses that include separate availability "windows" during the license period, revenue is allocated over the "windows." Revenue from sales to international territories are recognized when access to the feature film or television program has been granted or delivery has occurred, as required under the sales contract, and the right to exploit the feature film or television program has commenced. For multiple media rights contracts with a fee for a single film or television program where the contract provides for media holdbacks (defined as contractual media release restrictions), the fee is allocated to the various media based on the Company's assessment of the relative fair value of the rights to exploit each media and is recognized as each holdback is released. For multiple-title contracts with a fee, the fee is allocated on a title-by-title basis, based on the Company's assessment of the relative fair value of each title.

Programming revenue is recognized in the period during which programming is provided, pursuant to affiliation agreements. If an affiliation agreement has expired and our programming is continuing to be aired by the Distributor, revenue is recognized based on the terms of the expired agreement or the actual payment from the distributor, whichever is less. Payments to distributors for marketing support costs for which the Company does not receive a direct benefit are recorded as a reduction of revenue.

Cash payments received are recorded as deferred revenue until all the conditions of revenue recognition have been met. Long-term, non-interest bearing receivables are discounted to present value.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits at financial institutions and investments in money market mutual funds.

Restricted Cash

Restricted cash primarily consists of amounts that are contractually designated for certain theatrical marketing obligations.

Investment in Films and Television Programs and Program Rights

Investment in Films and Television Programs: Investment in films and television programs includes the unamortized costs of completed films and television programs which have been produced by the Company or for which the Company has acquired distribution rights, libraries acquired as part of acquisitions of companies, films and television programs in progress and in development and home entertainment product inventory.

For films and television programs produced by the Company, capitalized costs include all direct production and financing costs, capitalized interest and production overhead. For the years ended March 31, 2018, 2017, and 2016, total capitalized interest was $7.9 million, $8.7 million, and $19.9 million, respectively. For acquired films and television programs, capitalized costs consist of minimum guarantee payments to acquire the distribution rights.

Costs of acquiring and producing films and television programs and of acquired libraries are amortized using the individual-film-forecast method, whereby these costs are amortized and participations and residuals costs are accrued in the proportion that current year's revenue bears to management's estimate of ultimate revenue at the beginning of the current year expected to be recognized from the exploitation, exhibition or sale of the films or television programs.

Ultimate revenue includes estimates over a period not to exceed ten years following the date of initial release of the motion picture. For an episodic television series, the period over which ultimate revenues are estimated cannot exceed ten years following the date of delivery of the first episode, or, if still in production, five years from the date of delivery of the most recent episode, if later. For titles included in acquired libraries, ultimate revenue includes estimates over a period not to exceed twenty years following the date of acquisition.

Investment in films and television programs is stated at the lower of amortized cost or estimated fair value. The valuation of investment in films and television programs is reviewed on a title-by-title basis, when an event or change in circumstances indicates that the fair value of a film or television program is less than its unamortized cost. During the years ended March 31, 2018 and 2017, the Company recorded impairment charges of $36.3 million and $22.7 million, respectively, on film and television programs. In determining the fair value of its films and television programs, the Company employs a discounted cash flows ("DCF") methodology that includes cash flows estimates of a film's ultimate revenue and costs as well as a discount rate. The discount rate utilized in the DCF analysis is based on the weighted average cost of capital of the Company plus a risk premium representing the risk associated with producing a particular film or television program. The fair value of any film costs associated with a film or television program that management plans to abandon is zero. As the primary determination of fair value is determined using a DCF model, the resulting fair value is considered a Level 3 measurement (see Note 10). Additional amortization is recorded in the amount by which the unamortized costs exceed the estimated fair value of the film or television program. Estimates of future revenue involve measurement uncertainty and it is therefore possible that reductions in the carrying value of investment in films and television programs may be required as a consequence of changes in management's future revenue estimates.

Films and television programs in progress include the accumulated costs of productions which have not yet been completed.

Films and television programs in development include costs of acquiring film rights to books, stage plays or original screenplays and costs to adapt such projects. Such costs are capitalized and, upon commencement of production, are transferred to production costs. Projects in development are written off at the earlier of the date they are determined not to be recoverable or when abandoned, or three years from the date of the initial investment.

Home entertainment product inventory consists of DVDs and Blu-ray discs and is stated at the lower of cost or market value (first-in, first-out method), and are included within other current assets on the consolidated balance sheet (see Note 18). Costs of DVDs and Blu-ray discs sales, including shipping and handling costs, are included in distribution and marketing expenses.

Program Rights: The cost of program rights for films and television programs (including original series) exhibited by the Media Networks segment are generally amortized on a title-by-title or episode-by-episode basis over the anticipated number of exhibitions or license period. The number of exhibitions is estimated based on the number of exhibitions allowed in the agreement (if specified) and the expected usage of the content. Certain other program rights are amortized to expense on a straight-line basis over the respective lives of the agreements. Programming rights may include rights to more than one exploitation window under its output and library agreements. For films with multiple windows, the license fee is allocated between the windows based upon the proportionate estimated fair value of each window which generally results in the majority of the cost allocated to the first window on newer releases.

The cost of original content in the Company's Media Networks reporting segment (see Note 15) is allocated between the pay television market and the ancillary revenue markets (e.g., home video, digital platforms, international television, etc.) based on the estimated relative fair values of these markets. The amount associated with the pay television market is reclassified from investment in film and television programs to program rights when the program is aired and the portion attributable to the ancillary markets remains in investment in films and television programs. All the costs of programming produced by the Media Networks segment and included in investment in films and television programs and program rights, net are classified as long term. Amounts included in program rights, other than internally produced programming, that are expected to be amortized within a year from the balance sheet date are classified as short-term.

Property and Equipment, net

Property and equipment is carried at cost less accumulated depreciation. Depreciation is provided for on a straight line basis over the following useful lives:

Distribution equipment	1 — 4 years
Computer equipment and software	2 — 5 years
Furniture and equipment	2 — 10 years
Leasehold improvements	Lease term or the useful life, whichever is shorter
Building	26 years
Land	Not depreciated

The Company periodically reviews and evaluates the recoverability of property and equipment. Where applicable, estimates of net future cash flows, on an undiscounted basis, are calculated based on future revenue estimates. If appropriate and where deemed necessary, a reduction in the carrying amount is recorded.

Investments

Investments include investments accounted for under the equity method of accounting, fair value method and cost method.

Equity Method Investments: The Company uses the equity method of accounting for investments in companies in which it has a minority equity interest and the ability to exert significant influence over operating decisions of the companies. Significant influence is generally presumed to exist when the Company owns between 20% and 50% of the voting interests in the investee, holds substantial management rights or holds an interest of less than 20% in an investee that is a limited liability partnership or limited liability corporation that is treated as a flow-through entity.

Under the equity method of accounting, the Company's share of the investee's earnings (losses), net of intercompany eliminations, are included in the "equity interest income (loss)" line item in the consolidated statement of income. The Company records its share of the net income or loss of certain other equity method investments (see Note 5) on a one quarter lag and, accordingly, during the years ended March 31, 2018, 2017, and 2016, the Company recorded its share of the income or loss generated by these entities for the years ended December 31, 2017, 2016 and 2015, respectively.

Profit Eliminations. The Company licenses theatrical releases and other films and television programs to certain equity method investments. A portion of the profits of these licenses reflecting the Company's ownership share in the venture are eliminated through an adjustment to the equity interest income (loss) of the venture. These profits are recognized as they are realized by the equity method investee through the amortization of the related asset, recorded on the equity method investee's balance sheet, over the license period.

Dividends and Other Distributions. Dividends and other distributions from equity method investees are recorded as a reduction of the Company's investment. Distributions received up to the Company's interest in the investee's retained earnings are considered returns on investments and are classified within cash flows from operating activities in the consolidated statement of cash flows. Distributions from equity method investments in excess of the Company's interest in the investee's retained earnings are considered returns of investments and are classified within cash flows provided by investing activities in the statement of cash flows.

Fair Value and Cost Method Investments: Investments in companies in which the Company does not have a controlling voting interest or over which it is unable to exert significant influence are generally accounted for at fair value if the investments are publicly traded. If the investment or security is not publicly traded, the investment is accounted for at cost because its fair value is not readily determinable. Fair value investments are considered available-for-sale by the Company. Unrealized gains and losses on investments, which are available-for-sale and accounted for at fair value, are reported net of tax in accumulated other comprehensive income or loss.

Impairments of Investments: The Company regularly reviews its investments for impairment, including when the carrying value of an investment exceeds its market value. If the Company determines that an investment has sustained an other-than-temporary decline in its value, the investment is written down to its fair value by a charge to earnings. Factors that are considered by the Company in determining whether an other-than-temporary decline in value has occurred include (i) the market value of the security in relation to its cost basis, (ii) the financial condition of the investee, and (iii) the Company's intent and ability to retain the investment for a sufficient period of time to allow for recovery in the market value of the investment.

For investments accounted for using the cost or equity method of accounting, the Company evaluates information available (e.g., budgets, business plans, financial statements, etc.) in addition to quoted market prices, if any, in determining whether an other-than-temporary decline in value exists. Factors indicative of an other-than-temporary decline include recurring operating losses, credit defaults and subsequent rounds of financing at an amount below the cost basis of the Company's investment.

Intangible Assets

Intangible assets acquired in business combinations are recorded at the acquisition date fair value in the Company's consolidated balance sheet. Identifiable intangible assets with finite lives are amortized over their estimated useful lives, and identifiable intangible assets with indefinite lives are not amortized, but rather are tested annually for impairment, or sooner when circumstances indicate that the intangible asset might be impaired. Amortizable intangible assets are tested for impairment utilizing an income approach based on undiscounted cash flows upon the occurrence of certain triggering events and, if impaired, are written down to fair value. The impairment test is performed at the lowest level of cash flows associated with the asset. As of March 31, 2018, the Company concluded that the indefinite lived intangible assets included in the accompanying consolidated balance sheet were not impaired.

Goodwill

Goodwill represents the excess of acquisition costs over the tangible and intangible assets acquired and liabilities assumed in various business acquisitions by the Company. The Company has three reporting units with goodwill: Motion Pictures, Television Production and Media Networks. Goodwill is not amortized but is reviewed for impairment annually each fiscal year or between the annual tests if an event occurs or circumstances change that indicate it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value. The Company compares the fair value of each reporting unit to its carrying amount to determine if there is a potential goodwill impairment. If the fair value of a reporting unit is less than its carrying value, an impairment loss is recorded based on the excess of the reporting unit's carrying value over its fair value. The Company performs its annual impairment test as of January 1 in each fiscal year. Based on the Company's qualitative assessments including, but not limited to, the results of the most recent quantitative impairment test, consideration of macroeconomic conditions, industry and market conditions, cash flows, and the Company's share price, the Company concluded that it is more likely than not that the fair value of our reporting units is greater than their carrying value.

Prints, Advertising and Marketing Expenses

The costs of prints, advertising and marketing expenses are expensed as incurred.

Certain of Starz's affiliation agreements require Starz to provide marketing support to the distributor based upon certain criteria as stipulated in the agreements. Marketing support includes cooperative advertising and marketing efforts between Starz and its distributors such as cross channel, direct mail and point of sale incentives. Marketing support is recorded as an expense and not a reduction of revenue when Starz has received a direct benefit and the fair value of such benefit is determinable.

Advertising expenses for the year ended March 31, 2018 were $654.9 million (2017 — $588.8 million, 2016 — $470.2 million) which were recorded as distribution and marketing expenses.

Income Taxes

Income taxes are accounted for using an asset and liability approach for financial accounting and reporting for income taxes and recognition and measurement of deferred assets are based upon the likelihood of realization of tax benefits in future years. Under this method, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Valuation allowances are established when management determines that it is more likely than not that some portion or all of the net deferred tax asset, on a jurisdiction by jurisdiction basis, will not be realized. The financial effect of changes in tax laws or rates is accounted for in the period of enactment.

From time to time, the Company engages in transactions in which the tax consequences may be subject to uncertainty. Significant judgment is required in assessing and estimating the tax consequences of these transactions. In determining the Company's tax provision for financial reporting purposes, the Company establishes a reserve for uncertain tax positions unless such positions are determined to be more likely than not of being sustained upon examination, based on their technical merits. The Company's policy is to recognize interest and/or penalties related to income tax matters in income tax expense.

Government Assistance

The Company has access to government programs that are designed to promote film and television production and distribution in certain foreign countries. The Company also has access to similar programs in certain states within the U.S. that are designed to promote film and television production in those states.

Tax credits earned with respect to expenditures on qualifying film and television productions are included as an offset to investment in films and television programs when the qualifying expenditures have been incurred provided that there is reasonable assurance that the credits will be realized (see Note 18).

Foreign Currency Translation

Monetary assets and liabilities denominated in currencies other than the functional currency are translated at exchange rates in effect at the balance sheet date. Resulting unrealized and realized gains and losses are included in the consolidated statements of income.

Foreign company assets and liabilities in foreign currencies are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Foreign company revenue and expense items are translated at the average rate of exchange for the fiscal year. Gains or losses arising on the translation of the accounts of foreign companies are included in accumulated other comprehensive income or loss, a separate component of shareholders' equity.

Derivative Instruments and Hedging Activities

Derivative financial instruments are used by the Company in the management of its foreign currency exposures. The Company's policy is not to use derivative financial instruments for trading or speculative purposes.

The Company enters into forward foreign exchange contracts to hedge its foreign currency exposures on future production expenses denominated in various foreign currencies. The Company evaluates whether the foreign exchange contracts qualify for hedge accounting at the inception of the contract. The fair value of the forward exchange contracts is recorded on the consolidated balance sheets. Changes in the fair value of the foreign exchange contracts that are effective hedges are reflected in accumulated other comprehensive income or loss, a separate component of shareholders' equity, and changes in the fair value of foreign exchange contracts that are ineffective hedges are reflected in the consolidated statements of income. Gains and losses realized upon settlement of the foreign exchange contracts that are effective hedges are amortized to the consolidated statements of income on the same basis as the production expenses being hedged.

Share-Based Compensation

The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. The fair value is recognized in earnings over the period during which an employee is required to provide service. See Note 12 for further discussion of the Company's share-based compensation.

Net Income Per Share

Basic net income per share is calculated based on the weighted average common shares outstanding for the period. Basic net income per share for the years ended March 31, 2018, 2017 and 2016 is presented below:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions, except per share amounts)		
Basic Net Income Per Common Share:			
Numerator:			
Net income attributable to Lions Gate Entertainment Corp. shareholders	$473.6	$ 14.8	$ 50.2
Denominator:			
Weighted average common shares outstanding	208.4	165.0	148.5
Basic net income per common share	$ 2.27	$ 0.09	$ 0.34

Diluted net income per common share reflects the potential dilutive effect, if any, of the conversion of convertible senior subordinated notes under the "if converted" method. Diluted net income per common share also reflects share purchase options, including equity-settled share appreciation rights ("SARs"), restricted share units ("RSUs") and restricted stock using the treasury stock method when dilutive, and any contingently issuable shares when dilutive. Diluted net income per common share for the years ended March 31, 2018, 2017 and 2016 is presented below:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions, except per share amounts)		
Diluted Net Income Per Common Share:			
Numerator:			
Net income attributable to Lions Gate Entertainment Corp. shareholders	$473.6	$ 14.8	$ 50.2
Add:			
Interest on convertible notes, net of tax	0.5	—	0.5
Numerator for diluted net income per common share	$474.1	$ 14.8	$ 50.7
Denominator:			
Weighted average common shares outstanding	208.4	165.0	148.5
Effect of dilutive securities:			
Conversion of notes	2.1	—	2.1
Share purchase options	7.5	3.5	3.1
Restricted share units and restricted stock	0.7	0.3	0.4
Contingently issuable shares	1.7	3.4	—
Adjusted weighted average common shares outstanding	220.4	172.2	154.1
Diluted net income per common share	$ 2.15	$ 0.09	$ 0.33

For the years ended March 31, 2018, 2017 and 2016, the outstanding common shares issuable presented below were excluded from diluted net income per common share because their inclusion would have had an anti-dilutive effect.

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Anti-dilutive shares issuable			
Conversion of notes	—	5.2	4.0
Share purchase options	11.5	12.1	4.7
Restricted share units	0.2	0.6	0.2
Other issuable shares	1.2	1.2	0.6
Total weighted average anti-dilutive shares issuable excluded from diluted net income per common share	12.9	19.1	9.5

Recent Accounting Pronouncements

Accounting Guidance Adopted in Fiscal 2018

Derivatives and Hedging - Targeted Improvements to Accounting for Hedging Activities: In August 2017, the Financial Accounting Standards Board ("FASB") issued guidance which amends its hedge accounting model to enable entities to better portray their risk management activities in the financial statements. The amendments expand an entity's ability to hedge nonfinancial and financial risk components and reduce complexity in fair value hedges of interest rate risk. The new guidance eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. The new guidance also eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. The guidance is effective for the Company's fiscal year beginning April 1, 2019, with early adoption permitted. The Company adopted this new guidance in the fourth quarter of the fiscal year ended March 31, 2018, effective April 1, 2017, with no material impact on the Company's consolidated financial statements.

Employee Share-Based Payment Accounting: In March 2016, the FASB issued amended guidance related to employee share-based payment accounting. The Company adopted this new guidance effective April 1, 2017. The new guidance and the impact on the consolidated financial statements upon adoption are summarized as follows:

- *Excess Tax Benefits and Tax Deficiencies:* Effective on a prospective basis, excess tax benefits and deficiencies that arise when share-based awards vest or are settled are recognized in the income statement. In addition, the new guidance eliminates the requirement that excess tax benefits be realized (i.e., through a reduction in income taxes payable) before companies can recognize them. Under the previous guidance, the tax effects were recorded in additional paid-in capital, when realized. Historically, the Company has not recorded significant excess tax benefits, because such benefits have not been realized. Upon adoption, the Company recorded a cumulative-effect adjustment of $54.3 million in retained earnings for the net excess tax benefits not previously realized.
- *Statement of Cash Flows Presentation:* The new guidance requires presentation of excess tax benefits as an operating activity on the statement of cash flows rather than as a financing activity, and requires presentation of cash paid to a tax authority when shares are withheld to satisfy the employer's statutory income tax withholding obligation as a financing activity. The Company applied the change to the presentation of excess tax benefits as an operating activity on a retrospective basis; however, there was no impact to the statement of cash flows since there were no excess tax benefits in the consolidated statements of cash flows for the years ended March 31, 2017 and 2016. The Company has historically presented cash paid for shares withheld to satisfy employee taxes as a financing activity in the consolidated statements of cash flows, and accordingly there was no impact from adopting this aspect of the standard.
- *Forfeitures:* The new guidance provides for an election to account for forfeitures of share-based payments either by (1) recognizing forfeitures of awards as they occur or (2) estimating the number of awards expected to be forfeited and adjusting the estimate when it is likely to change (as is required under the previous guidance). As allowed by the standard, the Company elected to continue to estimate potential forfeitures.
- *Statutory Withholding:* The new guidance increases the amount companies can withhold to cover income taxes on awards without triggering liability classification for shares used to satisfy statutory income tax withholding obligations and requires application of a modified retrospective transition method. There was no material impact upon adoption related to this change.

Equity Method of Accounting: In March 2016, the FASB issued guidance that changes the requirements for equity method accounting when an investment qualifies for use of the equity method as a result of an increase in the investor's ownership interest in or degree of influence over an investee. The guidance (i) eliminates the need to retroactively apply the equity method of accounting upon qualifying for such treatment, (ii) requires that the cost of acquiring the additional interest in an investee be added to the basis of the previously held interest and (iii) requires that unrealized holding gains or losses for available-for-sale equity securities that qualify for the equity method of accounting be recognized in earnings at the date the investment becomes qualified for use of the equity method of accounting. The Company adopted the new guidance effective April 1, 2017, with no material impact on the Company's consolidated financial statements.

Intra-Entity Transfers of Assets Other Than Inventory: In October 2016, the FASB issued guidance that will require the tax effects of intercompany transactions, other than sales of inventory, to be recognized when the transfer occurs, eliminating an exception under current U.S. GAAP in which the tax effects of intra-entity asset transfers are deferred until the transferred asset is sold to a third party or otherwise recovered through use. This guidance is effective for the Company's fiscal year beginning April 1, 2018, with early adoption permitted. Upon adoption, the cumulative-effect of the new standard is to be recorded as an adjustment to retained earnings. The Company adopted this guidance, effective April 1, 2017, and as a result, the Company recorded a cumulative-effect adjustment of $6.5 million in retained earnings for the tax effects (net benefit) of intra-entity transfers. Under the new guidance, the consolidated tax benefit in the year ended March 31, 2018 was $3.0 million lower, respectively, than would have been recorded under the previous guidance.

Accounting Guidance Not Yet Adopted

Revenue Recognition: In May 2014, the FASB issued an accounting standard update relating to the recognition of revenue from contracts with customers, which will supersede most current U.S. GAAP revenue recognition guidance, including industry-specific guidance. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. In addition, this guidance requires new or expanded disclosures related to revenues recognized.

The new framework will become effective on April 1, 2018. The Company has elected the modified retrospective approach and will apply the new revenue standard beginning April 1, 2018.

The Company has completed its assessment of the changes required by the new guidance, and while the Company does not expect that the adoption will have a material impact on the Company's reported operating results, the impact of the Sales or Usage Based Royalties acceleration discussed below will depend on the timing and performance of film and television releases in future periods. Upon adoption of the new guidance, the Company will record an adjustment to retained earnings for the cumulative effect of open contracts as of April 1, 2018. The Company has not completed its final calculation of the cumulative effect adjustment to be recorded to retained earnings; however, the Company expects this adjustment to be an increase to retained earnings of less than $25 million. In addition, the Company has designed appropriate changes to the Company's processes, systems and controls to support the recognition and disclosure requirements under the new standard.

The Company has identified certain significant areas in which the Company's revenue recognition is expected to change as compared with historical GAAP, as follows: *Sales or Usage Based Royalties:*

The Company currently receives royalties from certain international distributors and other transactional digital distribution partners based on the sales made by these distributors after recoupment of a minimum guarantee, if applicable. The Company currently records these sales and usage based royalties after receiving statements from the licensee and/or film distributor. Under the new revenue recognition rules, revenues will be recorded based on best estimates available in the period of sales or usage. Accordingly, the timing of the revenue recognition will be accelerated; however, the Company will continue to have a consistent number of periods of sales or usage based royalties earned in each period, and therefore the impact of the new guidance will depend on the timing and performance of the titles released in those periods.

Renewals of Licenses of Intellectual Property: Under the current guidance, when the term of an existing license agreement is extended, without any other changes to the provisions of the license, revenue for the renewal period is recognized when the agreement is renewed or extended. Under the new guidance, revenue associated with renewals or extensions of existing license agreements will be recognized as revenue when the license content becomes available under the renewal or extension. This change will impact the timing of revenue recognition as compared with current revenue recognition guidance. While revenues from renewal do occur, they are not a significant portion of our revenue and thus are not expected to have a material impact on our revenue recognition.

Licenses of Symbolic Intellectual Property: Certain intellectual property, such as brands, tradenames and logos, is categorized in the new guidance as symbolic. Under the new guidance, a licensee's ability to derive benefit from a license of symbolic intellectual property is assumed to depend on the licensor continuing to support or maintain the intellectual property throughout the license term. Accordingly, under the new guidance, revenue from licenses of symbolic intellectual property is generally recognized over the corresponding license term. Therefore, the new guidance will impact the timing of revenue recognition as compared to current guidance. The Company does not currently have a significant amount of revenue from the license of symbolic intellectual property.

Non-Refundable Minimum Guarantees Applied Against Variable Fees Related to a Group of Films: Under the current guidance, when a licensing arrangement provides for a nonrefundable minimum guarantee that is applied against variable fees from a group of films on a cross-collateralized basis, revenue is deferred and recognized as the customer exhibits or exploits the film, on a film-by-film basis, based on the film's performance under the arrangement. Under the new guidance, the nonrefundable minimum guarantee associated with such a licensing arrangement will be allocated to the group of films and recognized as revenue on a film-by-film basis when the performance obligation for each film is met. This change is expected to accelerate the timing of revenue recognition under these licensing arrangements, as compared to the current guidance. The Company does not currently have a significant amount of revenue from these licensing arrangements.

Principal vs. Agent: The new standard includes new guidance as to how to determine whether the Company is acting as a principal, in which case revenue would be recognized on a gross basis, or whether the Company is acting as an agent, in which case revenues would be recognized on a net basis. The Company does not expect the new principal versus agent guidance to have a material impact (i.e., changing from gross to net recognition or from net to gross recognition) under its existing distribution arrangements.

Recognition and Measurement of Financial Instruments: In January 2016, the FASB issued new guidance that addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Among other provisions, the new guidance requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. For investments without readily determinable fair values, entities have the option to either measure these investments at fair value or at cost adjusted for changes in observable prices minus impairment. The guidance is effective for the Company's fiscal year beginning April 1, 2018. Early adoption is not permitted, except for certain provisions relating to financial liabilities. Upon adoption of the new guidance, the Company will record a transition adjustment, expected to be approximately $3.2 million, to reclassify the unrealized gains recorded through March 31, 2018 for the Company's available-for-sale investments with a readily determinable fair market value (i.e., Next Games) from accumulated other comprehensive income (loss) to retained earnings. After adoption of the new guidance, changes in the fair value of the Company's available-for-sale investments with a readily determinable fair market value will be recognized in net income. The adoption of the new guidance will also impact the accounting for the Company's cost method investments, which will be measured at cost less any impairment, adjusted for observable price changes in orderly transactions in the investees' securities that are identical or similar to the Company's investments in the investee. The impact of this change will depend on the nature and extent of changes in observable prices, if any. See Note 5.

Accounting for Leases: In February 2016, the FASB issued guidance on accounting for leases which requires lessees to recognize most leases on their balance sheets for the rights and obligations created by those leases. The new guidance also requires additional qualitative and quantitative disclosures related to the nature, timing and uncertainty of cash flows arising from leases. The guidance is effective for the Company's fiscal year beginning April 1, 2019, with early adoption permitted, and is required to be implemented using a modified retrospective approach. The Company is currently evaluating the impact that the adoption of this new guidance will have on its consolidated financial statements.

Classification of Certain Cash Receipts and Cash Payments: In August 2016, the FASB issued guidance that clarifies how entities should classify certain cash receipts and payments on the statement of cash flows. The guidance primarily relates to the classification of cash flows associated with certain (i) debt transactions including debt prepayment or extinguishment costs, (ii) contingent consideration arrangements related to a business combination, (iii) insurance claims and policies, (iv) distributions from equity method investees and (v) securitization transactions. This guidance is effective for the Company's fiscal year beginning April 1, 2018, with early adoption permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

Restricted Cash: In November 2016, the FASB issued guidance to clarify how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The guidance will be applied retrospectively and is effective for the Company's fiscal year beginning April 1, 2018, with early adoption permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

Definition of a Business: In January 2017, the FASB issued guidance that changes the definition of a business for accounting purposes. Under the new guidance, an entity first determines whether substantially all of the fair value of a set of assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this threshold is met, the set of assets is not deemed to be a business. If the threshold is not met, the entity then evaluates whether the set of assets meets the requirement to be deemed a business, which at a minimum, requires there to be an input and a substantive process that together significantly contribute to the ability to create outputs. The guidance is effective on a prospective basis for the Company's fiscal year beginning April 1, 2018. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

Stock Compensation - Scope of Modification Accounting: In May 2017, the FASB issued guidance which clarifies that an entity will not apply modification accounting to a share-based payment award if all of the fair value, vesting conditions, and classification of the modified award as an equity or liability instrument are the same immediately before and after the modification. The guidance will be applied prospectively, and is effective for the Company's fiscal year beginning April 1, 2018, with early adoption permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

2. Mergers and Acquisitions

Starz Merger

On December 8, 2016, upon shareholder approval, pursuant to the Agreement and Plan of Merger dated June 30, 2016 ("Merger Agreement"), Lionsgate and Starz consummated the merger, under which Lionsgate acquired Starz for a combination of cash and common stock (the "Starz Merger").

Immediately prior to the consummation of the Starz Merger, Lionsgate effected the reclassification of its capital stock, pursuant to which each existing Lionsgate common share was converted into 0.5 shares of a newly issued class of Lionsgate Class A voting shares, no par value per share (the "Class A voting shares") and 0.5 shares of a newly issued class of Lionsgate Class B non-voting shares, no par value per share (the "Class B non-voting shares") subject to the terms and conditions of the Merger Agreement (see Note 12).

The following table summarizes the components of the estimated purchase consideration, inclusive of Lions Gate's existing ownership of Starz common stock and Starz's share-based equity awards outstanding as of December 8, 2016:

		(Amounts in millions)
Market value, as of December 8, 2016, of Starz Series A and Series B common stock already owned by Lionsgate[1]		$ 179.3
Cash consideration paid to Starz stockholders		
Starz Series A common stock at $18.00	$1,123.3	
Starz Series B common stock at $7.26	52.8	
		1,176.1
Fair value of Lionsgate voting and non-voting shares issued to Starz's stockholders		
Starz Series A common stock at exchange ratio of 0.6784 Lionsgate non-voting shares	$1,088.0	
Starz Series B common stock at exchange ratio of 0.6321 Lionsgate voting shares	121.6	
Starz Series B common stock at exchange ratio of 0.6321 Lionsgate non-voting shares	118.1	
		1,327.7
Replacement of Starz share-based payment awards[2]		186.5
Liability for dissenting shareholders		797.3
Total purchase consideration		$3,666.9

(1) The difference between the fair value of the Starz available-for-sale securities owned by Lionsgate and the original cost of the Starz available-for-sale securities of $158.9 million, amounting to $20.4 million, was reflected as a gain on Starz investment in the consolidated statement of income for the fiscal year ended March 31, 2017.

(2) Upon the closing of the merger, each outstanding share-based equity award (i.e., stock options, restricted stock, and restricted stock units) of Starz was replaced by a Lions Gate non-voting share-based equity award ("Lions Gate replacement award") with terms equivalent to the existing awards based on the exchange ratio set forth in the Merger Agreement. Each Starz outstanding award was measured at fair value on the date of acquisition and the portion attributable to pre-combination service was recorded as part of the purchase consideration. The fair value of the Lions Gate replacement award measured on the date of acquisition in excess of the fair value of the Starz award attributed to and recorded as part of the purchase consideration

was attributed to post-combination services and is being recognized as share-based compensation expense over the remaining post-combination service period. The estimated aggregate fair value of the Lions Gate replacement awards to be recorded as part of the purchase consideration is $186.5 million, and the estimated remaining aggregate fair value totaling $43.3 million will be recognized in future periods in accordance with each respective award's vesting terms. The fair value of the Lions Gate replacement restricted stock and restricted stock unit awards was determined based on the value estimated for the Class A voting shares and Class B non-voting shares as of the acquisition date as discussed above. The fair value of Lions Gate replacement stock option awards was determined using the Black-Scholes option valuation model using the estimated fair value of the Class B non-voting shares underlying the replacement stock options. For purposes of valuing the Lions Gate replacement awards, the following weighted-average applicable assumptions were used in the Black-Scholes option valuation model:

Weighted average assumptions:	
Risk-free interest rate	0.39% - 1.83%
Expected option lives (years)	0.01 - 5.50 years
Expected volatility	35%
Expected dividend yield	0%

The risk-free rate assumed in valuing the options is based on the U.S. Treasury Yield curve in effect applied against the expected term of the option at the time of the grant. The expected option lives represents the period of time that options are expected to be outstanding. Expected volatilities are based on implied volatilities from traded options on Lions Gate's stock, historical volatility of Lions Gate's stock and other factors. The expected dividend yield was zero since the combined company had suspended the quarterly dividend.

In connection with the Starz Merger, Starz received demands for appraisal from purported holders of approximately 25.0 million shares of Starz Series A common stock. Neither the Company nor Starz has determined at this time whether any of such demands satisfy the requirements of Delaware law for perfecting appraisal rights. At any time within 60 days after the effective date of the merger, or February 6, 2017, dissenting shareholders had the right to withdraw their demand for appraisal rights and accept the merger consideration in accordance with the Merger Agreement. The Company received notices from dissenting shareholders withdrawing such demands totaling 2,510,485 shares during that 60 day period. See Note 16 for a discussion of these proceedings. Should the pending appraisal proceedings reach a verdict, stockholders that are determined to have validly perfected their appraisal rights will be entitled to a cash payment equal to the fair value of their shares, plus interest, as determined by the court. The amounts that the Company may be required to pay to stockholders in connection with the pending appraisal proceedings is uncertain at this time, but could be greater than the merger consideration to which such stockholders would have been entitled had they not demanded appraisal. As of March 31, 2018, the Company has not paid the merger consideration for the shares that have demanded appraisal but has recorded a liability of $869.3 million that is included in current dissenting shareholders' liability on the consolidated balance sheet for the estimated value of the merger consideration that would have been payable for such shares, plus interest accrued at the Federal Reserve discount rate plus 5%, compounded quarterly. The liability is classified as a current liability as of March 31, 2018 based on the timing of the scheduled trial set to commence in the second half of fiscal 2019.

Allocation of Purchase Consideration. The Company has made an allocation of the purchase price of Starz to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair value as follows:

	(Amounts in millions)
Cash and cash equivalents	$ 73.5
Accounts receivable	254.9
Investment in films and television programs and program rights	851.9
Property and equipment	121.4
Investments	12.1
Intangible assets	2,071.0
Other assets	139.9
Accounts payable and accrued liabilities	(143.1)
Corporate debt and capital lease obligations	(1,013.1)
Deferred tax liabilities	(713.6)
Other liabilities	(165.0)
Fair value of net assets acquired	1,489.9
Goodwill	2,177.0
Total purchase consideration	$ 3,666.9

Fair Value Estimates: The fair value of the assets acquired and liabilities assumed were determined using income, cost and market approaches. The fair value measurements were primarily based on significant inputs that are not observable in the market and thus represent a Level 3 measurement as defined in Accounting Standards Codification (“ASC”) 820, other than the long-term debt assumed in the acquisition. The income approach was primarily used to value the intangible assets, consisting primarily of acquired customer relationships and tradenames.

The intangible assets acquired include customer relationships with a weighted average estimated useful life of 17 years and tradenames with an indefinite useful life (see Note 6). The fair value of customer relationships was estimated based on the estimated future cash flows to be generated from the customer affiliation contracts considering assumptions related to contract renewal rates and revenue growth based on the number of subscribers and contract rates. The earnings expected to be generated by the customer relationships were forecasted over the estimated duration of the intangible asset. The earnings were then adjusted by taxes and the required return for the use of the contributory assets and discounted to present value at a rate commensurate with the risk of the asset. The fair value of tradenames was estimated based on the present value of the theoretical cost savings that could be realized by the owner of the tradenames as a result of not having to pay a stream of royalty payments to another party. These cost savings were calculated based on the hypothetical royalty payment that a licensee would be required to pay in exchange for use of the tradenames, reduced by the tax shield realized by the licensee on the royalty payments. The cost savings were discounted to present value at a rate commensurate with the risk of the asset.

Investment in films and television programs include the cost of completed films and television programs (including original series) which have been produced by Starz or for which Starz has acquired distribution rights, as well as the costs of films and television programs in production, pre-production and development. For film and television programs in production, pre-production and development, the fair value has been estimated to be the recorded book value. For completed films and television programs, the fair value was estimated based on forecasted cash flows discounted to present value at a rate commensurate with the risk of the assets.

For tangible capital assets held under capital leases the income approach was utilized in valuing the tangible capital assets, including the satellite transponders and the real property, under a right-to-use scenario. The fair value of the capital asset was estimated by forecasting a market lease rate over the remaining term of the contract and discounting the payments using a market participant lease rate reflective of the riskiness of the asset. The fair value of the capital lease liability was estimated by forecasting the contract lease rate over the remaining term of the contract and discounting payments using a market participant debt rate reflective of the riskiness of the lessee. We estimated the fair value of the asset retirement obligation by utilizing an estimate of cost to retire the asset, inflating it to the end of the contract term and discounting it at a market participant debt rate reflective of the riskiness of the lessee.

The cost approach was utilized in valuing the tangible personal property using standard methodologies to estimate a replacement cost new and depreciation effects for each asset. Replacement cost new was estimated using historical costs and acquisition dates of the assets along with inflationary measures specific to the types of assets included in the valuation. Depreciation effects encompass physical deterioration, functional obsolescence, and economic obsolescence. Replacement cost new less depreciation results in an estimate of fair value when using the cost approach.

The fair value of program rights has been assumed to be the recorded book value, based on an assessment that such content is acquired or produced at fair value and aired over relatively short periods (a few years) and thus the amortization of the cost reflects the decline in the fair value of the content over time.

As part of the acquisition, we assumed and immediately extinguished Starz's senior notes, which had a principal amount outstanding of $675.0 million, and Starz's credit facility, which had an outstanding amount of $255.0 million (see Note 7). The former Starz senior notes were adjusted to fair value prior to extinguishment using quoted market values, and the fair value of the outstanding amounts under Starz's credit facility were estimated to approximate their carrying value.

Deferred taxes were adjusted to record the deferred tax impact of acquisition accounting adjustments primarily related to intangible assets. The incremental deferred tax liabilities were calculated based on the tax effect of the step-up in book basis of the net assets of Starz, excluding the amount attributable to goodwill, using the estimated statutory tax rates.

Goodwill of $2.2 billion represents the excess of the purchase price over the fair value of the underlying tangible and identifiable intangible assets acquired and liabilities assumed. The acquisition goodwill arises from the increase in the combined company's content creation capability and enhanced scale to its global distribution footprint across mobile, broadband, cable and satellite platforms. In addition, the acquisition goodwill arises from the opportunity for a broad range of new content partnerships and accelerates the growth of Lionsgate and Starz's over-the-top (which primarily represent internet streaming services and which the Company refers to as "OTT") services, as well as other anticipated revenue and cost synergies. The goodwill recorded as part of this acquisition is included in the Motion Pictures and Media Networks segment (see Note 6). The goodwill will not be amortized for financial reporting purposes. An insignificant portion of goodwill will be deductible for federal tax purposes.

Pro Forma Statement of Operations Information. The following unaudited pro forma condensed consolidated statements of operations information presented below illustrates the results of operations of the Company as if the Starz Merger and related debt financing (see Note 7) occurred on April 1, 2016.

	Year Ended March 31, 2017
	(Amounts in millions, except per share amounts)
Revenues	$4,323.7
Net income attributable to Lions Gate Entertainment Corp. shareholders	$ 148.4
Basic Net Income Per Common Share attributable to Lions Gate Entertainment Corp. shareholders	$ 0.74
Diluted Net Income Per Common Share attributable to Lions Gate Entertainment Corp. shareholders	$ 0.71

The unaudited pro forma condensed consolidated statement of operations information does not include adjustments for any operating efficiencies or cost savings, and exclude $70.9 million of acquisition-related costs that were expensed in restructuring and other expenses during the year ended March 31, 2017.

Good Universe

On October 11, 2017, the Company purchased all of the membership interests in True North Media, LLC (“Good Universe”), a motion picture production and global sales company. The purchase price consisted of $20.4 million in cash paid at closing, and an additional $1.4 million in cash and 119,751 of Class B non-voting common shares to be paid and issued after one-year of the closing date. In addition, the Company assumed $23.6 million of corporate debt and production loans, of which $14.9 million was paid off shortly following the acquisition during the fiscal year ended March 31, 2018. The acquisition was accounted for as a purchase, with the results of operations, which were not material, of Good Universe included in the Company’s consolidated results from October 12, 2017 through March 31, 2018. Based on a preliminary purchase price allocation, $29.0 million was allocated to goodwill, with the remainder primarily allocated to the fair values of investment in film and television programs, cash and cash equivalents, and other liabilities. The preliminary allocation of the estimated purchase price is based upon management’s estimates and is subject to revision, as a more detailed analysis of investment in film and television programs, tax and other liabilities is completed and additional information on the fair value of assets and liabilities becomes available, including receipt of final appraisals of the net assets acquired. The goodwill recorded as part of this acquisition arises from the executive management personnel and their extensive experience and key relationships in the entertainment industry, and is included in the Motion Pictures segment (see Note 6). The goodwill will not be amortized for financial reporting purposes, but will be deductible for federal tax purposes.

Pilgrim Media Group

On November 12, 2015, the Company purchased 62.5% of the membership interests in Pilgrim Media Group, LLC (“Pilgrim Media Group”), a worldwide independent reality television producer and distributor. The aggregate purchase price was approximately $201.7 million, which consisted of $144.7 million in cash and 1,517,451 of the Company’s former common shares, valued at $57.0 million. These shares were valued based on the closing price of the Company’s common shares on the date of closing of the acquisition, discounted to the fair value of the shares considering certain transfer restrictions.

3. Investment in Films and Television Programs and Program Rights

	March 31, 2018	March 31, 2017
	(Amounts in millions)	
Motion Pictures Segment - Theatrical and Non-Theatrical Films		
Released, net of accumulated amortization	$ 410.5	$ 610.5
Acquired libraries, net of accumulated amortization	2.1	2.3
Completed and not released	55.0	24.1
In progress	347.2	169.3
In development	24.6	29.7
	839.4	835.9
Television Production Segment - Direct-to-Television Programs		
Released, net of accumulated amortization	176.6	179.3
In progress	116.5	104.1
In development	4.8	7.3
	297.9	290.7
Media Networks Segment		
Licensed program rights, net of accumulated amortization	493.0	526.9
Produced programming		
Released, net of accumulated amortization	124.5	132.7
In progress	160.4	200.9
In development	30.0	4.1
	807.9	864.6
Investment in films and television programs and program rights, net	1,945.2	1,991.2
Less current portion of program rights	(253.2)	(261.7)
Non-current portion	$1,692.0	$1,729.5

The Company expects approximately 47.3% of completed films and television programs, excluding licensed program rights, will be amortized during the one-year period ending March 31, 2019. Additionally, the Company expects approximately 82.3% of completed and released films and television programs, excluding licensed program rights and acquired libraries, will be amortized during the three-year period ending March 31, 2021. Licensed program rights expected to be amortized within one-year from the balance sheet date are classified as short-term in the consolidated balance sheet.

4. Property and Equipment

	March 31, 2018	March 31, 2017
	(Amounts in millions)	
Distribution equipment[1]	$ 30.4	$ 25.8
Building[2]	50.4	50.4
Leasehold improvements	29.7	22.5
Property and equipment	21.1	17.9
Computer equipment and software	117.2	88.4
	248.8	205.0
Less accumulated depreciation and amortization	(88.3)	(40.7)
	160.5	164.3
Land	1.2	1.2
	$161.7	$165.5

(1) This category includes the cost of satellite transponders accounted for as capital leases, which was $16.8 million as of March 31, 2018, and accumulated depreciation for these transponders was $7.1 million (2017 - cost of $17.9 million, accumulated depreciation of $1.7 million).

(2) Represents the cost of Starz's building in Englewood, Colorado which is accounted for as a capital lease. Accumulated depreciation for the building totaled $2.6 million at March 31, 2018 (2017 - $0.6 million).

During the year ended March 31, 2018, depreciation expense amounted to $48.8 million and includes the amortization of assets recorded under capital leases (2017 - $24.4 million; 2016 - $8.9 million).

5. Investments

The carrying amounts of investments, by category, at March 31, 2018 and March 31, 2017 were as follows:

	March 31, 2018	March 31, 2017
	(Amounts in millions)	
Equity method investments	$127.0	$322.9
Available-for-sale securities	7.3	8.0
Cost method investments	30.6	40.6
	$164.9	$371.5

Equity Method Investments:

The carrying amounts of equity method investments at March 31, 2018 and March 31, 2017 were as follows:

Equity Method Investee	March 31, 2018 Ownership Percentage	March 31, 2018	March 31, 2017
		(Amounts in millions)	
EPIX	n/a[(1)]	$ —	$188.8
Pop	50.0%	91.3	96.8
Other	Various	35.7	37.3
		$127.0	$322.9

(1) In May 2017, the Company sold all of its 31.15% equity interest in EPIX to MGM (see further details below).

Equity interests in equity method investments for the years ended March 31, 2018, 2017 and 2016 were as follows (income (loss)):

Equity Method Investee	Year Ended March 31, 2018	2017	2016
	(Amounts in millions)		
EPIX	$ 4.0	$ 31.0	$52.1
Pop	(9.0)	(6.9)	(1.8)
Other[(1)]	(47.8)	(13.4)	(6.1)
	$(52.8)	$ 10.7	$44.2

(1) The Company records its share of the net income or loss of certain other equity method investments on a one quarter lag.

EPIX. In April 2008, the Company formed a joint venture with Viacom, its Paramount Pictures unit and Metro-Goldwyn-Mayer Studios to create a premium television channel and subscription video-on-demand service named “EPIX”. On May 11, 2017, pursuant to the Membership Interest Purchase Agreement dated April 5, 2017 (the “Purchase Agreement”), Lionsgate, Viacom and Paramount, each completed the sale to MGM of 100% of their respective equity interests in EPIX. Lions Gate’s 31.15% equity interest in EPIX represented approximately $397.2 million of the sale, of which $23.4 million was paid to Lions Gate between the signing of the Purchase Agreement and the closing of the sale as a member distribution, and $373.8 million was paid upon closing. The Company recorded a gain before income taxes of approximately $201.0 million which is reflected as a gain on sale of equity interest in EPIX in the consolidated statement of income for the year ended March 31, 2018. Prior to the sale of its interest in EPIX, the Company had accounted for such interest as an equity method investment.

EPIX Financial Information:

The following table presents the summarized statements of income for EPIX for the period from April 1, 2017 through the date of sale of May 11, 2017, and for the years ended March 31, 2017 and 2016 and a reconciliation of the net income reported by EPIX to equity interest income recorded by the Company:

	Period from April 1, 2017 to May 11, 2017 (date of sale)	Twelve Months Ended March 31,	
		2017	2016
	(Amounts in millions)		
Revenues	$ 44.8	$400.1	$413.8
Expenses:			
Operating expenses	32.3	259.8	221.6
Selling, general and administrative expenses	2.4	23.3	24.0
Operating income	10.1	117.0	168.2
Interest and other expense	—	(0.3)	(2.2)
Net income	$ 10.1	$116.7	$166.0
Reconciliation of net income reported by EPIX to equity interest income:			
Net income reported by EPIX	$ 10.1	$116.7	$166.0
Ownership interest in EPIX	31.15%	31.15%	31.15%
The Company's share of net income	3.1	36.4	51.7
Eliminations of the Company's share of profits on licensing sales to EPIX(1)	(0.1)	(12.4)	(7.3)
Realization of the Company's share of profits on licensing sales to EPIX(2)	1.0	7.0	7.7
Total equity interest income recorded	$ 4.0	$ 31.0	$ 52.1

(1) Represents the elimination of the gross profit recognized by the Company on licensing sales to EPIX in proportion to the Company's ownership interest in EPIX.

(2) Represents the realization of a portion of the profits previously eliminated. This profit remains eliminated until realized by EPIX. EPIX initially records the license fee for the title as inventory on its balance sheet and amortizes the inventory over the license period. Accordingly, the profit is realized as the inventory on EPIX's books is amortized.

Pop. Pop is the Company's joint venture with CBS. The Company's investment interest in Pop consists of an equity investment in its common stock units and mandatorily redeemable preferred stock units. The mandatorily redeemable preferred stock units carry a dividend rate of 10% compounded annually and are mandatorily redeemable in May 2019 at the stated value plus the dividend return and any additional capital contributions less previous distributions. The mandatorily redeemable preferred stock units were initially recorded based on their estimated fair value, as determined using an option pricing model. The mandatorily redeemable preferred stock units and the 10% dividend are being accreted up to their redemption amount over the ten-year period to the redemption date, which is recorded as income within equity interest.

Pop Financial Information:

The following table presents summarized balance sheet data as of March 31, 2018 and March 31, 2017 for Pop:

	March 31, 2018	March 31, 2017
	(Amounts in millions)	
Current assets	$ 48.2	$ 45.6
Non-current assets	$191.6	$184.0
Current liabilities	$ 37.2	$ 28.5
Non-current liabilities(1)	$654.9	$555.7
Redeemable preferred stock(1)	$638.4	$547.3

(1) Non-current liabilities includes mandatorily redeemable preferred stock units.

The following table presents the summarized statements of operations for the years ended March 31, 2018, 2017 and 2016 for Pop and a reconciliation of the net loss reported by Pop to equity interest income (loss) recorded by the Company:

	Year Ended March 31,		
	2018	2017	2016
Revenues	$110.9	$ 95.0	$ 86.4
Expenses:			
Cost of services	66.2	52.7	39.7
Selling, marketing, and general and administration	54.1	47.6	42.1
Depreciation and amortization	8.1	7.9	7.8
Operating loss	(17.5)	(13.2)	(3.2)
Interest expense, net	1.0	0.6	0.5
Accretion of redeemable preferred stock units(1)	79.1	67.8	57.7
Total interest expense, net	80.1	68.4	58.2
Net loss	$ (97.6)	$(81.6)	$(61.4)
Reconciliation of net loss reported by Pop to equity interest loss:			
Net loss reported by Pop	$ (97.6)	$(81.6)	$(61.4)
Ownership interest in Pop	50%	50%	50%
The Company's share of net loss	(48.8)	(40.8)	(30.7)
Accretion of dividend and interest income on redeemable preferred stock units(1)	39.5	33.9	28.8
Elimination of the Company's share of profits on licensing sales to Pop	(0.8)	(0.6)	(0.8)
Realization of the Company's share of profits on licensing sales to Pop	1.1	0.6	0.9
Total equity interest loss recorded	$ (9.0)	$ (6.9)	$ (1.8)

(1) Accretion of mandatorily redeemable preferred stock units represents Pop's 10% dividend and the amortization of discount on its mandatorily redeemable preferred stock units held by the Company and the other interest holder. The Company recorded its share of this expense as income from the accretion of dividend and discount on mandatorily redeemable preferred stock units within equity interest income (loss).

Other Equity Method Investments

The Company has investments in various other equity method investees with ownership percentages ranging from approximately 9% to 50%. These investments include:

Playco. Playco Holdings Limited ("Playco") offers a STARZ-branded online subscription video-on-demand service in the Middle East and North Africa.

Laugh Out Loud. In March 2016, the Company entered into a partnership with Kevin Hart and Hartbeat Digital to launch a new streaming video service, Laugh Out Loud. The streaming video service launched in August 2017. The new service will serve as the exclusive home for all content created by Kevin Hart outside his theatrical and live touring activities and will include original series starring Kevin Hart. Laugh Out Loud will also showcase content curated by Kevin Hart along with shows featuring social media stars and up and coming comedians.

Roadside Attractions. Roadside Attractions is an independent theatrical distribution company.

Pantelion Films. Pantelion Films is a joint venture with Videocine, an affiliate of Televisa, which produces, acquires and distributes a slate of English and Spanish language feature films that target Hispanic moviegoers in the U.S.

Atom Tickets. Atom Tickets is the first-of-its-kind theatrical mobile ticketing platform and app. The Company is accounting for its investment in Atom Tickets, a limited liability company, under the equity method of accounting due to the Company's board representation that provides significant influence over the investee.

Other. In addition to the equity method investments discussed above, the Company holds ownership interests in other immaterial equity method investees.

Summarized Financial Information. Summarized financial information for the Company's "other equity method investees", on an aggregate basis, is set forth below (these equity method investments were not significant in the year ended March 31, 2016, and accordingly no amounts are presented for the year ended March 31, 2016):

	March 31, 2018	March 31, 2017
	(Amounts in millions)	
Current assets	$232.7	$106.1
Non-current assets	$130.0	$ 27.1
Current liabilities	$201.5	$ 62.5
Non-current liabilities	$ 45.0	$ 0.4

	Year Ended March 31,	
	2018	2017
	(Amounts in millions)	
Revenues	$ 178.8	$ 30.1
Gross profit	$ 42.6	$ 9.1
Net loss	$(117.7)	$(50.8)

Available-for-Sale Securities:

The cost basis, unrealized gains and fair market value of available-for-sale securities were as set forth below:

	March 31, 2018	March 31, 2017
	(Amounts in millions)	
Cost basis	$2.6	$2.6
Gross unrealized gain	4.7	5.4
Fair value	$7.3	$8.0

Next Games. At March 31, 2018 and 2017, the Company's available-for-sale securities consisted of the Company's minority ownership interest in Next Games. Next Games is a mobile games development company headquartered in Helsinki, Finland, with a focus on crafting visually impressive, highly engaging games. Next Games is traded on the Nasdaq First North Finland marketplace maintained by Nasdaq Helsinki Ltd, and the Company classifies its investment in Next Games within Level 1 of the fair value hierarchy as the valuation inputs are based on quoted prices in active markets (see Note 10).

Cost Method Investments:

Telltale. Telltale Games ("Telltale") is a creator, developer and publisher of interactive software episodic games based upon popular stories and characters across all major gaming and entertainment platforms. The Company owns a minority economic interest in Telltale.

Impairment of Long-Term Investments and Other Assets:

During the year ended March 31, 2018, the Company recognized $29.2 million of other-than-temporary impairments on its investments and notes receivable (included in other assets, see Note 18), which were written down to their estimated fair value. The impairment charges are included in the "impairment of long-term investments and other assets" line in the consolidated statement of income.

6. Goodwill and Intangible Assets

Goodwill

Changes in the carrying value of goodwill by reporting segment were as follows:

	Motion Pictures	Television Production	Media Networks	Total
		(Amounts in millions)		
Balance as of March 31, 2016	$294.4	$240.4	$ —	$ 534.8
Business acquisitions(1)	68.4	—	2,131.0	2,199.4
Measurement period adjustments(2)	(0.9)	—	(32.8)	(33.7)
Balance as of March 31, 2017	361.9	240.4	2,098.2	2,700.5
Business acquisitions(1)	29.0	—	—	29.0
Measurement period adjustments(2)	2.8	—	8.5	11.3
Balance as of March 31, 2018	$393.7	$240.4	$2,106.7	$2,740.8

(1) In fiscal 2017, represents the goodwill resulting from the Starz Merger, which was allocated to the Media Networks and Motion Pictures segments based on the estimate of the relative fair value of the businesses included in each segment (see Note 2 and Note 15). In fiscal 2018, represents the goodwill resulting from the acquisition of Good Universe (see Note 2).

(2) In fiscal 2017 and fiscal 2018, represents measurement period adjustments recorded for the Starz Merger.

Intangible Assets

Finite-lived intangible assets consisted of the following as of March 31, 2018 and March 31, 2017:

	March 31, 2018			March 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Amounts in millions)					
Finite-lived intangible assets subject to amortization:						
Customer relationships[1]	$1,821.0	$141.4	$1,679.6	$1,821.0	$33.9	$1,787.1
Trademarks and trade names	8.6	7.2	1.4	8.6	6.9	1.7
Other	9.5	2.8	6.7	9.5	1.6	7.9
	$1,839.1	$151.4	$1,687.7	$1,839.1	$42.4	$1,796.7

(1) Customer relationships primarily represent affiliation agreements with distributors acquired in the Starz Merger (see Note 2).

Indefinite-lived intangible assets not subject to amortization consisted of the following:

	March 31, 2018	March 31, 2017
	(Amounts in millions)	
Indefinite-lived intangible assets not subject to amortization:		
Tradenames[1]	$250.0	$250.0

(1) Tradenames are primarily related to the Starz brand name, which have an indefinite useful life and are not amortized, but rather are assessed for impairment at least annually or more frequently whenever events or circumstances indicate that the rights might be impaired.

Amortization expense associated with the Company's intangible assets for the years ended March 31, 2018, 2017 and 2016 was approximately $109.0 million, $35.7 million, and $1.3 million, respectively. Amortization expense remaining relating to intangible assets for each of the years ending March 31, 2019 through 2023 is estimated to be approximately $109.1 million, $109.1 million, $109.1 million, $109.1 million, and $109.1 million, respectively.

7. Debt

Total debt of the Company, excluding film obligations and production loans, was as follows as of March 31, 2018 and March 31, 2017:

	March 31, 2018	March 31, 2017
	(Amounts in millions)	
Corporate debt:		
Revolving credit facility	$ —	$ —
Term Loan A[1]	750.0	987.5
Term Loan B[1]	1,250.0	1,600.0
5.875% Senior Notes	520.0	520.0
Total corporate debt	2,520.0	3,107.5
Convertible senior subordinated notes[2]	60.0	60.0
Capital lease obligations	50.5	57.7
Total debt	2,630.5	3,225.2
Unamortized discount and debt issuance costs, net of fair value adjustment on capital lease obligations	(73.1)	(100.3)
Total debt, net	2,557.4	3,124.9
Less current portion	(79.1)	(77.9)
Non-current portion of debt	$2,478.3	$3,047.0

(1) As of March 31, 2017, amounts were outstanding under the Previous Term Loan A and Previous Term Loan B, as defined below under the "Debt Transactions" section.

(2) Represents 1.25% convertible senior subordinated notes due April 2018 (the "April 2013 1.25% Notes"), which were convertible, at any time, into the number of common shares of the Company determined by the principal amount being converted divided by the conversion price, subject to adjustment in certain circumstances, including upon the issuance of dividends (conversion price of $29.09 per share of Class A voting shares and $29.08 per share of Class B non- voting shares at March 31, 2018). All of the April 2013 1.25% Notes were subsequently repaid in April 2018 (see Note 22).

The following table sets forth future annual contractual principal payment commitments of debt as of March 31, 2018:

Debt Type	Maturity Date	Year Ended March 31, 2019	2020	2021	2022	2023	Thereafter	Total
		(Amounts in millions)						
Revolving Credit Facility	March 2023	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Term Loan A	March 2023	—	37.5	52.5	75.0	585.0	—	750.0
Term Loan B	March 2025	12.5	12.5	12.5	12.5	12.5	1,187.5	1,250.0
5.875% Senior Notes	November 2024	—	—	—	—	—	520.0	520.0
Capital lease obligations	Various	5.2	3.0	3.0	0.9	0.9	37.5	50.5
April 2013 1.25% Notes	April 2018	60.0	—	—	—	—	—	60.0
		$77.7	$53.0	$68.0	$88.4	$598.4	$1,745.0	2,630.5
Less aggregate unamortized discount & debt issuance costs, net of fair value adjustment on capital lease obligations								(73.1)
								$2,557.4

Senior Credit Facilities (Revolving Credit Facility, Term Loan A and Term Loan B)

Revolving Credit Facility Availability of Funds & Commitment Fee. The revolving credit facility provides for borrowings and letters of credit up to an aggregate of $1.5 billion, and at March 31, 2018 there was $1.5 billion available. However, borrowing levels are subject to certain financial covenants as discussed below. There were no letters of credit outstanding at March 31, 2018. The Company is required to pay a quarterly commitment fee on the Revolving Credit Facility of 0.250% to 0.375% per annum, depending on the achievement of certain leverage ratios, as defined in the Amended Credit Agreement, on the total Revolving Credit Facility of $1.5 billion less the amount drawn.

Maturity Date:

- *Revolving Credit Facility & Term Loan A:* March 22, 2023.
- *Term Loan B:* March 24, 2025.

Interest:

- *Revolving Credit Facility & Term Loan A:* Initially bear interest at a rate per annum equal to LIBOR plus 1.75% (or an alternative base rate plus 0.75%) margin, with a LIBOR floor of zero. The margin is subject to potential increases of up to 50 basis points (two (2) increases of 25 basis points each) upon certain increases to net first lien leverage ratios, as defined in the Amended Credit Agreement (effective interest rate of 3.63% as of March 31, 2018).
- *Term Loan B:* As of March 22, 2018, pursuant to the Amended Credit Agreement described below, the Term Loan B bears interest at a rate per annum equal to LIBOR plus 2.25% margin, with a LIBOR floor of zero (or an alternative base rate plus 1.25% margin) (effective interest rate of 4.13% as of March 31, 2018).

Required Principal Payments:

- *Term Loan A:* Quarterly principal payments beginning the last day of the first full fiscal quarter ending after March 22, 2018, at quarterly rates of 0.00% for the first year, 1.25% for the second year, 1.75% for the third year, and 2.50% for the fourth and fifth years, with the balance payable at maturity.
- *Term Loan B:* Quarterly principal payments beginning the last day of the first full fiscal quarter ending after March 22, 2018, at a quarterly rate of 0.25%, with the balance payable at maturity.

  The Term Loan A and Term Loan B also require mandatory prepayments in connection with certain asset sales, subject to certain significant exceptions, and the Term Loan B is subject to additional mandatory repayment from specified percentages of excess cash flow, as defined in the Amended Credit Agreement.

Optional Prepayment:

- *Revolving Credit Facility & Term Loan A:* The Company may voluntarily prepay the Revolving Credit Facility and Term Loan A at any time without premium or penalty.
- *Term Loan B:* The Company may voluntarily prepay the Term Loan B at any time, provided that if prepaid in connection with a Repricing Transaction (as defined in the Amended Credit Agreement) on or before six months after December 11, 2017, the Company shall pay to lenders a prepayment premium of 1.0% of the loans prepaid.

Security. The Senior Credit Facilities are guaranteed by the Guarantors (as defined in the Amended Credit Agreement) and are secured by a security interest in substantially all of the assets of Lionsgate and the Guarantors (as defined in the Amended Credit Agreement), subject to certain exceptions.

Covenants. The Senior Credit Facilities contain representations and warranties, events of default and affirmative and negative covenants that are customary for similar financings and which include, among other things and subject to certain significant exceptions, restrictions on the ability to declare or pay dividends, create liens, incur additional indebtedness, make investments, dispose of assets and merge or consolidate with any other person. At March 31, 2018, the capacity to pay dividends under the Senior Credit Facilities significantly exceeded the amount of the Company's retained earnings or net income, and therefore the Company's net income of $468.1 million and retained earnings of $516.6 million were deemed free of restrictions at March 31, 2018.

In addition, a net first lien leverage maintenance covenant and an interest coverage ratio maintenance covenant apply to the Revolving Credit Facility and the Term Loan A and are tested quarterly. As of March 31, 2018, the Company was in compliance with all applicable covenants.

Change in Control. The Company may also be subject to an event of default upon a change in control (as defined in the Credit Agreement) which, among other things, includes a person or group acquiring ownership or control in excess of 50% of the Company's common shares.

5.875% Senior Notes

Interest. Bears interest at 5.875% annually.

Maturity Date. November 1, 2024.

Optional Redemption:

(i) Prior to November 1, 2019, the 5.875% Senior Notes are redeemable under certain circumstances (as defined in the indenture governing the 5.875% Senior Notes), in whole at any time or in part from time to time, at a price equal to 100% of the principal amount, plus the Applicable Premium (as defined in the indenture governing the 5.875% Senior Notes). The Applicable Premium is the greater of (i) 1.0% of the principal amount redeemed and (ii) the excess of the present value of the redemption amount at November 1, 2019 (see below) of the notes redeemed plus interest through the redemption date (discounted at the treasury rate on the redemption date plus 50 basis points) over the principal amount of the notes redeemed on the redemption date.

(ii) On and after November 1, 2019, redeemable by the Company, in whole or in part, at the redemption prices set forth as follows (as a percentage of the principal amount redeemed), plus accrued and unpaid interest to the redemption date: (i) on or after November 1, 2019 - 104.406%; (ii) on or after November 1, 2020 - 102.938%; (iii) on or after November 1, 2021 - 101.439%; and (iv) on or after November 1, 2022 - 100%.

Security. The 5.875% Senior Notes are guaranteed on an unsubordinated, unsecured basis.

Covenants. The 5.875% Senior Notes contain certain restrictions and covenants that, subject to certain exceptions, limit the Company's ability to incur additional indebtedness, pay dividends or repurchase the Company's common shares, make certain loans or investments, and sell or otherwise dispose of certain assets subject to certain conditions, among other limitations. At March 31, 2018, the capacity to pay dividends under the 5.875% Senior Notes significantly exceeded the amount of the Company's retained earnings or net income, and therefore the Company's net income of $468.1 million and retained earnings of $516.6 million were deemed free of restrictions at March 31, 2018. As of March 31, 2018, the Company was in compliance with all applicable covenants.

Change in Control. The occurrence of a change of control will be a triggering event requiring the Company to offer to purchase from holders all of the 5.875% Senior Notes, at a price equal to 101% of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase. In addition, certain asset dispositions will be triggering events that may require the Company to use the excess proceeds from such dispositions to make an offer to purchase the 5.875% Senior Notes at 100% of their principal amount, plus accrued and unpaid interest, if any to the date of purchase.

Debt Transactions

Senior Credit Facilities. On December 8, 2016, Lions Gate Entertainment Corp. entered into a credit and guarantee agreement (the "Credit Agreement") which provided for a $1.0 billion five-year revolving credit facility (the "Previous Revolving Credit Facility") (ii) a $1.0 billion five-year term loan A facility (the "Previous Term Loan A") and (iii) a $2.0 billion seven-year term loan B facility (the "Previous Term Loan B"). The Previous Term Loan B was issued at 99.5%.

December 2017 Previous Term Loan B Refinancing. On December 11, 2017, the Company entered into an amendment No. 1 (the "Repricing Amendment") to the Credit Agreement to reduce the interest rate on the Previous Term Loan B. In connection with the Repricing Amendment, the Company prepaid $25.0 million of principal outstanding under the Previous Term Loan B and repriced the remaining $900.0 million of principal then outstanding through the incurrence of a new six-year term loan B-1 facility in aggregate principal amount of $900.0 million (the "Previous Term Loan B-1"). The Previous Term Loan B-1 bore interest, at the Company's option, at a rate per annum equal to LIBOR (subject to a LIBOR floor of 0.75%) plus 2.25% (or an alternative base rate plus 1.25%) margin, which was 0.75% per annum less than the applicable margin under the Previous Term Loan B.

March 2018 Senior Credit Facilities Refinancing. On March 22, 2018, the Company entered into an amendment No. 2 (the "Second Amendment") to the Credit Agreement (as amended by the Repricing Amendment and the Second Amendment, the "Amended Credit Agreement") to refinance its Previous Revolving Credit Facility, Previous Term Loan A and Previous Term Loan B-1. In connection with the Second Amendment, the Company repaid in full the then outstanding principal amounts of $950.0 million under the Previous Term Loan A and $825.0 million under the Previous Term Loan B-1, and terminated all commitments under the Previous Revolving Credit Facility. In addition, the Company incurred a new five-year Term Loan A in aggregate principal amount of $750.0 million (the "Term Loan A"), incurred a new seven-year Term Loan B in aggregate principal amount of $1,250.0 million (the "Term Loan B"), and obtained a new $1.5 billion five-year revolving credit facility (the "Revolving Credit Facility", and together with the Term Loan A and Term Loan B, the "Senior Credit Facilities"). The interest rate under the new Term Loan A and Revolving Credit Facility is LIBOR plus 1.75%. See the "Senior Credit Facilities" section above for interest rate details and required principal payments.

Other Voluntary Prepayments. In addition to the prepayments in connection with the Repricing Amendment and Second Amendment described above, during the years ended March 31, 2018 and 2017, the Company made other voluntary prepayments totaling $740.0 million and $400.0 million, respectively, in principal outstanding under the Previous Term Loan B-1/ Previous Term Loan B, together with accrued and unpaid interest with respect to such principal amounts.

5.875% Senior Notes Exchange. On October 27, 2016, Lions Gate Entertainment Corp. issued $520.0 million aggregate principal amount of 5.875% senior notes due 2024 (the “2016 5.875% Senior Notes”). On March 28, 2018, in connection with a private exchange offer of the $520.0 million aggregate principal amount of its 2016 5.875% Senior Notes, an indirect, wholly owned subsidiary of the Company issued $512.3 million aggregate principal amount of new 5.875% senior notes due 2024 (the “2018 5.875% Senior Notes”, and collectively with the 2016 5.875% Senior Notes, the “5.875% Senior Notes”). The new 2018 5.875% Senior Notes were exchanged by the Company for $512.3 million of the 2016 5.875% Senior Notes.

Debt Redemptions and Repayments Associated with the Starz Merger. During the year ended March 31, 2017, the Company used the proceeds of the 2016 5.875% Senior Notes, the Previous Term Loan A, the Previous Term Loan B, and a portion of the Previous Revolving Credit Facility (amounting to $50.0 million) to finance a portion of the consideration and transaction costs for the Starz Merger (see Note 2) and the associated transactions, including (i) the repayment of all amounts outstanding (i.e., $241 million) under Lionsgate’s previous $800 million senior revolving credit facility issued in 2012, and such credit agreement was then terminated, (ii) the redemption of Lionsgate’s previous $400 million seven-year term loan due March 2022 (the “Term Loan Due 2022”), (iii) the redemption of Lionsgate’s $225.0 million outstanding principal amount of the 5.25% Senior Secured Second-Priority Notes due August 2018 (the “5.25% Senior Notes”), (iii) the discharge of Starz’s $675.0 million outstanding principal amount of the previous Starz senior notes due September 15, 2019 (the “Starz Senior Notes”) that were assumed as part of the Starz Merger, and (iv) the repayment of all amounts outstanding (i.e., $255.0 million) under Starz’s existing $1.0 billion revolving credit facility that were assumed as part of the Starz Merger were repaid, and such credit agreement was then terminated.

Accounting for the Debt Redemption and Repayment Transactions:

Revolving Credit Facilities. Any fees paid to creditors or third parties related to the issuance of the new revolving credit facility are capitalized and amortized over the term of the new revolving credit facility. To the extent the borrowing capacity, measured as the amount available under the revolving credit facility multiplied by the remaining term, on a creditor by creditor basis, was more than under the previous revolving credit facility, any prior unamortized debt issuance costs are capitalized and amortized over the term of the new revolving credit facility. To the extent the borrowing capacity on a creditor by creditor basis was less than under the previous credit facility the prior unamortized debt issuance costs were written off as a loss on extinguishment of debt in proportion to the decrease in borrowing capacity under the former revolving credit facility.

Term Loans and Senior Notes. In accounting for each contemporaneous issuance and repayment or redemption transaction discussed above, a portion of the prepayment and issuance was considered a modification of terms with creditors who participated in both the prepaid or redeemed debt and the new issuance, and a portion was considered a debt extinguishment. The previously incurred unamortized deferred financing costs, debt discount, call premiums (if any) and any fees or other amounts paid to creditors, on the prepaid or redeemed debt will be amortized over the life of the new issuance, to the extent the prepayment and issuance was considered a modification of terms, and expensed as a loss on extinguishment of debt to the extent considered an extinguishment. The new debt issuances associated with the existing creditors whose prior loans were prepaid were considered a modification of terms and therefore the new issuance costs associated with such issuances were expensed as a loss on extinguishment of debt. All costs and expenses associated with new creditors are capitalized and amortized over the life of the new issuance. Debt issuance costs and any debt discount are amortized using the effective interest method.

Loss on Extinguishment of Debt. The following tables summarize the accounting for the debt issuance costs incurred and the related loss on extinguishment of debt recorded in the years ended March 31, 2018 and March 31, 2017 associated with the debt transactions discussed above (no loss in the year ended March 31, 2016):

	Year Ended March 31, 2018		
	Loss on Extinguishment of Debt	Capitalized & Amortized Over Life of New Issuances	Total
	(Amounts in millions)		
New debt issuance costs	$11.0	$11.6	$22.6
Previously incurred debt issuance costs or unamortized discount	24.7		
Total	$35.7		

	Year Ended March 31, 2017		
	Loss on Extinguishment of Debt	Capitalized & Amortized Over Life of New Issuances	Total
	(Amounts in millions)		
New debt issuance costs and call premium	$20.6	$115.0	$135.6
Previously incurred debt issuance costs or unamortized discount	19.8		
Total	$40.4		

Capital Lease Obligations

Capital lease obligations represent lease agreements acquired in the Starz Merger (see Note 2). These obligations include a ten-year commercial lease for a building, with four successive five-year renewal periods at the Company's option, with an imputed annual interest rate of 7.2%, and capital lease arrangements for Starz's transponder capacity that expire from 2019 to 2023 and have imputed annual interest rates ranging from 5.5% to 7.0%.

Interest Expense

The table below sets forth the composition of the Company's interest expense for the years ended March 31, 2018, 2017 and 2016:

	Year Ended March 31,		
	2018	2017	2016
Interest expense			
Cash interest	$122.9	$ 86.8	$45.7
Amortization of debt discount and financing costs	14.3	12.9	9.2
	137.2	99.7	54.9
Interest on dissenting shareholders' liability (see Note 2)	56.5	15.5	—
Total interest expense	$193.7	$115.2	$54.9

8. Participations and Residuals

Theatrical Slate Participation

On March 10, 2015, the Company entered into a theatrical slate participation arrangement with TIK Films (U.S.), Inc. and TIK Films (Hong Kong) Limited (collectively, "TIK Films"), both wholly owned subsidiaries of Hunan TV & Broadcast Intermediary Co. Ltd. Under the arrangement, TIK Films, in general and subject to certain limitations including per picture and annual caps, contributed a minority share of 25% of the Company's production or acquisition costs of "qualifying" theatrical feature films, released during the three-year period ended January 23, 2018, and participate in a pro-rata portion of the pictures' net profits or losses similar to a co-production arrangement based on the portion of costs funded. The arrangement excluded, among others, any theatrical feature film incorporating any elements from the *Twilight, Hunger Games* or *Divergent* franchises. The percentage of the contribution could vary on certain pictures.

Amounts provided from TIK Films are reflected as a participation liability in the Company's consolidated balance sheets and amounted to $151.8 million at March 31, 2018 (March 31, 2017 - $170.1 million). The difference between the ultimate participation expected to be paid to TIK Films and the amount provided by TIK Films is amortized as a charge to or a reduction of participation expense under the individual-film-forecast method.

9. Film Obligations and Production Loans

	March 31, 2018	March 31, 2017
	(Amounts in millions)	
Film obligations	$ 146.7	$ 129.9
Production loans	352.9	353.8
Total film obligations and production loans	499.6	483.7
Unamortized debt issuance costs	(0.4)	(0.5)
Total film obligations and production loans, net	499.2	483.2
Less current portion	(327.9)	(367.2)
Total non-current film obligations and production loans	$ 171.3	$ 116.0

The following table sets forth future annual repayment of film obligations and production loans as of March 31, 2018:

	Year Ended March 31,						
	2019	2020	2021	2022	2023	Thereafter	Total
	(Amounts in millions)						
Film obligations	$104.5	$ 37.6	$ 1.7	$ 1.5	$ 1.1	$—	$146.4
Production loans	223.4	129.5	—	—	—	—	352.9
	$327.9	$167.1	$ 1.7	$ 1.5	$ 1.1	$—	$499.3
Less imputed interest on film obligations and debt issuance costs on production loans							(0.1)
							$499.2

Film Obligations

Film obligations include minimum guarantees and accrued licensed program rights obligations, which represent amounts payable for film or television rights that the Company has acquired or licensed and certain theatrical marketing obligations for amounts received from third parties that are contractually committed for theatrical marketing expenditures associated with specific titles.

Production Loans

Production loans represent individual loans for the production of film and television programs that the Company produces. The majority of production loans have contractual repayment dates either at or near the expected completion date, with the exception of certain loans containing repayment dates on a longer term basis, and incur interest at rates ranging from 4.24% to 4.99%.

10. Fair Value Measurements

Fair Value

Accounting guidance and standards about fair value define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value Hierarchy

Fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The accounting guidance and standards establish three levels of inputs that may be used to measure fair value:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 liabilities that are not required to be measured at fair value on a recurring basis include the Company's convertible senior subordinated notes, production loans, 5.875% Senior Notes, Term Loan A and Term Loan B, which are priced using discounted cash flow techniques that use observable market inputs, such as LIBOR-based yield curves, swap rates, and credit ratings.
- Level 3 — Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities. The Company measures the fair value of its investment in Pop's mandatorily redeemable preferred stock units using primarily a discounted cash flow analysis based on the expected cash flows of the investment. The analysis reflects the contractual terms of the investment, including the period to maturity, and uses a discount rate commensurate with the risk associated with the investment.

The following table sets forth the assets and liabilities required to be carried at fair value on a recurring basis as of March 31, 2018 and 2017:

	March 31, 2018			March 31, 2017		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	(Amounts in millions)					
Assets:						
Available-for-sale securities (see Note 5):						
Investment in Next Games	$ 7.3	$—	$ 7.3	$ 8.0	$—	$ 8.0
Forward exchange contracts (see Note 17)	—	0.3	0.3	—	0.6	0.6
Liabilities:						
Forward exchange contracts (see Note 17)	—	(0.6)	(0.6)	—	(0.5)	(0.5)
	$ 7.3	$(0.3)	$ 7.0	$ 8.0	$ 0.1	$ 8.1

The following table sets forth the carrying values and fair values of the Company's investment in Pop's mandatorily redeemable preferred stock units and outstanding debt at March 31, 2018 and March 31, 2017:

	March 31, 2018		March 31, 2017	
	(Amounts in millions)			
	Carrying Value	Fair Value	Carrying Value	Fair Value
		(Level 3)		(Level 3)
Assets:				
Investment in Pop's mandatorily redeemable preferred stock units	$ 91.3	$ 125.0	$ 96.8	$ 122.1
	Carrying Value	Fair Value	Carrying Value	Fair Value
		(Level 2)		(Level 2)
Liabilities:				
Term Loan A[(1)]	729.7	750.9	961.8	983.8
Term Loan B[(1)]	1,229.3	1,251.6	1,554.7	1,610.0
5.875% Senior Notes	500.4	539.5	498.3	542.1
April 2013 1.25% Notes	60.0	60.3	60.0	58.5
Production loans	352.6	352.9	353.3	353.8
	$2,872.0	$2,955.2	$3,428.1	$3,548.2

(1) As of March 31, 2017, amounts were outstanding under the Previous Term Loan A and Previous Term Loan B (see Note 7).

The Company's financial instruments also include cash and cash equivalents, accounts receivable, accounts payable, borrowings under the Revolving Credit Facility, if any, capital lease obligations and dissenting shareholders' liability. The carrying values of these financial instruments approximated the fair values at March 31, 2018 and 2017.

11. Noncontrolling Interests

Redeemable Noncontrolling Interests

In connection with the acquisition of a controlling interest in Pilgrim Media Group on November 12, 2015, the Company recorded a redeemable noncontrolling interest of $90.1 million, representing 37.5% of Pilgrim Media Group. The noncontrolling interest holder has a right to put and the Company has a right to call a portion of the noncontrolling interest, equal to 17.5% of Pilgrim Media Group, at fair value, exercisable at five years after the acquisition date of November 12, 2015. In addition, the noncontrolling interest holder has a right to put and the Company has a right to call the remaining amount of noncontrolling interest at fair value, subject to a cap, exercisable at seven years after the acquisition date of November 12, 2015. The put and call options have been determined to be embedded in the noncontrolling interest, and because the put rights are outside the control of the Company and require partial cash settlement, the noncontrolling interest holder's interest is presented as redeemable noncontrolling interest outside of shareholders' equity on the Company's consolidated balance sheets.

In addition, the noncontrolling interest holder is the President and CEO of Pilgrim Media Group. Pursuant to the operating agreement of Pilgrim Media Group, if the employment of the noncontrolling interest holder is terminated, under certain circumstances as defined in the operating agreement, the Company can call and the noncontrolling interest holder can put the noncontrolling interest at a discount to fair value. The amount of the discount related to the 17.5% noncontrolling interest is being expensed through the five-year call period, and the portion of the discount related to the remaining noncontrolling interest is being expensed over the seven-year call period. The amounts are included in general and administrative expense of Pilgrim Media Group and reflected as an addition to redeemable noncontrolling interest.

Redeemable noncontrolling interests are measured at the greater of (i) the redemption amount that would be paid if settlement occurred at the balance sheet date less the amount attributed to unamortized noncontrolling interest discount if applicable, or (ii) the historical value resulting from the original acquisition date value plus or minus any earnings or loss attribution, plus the amount of unamortized noncontrolling interest discount. The amount of the redemption value in excess of the historical values of the noncontrolling interest, if any, is recognized as an increase to noncontrolling interest and a charge to retained earnings.

The table below presents the reconciliation of changes in redeemable noncontrolling interests:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Beginning balance	$ 93.8	$90.5	$ —
Initial fair value of redeemable noncontrolling interests	—	—	90.1
Net income (loss) attributable to noncontrolling interests	0.5	(0.3)	(7.5)
Noncontrolling interest discount accretion	6.1	5.0	2.0
Adjustments to redemption value	9.3	5.5	5.9
Cash distributions	(7.9)	(6.9)	—
Ending balance	$101.8	$93.8	$90.5

Other Noncontrolling Interests

The Company has other noncontrolling interests that are not redeemable. These noncontrolling interests primarily relate to Pantaya (a joint venture between the Company and Hemisphere Media Group), a premium Spanish-language streaming service in which the Company owns a controlling interest. The Pantaya service was launched in the three months ended September 30, 2017.

12. Capital Stock

(a) Common Shares

The Company had 500 million authorized Class A voting shares, and 500 million authorized Class B non-voting shares, at March 31, 2018 and March 31, 2017.

As discussed in Note 2, immediately prior to the consummation of the December 8, 2016 Starz Merger, the Company effected the reclassification of its capital stock, pursuant to which each previously existing Lionsgate common share was converted into 0.5 shares of a newly issued Class A voting shares and 0.5 shares of a newly issued Class B non-voting shares, subject to the terms and conditions of the Merger Agreement, resulting in 74.2 million of Class A voting shares and 74.2 million of Class B non-voting shares. As of March 31, 2018, there were 15.3 million Class B non-voting shares that had not been issued to the former holders of 22.5 million of former Starz Series A common stock who are exercising their right to judicial appraisal under Delaware law (see Note 2 and Note 16).

The table below outlines common shares reserved for future issuance:

	March 31, 2018	March 31, 2017
	(Amounts in millions)	
Stock options and equity-settled SARs outstanding	32.1	33.4
Restricted stock and restricted share units — unvested	2.2	2.7
Common shares available for future issuance under Lionsgate plan[1]	10.3	0.8
Common shares available for future issuance under Starz plan	—	11.8
Shares issuable upon conversion of April 2013 1.25% Notes	2.1	2.1
Shares reserved for future issuance	46.7	50.8

(1) As of March 31, 2018, amounts represent common shares reserved for issuance under the Company's current 2017 Performance Incentive Plan. As of March 31, 2017, amounts represent common shares reserved for issuance under the Company's former 2012 Performance Incentive Plan. See *Share Based Compensation* section below for further information.

(b) Share Repurchases

On February 2, 2016, the Company's Board of Directors authorized the Company to increase its previously announced share repurchase plan from a total authorization of $300 million to $468 million. During the years ended March 31, 2018 and 2017 the Company did not repurchase any common shares. During the year ended March 31, 2016, the Company repurchased 3.6 million common shares for an aggregate cost of $73.2 million. To date, approximately $283.2 million common shares have been repurchased, leaving approximately $184.7 million of authorized potential purchases.

(c) Dividends

During the fiscal years ended March 31, 2018, 2017 and 2016, the Company's Board of Directors declared the following quarterly cash dividends:

	Dividends Declared Per Common Share	Total Amount (in millions)	Payment Date
Fiscal Year 2018:			
Fourth quarter ended March 31, 2018[1]	$0.09	$19.1	May 1, 2018
Fiscal Year 2017:			
First quarter ended June 30, 2016	$0.09	$13.3	August 5, 2016
Fiscal Year 2016:			
Fourth quarter ended March 31, 2016	$0.09	$13.2	May 27, 2016
Third quarter ended December 31, 2015	$0.09	13.5	February 5, 2016
Second quarter ended September 30, 2015	$0.09	13.3	November 10, 2015
First quarter ended June 30, 2015	$0.07	10.4	August 7, 2015
Total cash dividends declared in fiscal year 2016	$0.34	$50.4	

(1) As of March 31, 2018, the Company had $19.1 million of cash dividends payable included in accounts payable and accrued liabilities on the consolidated balance sheet. As of March 31, 2018, the Company was not limited in its capacity to pay dividends under the Senior Credit Facilities Amended Credit Agreement and the indenture governing the 5.875% Senior Notes (see Note 7).

(d) Share-based Compensation

The Company's stock option and long-term incentive plans permit the grant of stock options and other equity awards to certain employees, officers, non-employee directors and consultants.

2017 Performance Incentive Plan. On September 12, 2017, the Company's shareholders approved the Lions Gate Entertainment Corp. 2017 Performance Incentive Plan (the "2017 Plan") previously adopted by the Board of Directors (the "Board") of the Company.

The Board or one or more committees appointed by the Board will administer the 2017 Plan. The Board has delegated general administrative authority for the 2017 Plan to the Compensation Committee of the Board. The administrator of the 2017 Plan has broad authority under the 2017 Plan to, among other things, select participants and determine the type(s) of award(s) that they are to receive, and determine the number of shares that are to be subject to awards and the terms and conditions of awards, including the price (if any) to be paid for the shares or the award.

Persons eligible to receive awards under the 2017 Plan include directors of the Company, officers or employees of the Company or any of its subsidiaries, and certain consultants and advisors to the Company or any of its subsidiaries.

The maximum number of Class A voting shares and Class B non-voting shares (the "Common Shares") that may be issued or transferred pursuant to awards under the 2017 Plan (the "Share Limit") equals: (1) the number of shares that were available for award grant purposes under the Lions Gate Entertainment Corp. 2012 Performance Incentive Plan (the "2012 Plan") as of September 12, 2017, plus (2) the number of shares that were available for award grant purposes under the Starz 2016 Omnibus Incentive Plan (the "Starz 2016 Plan") as of

September 12, 2017, plus (3) the number of any shares subject to stock options and share appreciation rights granted under any of the 2012 Plan, the Starz 2016 Plan, the Starz 2011 Nonemployee Director Incentive Plan (Amended and Restated as of October 15, 2013), or the Starz 2011 Incentive Plan (Amended and Restated as of October 15, 2013) (collectively, the "Prior Plans") and outstanding on September 12, 2017 which expire, or for any reason are cancelled or terminated, after that date without being exercised, plus (4) the number of any shares subject to restricted stock and restricted share unit awards granted under any of the Prior Plans that are outstanding and unvested as of September 12, 2017 which are forfeited, terminated, cancelled, or otherwise reacquired after that date without having become vested. No new awards may be granted under any of the Prior Plans. As of September 12, 2017 (immediately prior to the shareholder approval of the 2017 Plan), the total number of Common Shares available for award grant purposes under the 2012 Plan and the Starz 2016 Plan was 12,973,816 shares, and the total number of Common Shares subject to then-outstanding awards granted under the Prior Plans was 34,790,628 shares.

The Common Shares available for issuance under the 2017 Plan may be either the Class A voting shares or the Class B non-voting shares, as determined by administrator of the 2017 Plan and set forth in the applicable award agreement. However, in no event may the combined number of Class A voting shares and Class B non-voting shares issued under the 2017 Plan exceed the Share Limit described above.

Shares that are subject to or underlie awards which expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under the 2017 Plan will again be available for subsequent awards under the 2017 Plan. Shares that are exchanged by a participant or withheld by the Company to pay the exercise price of an award granted under the 2017 Plan or any of the Prior Plans, as well as any shares exchanged or withheld to satisfy the tax withholding obligations related to any award granted under the 2017 Plan or any of the Prior Plans, will again be available for subsequent awards under the 2017 Plan. To the extent that an award is settled in cash or a form other than shares, the shares that would have been delivered had there been no such cash or other settlement will again be available for subsequent awards under the 2017 Plan. In the event that shares are delivered in respect of a dividend equivalent right, the actual number of shares delivered with respect to the award shall be counted against the share limits of the 2017 Plan. To the extent that shares are delivered pursuant to the exercise of a share appreciation right or stock option, the number of underlying shares as to which the exercise related shall be counted against the applicable share limits, as opposed to only counting the shares actually issued.

The types of awards that may be granted under the 2017 Plan include stock options, share appreciation rights, restricted stock, restricted share units, stock bonuses and other forms of awards granted or denominated in shares or units of shares, as well as certain cash bonus awards.

As is customary in incentive plans of this nature, each share limit and the number and kind of shares available under the 2017 Plan and any outstanding awards, as well as the exercise or purchase prices of awards, and performance targets under certain types of performance-based awards, are subject to adjustment in the event of certain reorganizations, mergers, combinations, recapitalizations, stock splits, stock dividends, or other similar events that change the number or kind of shares outstanding, and extraordinary dividends or distributions of property to the shareholders.

2012 Performance Incentive Plan: At the effective time of the closing of the merger, Starz had outstanding equity awards under the Starz Transitional Stock Adjustment Plan, Starz 2011 Incentive Plan, Starz 2011 Nonemployee Director Plan and Starz 2016 Omnibus Incentive Plan (collectively, the "Starz Plans"). In accordance with the Merger Agreement, at the effective time of the closing of the Starz Merger, the Company assumed the Starz Plans and the restricted stock unit awards, unvested stock options and restricted stock awards, in each case, granted under the Starz Plans (collectively, the "Assumed Awards"). As a result of this assumption, at the effective time of the closing of the Starz Merger, the Assumed Awards were converted into corresponding awards relating to Class B non-voting shares, after giving effect to appropriate adjustments to reflect the consummation of the Starz Merger. There were 30.3 million Class B non-voting shares issuable in connection with the Assumed Awards held by Starz employees and awards to be granted under the Starz Plans following the Starz Merger.

The measurement of all share-based awards uses a fair value method and the recognition of the related share-based compensation expense in the consolidated financial statements is recorded over the requisite service period. Further, the Company estimates forfeitures for share-based awards that are not expected to vest. As share-based compensation expense recognized in the Company's consolidated financial statements is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures.

The Company recognized the following share-based compensation expense during the years ended March 31, 2018, 2017 and 2016:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Compensation Expense:			
Stock options	$ 43.1	$ 42.5	$ 31.0
Restricted share units and other share-based compensation	36.2	34.0	25.0
Share appreciation rights	6.3	0.6	0.3
	85.6	77.1	56.3
Immediately vested restricted share units issued under annual bonus program[(1)]	—	—	22.2
Impact of accelerated vesting on equity awards[(2)]	2.9	2.4	—
Total share-based compensation expense	$ 88.5	$ 79.5	$ 78.5
Tax impact[(3)]	(29.6)	(28.0)	(28.6)
Reduction in net income	$ 58.9	$ 51.5	$ 49.9

(1) Represents the impact of immediately vested stock awards granted as part of the Company's annual bonus program, and issued in lieu of cash bonuses.
(2) Represents the impact of the acceleration of certain vesting schedules for equity awards pursuant to certain severance arrangements.
(3) Represents the income tax benefit recognized in the statements of income for share-based compensation arrangements.

Share-based compensation expense, by expense category, consisted of the following:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Compensation Expense:			
Direct operating	$ 1.1	$ 1.2	$ —
Distribution and marketing	0.9	0.4	—
General and administration	83.6	75.5	78.5
Restructuring and other	2.9	2.4	—
	$88.5	$79.5	$78.5

Stock Options

The following tables set forth the stock option activity during the years ended March 31, 2018, 2017 and 2016. The activity prior to the December 8, 2016 consummation of the Starz Merger and related reclassification of Lionsgate stock discussed above is presented in the table below:

Options:	Number of Shares	Weighted-Average Exercise Price
Outstanding at March 31, 2015	13,214,696	$21.26
Granted	3,538,346	31.50
Exercised	(640,008)	13.01
Forfeited or expired	(19,138)	26.54
Outstanding at March 31, 2016	16,093,896	$23.83
Granted	5,997,539	22.73
Exercised	(2,145,852)	9.78
Forfeited or expired	(552,067)	32.39
Outstanding at December 8, 2016 before share reclassification	19,393,516	$24.80
Reclassification of common shares to newly issued Class A voting shares and Class B non-voting shares	(19,393,516)	
Outstanding at December 8, 2016 after share reclassification	—	

Immediately prior to the consummation of the Starz Merger and in accordance with the reclassification of the Company's shares discussed above, each outstanding share-based equity award (i.e., stock options and restricted share units) of the Company was also adjusted to reflect the reclassification of the underlying shares of each award. Upon the closing of the Starz Merger, each outstanding share-based equity award (i.e., stock options, restricted stock, and restricted stock units) of Starz was replaced by a Class B non-voting share-based equity award ("Lions Gate replacement award") with terms equivalent to the existing awards based on the exchange ratio set forth in the Merger Agreement. The stock option, restricted stock and restricted share unit activity from the December 8, 2016 consummation of the Starz Merger and related reclassification of the Company's shares discussed above, through March 31, 2018 is presented in the table below:

	Stock Options and Equity-Settled SARs[1]							
	Class A Voting Shares				Class B Non-Voting Shares			
	Number of Shares	Weighted -Average Exercise Price	Weighted-Average Remaining Contractual Term In Years	Aggregate Intrinsic Value as of March 31, 2018	Number of Shares	Weighted -Average Exercise Price	Weighted-Average Remaining Contractual Term In Years	Aggregate Intrinsic Value as of March 31, 2018
Issuance of Class A voting shares and Class B non-voting shares upon reclassification of common shares at December 8, 2016	9,528,634	$25.53			9,528,634	$24.68		
Issuance for Lions Gate replacement awards	—	—			15,395,707	$14.68		
Granted	36,645	$26.03			1,783,446	$25.17		
Exercised	(447,140)	$10.25			(2,198,914)	$12.43		
Forfeited or expired	(28,224)	$33.65			(207,169)	$25.52		
Outstanding at March 31, 2017	9,089,915	$26.67			24,301,704	$19.63		
Granted	455,395	$30.78			2,405,095	$28.84		
Exercised	(537,930)	$19.29			(2,612,877)	$17.15		
Forfeited or expired	(370,943)	$36.31			(630,807)	$30.72		
Outstanding at March 31, 2018	8,636,437	$26.93	6.31	$20,567,305	23,463,115	$20.56	6.17	$130,946,902
Outstanding as of March 31, 2018, vested or expected to vest in the future	8,606,761	$26.94	6.31	$20,449,524	23,317,418	$20.52	6.15	$130,846,866
Exercisable at March 31, 2018	5,498,184	$28.12	5.07	$12,157,537	16,776,803	$18.55	4.70	$124,449,854

(1) Amounts for the year ended March 31, 2017 have been reclassified to conform to the current period presentation, and now include the Company's equity-settled share-appreciation rights ("SARs"), which were previously accounted for as cash-settled SARs.

The fair value of each option award is estimated on the date of grant using a closed-form option valuation model (Black-Scholes). The following table presents the weighted average grant-date fair value of options granted in the years ended March 31, 2018, 2017 and 2016, and the weighted average applicable assumptions used in the Black-Scholes option-pricing model for stock options and share-appreciation rights granted during the years then ended:

	Year Ended March 31,		
	2018	2017	2016
Weighted average fair value of grants	$8.38	$6.88	$7.64
Weighted average assumptions:			
Risk-free interest rate(1)	1.7% - 2.7%	1.2% - 2.4%	0.9% - 1.9%
Expected option lives (in years)(2)	4 - 6 years	4 - 10 years	3 - 6 years
Expected volatility for options(3)	35%	35%	35%
Expected dividend yield(4)	0.0% - 1.5%	0.0% - 1.8%	0.8% - 1.8%

(1) The risk-free rate assumed in valuing the options is based on the U.S. Treasury Yield curve in effect applied against the expected term of the option at the time of the grant.

(2) The expected term of options granted represents the period of time that options granted are expected to be outstanding.

(3) Expected volatilities are based on implied volatilities from traded options on the Company's shares, historical volatility of the Company's shares and other factors.

(4) The expected dividend yield is estimated by dividing the expected annual dividend by the market price of the Company's shares at the date of grant.

The total intrinsic value of options exercised as of each exercise date during the year ended March 31, 2018 was $36.9 million (2017 — $30.0 million, 2016 — $15.6 million).

During the year ended March 31, 2018, 112,162 shares (2017 — 819,503 shares, 2016 — 93,210 shares) were cancelled to fund withholding tax obligations upon exercise of options.

Restricted Share Units

The following tables set forth the restricted share unit activity during the years ended March 31, 2018, 2017 and 2016. The activity prior to the December 8, 2016 consummation of the Starz Merger and related reclassification of the Company's shares discussed above is presented in the table below:

Restricted Share Units:	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at March 31, 2015	1,662,028	$28.10
Granted	1,461,521	32.36
Vested	(1,438,207)	28.22
Forfeited	(37,910)	30.36
Outstanding at March 31, 2016	1,647,432	$31.74
Granted	1,537,632	20.89
Vested	(1,789,908)	25.01
Forfeited	(164,592)	30.18
Outstanding at December 8, 2016 before share reclassification	1,230,564	$28.18
Reclassification of common shares to newly issued Class A voting shares and Class B non-voting shares	(1,230,564)	
Outstanding at December 8, 2016 after share reclassification	—	

The restricted stock and restricted share unit activity from the December 8, 2016 consummation of the Starz Merger and related reclassification of the Company's shares discussed above, through March 31, 2018 is presented in the table below:

	Restricted Share Units				Restricted Stock	
	Class A Voting Shares	Weighted - Average Grant-Date Fair Value	Class B Non-Voting Shares	Weighted-Average Grant-Date Fair Value	Class B Non-Voting Shares	Weighted-Average Grant-Date Fair Value
Issuance of Class A voting shares and Class B non-voting shares upon reclassification of common shares at December 8, 2016	615,103	$26.48	615,103	$28.20	—	—
Issuance for Lions Gate replacement awards	—	—	—	—	1,861,342	$25.70
Granted	15,529	$26.78	410,857	$25.06	—	—
Vested	(105,796)	$29.55	(109,201)	$29.41	(373,148)	$25.70
Forfeited	(5,688)	$30.91	(5,688)	$30.91	(141,259)	$25.70
Outstanding at March 31, 2017	519,148	$27.85	911,071	$26.62	1,346,935	$25.70
Granted	117,295	$29.11	1,200,352	$29.44	—	$25.70
Vested	(393,137)	$27.79	(575,659)	$26.97	(587,733)	$25.70
Forfeited	(12,745)	$29.69	(24,116)	$28.06	(269,801)	$25.70
Outstanding at March 31, 2018	230,561	$28.49	1,511,648	$28.71	489,401	$25.70

The fair values of restricted stock and restricted share units are determined based on the market value of the shares on the date of grant.

The following table summarizes the total remaining unrecognized compensation cost as of March 31, 2018 related to non-vested stock options and restricted share units and the weighted average remaining years over which the cost will be recognized:

	Total Unrecognized Compensation Cost	Weighted Average Remaining Years
	(Amounts in millions)	
Stock Options	$52.9	2.7
Restricted Stock and Restricted Share Units	41.6	2.2
Total	$94.5	

Under the Company's stock option and long term incentive plans, the Company withholds shares to satisfy minimum statutory federal, state and local tax withholding obligations arising from the vesting of restricted stock and restricted share units. During the year ended March 31, 2018, 674,673 shares (2017 — 1,006,888 shares, 2016 — 636,136 shares) were withheld upon the vesting of restricted stock and restricted share units.

The Company becomes entitled to an income tax deduction in an amount equal to the taxable income reported by the holders of the stock options and restricted share units when vesting or exercise occurs, the restrictions are released and the shares are issued. Restricted share units are forfeited if the employees are terminated prior to vesting.

The Company recognized excess tax benefits of $5.2 million associated with its equity awards in its tax benefit for the year ended March 31, 2018 (2017 and 2016 — none).

Other Share-Based Compensation

Pursuant to the terms of certain employment agreements, during the year ended March 31, 2018, the Company granted the equivalent of $0.8 million (2017 — $1.1 million, 2016 — $1.3 million) in shares to certain employees through the term of their employment contracts, which were recorded as compensation expense in the applicable period. Pursuant to this arrangement, for the year ended March 31, 2018, the Company issued 16,231 (2017 — 28,257 shares, 2016 — 19,578 shares), net of shares withheld to satisfy minimum tax withholding obligations.

(e) Other

In connection with an amendment of an affiliation agreement with a customer and effective upon the close of the Starz Merger, the Company agreed to issue to the customer three $16.67 million annual installments of equity (or cash at the Company's election). The total value of the contract of $50 million is being amortized as a reduction of revenue over the period from December 8, 2016 to August 31, 2019. During the year ended March 31, 2018, the Company issued to the customer 266,667 Class A voting shares valued at $8.3 million and 278,334 Class B non-voting shares valued at $8.3 million.

13. Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was signed into law, making significant changes to the taxation of U.S. business entities. The Tax Act reduced the U.S. corporate income tax rate from 35% to 21%, imposed a one-time transition tax in connection with the move from a worldwide tax system to a territorial tax system, provided for accelerated deductions for certain U.S. film production costs, imposed limitations on certain tax deductions such as executive compensation in future periods, and included numerous other provisions. As the Company has a March 31 fiscal year-end, the lower corporate income tax rate will be phased in, resulting in a U.S. statutory federal rate of approximately 31.5% for the fiscal year ending March 31, 2018, and 21% for subsequent fiscal years. Since we are not in a current U.S. federal tax paying position, our U.S. tax provision consists primarily of deferred tax benefits calculated at the 21% tax rate.

In connection with the Tax Act, the SEC issued Staff Accounting Bulletin No. 118 (“SAB 118”) to provide guidance to companies that have not completed their accounting for the income tax effects of the Tax Act. Under SAB 118, provisional amounts can be recorded to the extent a reasonable estimate can be made. Additional tax effects and adjustments to previously recorded provisional amounts can be recorded upon obtaining, preparing, or analyzing additional information (including computations) within one year from the enactment date of the Tax Act. The Company is currently in the process of evaluating the full impact of the Tax Act on its financial statements and has not completed this evaluation. The Company has reported provisional amounts reflecting reasonable estimates of the impact of the Tax Act, including a $165.0 million income tax benefit related to the impact of the corporate income tax rate reduction on the Company’s net deferred tax liabilities. The Company has also made provisional estimates of other effects of the Tax Act, such as the measurement of deferred tax assets and liabilities related to executive compensation, the one-time transition tax, net operating loss carryovers, foreign tax credits, and accelerated deductions for U.S. film costs. The estimated impact of the Tax Act is based on a preliminary review of the new law and is subject to revision based upon further analysis and interpretation of the Tax Act. The Company will complete its accounting for the Tax Act once the Company has obtained, prepared, and analyzed all information needed (including computations) for its analysis, but no later than one year from the enactment date of the Tax Act.

The Company’s income tax provision (benefit) differs from the federal statutory rate multiplied by pre-tax income (loss) due to the mix of the Company’s pre-tax income (loss) generated across the various jurisdictions in which the Company operates and the tax deductions generated by the Company’s capital structure. In addition, the Company’s total income tax benefit of $319.4 million in fiscal 2018 includes a net benefit of $259.1 million, consisting of a $165.0 million benefit from the impact of the change in U.S. federal tax rates (discussed above) on the Company’s beginning net deferred tax liability balances, a benefit of $162.3 million primarily for foreign affiliate dividends resulting from an internal capital restructuring in connection with the Company’s third party debt refinancing (see Note 7 to the consolidated financial statements), offset by charges of $58.8 million and $9.4 million from increases in the Company’s valuation allowance associated with certain U.S. and foreign deferred tax assets, respectively, that may not be realized on a more likely than not basis.

The Company’s income tax provision (benefit) can be affected by many factors, including the overall level of pre-tax income, the mix of pre-tax income generated across the various jurisdictions in which the Company operates, changes in tax laws and regulations in those jurisdictions, further interpretation and legislative guidance regarding the new Tax Act, changes in valuation allowances on its deferred tax assets, tax planning strategies available to the Company, and other discrete items.

The components of pretax income, net of intercompany eliminations, are as follows:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
United States	$(824.1)	$(409.2)	$(244.2)
International	972.8	274.8	210.4
	$ 148.7	$(134.4)	$ (33.8)

The Company's current and deferred income tax provision (benefits) are as follows:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Current provision (benefit):			
Federal	$ (17.6)	$ 7.8	$ 6.2
States	(4.3)	2.2	2.5
International	2.0	4.5	(0.2)
Total current provision (benefit)	$ (19.9)	$ 14.5	$ 8.5
Deferred benefit:			
Federal	$(269.0)	$(143.3)	$(77.4)
States	(18.5)	(9.9)	(7.6)
International	(12.0)	(10.2)	—
Total deferred benefit	(299.5)	(163.4)	(85.0)
Total benefit for income taxes	$(319.4)	$(148.9)	$(76.5)

The differences between income taxes expected at U.S. statutory income tax rates and the income tax provision are as set forth below:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Income taxes computed at Federal statutory rate	$ 46.8	$ (47.1)	$(11.8)
Foreign affiliate dividends	(329.1)	(84.2)	(59.4)
Foreign and provincial operations subject to different income tax rates	7.1	(14.6)	(7.1)
State income tax	(21.2)	(6.0)	(3.8)
Remeasurement of opening U.S. deferred tax liabilities due to the Tax Act	(165.0)	—	—
Additional remeasurements of originating deferred tax assets and liabilities	75.6	—	—
Transaction costs	—	7.3	—
Permanent differences	3.5	(0.5)	6.5
Other	(5.3)	(2.3)	(0.9)
Increase (decrease) in valuation allowance	68.2	(1.5)	—
Total benefit for income taxes	$(319.4)	$(148.9)	$(76.5)

For the years ended March 31, 2016, 2017, and 2018, the tax provision includes a favorable permanent book-tax difference in our Canadian jurisdiction for certain foreign affiliate dividends. Canadian tax law permits such dividends to be received without being subject to tax.

Although the Company is incorporated under Canadian law, the majority of its global operations are currently subject to tax in the U.S. As a result, the Company believes it is more appropriate to use the U.S. Federal statutory rate in its reconciliation of the statutory rate to its reported income tax rate.

The income tax effects of temporary differences between the book value and tax basis of assets and liabilities are as follows:

	March 31, 2018	March 31, 2017
	(Amounts in millions)	
Deferred tax assets:		
Net operating losses	$ 354.5	$ 224.3
Foreign tax credits	68.3	57.5
Investment in film and television obligations	101.5	91.6
Accounts payable	78.6	112.1
Other assets	59.0	60.3
Reserves	21.4	41.2
Subordinated notes	—	8.2
Total deferred tax assets	683.3	595.2
Valuation allowance	(73.2)	(5.9)
Deferred tax assets, net of valuation allowance	610.1	589.3
Deferred tax liabilities:		
Intangible assets	(475.5)	(780.8)
Fixed assets	(19.5)	(28.6)
Accounts receivable	(150.7)	(185.7)
Subordinated notes	—	—
Other	(17.5)	(14.4)
Total deferred tax liabilities	$(663.2)	$(1,009.5)
Net deferred tax liabilities	$ (53.1)	$ (420.2)

The Company has recorded valuation allowances for certain deferred tax assets, which are primarily related to U.S. foreign tax credit carryforwards as sufficient uncertainty exists regarding the future realization of these assets.

At March 31, 2018, the Company had U.S. net operating loss carryforwards (“NOLs”) of approximately $1,260.5 million available to reduce future federal income taxes which expire beginning in 2029 through 2038. At March 31, 2018, the Company had state NOLs of approximately $712.8 million available to reduce future state income taxes which expire in varying amounts beginning 2021. At March 31, 2018, the Company had Canadian loss carryforwards of $132.5 million which will expire beginning in 2034. In addition, at March 31, 2018, the Company had U.S. credit carryforwards related to foreign taxes paid of approximately $68.3 million to offset future federal income taxes that will expire beginning in 2021.

The following table summarizes the changes to the gross unrecognized tax benefits for the years ended March 31, 2018, 2017, and 2016:

	Amounts in millions
Gross unrecognized tax benefits at March 31, 2015	$ 4.5
Increases related to prior year tax positions	—
Decreases related to prior year tax positions	—
Settlements	—
Lapse in statute of limitations	—
Gross unrecognized tax benefits at March 31, 2016	4.5
Increases related to prior year tax positions	14.2
Decreases related to prior year tax positions	(4.5)
Settlements	—
Lapse in statute of limitations	—
Gross unrecognized tax benefits at March 31, 2017	14.2
Increases related to current year tax position	0.1
Increases related to prior year tax positions	11.5
Decreases related to prior year tax positions	(8.2)
Settlements	—
Lapse in statute of limitations	—
Gross unrecognized tax benefits at March 31, 2018	$17.6

For the years ended March 31, 2018, 2017, and 2016, interest and penalties were not significant. The Company records interest and penalties on unrecognized tax benefits as part of income tax provision. The Company is subject to taxation in the U.S. and various state and foreign jurisdictions. With a few exceptions, the Company is subject to income tax examination by U.S. and state tax authorities for the fiscal years ended March 31, 2008 and forward. However, to the extent allowed by law, the taxing authorities may have the right to examine prior periods where NOLs were generated and carried forward, and make adjustments up to the amount of the NOLs. Currently, audits are occurring in federal and various state and local tax jurisdictions. In addition, the Company's Canadian tax returns are under examination for the years ended March 31, 2014 and March 31, 2015.

The total amount of unrecognized tax benefits as of March 31, 2018 that, if realized, would affect the Company's tax benefit (provision) are $15.7 million.

The Company does not believe that there are any material changes to its unrecognized tax benefits that are reasonably possible to occur within the coming year.

14. Restructuring and Other

Restructuring and other includes restructuring and severance costs, certain transaction and related costs, and certain unusual items, when applicable, and were as follows for the years ended March 31, 2018, 2017 and 2016:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Restructuring and other:			
Severance[1]			
Cash	$21.5	$26.7	$ 0.6
Accelerated vesting on equity awards (see Note 12)	2.9	2.4	—
Total severance costs	24.4	29.1	0.6
Transaction and related costs[2]	22.2	59.6	16.5
Development expense[3]	13.2	—	—
Pension withdrawal costs[4]	—	—	2.7
	$59.8	$88.7	$19.8

(1) Severance costs in the fiscal year ended March 31, 2018 were primarily related to the restructuring of the Motion Pictures business in connection with the acquisition of Good Universe and additional workforce reductions in connection with the Starz Merger. Of the severance costs, $14.7 million is recorded as a liability and is expected to be paid by March 31, 2019. Severance costs in the fiscal year ended March 31, 2017 were primarily related to workforce reductions for redundancies in connection with the Starz Merger.

(2) Transaction and related costs in the fiscal years ended March 31, 2018, 2017 and 2016 reflect transaction, integration and legal costs incurred associated with certain strategic transactions. In fiscal 2018, these costs were primarily related to the sale of EPIX (see Note 5), the Starz Merger, the legal fees associated with the Starz class action lawsuits and certain other legal matters. In fiscal 2017, these costs were primarily related to the Starz Merger, the legal fees associated with the Starz class action lawsuits, and an arbitration award of $5.8 million and related legal expenses. In fiscal 2016, these costs were primarily related to the acquisition of a majority interest in Pilgrim Media Group and certain shareholder transactions.

(3) Development expense in the fiscal year ended March 31, 2018 represents write-downs resulting from the restructuring of the Motion Pictures business in connection with the acquisition of Good Universe and new management's decisions around the creative direction on certain development projects which were abandoned in the fiscal year.

(4) Pension withdrawal costs in the fiscal year ended March 31, 2016 were related to an underfunded multi-employer pension plan in which the Company was no longer participating.

Changes in the restructuring and other severance liability were as follows for the years ended March 31, 2018, 2017 and 2016:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Severance liability			
Beginning balance	$ 22.2	$ 0.6	$ 0.5
Accruals	21.5	26.7	0.6
Severance payments	(27.9)	(10.6)	(0.5)
Other[(1)]	(1.1)	5.5	—
Ending balance	$ 14.7	$ 22.2	$ 0.6

(1) In the year ended March 31, 2018, other represents noncash reductions related to the settlement of certain liabilities relating to employee compensation with equity instruments. In the year ended March 31, 2017, other represents a severance liability acquired in connection with the Starz Merger.

15. Segment Information

The Company's reportable segments have been determined based on the distinct nature of their operations, the Company's internal management structure, and the financial information that is evaluated regularly by the Company's chief operating decision maker.

The Company has three reportable business segments: (1) Motion Pictures, (2) Television Production and (3) Media Networks (which was not a reportable segment prior to the quarter ended December 31, 2016).

Motion Pictures consists of the development and production of feature films, acquisition of North American and worldwide distribution rights, North American theatrical, home entertainment and television distribution of feature films produced and acquired, and worldwide licensing of distribution rights to feature films produced and acquired. As a result of the Starz Merger (see Note 2), beginning December 8, 2016, the Motion Pictures segment includes Starz's third-party distribution business.

Television Production consists of the development, production and worldwide distribution of television productions including television series, television movies and mini-series, and non-fiction programming.

Media Networks (which was not a reportable segment prior to the quarter ended December 31, 2016) consists of (i) Starz Networks, which includes the licensing of premium subscription video programming to U.S. multichannel video programming distributors ("MVPDs") including cable operators, satellite television providers and telecommunication companies, and over-the-top ("OTT") providers, and on a direct-to-consumer basis (ii) Content and Other, which includes the licensing of the Media Networks' original series programming to digital media platforms, international television networks, home entertainment and other ancillary markets and (iii) Streaming Services, which represents the Lionsgate legacy start-up direct to consumer streaming services on its subscription video-on-demand ("SVOD") platforms which were moved under the Media Networks segment in connection with the Starz Merger.

In the ordinary course of business, the Company's reportable segments enter into transactions with one another. The most common types of intersegment transactions include licensing motion pictures or television programming from the Motion Pictures and Television Production segments to the Media Networks segment. In addition, intersegment transactions include distribution fees charged to the Media Networks segment by the Television Production segment for the distribution of Media Networks' original series programming in ancillary markets. While intersegment transactions are treated like third-party transactions to determine segment performance, the revenues (and corresponding expenses or assets recognized by the segment that is the counterparty to the transaction) are eliminated in consolidation and, therefore, do not affect consolidated results.

Segment information by business unit is presented in the table below. The Media Networks segment was not previously a reportable segment prior to the quarter ended December 31, 2016, and reflects Starz Networks and Content and Other from the date of acquisition of Starz (December 8, 2016), and the Lionsgate direct to consumer streaming services on SVOD platforms for the historical periods presented.

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Segment revenues			
Motion Pictures	$1,822.1	$1,920.6	$1,677.4
Television Production	805.3	837.4	669.9
Media Networks	1,532.5	456.6	0.1
Intersegment eliminations	(30.8)	(13.1)	—
	$4,129.1	$3,201.5	$2,347.4
Intersegment revenues			
Motion Pictures	$ 10.7	$ 6.6	$ —
Television Production	19.8	5.6	—
Media Networks	0.3	0.9	—
	$ 30.8	$ 13.1	$ —
Gross contribution			
Motion Pictures	$ 292.6	$ 237.8	$ 183.2
Television Production	107.5	91.9	98.7
Media Networks	570.2	183.6	(5.2)
Intersegment eliminations	(1.9)	(3.2)	—
	$ 968.4	$ 510.1	$ 276.7
Segment general and administration			
Motion Pictures	$ 113.2	$ 105.3	$ 92.4
Television Production	40.3	32.1	23.5
Media Networks	100.9	45.0	4.8
	$ 254.4	$ 182.4	$ 120.7
Segment profit (loss)			
Motion Pictures	$ 179.4	$ 132.5	$ 90.8
Television Production	67.2	59.8	75.2
Media Networks	469.3	138.6	(10.0)
Intersegment eliminations	(1.9)	(3.2)	—
	$ 714.0	$ 327.7	$ 156.0

Segment profit (loss) is defined as gross contribution (segment revenues, less segment direct operating and distribution and marketing expense) less segment general and administration expenses. Segment direct operating expenses, distribution and marketing expenses and general and administrative expenses exclude share-based compensation, other than annual bonuses granted in stock, and include annual bonuses paid in cash. Segment profit (loss) excludes purchase accounting and related adjustments.

The reconciliation of total segment profit to the Company's income (loss) before income taxes is as follows:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Company's total segment profit	$ 714.0	$ 327.7	$156.0
Corporate general and administrative expenses	(110.3)	(92.6)	(83.4)
Adjusted depreciation and amortization(1)	(39.3)	(22.8)	(11.9)
Restructuring and other(2)	(59.8)	(88.7)	(19.8)
Adjusted share-based compensation expense(3)	(85.6)	(77.1)	(56.3)
Purchase accounting and related adjustments(4)	(170.3)	(62.8)	(9.6)
Operating income (loss)	248.7	(16.3)	(25.0)
Interest expense	(193.7)	(115.2)	(54.9)
Interest and other income	10.4	6.4	1.9
Loss on extinguishment of debt	(35.7)	(40.4)	—
Gain on sale of equity interest in EPIX	201.0	—	—
Gain on Starz investment	—	20.4	—
Impairment of long-term investments and other assets	(29.2)	—	—
Equity interests income (loss)	(52.8)	10.7	44.2
Income (loss) before income taxes	$ 148.7	$(134.4)	$ (33.8)

(1) Adjusted depreciation and amortization represents depreciation and amortization as presented on our consolidated statements of operations less the depreciation and amortization related to the non-cash fair value adjustments to property and equipment and intangible assets acquired in the acquisition of Starz and Pilgrim Media Group which are included in the purchase accounting and related adjustments line item above, as shown in the table below:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Depreciation and amortization	$ 159.0	$ 63.1	$13.1
Less: Amount included in purchase accounting and related adjustments	(119.7)	(40.3)	(1.2)
Adjusted depreciation and amortization	$ 39.3	$ 22.8	$11.9

(2) Restructuring and other includes restructuring and severance costs, certain transaction and related costs, and certain unusual items, when applicable (see Note 14).

(3) The following table reconciles total share-based compensation expense to adjusted share-based compensation expense:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Total share-based compensation expense	$88.5	$79.5	$ 78.5
Less:			
Bonus related share-based compensation included in segment and corporate general and administrative expense(i)	—	—	(22.2)
Amount included in restructuring and other(ii)	(2.9)	(2.4)	—
Adjusted share-based compensation	$85.6	$77.1	$ 56.3

(i) Represents immediately vested stock awards granted as part of our annual bonus program issued in lieu of cash bonuses, which are, when granted, included in segment or corporate general and administrative expense.

(ii) Represents share-based compensation expense included in restructuring and other expenses reflecting the impact of the acceleration of certain vesting schedules for equity awards pursuant to certain severance arrangements.

(4) Purchase accounting and related adjustments represent the amortization of non-cash fair value adjustments to certain assets acquired in the acquisition of Starz, Pilgrim Media Group and Good Universe. The following sets forth the amounts included in each line item in the financial statements:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Purchase accounting and related adjustments:			
Direct operating	$ 44.5	$17.5	$6.5
General and administrative expense	6.1	5.0	1.9
Depreciation and amortization	119.7	40.3	1.2
	$170.3	$62.8	$9.6

The following table sets forth revenues by media or product line as broken down by segment for the years ended March 31, 2018, 2017 and 2016:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Segment revenues:			
Motion Pictures			
Theatrical	$ 281.4	$ 371.3	$ 314.1
Home Entertainment	774.0	707.7	579.7
Television	278.5	279.1	205.1
International	456.7	533.8	548.2
Other	31.5	28.7	30.3
Total Motion Pictures revenues	$1,822.1	$1,920.6	$1,677.4
Television Production			
Domestic Television	$ 635.4	$ 641.9	$ 415.5
International	135.1	149.1	190.2
Home Entertainment	30.2	39.9	60.3
Other	4.6	6.5	3.9
Total Television Production revenues	$ 805.3	$ 837.4	$ 669.9
Media Networks			
Starz Networks	$1,404.1	$ 423.4	$ —
Content and Other	121.3	30.3	—
Streaming Services	7.1	2.9	0.1
Total Media Networks revenues	$1,532.5	$ 456.6	$ 0.1
Intersegment eliminations	(30.8)	(13.1)	—
Total revenues	$4,129.1	$3,201.5	$2,347.4

The following table reconciles segment general and administration to the Company's total consolidated general and administration expense:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
General and administration			
Segment general and administrative expenses	$254.4	$182.4	$120.7
Corporate general and administrative expenses	110.3	92.6	83.4
Share-based compensation expense included in general and administrative expense(1)	83.6	75.4	56.4
Purchase accounting and related adjustments	6.1	5.0	1.9
	$454.4	$355.4	$262.4

(1) Excludes immediately vested stock awards granted as part of our annual bonus program issued in lieu of cash bonuses, which are, when granted, included in segment or corporate general and administrative expense.

The reconciliation of total segment assets to the Company's total consolidated assets is as follows:

	March 31, 2018	March 31, 2017
	(Amounts in millions)	
Assets		
Motion Pictures	$1,757.4	$1,802.3
Television Production	1,193.0	1,142.8
Media Networks	5,357.0	5,443.9
Other unallocated assets[1]	660.2	807.9
	$8,967.6	$9,196.9

(1) Other unallocated assets primarily consist of cash, other assets and investments.

The following table sets forth acquisition of investment in films and television programs and program rights, as broken down by segment for the years ended March 31, 2018, 2017 and 2016:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Acquisition of investment in films and television programs and program rights			
Motion Pictures	$ 462.0	$ 412.7	$ 639.9
Television Production	560.7	450.5	426.5
Media Networks	503.7	228.8	—
	$1,526.4	$1,092.0	$1,066.4

Capital expenditures for the year ended March 31, 2018 amounted to $45.9 million, of which $31.5 million related to the Media Networks segment, $1.4 million related to the Television Production segment, and $13.0 million related to the Company's corporate headquarters. Capital expenditures for the year ended March 31, 2017 amounted to $25.2 million, of which $10.6 million related to the Media Networks segment, $1.8 million related to the Television Production segment, and $12.8 million related to the Company's corporate headquarters. Capital expenditures for the year ended March 31, 2016 amounted to $18.4 million, all primarily related to purchases for the Company's corporate headquarters.

Revenue by geographic location, based on the location of the customers, with no other foreign country individually comprising greater than 10% of total revenue, is as follows:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Revenue			
Canada	$ 48.3	$ 56.0	$ 55.1
United States	3,383.0	2,431.9	1,550.2
Other foreign	697.8	713.6	742.1
	$4,129.1	$3,201.5	$2,347.4

Long-lived assets by geographic location are as follows:

	March 31, 2018	March 31, 2017
	(Amounts in millions)	
Long-lived assets[(1)]		
Canada	$ —	$ —
United States	1,824.5	1,870.8
Other foreign	34.6	33.2
	$1,859.1	$1,904.0

(1) Long-lived assets represents total assets less the following: current assets, investments, long-term receivables, intangible assets, goodwill and deferred tax assets.

For the year ended March 31, 2018, the Company had revenue from one individual customer which represented greater than 10% of consolidated revenues, amounting to $413.2 million. For the year ended March 31, 2016, the Company had revenue from a different individual customer which represented greater than 10% of consolidated revenues, amounting to $290.4 million. For the year ended March 31, 2017, no individual customer represented greater than 10% of consolidated revenue.

As of March 31, 2018, the Company had accounts receivable due from one individual customer which represented greater than 10% of total consolidated accounts receivable, amounting to 32% of consolidated gross accounts receivable (current and non-current) at March 31, 2018 (2017—30%), or gross accounts receivable of approximately $419.2 million (2017—$390.9 million).

16. Commitments and Contingencies

The following table sets forth our future annual repayment of contractual commitments as of March 31, 2018:

	Year Ended March 31,						
	2019	2020	2021	2022	2023	Thereafter	Total
	(Amounts in millions)						
Contractual commitments by expected repayment date (off-balance sheet arrangements)							
Film obligation and production loan commitments[(1)]	$566.9	$182.6	$137.5	$ 67.0	$ 14.6	$ 14.1	$ 982.7
Interest payments[(2)]	113.6	111.7	109.2	106.4	103.1	185.9	729.9
Operating lease commitments	24.1	25.5	30.0	23.6	29.1	34.9	167.2
Other contractual obligations	153.0	61.3	26.4	10.5	4.2	—	255.4
Total future commitments under contractual obligations[(3)(4)]	$857.6	$381.1	$303.1	$207.5	$151.0	$234.9	$2,135.2

(1) Film obligation commitments include distribution and marketing commitments, minimum guarantee commitments and program rights commitments. Distribution and marketing commitments represent contractual commitments for future expenditures associated with distribution and marketing of films which we will distribute. The payment dates of these amounts are primarily based on the anticipated release date of the film. Minimum guarantee commitments represent contractual commitments related to the purchase of

film rights for pictures to be delivered in the future. Program rights commitments represent contractual commitments under programming license agreements related to films that are not available for exhibition until some future date (see below for further details). Production loan commitments represent amounts committed for future film production and development to be funded through production financing and recorded as a production loan liability when incurred. Future payments under these commitments are based on anticipated delivery or release dates of the related film or contractual due dates of the commitment. The amounts include estimated future interest payments associated with the commitment.

(2) Includes cash interest payments on the Company's debt, excluding the interest payments on the revolving credit facility as future amounts are not fixed or determinable due to fluctuating balances and interest rates.

(3) Not included in the amounts above is a $869.3 million dissenting shareholders' liability associated with the Starz Merger, which is classified as a current liability based on the timing of the scheduled trial set to commence in the second half of fiscal 2019 (see Note 2).

(4) Not included in the amounts above are $101.8 million of redeemable noncontrolling interest, as future amounts and timing are subject to a number of uncertainties such that we are unable to make sufficiently reliable estimations of future payments (see Note 11).

The Company is obligated to pay programming fees for all qualifying films that are released theatrically in the U.S. by Sony's Columbia Pictures, Screen Gems, Sony Pictures Classics and TriStar labels through 2021. The Company does not license films produced by Sony Pictures Animation. The programming fees to be paid by the Company to Sony are based on the quantity and domestic theatrical exhibition receipts of qualifying films. Since the term of the output programming agreement with Sony applies to all films released theatrically through December 31, 2021, the Company is obligated to pay fees for films that have not yet been released in theaters. The Company is unable to estimate the amounts to be paid under these agreements for films that have not yet been released in theaters, however, such amounts are expected to be significant. The Company has also entered into agreements with a number of other motion picture producers and are obligated to pay fees for the rights to exhibit certain films that are released by these producers.

Operating Leases. The Company has operating leases for offices, back-up transponder capacity and equipment. Certain of the Company's operating leases for its Corporate and United Kingdom offices include certain lease and leasehold improvement incentives. These amounts and the required lease payments are aggregated and amortized on a straight line basis to rent expense over the lease period.

The operating lease for the Company's principal office expires in August 2023. The Company incurred rental expense of $20.7 million during the year ended March 31, 2018 (2017 — $15.6 million; 2016 — $14.2 million).

Multiemployer Benefit Plans. The Company contributes to various multiemployer pension plans under the terms of collective bargaining agreements that cover its union-represented employees. The Company makes periodic contributions to these plans in accordance with the terms of applicable collective bargaining agreements and laws but does not sponsor or administer these plans. The risks of participating in these multiemployer pension plans are different from single-employer pension plans such that (i) contributions made by the Company to the multiemployer pension plans may be used to provide benefits to employees of other participating employers; (ii) if the Company chooses to stop participating in certain of these multiemployer pension plans, it may be required to pay those plans an amount based on the underfunded status of the plan, which is referred to as a withdrawal liability; and (iii) actions taken by a participating employer that lead to a deterioration of the financial health of a multiemployer pension plan may result in the unfunded obligations of the multiemployer pension plan to be borne by its remaining participating employers.

The Company does not participate in any multiemployer benefit plans that are considered to be individually significant to the Company, and as of March 31, 2018, all except two of the largest plans in which the Company participates were funded at a level of 80% or greater. The other two plans, the Motion Picture Industry Pension Plan and the Screen Actors Guild — Producers Pension Plan were funded at 67.40% and 78.15%, respectively for the 2017 plan year, but neither of these plans were considered to be in endangered, critical, or critical and declining status in the 2017 plan year. Total contributions made by the Company to multiemployer pension and other benefit plans for the years ended March 31, 2018, 2017 and 2016 were $70.9 million, $59.4 million, and $60.0 million, respectively.

If the Company ceases to be obligated to make contributions or otherwise withdraws from participation in any of these plans, applicable law requires the Company to fund its allocable share of the unfunded vested benefits, which is known as a withdrawal liability. In addition, actions taken by other participating employers may lead to adverse changes in the financial condition of one of these plans, which could result in an increase in the Company's withdrawal liability.

Contingencies

From time to time, the Company is involved in certain claims and legal proceedings arising in the normal course of business. In addition, the matters discussed below under the captions *Litigation* and *Appraisal* have arisen in connection with the Starz Merger.

The Company establishes an accrued liability for legal claims when the Company determines that a loss is both probable and the amount of the loss can be reasonably estimated. Once established, accruals are adjusted from time to time, as appropriate, in light of additional information. The amount of any loss ultimately incurred in relation to matters for which an accrual has been established may be higher or lower than the amounts accrued for such matters.

Due to the inherent difficulty of predicting the outcome of litigation and claims, the Company often cannot predict what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, if any, related to each pending matter may be. Accordingly, at this time, the Company has determined a loss related to these matters in excess of accrued liabilities is reasonably possible, however a reasonable estimate of the possible loss or range of loss cannot not be made at this time.

The Company believes a portion of the losses that may be recognized, if any, would ultimately be recovered from insurance proceeds.

Litigation

Between July 19, 2016 and August 30, 2016, seven putative class action complaints were filed by purported Starz stockholders in the Court of Chancery of the State of Delaware. These actions have been consolidated into *In re Starz Stockholder Litigation*, Consolidated C.A. No. 12584-VCG, and the plaintiffs in the consolidated action filed a verified consolidated class action complaint on August 16, 2016. On August 18, 2016, plaintiffs filed a motion for expedited proceedings. On September 22, 2016, the court denied the motion. The defendants filed answers to the verified consolidated class action complaint on January 24, 2017. On May 17, 2018, the plaintiffs filed a verified amended consolidated class action complaint. The amended complaint names as defendants former members of the board of directors of Starz Susan Lyne, Andrew Heller, Greg Maffei, Christopher Albrecht, Daniel E. Sanchez, and Charles Y. Tanabe. The amended complaint also names as defendants Dr. Malone and Lions Gate. The amended complaint alleges, among other things, that the members of the Starz board of directors breached fiduciary duties owed to Starz and the holders of Starz Series A common stock in connection with the merger and related transactions; that Dr. Malone is a controlling stockholder of Starz who breached fiduciary duties owed to other Starz stockholders in connection with the merger and related transactions; and that Lions Gate aided and abetted such breaches of fiduciary duty. The court has entered a scheduling order providing for a trial to commence in the second half of fiscal 2019. Defendants intend to defend the action vigorously.

On August 9, 2016, a putative class action complaint was filed by a purported Starz stockholder in the District Court for the City and County of Denver, Colorado: *Gross v. John C. Malone, et al.*, 2016-CV-32873. The complaint names as defendants the members of the board of directors of Starz, Dr. Malone and Mr. Bennett, as well as Lions Gate and Merger Sub. The complaint alleges, among other things, that the members of the Starz board of directors breached fiduciary duties owed to Starz and the holders of Starz Series A common stock in connection with the merger and the transactions contemplated by the merger agreement, and that Dr. Malone, Mr. Bennett, Lions Gate, and Merger Sub aided and abetted such breaches of fiduciary duty. On December 10, 2016, the court granted the defendants' unopposed motion to stay the action pending final resolution of the consolidated Delaware action.

On October 7, 2016, a putative class action complaint was filed by a purported Lions Gate stockholder in the Supreme Court of the State of New York for the County of Nassau: *Levy v. Malone, et al.*, Index No. 607759/2016. The complaint names as defendants Lions Gate and the members of its board of directors. The complaint alleges, among other things, that the members of the Lions Gate board of directors breached fiduciary duties owed to Lions Gate stockholders and/or aided and abetted breaches of fiduciary duties by others in connection with the proposed merger, and that Lions Gate and the members of its board of directors failed to disclose material information in the amended joint proxy statement/ prospectus on Form S-4/A filed on September 7, 2016 in connection with the proposed merger. On November 8, 2016, plaintiff filed a motion to preliminarily enjoin the proposed merger and for expedited discovery. On November 23, 2016, the parties entered into a stipulation of settlement resolving the action, and on November 25, 2016, filed a stipulation withdrawing plaintiff's motion. On July 14, 2017, the court preliminarily approved the settlement, ordered that notice of the settlement be sent to class members, and scheduled a hearing for August 30, 2017 to determine whether to finally approve the settlement. On October 30, 2017, the court issued an order and judgment finally approving the settlement.

Appraisal

Between December 8, 2016 and March 16, 2017, five verified petitions for appraisal were filed by purported Starz stockholders in the Court of Chancery of the State of Delaware. These actions have been consolidated into *In re Starz Appraisal*, Consolidated C.A. No. 12968-VCG. Starz has answered the petitions, and the court has entered a scheduling order providing for a trial to commence in the second half of fiscal 2019. Starz intends to defend the action vigorously.

17. Financial Instruments

(a) Credit Risk

Concentration of credit risk with the Company's customers is limited due to the Company's customer base and the diversity of its sales throughout the world. The Company performs ongoing credit evaluations and maintains a provision for potential credit losses. The Company generally does not require collateral for its trade accounts receivable.

(b) Forward Contracts

The Company enters into forward foreign exchange contracts to hedge its foreign currency exposures on future production expenses and tax credit receivables denominated in various foreign currencies (i.e., cash flow hedges). The Company also enters into forward foreign exchange contracts that economically hedge certain of its foreign currency risks, even though hedge accounting does not apply or the Company elects not to apply hedge accounting. The Company monitors its positions with, and the credit quality of, the financial institutions that are party to its financial transactions.

As of March 31, 2018, the Company had the following outstanding forward foreign exchange contracts (all outstanding contracts have maturities of less than 18 months from March 31, 2018):

March 31, 2018

Foreign Currency	Foreign Currency Amount		US Dollar Amount	Weighted Average Exchange Rate Per $1 USD
	(Amounts in millions)		(Amounts in millions)	
British Pound Sterling	£ 20.8	in exchange for	$29.0	£ 0.72
Euro	€ 1.5	in exchange for	$ 1.7	€ 0.87
Canadian Dollar	C$15.1	in exchange for	$12.1	C$1.25
Australian Dollar	A$ 4.1	in exchange for	$ 3.2	A$1.27

The following table presents the effect of the Company's foreign currency derivatives on the accompanying consolidated statements of income and comprehensive income for the years ended March 31, 2018, 2017 and 2016:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Forward exchange contracts designated as cash flow hedges			
Loss recognized in accumulated other comprehensive income (loss)	$ (0.2)	$ (3.5)	$ (0.2)
Gain (loss) reclassified from accumulated other comprehensive income (loss) into direct operating expense	$ (1.5)	$ 5.0	$ —
Forward exchange contracts not designated as cash flow hedges			
Gain recognized in direct operating expense	$ 0.1	$ —	$ 1.3
Total direct operating expense on consolidated statements of income	$2,309.6	$1,903.8	$1,415.3

The Company classifies its forward foreign exchange contracts within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments (see Note 10). As of March 31, 2018 and March 31, 2017, the Company had the following amounts recorded in the accompanying consolidated balance sheets related to the Company's use of foreign currency derivatives:

	March 31, 2018	March 31, 2017
	(Amounts in millions)	
Other current assets[(1)]	$0.3	$0.6
Accounts payable and accrued liabilities[(1)]	0.6	0.5

(1) Includes an immaterial amount of forward foreign exchange contracts not designated as hedging instruments as of March 31, 2018 and 2017.

As of March 31, 2018, based on the current release schedule, the Company estimates approximately $0.7 million of losses associated with cash flow hedges in accumulated other comprehensive loss to be reclassified into earnings during the one-year period ending March 31, 2019.

18. Additional Financial Information

The following tables present supplemental information related to the consolidated financial statements.

Cash and Cash Equivalents

Cash equivalents consist of investments that are readily convertible into cash. Cash equivalents are carried at cost, which approximates fair value. The Company classifies its cash equivalents within Level 1 of the fair value hierarchy because the Company uses quoted market prices to measure the fair value of these investments (see Note 10). The Company monitors concentrations of credit risk with respect to cash and cash equivalents by placing such balances with higher quality financial institutions or investing such amounts in liquid, short-term, highly-rated instruments or investment funds holding similar instruments. As of March 31, 2018, the majority of the Company's cash and cash equivalents were held in bank depository accounts.

Accounts Receivable, net

Accounts receivable are presented net of reserves for returns and allowances of $56.2 million (March 31, 2017 — $68.6 million) and a provision for doubtful accounts of $7.5 million (March 31, 2017 — $9.0 million).

Other Assets

The composition of the Company's other assets is as follows as of March 31, 2018 and March 31, 2017:

	March 31, 2018	March 31, 2017
	(Amounts in millions)	
Other current assets		
Prepaid expenses and other	$ 34.1	$ 26.1
Product inventory	20.3	23.9
Tax credits receivable	141.4	145.9
	$195.8	$195.9
Other non-current assets		
Prepaid expenses and other	$ 23.8	$ 39.9
Accounts receivable[1]	325.2	313.1
Tax credits receivable	109.6	119.8
	$458.6	$472.8

(1) Unamortized discounts on long-term, non-interest bearing receivables were $18.0 million and $17.6 million at March 31, 2018 and 2017, respectively.

Supplemental Cash Flow Information

Interest paid during the fiscal year ended March 31, 2018 amounted to $119.7 million (2017 — $79.8 million; 2016 — $42.7 million).

Income taxes paid (refunded) during the fiscal year ended March 31, 2018 amounted to net tax refunds received of $20.3 million (2017 — net tax paid of $14.3 million; 2016 — net tax paid of $10.2 million).

The supplemental schedule of non-cash investing and financing activities is presented below:

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Non-cash investing activities:			
Issuance of common shares related to business acquisitions (see Note 2)	$ —	$1,327.7	$57.0
Accrued purchase consideration for dissenting shareholders (see Note 2)	$ —	$ 797.3	$ —
Issuance of Starz share-based payment replacement awards	$ —	$ 186.5	$ —
Non-cash financing activities:			
Accrued dividends (see Note 12)	$19.1	$ —	$13.2
Conversions of convertible senior subordinated notes (see Note 7)	$ —	$ 41.9	$16.2

19. Quarterly Financial Data (Unaudited)

Certain quarterly information is presented below:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Amounts in millions, except per share amounts)			
2018				
Revenues	$1,005.3	$940.8	$1,142.7	$1,040.2
Operating income(1)	$ 89.7	$ 30.4	$ 80.2	$ 48.4
Net income(1)(2)	$ 174.5	$ 12.9	$ 191.1	$ 89.6
Net income attributable to Lions Gate Entertainment Corp. shareholders	$ 173.8	$ 15.5	$ 193.0	$ 91.3
Per share information attributable to Lions Gate Entertainment Corp. shareholders:				
Basic net income per common share	$ 0.84	$ 0.07	$ 0.92	$ 0.43
Diluted income per common share	$ 0.80	$ 0.07	$ 0.87	$ 0.41

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Amounts in millions, except per share amounts)			
2017				
Revenues	$553.6	$639.5	$752.3	$1,256.1
Operating income (loss)(3)	$ (22.0)	$ (58.2)	$ (7.4)	$ 71.3
Net income (loss)(3)(4)	$ 0.8	$ (17.3)	$ (30.5)	$ 61.5
Net income (loss) attributable to Lions Gate Entertainment Corp. shareholders	$ 1.3	$ (17.5)	$ (30.6)	$ 61.6
Per share information attributable to Lions Gate Entertainment Corp. shareholders:				
Basic net income (loss) per common share	$ 0.01	$ (0.12)	$ (0.19)	$ 0.30
Diluted income (loss) per common share	$ 0.01	$ (0.12)	$ (0.19)	$ 0.28

(1) During fiscal 2018, operating income and net income included the following items:

- *Restructuring and Other.* The first, second, third and fourth quarter of fiscal 2018 included restructuring and other items of $10.9 million, $3.5 million, $21.4 million and $24.0 million, respectively (after tax $8.9 million, $2.5 million, $14.5 million, and $15.7 million, respectively) (see Note 14).

(2) During fiscal 2018, net income also included the following items:

- *Loss on Extinguishment of Debt.* The first, second, third and fourth quarter of fiscal 2018 included a loss on extinguishment of debt of $11.6 million, $6.4 million, $6.2 million and $11.6 million, respectively (after tax $8.5 million, $4.7 million, $4.6 million and $7.8 million, respectively) (see Note 7).
- *Gain on Sale of Equity Interest in EPIX.* The first quarter of fiscal 2018 included a gain on sale of equity interest in EPIX of $201.0 million (after tax $127.0 million).
- *Impairment of Long-Term Investments and Other Assets.* The third quarter of fiscal 2018 included impairment of long-term investments and other assets of $29.2 million (after tax $20.1 million) (see Note 5).
- *Impact of Corporate Tax Rate Change on Deferred Tax Liabilities.* The third quarter of fiscal 2018 included a deferred tax benefit of $165.0 million resulting from the impact of the change in the U.S. federal corporate income tax rate from 35% to 21% under the Tax Cuts and Jobs Act on the Company's beginning net deferred tax liabilities (see Note 13).
- *Tax Benefit from Internal Capital Restructuring.* The fourth quarter of fiscal 2018 included a net tax benefit of $94.1 million primarily from the internal capital restructuring in connection with our third party debt refinancing (see Note 7 to our consolidated financial statements), net of the charge from an increase in our valuation allowance associated with certain deferred tax assets (see Note 13).

(3) During fiscal 2017, operating income and net income included the following items:

- *Restructuring and Other.* The first, second, third and fourth quarter of fiscal 2017 included restructuring and other items of $7.7 million, $10.7 million, $54.0 million, and $16.4 million, respectively (after tax $4.9 million, $6.8 million, $42.5 million, and $11.9 million, respectively) (see Note 14).

(4) During fiscal 2017, net income also included the following items:

- *Loss on Extinguishment of Debt.* The third and fourth quarter of fiscal 2017 included a loss on extinguishment of debt, of $28.3 million and $12.1 million, respectively (after tax $23.4 million and $5.8 million, respectively) (see Note 7).

- *Gain on Starz Investment.* The third quarter of fiscal 2017 included a gain on Starz investment of $20.4 million (after tax $20.4 million) (see Note 5).

20. Consolidating Financial Information — Convertible Senior Subordinated Notes

The April 2013 1.25% Notes by their terms, are fully and unconditionally guaranteed by the Company. LGEI, the issuer of the April 2013 1.25% Notes that are guaranteed by the Company, is 100% owned by the parent company guarantor, Lions Gate Entertainment Corp. All of the April 2013 1.25% Notes were subsequently repaid in April 2018 (see Note 22).

The following tables present condensed consolidating financial information as of March 31, 2018 and March 31, 2017, and for the years ended March 31, 2018, 2017 and 2016 for (1) the Company, on a stand-alone basis, (2) LGEI, on a stand-alone basis, (3) the non-guarantor subsidiaries of the Company (including the subsidiaries of LGEI), on a combined basis (collectively, the "Non-guarantor Subsidiaries") and (4) the Company, on a consolidated basis.

	As of March 31, 2018				
	Lions Gate Entertainment Corp.	Lions Gate Entertainment Inc.	Non-guarantor Subsidiaries	Consolidating Adjustments	Lions Gate Consolidated
	(Amounts in millions)				
BALANCE SHEET					
Assets					
Cash and cash equivalents	$ 2.1	$ 247.7	$ 128.3	$ —	$ 378.1
Restricted cash	—	—	—	—	—
Accounts receivable, net	0.5	14.5	931.0	—	946.0
Program rights	—	—	253.2	—	253.2
Other current assets	2.0	19.9	178.2	(4.3)	195.8
Total current assets	4.6	282.1	1,490.7	(4.3)	1,773.1
Investment in films and television programs and program rights, net	—	7.3	1,684.7	—	1,692.0
Property and equipment, net	—	37.4	124.3	—	161.7
Investments	30.1	23.8	111.0	—	164.9
Intangible assets	—	—	1,937.7	—	1,937.7
Goodwill	10.2	—	2,730.6	—	2,740.8
Other assets	—	17.1	441.5	—	458.6
Deferred tax assets	38.2	371.3	0.6	(371.3)	38.8
Subsidiary investments and advances	3,114.8	1,633.6	8,746.4	(13,494.8)	—
	$3,197.9	$2,372.6	$17,267.5	$(13,870.4)	$8,967.6
Liabilities and Equity (Deficiency)					
Accounts payable and accrued liabilities	33.5	76.9	337.3	—	447.7
Participations and residuals	—	3.5	501.0	—	504.5
Film obligations and production loans	—	—	327.9	—	327.9
Debt - short term portion	—	60.2	18.9	—	79.1
Dissenting shareholders' liability	—	—	869.3	—	869.3
Deferred revenue	—	1.5	182.4	—	183.9
Total current liabilities	33.5	142.1	2,236.8	—	2,412.4
Debt	7.7	—	2,545.4	(74.8)	2,478.3
Participations and residuals	—	—	438.3	—	438.3
Film obligations and production loans	—	—	173.3	(2.0)	171.3
Other liabilities	—	—	46.4	—	46.4
Deferred revenue	—	—	70.5	(0.2)	70.3
Deferred tax liabilities	—	—	463.2	(371.3)	91.9
Intercompany payable	—	2,051.9	1,181.9	(3,233.8)	—
Redeemable noncontrolling interest	—	—	101.8	—	101.8
Total equity (deficiency)	3,156.7	178.6	10,009.9	(10,188.3)	3,156.9
	$3,197.9	$2,372.6	$17,267.5	$(13,870.4)	$8,967.6

	Year Ended March 31, 2018				
	Lions Gate Entertainment Corp.	Lions Gate Entertainment Inc.	Non-guarantor Subsidiaries	Consolidating Adjustments	Lions Gate Consolidated
	(Amounts in millions)				
STATEMENT OF OPERATIONS					
Revenues	$ 0.1	$ 6.5	$ 4,122.5	$ —	$4,129.1
EXPENSES:					
Direct operating	(0.2)	—	2,309.8	—	2,309.6
Distribution and marketing	—	0.7	896.9	—	897.6
General and administration	2.8	174.4	278.8	(1.6)	454.4
Depreciation and amortization	—	10.6	148.4	—	159.0
Restructuring and other	2.6	24.2	33.0	—	59.8
Total expenses	5.2	209.9	3,666.9	(1.6)	3,880.4
OPERATING INCOME (LOSS)	(5.1)	(203.4)	455.6	1.6	248.7
Interest expense	(125.7)	(219.6)	(1,130.2)	1,281.8	(193.7)
Interest and other income	1,102.6	—	189.0	(1,281.2)	10.4
Loss on extinguishment of debt	(24.8)	(1.4)	(9.5)	—	(35.7)
Gain on sale of equity interest in EPIX	—	—	201.0	—	201.0
Impairment of long-term investments and other assets	(10.0)	—	(19.2)	—	(29.2)
Equity interests income (loss)	(482.0)	134.7	(26.3)	320.8	(52.8)
INCOME (LOSS) BEFORE INCOME TAXES	455.0	(289.7)	(339.6)	323.0	148.7
Income tax provision (benefit)	18.4	(139.1)	378.2	61.9	319.4
NET INCOME (LOSS)	473.4	(428.8)	38.6	384.9	468.1
Less: Net loss attributable to noncontrolling interest	—	—	5.9	(0.4)	5.5
Net income (loss) attributable to Lions Gate Entertainment Corp. shareholders	$ 473.4	$(428.8)	$ 44.5	$ 384.5	$ 473.6

	Year Ended March 31, 2018				
	Lions Gate Entertainment Corp.	Lions Gate Entertainment Inc.	Non-guarantor Subsidiaries	Consolidating Adjustments	Lions Gate Consolidated
	(Amounts in millions)				
STATEMENT OF COMPREHENSIVE INCOME (LOSS)					
NET INCOME (LOSS)	$473.4	$(428.8)	$38.6	$384.9	$468.1
Foreign currency translation adjustments, net of tax	6.2	7.0	6.5	(12.7)	7.0
Net unrealized gain (loss) on available-for-sale securities, net of tax	0.5	(0.7)	0.2	(0.5)	(0.5)
Net unrealized loss on foreign exchange contracts, net of tax	(0.2)	—	(0.2)	0.2	(0.2)
COMPREHENSIVE INCOME (LOSS)	479.9	(422.5)	45.1	371.9	474.4
Less: Comprehensive (income) loss attributable to noncontrolling interest	—	—	5.9	(0.4)	5.5
Comprehensive income (loss) attributable to Lions Gate Entertainment Corp. shareholders	$479.9	$(422.5)	$51.0	$371.5	$479.9

	Year Ended March 31, 2018				
	Lions Gate Entertainment Corp.	Lions Gate Entertainment Inc.	Non-guarantor Subsidiaries	Consolidating Adjustments	Lions Gate Consolidated
	(Amounts in millions)				
STATEMENT OF CASH FLOWS					
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 2,554.0	$130.6	$(2,295.4)	$—	$ 389.2
INVESTING ACTIVITIES:					
Proceeds from the sale of equity method investees	—	—	393.7	—	393.7
Investment in equity method investees	—	(31.9)	(21.5)	—	(53.4)
Business acquisitions net of cash acquired of $18.7	—	—	(1.8)	—	(1.8)
Capital expenditures	—	(11.6)	(34.3)	—	(45.9)
NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	—	(43.5)	336.1	—	292.6
FINANCING ACTIVITIES:					
Debt - borrowings	1,041.5	—	2,671.1	—	3,712.6
Debt - repayments	(3,630.5)	—	(705.2)	—	(4,335.7)
Production loans - borrowings	—	—	319.7	—	319.7
Production loans - repayments	—	—	(332.8)	—	(332.8)
Distributions to noncontrolling interest	—	—	(8.2)	—	(8.2)
Exercise of stock options	44.9	—	—	—	44.9
Tax withholding required on equity awards	(22.9)	—	—	—	(22.9)
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	(2,567.0)	—	1,944.6	—	(622.4)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(13.0)	87.1	(14.7)	—	59.4
FOREIGN EXCHANGE EFFECTS ON CASH	—	—	(3.2)	—	(3.2)
CASH AND CASH EQUIVALENTS — BEGINNING OF PERIOD	15.1	160.6	146.2	—	321.9
CASH AND CASH EQUIVALENTS — END OF PERIOD	$ 2.1	$247.7	$ 128.3	$—	$ 378.1

	As of March 31, 2017				
	Lions Gate Entertainment Corp.	Lions Gate Entertainment Inc.	Non-guarantor Subsidiaries	Consolidating Adjustments	Lions Gate Consolidated
	(Amounts in millions)				
BALANCE SHEET					
Assets					
Cash and cash equivalents	$ 15.1	$ 160.6	$ 146.2	$ —	$ 321.9
Restricted cash	—	2.8	—	—	2.8
Accounts receivable, net	0.6	1.7	905.8	—	908.1
Program rights	—	—	261.7	—	261.7
Other current assets	—	21.0	179.7	(4.8)	195.9
Total current assets	15.7	186.1	1,493.4	(4.8)	1,690.4
Investment in films and television programs, net	—	6.5	1,723.0	—	1,729.5
Property and equipment, net	—	36.3	129.2	—	165.5
Investments	40.1	18.0	313.4	—	371.5
Intangible assets	—	—	2,046.7	—	2,046.7
Goodwill	10.2	—	2,690.3	—	2,700.5
Other assets	—	17.1	455.7	—	472.8
Deferred tax assets	20.0	290.8	—	(290.8)	20.0
Subsidiary investments and advances	5,451.0	1,413.3	5,738.7	(12,603.0)	—
	$5,537.0	$1,968.1	$14,590.4	$(12,898.6)	$9,196.9
Liabilities and Equity (Deficiency)					
Accounts payable and accrued liabilities	24.1	75.3	473.6	—	573.0
Participations and residuals	—	3.5	511.4	—	514.9
Film obligations and production loans	—	—	367.2	—	367.2
Debt - short term portion	70.0	—	7.9	—	77.9
Deferred revenue	—	2.4	154.5	—	156.9
Total current liabilities	94.1	81.2	1,514.6	—	1,689.9
Debt	2,928.6	53.7	64.7	—	3,047.0
Participations and residuals	—	—	359.7	—	359.7
Film obligations and production loans	—	—	116.0	—	116.0
Other liabilities	—	—	50.3	—	50.3
Dissenting shareholders' liability	—	—	812.9	—	812.9
Deferred revenue	—	—	72.7	—	72.7
Deferred tax liabilities	—	—	731.0	(290.8)	440.2
Intercompany payable	—	2,314.6	4,643.7	(6,958.3)	—
Redeemable noncontrolling interest	—	—	93.8	—	93.8
Total equity (deficiency)	2,514.3	(481.4)	6,131.0	(5,649.5)	2,514.4
	$5,537.0	$1,968.1	$14,590.4	$(12,898.6)	$9,196.9

	Year Ended March 31, 2017				
	Lions Gate Entertainment Corp.	Lions Gate Entertainment Inc.	Non-guarantor Subsidiaries	Consolidating Adjustments	Lions Gate Consolidated
	(Amounts in millions)				
STATEMENT OF OPERATIONS					
Revenues	$ —	$ 17.0	$3,184.5	$ —	$3,201.5
EXPENSES:					
Direct operating	—	1.7	1,902.1	—	1,903.8
Distribution and marketing	—	1.7	805.1	—	806.8
General and administration	1.1	129.0	226.6	(1.3)	355.4
Depreciation and amortization	—	11.0	52.1	—	63.1
Restructuring and other	4.0	71.7	13.0	—	88.7
Total expenses	5.1	215.1	2,998.9	(1.3)	3,217.8
OPERATING INCOME (LOSS)	(5.1)	(198.1)	185.6	1.3	(16.3)
Interest expense	(84.1)	(225.8)	(263.1)	457.8	(115.2)
Interest and other income	278.8	—	184.8	(457.2)	6.4
Loss on extinguishment of debt	(34.1)	(3.2)	(3.1)	—	(40.4)
Gain on Starz investment	20.4	—	—	—	20.4
Equity interests income (loss)	(171.3)	112.7	18.1	51.2	10.7
INCOME (LOSS) BEFORE INCOME TAXES	4.6	(314.4)	122.3	53.1	(134.4)
Income tax benefit (provision)	10.2	140.8	(47.7)	45.6	148.9
NET INCOME (LOSS)	14.8	(173.6)	74.6	98.7	14.5
Less: Net loss attributable to noncontrolling interest	—	—	—	0.3	0.3
Net income (loss) attributable to Lions Gate Entertainment Corp. shareholders	$ 14.8	$(173.6)	$ 74.6	$ 99.0	$ 14.8

	Year Ended March 31, 2017				
	Lions Gate Entertainment Corp.	Lions Gate Entertainment Inc.	Non-guarantor Subsidiaries	Consolidating Adjustments	Lions Gate Consolidated
	(Amounts in millions)				
STATEMENT OF COMPREHENSIVE INCOME (LOSS)					
NET INCOME (LOSS)	$ 14.8	$(173.6)	$ 74.6	$ 98.7	$ 14.5
Foreign currency translation adjustments, net of tax	(3.0)	(14.0)	(11.3)	20.2	(8.1)
Net unrealized loss on available-for-sale securities, net of tax	56.4	—	56.4	(56.4)	56.4
Reclassification adjustment for gain on available-for-sale securities realized in net income	(17.8)	—	(17.8)	17.8	(17.8)
Net unrealized gain on foreign exchange contracts, net of tax	(3.5)	—	(3.5)	3.5	(3.5)
COMPREHENSIVE INCOME (LOSS)	$ 46.9	$(187.6)	$ 98.4	$ 83.8	$ 41.5
Less: Comprehensive loss attributable to noncontrolling interest	—	—	—	0.3	0.3
Comprehensive income (loss) attributable to Lions Gate Entertainment Corp. shareholders	$ 46.9	$(187.6)	$ 98.4	$ 84.1	$ 41.8

	Year Ended March 31, 2017				
	Lions Gate Entertainment Corp.	Lions Gate Entertainment Inc.	Non-guarantor Subsidiaries	Consolidating Adjustments	Lions Gate Consolidated
	(Amounts in millions)				
STATEMENT OF CASH FLOWS					
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	$(2,121.9)	$145.2	$ 2,535.3	$—	$ 558.6
INVESTING ACTIVITIES:					
Investment in equity method investees	—	(4.2)	(16.4)	—	(20.6)
Distributions from equity method investees	—	0.4	2.7	—	3.1
Business acquisitions, net of cash acquired of $73.5	—	—	(1,102.6)	—	(1,102.6)
Capital expenditures	—	(8.9)	(16.3)	—	(25.2)
NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	—	(12.7)	(1,132.6)	—	(1,145.3)
FINANCING ACTIVITIES:					
Debt - borrowings	4,002.8	—	—	—	4,002.8
Debt - repayments	(1,824.1)	—	(942.8)	—	(2,766.9)
Production loans - borrowings	—	—	296.0	—	296.0
Production loans - repayments	—	—	(632.6)	—	(632.6)
Dividends paid	(26.8)	—	—	—	(26.8)
Distributions to noncontrolling interest	—	—	(6.9)	—	(6.9)
Exercise of stock options	25.4	—	—	—	25.4
Tax withholding required on equity awards	(40.9)	—	—	—	(40.9)
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,136.4	—	(1,286.3)	—	850.1
NET CHANGE IN CASH AND CASH EQUIVALENTS	14.5	132.5	116.4	—	263.4
FOREIGN EXCHANGE EFFECTS ON CASH	—	—	0.8	—	0.8
CASH AND CASH EQUIVALENTS — BEGINNING OF PERIOD	0.6	28.1	29.0	—	57.7
CASH AND CASH EQUIVALENTS — END OF PERIOD	$ 15.1	$160.6	$ 146.2	$—	$ 321.9

	Year Ended March 31, 2016				
	Lions Gate Entertainment Corp.	Lions Gate Entertainment Inc.	Non-guarantor Subsidiaries	Consolidating Adjustments	Lions Gate Consolidated
	(Amounts in millions)				
STATEMENT OF OPERATIONS					
Revenues	$ —	$ 23.7	$2,324.2	$ (0.5)	$2,347.4
EXPENSES:					
Direct operating	—	0.5	1,414.8	—	1,415.3
Distribution and marketing	—	6.5	655.3	—	661.8
General and administration	3.4	153.1	107.4	(1.5)	262.4
Depreciation and amortization	—	9.3	3.8	—	13.1
Restructuring and other	3.1	6.0	10.7	—	19.8
Total expenses	6.5	175.4	2,192.0	(1.5)	2,372.4
OPERATING INCOME (LOSS)	(6.5)	(151.7)	132.2	1.0	(25.0)
Interest expense	(38.6)	(220.6)	(176.0)	380.3	(54.9)
Interest and other income	209.4	0.2	172.1	(379.8)	1.9
Equity interests income (loss)	(113.2)	182.7	46.7	(72.0)	44.2
INCOME (LOSS) BEFORE INCOME TAXES	51.1	(189.4)	175.0	(70.5)	(33.8)
Income tax provision (benefit)	(0.9)	76.3	(65.5)	66.6	76.5
NET INCOME (LOSS)	50.2	(113.1)	109.5	(3.9)	42.7
Less: Net loss attributable to noncontrolling interest	—	—	—	7.5	7.5
Net income (loss) attributable to Lions Gate Entertainment Corp. shareholders	$ 50.2	$(113.1)	$ 109.5	$ 3.6	$ 50.2

	Year Ended March 31, 2016				
	Lions Gate Entertainment Corp.	Lions Gate Entertainment Inc.	Non-guarantor Subsidiaries	Consolidating Adjustments	Lions Gate Consolidated
	(Amounts in millions)				
STATEMENT OF COMPREHENSIVE INCOME (LOSS)					
NET INCOME (LOSS)	$ 50.2	$(113.1)	$109.5	$ (3.9)	$ 42.7
Foreign currency translation adjustments, net of tax	(3.1)	(4.3)	(6.5)	10.8	(3.1)
Net unrealized loss on available-for-sale securities, net of tax	(37.6)	—	(37.6)	37.6	(37.6)
Net unrealized gain on foreign exchange contracts, net of tax	(0.2)	—	(0.2)	0.2	(0.2)
COMPREHENSIVE INCOME (LOSS)	$ 9.3	$(117.4)	$ 65.2	$44.7	$ 1.8
Less: Comprehensive loss attributable to noncontrolling interest	—	—	—	7.5	7.5
Comprehensive income (loss) attributable to Lions Gate Entertainment Corp. shareholders	$ 9.3	$(117.4)	$ 65.2	$52.2	$ 9.3

	Year Ended March 31, 2016				
	Lions Gate Entertainment Corp.	Lions Gate Entertainment Inc.	Non-guarantor Subsidiaries	Consolidating Adjustments	Lions Gate Consolidated
	(Amounts in millions)				
STATEMENT OF CASH FLOWS					
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (49.1)	$ 7.7	$ 22.4	$—	$ (19.0)
INVESTING ACTIVITIES:					
Proceeds from the sale of equity method investees	—	—	—	—	—
Investment in equity method investees	—	(8.6)	(8.2)	—	(16.8)
Business acquisitions, net of cash acquired of $15.8	—	—	(126.9)	—	(126.9)
Capital expenditures	—	(18.3)	(0.1)	—	(18.4)
NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	—	(26.9)	(135.2)	—	(162.1)
FINANCING ACTIVITIES:					
Debt - borrowings	629.5	—	—	—	629.5
Debt - repayments	(444.5)	—	—	—	(444.5)
Production loans - borrowings	—	—	572.6	—	572.6
Production loans - repayments	—	—	(483.1)	—	(483.1)
Repurchase of common shares	(73.2)	—	—	—	(73.2)
Dividends paid	(47.5)	—	—	—	(47.5)
Exercise of stock options	6.1	—	—	—	6.1
Tax withholding required on equity awards	(24.2)	—	—	—	(24.2)
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	46.2	—	89.5	—	135.7
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2.9)	(19.2)	(23.3)	—	(45.4)
FOREIGN EXCHANGE EFFECTS ON CASH	—	—	0.4	—	0.4
CASH AND CASH EQUIVALENTS — BEGINNING OF PERIOD	3.5	47.3	51.9	—	102.7
CASH AND CASH EQUIVALENTS — END OF PERIOD	$ 0.6	$ 28.1	$ 29.0	$—	$ 57.7

21. Related Party Transactions

MHR Affiliates

In November 2015, the Company was advised that each of Liberty Global Incorporated Limited ("Liberty"), a limited company organized under the laws of the United Kingdom and a wholly-owned subsidiary of Liberty Global plc, and Discovery Lightning Investments Ltd. ("Discovery"), a limited company organized under the laws of the United Kingdom and a wholly-owned subsidiary of Discovery Communications, Inc., agreed to each purchase 5,000,000 of the previously outstanding common shares, no par value per share, of the Company (the "common shares") from funds affiliated with MHR Fund Management, LLC ("MHR Fund Management"). In connection with the purchases, the Company entered into separate registration rights agreements with each of Liberty and Discovery, and amended the registration rights agreement with MHR Fund Management, which provide Liberty, Discovery and MHR Fund Management (together with certain of their affiliates) with certain registration rights, subject to the terms and conditions set forth therein. The Company also entered into an underwriting agreement with J.P. Morgan Securities LLC, as underwriter, Liberty, Discovery and Bank of America, N.A. in connection with a registered underwritten secondary public offering of the common shares. Among other transaction costs, the Company has incurred expenses on behalf of MHR Fund Management for certain costs related to the registration and offering of the common shares. Such costs, amounting to approximately $0.8 million, are included in restructuring and other in the consolidated statement of income for the year ended March 31, 2016. The registration and offering were disclosed by the Company on Current Reports on Form 8-K dated November 10, 2015 and November 13, 2015.

Voting Agreements regarding former Company Shares

On June 30, 2016, in connection with the Merger Agreement, the Company, Starz and MHR Fund Management LLC and affiliates (collectively, "MHR Fund Management") entered into a voting agreement with respect to MHR Fund Management's common shares of the Company (the "MHR Voting Agreement"). Under the MHR Voting Agreement, the Company agreed to indemnify MHR Fund Management for losses relating to or arising out of the MHR Voting Agreement, the merger agreement or that certain stock exchange agreement of even date therewith and to pay up to $1.6 million in reasonable out-of-pocket expenses of MHR Fund Management. See the Company's Current Report on Form 8-K dated July 1, 2016. The Company has incurred expenses on behalf of MHR Fund Management for such costs amounting to approximately $0.5 million, which are included in restructuring and other in the consolidated statement of income for the year ended March 31, 2017**.** Mark H. Rachesky, the Chairman of the Board of the Company, is the principal of MHR Fund Management, which holds approximately 18.5% of the Company's outstanding Class A voting shares and 11.7% of the Company's outstanding Class B non-voting common stock as of May 21, 2018.

Voting Agreement regarding former Starz Shares

On June 30, 2016, in connection with the Merger Agreement, the Company and Starz entered into a Voting Agreement with LG Leopard Canada LP, an Ontario limited partnership and indirect wholly owned subsidiary of the Company, and the stockholders of Starz listed on Schedule A thereto (including John C. Malone, a director of the Company, and affiliated entities) (such stockholders the "Individual Stockholders"), with respect to shares of previously issued Starz common stock (the "Starz Voting Agreement"). Under the Starz Voting Agreement, the Company agreed to indemnify the Individual Stockholders for losses relating to or arising out of the Starz Voting Agreement, the Merger Agreement and that certain stock exchange agreement of even date therewith and to pay up to $1.6 million in reasonable out-of-pocket expenses of the Individual Stockholders. See the Company's Current Report on Form 8-K dated June 1, 2016. The Company has incurred expenses on behalf of the Individual Stockholders for such costs amounting to approximately $1.5 million, which are included in restructuring and other in the consolidated statement of income for the year ended March 31, 2017**.**

Other

In the year ended March 31, 2018, we have incurred expenses on behalf of Dr. Malone and Mark H. Rachesky for reimbursement of certain litigation costs of approximately $5.6 million (2017—$1.0 million), which are included in restructuring and other in the consolidated statement of income.

Atom Tickets

During the year ended March 31, 2018, the Company participated in an equity offering of its equity method investee, Atom Tickets, and subscribed for an additional $10.0 million in equity interests (2017—none; 2016—$7.9 million). Gordon Crawford, a director of the Company, is a director of and an investor in Atom Tickets.

Shrink, LLC

In April 2008, Lions Gate Films, Inc., a wholly-owned subsidiary of the Company ("LGF"), entered into a sales agency agreement (as amended) with Shrink, LLC for distribution rights to the film *Shrink.* Michael Burns, the Vice Chairman and a director of the Company, owns a 100% interest in Shrink, LLC. During the year ended March 31, 2018, $0.1 million was paid to Shrink, LLC under this agreement (2017—none, 2016—less than 0.1 million).

Transactions with Equity Method Investees

In the ordinary course of business, we are involved in related party transactions with equity method investees. These related party transactions primarily relate to the licensing and distribution of the Company's films and television programs, for which the impact on the Company's consolidated balance sheets and consolidated statements of income is as follows (see Note 1 and Note 5):

	March 31,	
	2018	2017
	(Amounts in millions)	
Consolidated Balance Sheets		
Accounts receivable	$ 6.0	$17.9
Other assets, noncurrent	0.2	2.8
Total due from related parties	$ 6.2	$20.7
Accounts payable and accrued liabilities	$ —	$ 2.5
Participations and residuals, current	6.5	6.4
Participations and residuals, noncurrent	6.0	4.9
Deferred revenue, current	0.2	4.5
Deferred revenue, noncurrent	—	18.8
Total due to related parties	$12.7	$37.1

	Year Ended March 31,		
	2018	2017	2016
	(Amounts in millions)		
Consolidated Statements of Income			
Revenues	$ 8.9	$88.8	$47.7
Direct operating expense	$22.0	$10.5	$12.3
Distribution and marketing expense	$ 3.5	$ 0.8	$ 1.2
General and administrative expense[1]	$ (3.7)	$ (0.7)	$ (0.8)

(1) Amounts primarily represent reimbursement for certain shared services for equity method investees.

22. Subsequent Events

Repayment of April 2013 1.25% Notes. On April 15, 2018, the April 2013 1.25% Notes matured, and upon maturity, the Company repaid \$60.4 million, representing \$60.0 million outstanding principal amount and accrued and unpaid interest. Following maturity and payment by LGEI, the April 2013 1.25% Notes are no longer outstanding and the indenture governing the April 2013 1.25% Notes has been fully satisfied and discharged.

Interest Rate Swap. On May 10, 2018, the Company entered into an interest rate swap agreement effectively converting its LIBOR-based floating rate to a fixed rate of 2.915% on a \$1.0 billion notional amount of LIBOR-based debt. The interest rate swap agreement matures on March 24, 2025.

LIONSGATE

Appendix

LIONS GATE ENTERTAINMENT CORP.
USE OF NON-GAAP FINANCIAL MEASURES

This proxy statement presents the following important financial measures utilized by Lions Gate Entertainment Corp. (the "Company," "we," "us" or "our") that are not all financial measures defined by generally accepted accounting principles ("GAAP"). The Company uses non-GAAP financial measures, among other measures, to evaluate the operating performance of our business. These non-GAAP financial measures are in addition to, not a substitute for, or superior to, measures of financial performance prepared in accordance with United States GAAP.

Adjusted OIBDA: Adjusted OIBDA is defined as operating income (loss) before adjusted depreciation and amortization ("OIBDA"), adjusted for adjusted share-based compensation ("adjusted SBC"), purchase accounting and related adjustments, and restructuring and other costs.

- Adjusted depreciation and amortization represents depreciation and amortization as presented on our consolidated statement of operations, less the depreciation and amortization related to the amortization of purchase accounting and related adjustments associated with the acquisition of Starz and Pilgrim Media Group. Accordingly, the full impact of the purchase accounting is included in the adjustment for "purchase accounting and related adjustments", described below.
- Adjusted share-based compensation represents share-based compensation excluding immediately vested stock awards granted as part of the Company's annual bonus program issued in lieu of cash bonuses (which are, when granted, included in segment or corporate general and administrative expense), and excluding the impact of the acceleration of certain vesting schedules for equity awards pursuant to certain severance arrangements, which are included in restructuring and other expenses, when applicable.
- Restructuring and other includes restructuring and severance costs, certain transaction and related costs, and certain unusual items, when applicable.
- Purchase accounting and related adjustments represent the amortization of non-cash fair value adjustments to certain assets acquired in the acquisition of Starz, Pilgrim Media Group and Good Universe.

Adjusted OIBDA is calculated similar to how the Company defines segment profit and manages and evaluates its segment operations. Segment profit also excludes corporate general and administrative expense.

Free Cash Flow: Free cash flow is defined as net cash flows provided by (used in) operating activities, less capital expenditures, plus or minus the net increase or decrease in production loans. The adjustment for the production loans is made because the GAAP based cash flows from operations reflects a non-cash reduction of cash flows for the cost of films and television programs associated with production loans prior to the time the Company actually pays for the film or television program. The Company believes that it is more meaningful to reflect the impact of the payment for these films and television programs in its free cash flow when the payments are actually made.

These measures are non-GAAP financial measures as defined in Regulation G promulgated by the SEC and are in addition to, not a substitute for, or superior to, measures of financial performance prepared in accordance with United States GAAP.

We use these non-GAAP measures, among other measures, to evaluate the operating performance of our business. We believe these measures provide useful information to investors regarding our results of operations and cash flows before non-operating items. Adjusted OIBDA is considered an important measure of the Company's performance because this measure eliminates amounts that, in management's opinion, do not necessarily reflect the fundamental performance of the Company's businesses, are infrequent in occurrence, and in some cases are non-cash expenses. Free Cash Flow is considered an important measure of the Company's liquidity because it provides information about the ability of the Company to reduce net corporate debt, make strategic investments, dividends and share repurchases.

LIONSGATE

These non-GAAP measures are commonly used in the entertainment industry and by financial analysts and others who follow the industry to measure operating performance. However, not all companies calculate these measures in the same manner and the measures as presented may not be comparable to similarly titled measures presented by other companies due to differences in the methods of calculation and excluded items.

A general limitation of these non-GAAP financial measures is that they are not prepared in accordance with U.S. generally accepted accounting principles. These measures should be reviewed in conjunction with the relevant GAAP financial measures and are not presented as alternative measures of operating income, cash flow, net income (loss), or earnings (loss) per share as determined in accordance with GAAP. Reconciliations of the adjusted metrics utilized to their corresponding GAAP metrics are provided below.

LIONS GATE ENTERTAINMENT CORP.
RECONCILIATION OF OPERATING INCOME (LOSS)
TO ADJUSTED OIBDA

The following table reconciles the GAAP measure, operating income (loss) to the non-GAAP measure, Adjusted OIBDA:

	Three Months Ended March 31,		Year Ended March 31,	
	2018	2017	2018	2017
	(Unaudited, amounts in millions)			
Operating income (loss)	$ 48.4	$ 71.3	$ 248.7	$ (16.3)
Adjusted depreciation and amortization[(1)]	10.0	9.7	39.3	22.8
Restructuring and other[(2)]	24.0	16.4	59.8	88.7
Adjusted share-based compensation expense[(3)]	14.0	27.1	85.6	77.1
Purchase accounting and related adjustments[(4)]	39.6	38.2	170.3	62.8
Adjusted OIBDA	$ 136.0	$ 162.7	$ 603.7	$ 235.1

(1) Adjusted depreciation and amortization represents depreciation and amortization as presented on our consolidated statements of income less the depreciation and amortization related to the non-cash fair value adjustments to property and equipment and intangible assets acquired in the acquisition of Starz and Pilgrim Media Group which are included in the purchase accounting and related adjustments line item above, as shown in the table below:

	Three Months Ended March 31,		Year Ended March 31,	
	2018	2017	2018	2017
	(Unaudited, amounts in millions)			
Depreciation and amortization	$ 39.9	$ 39.9	$ 159.0	$ 63.1
Less: Amount included in purchase accounting and related adjustments	(29.9)	(30.2)	(119.7)	(40.3)
Adjusted depreciation and amortization	$ 10.0	$ 9.7	$ 39.3	$ 22.8

(2) Restructuring and other includes restructuring and severance costs, certain transaction and related costs, and certain unusual items, when applicable, as shown in the table below:

	Three Months Ended March 31,		Year Ended March 31,	
	2018	2017	2018	2017
	(Unaudited, amounts in millions)			
Restructuring and other:				
Severance[a]				
Cash	$ 11.4	$ 3.2	$ 21.5	$ 26.7
Accelerated vesting on equity awards	—	—	2.9	2.4
Total severance costs	11.4	3.2	24.4	29.1
Transaction and related costs[b]	7.8	13.2	22.2	59.6
Development expense[c]	4.8	—	13.2	—
	$ 24.0	$ 16.4	$ 59.8	$ 88.7

(a) Severance costs in the fiscal year ended March 31, 2018 were primarily related to the restructuring of the Motion Pictures business in connection with the acquisition of Good Universe and additional workforce reductions in connection with the Starz Merger. Severance costs in the fiscal year ended March 31, 2017 were primarily related to workforce reductions for redundancies in connection with the Starz Merger.

(b) Transaction and related costs in the fiscal years ended March 31, 2018 and 2017 reflect transaction, integration and legal costs incurred associated with certain strategic transactions. In fiscal 2018, these costs were primarily related to the sale of EPIX, the Starz Merger, the legal fees associated with the Starz class action lawsuits and certain other legal matters. In fiscal 2017, these costs were primarily related to the Starz Merger, the legal fees associated with the Starz class action lawsuits, and an arbitration award of $5.8 million and related legal expenses.

(c) Development expense in the fiscal year ended March 31, 2018 represents write-downs resulting from the restructuring of the Motion Pictures business in connection with the acquisition of Good Universe and new management's decisions around the creative direction on certain development projects which were abandoned in the fiscal year.

(3) Adjusted share-based compensation represents share-based compensation excluding amounts related to immediately vested stock awards granted as part of the Company's annual bonus program (which are, when granted, included in segment and corporate general and administrative expense) and excludes share-based compensation included in restructuring and other. The following table reconciles total share-based compensation expense to adjusted share-based compensation expense:

	Three Months Ended March 31,		Year Ended March 31,	
	2018	2017	2018	2017
	(Unaudited, amounts in millions)			
Share-based compensation	$ 14.0	$ 5.1	$ 88.5	$ 79.5
Less:				
Bonus related share-based compensation included in segment and corporate general and administrative expense[a]	—	22.0	—	—
Amount included in restructuring and other[b]	—	—	(2.9)	(2.4)
Adjusted share-based compensation	$ 14.0	$ 27.1	$ 85.6	$ 77.1

(a) During the quarter ended March 31, 2017, the Company determined it would pay its annual fiscal 2017 bonus in cash instead of immediately vested stock amounts as previously intended and accrued. Accordingly, share-based compensation for the three months ended March 31, 2017 was reduced by the reversal of stock-based compensation bonus recorded in previous periods which are now reflected as cash-based bonus expense. For the three months ended March 31, 2017, this amount adjusts the share-based compensation to reflect share-based compensation excluding the bonus reversal.
(b) Represents share-based compensation expense included in restructuring and other expenses reflecting the impact of the acceleration of certain vesting schedules for equity awards pursuant to certain severance arrangements.

(4) Purchase accounting and related adjustments represent the amortization of non-cash fair value adjustments to certain assets acquired in the acquisition of Starz, Pilgrim Media Group and Good Universe. The following sets forth the amounts included in each line item in the financial statements:

	Three Months Ended March 31,		Year Ended March 31,	
	2018	2017	2018	2017
	(Unaudited, amounts in millions)			
Purchase accounting and related adjustments:				
Direct operating	$ 8.1	$ 6.7	$ 44.5	$ 17.5
General and administrative expense	1.6	1.3	6.1	5.0
Depreciation and amortization	29.9	30.2	119.7	40.3
	$ 39.6	$ 38.2	$ 170.3	$ 62.8

RECONCILIATION OF PRO FORMA COMBINED OPERATING INCOME TO PRO FORMA COMBINED ADJUSTED OIBDA

The reconciliation of pro forma combined operating income to pro forma combined Adjusted OIBDA for the fiscal year ended March 31, 2017 is as follows:

	PRO FORMA COMBINED
	Year Ended March 31, 2017
	(Unaudited, amounts in millions)
Operating income	$ 223.8
Adjusted depreciation and amortization(1)	37.0
Restructuring and other(2)	123.2
Adjusted share-based compensation expense(3)	96.0
Purchase accounting and related adjustments(4)	62.8
Adjusted OIBDA	$ 542.8

(1) Adjusted depreciation and amortization represents depreciation and amortization as presented on our condensed consolidated statements of income less the depreciation and amortization related to the non-cash fair value adjustments to property and equipment and intangible assets acquired in the acquisition of Starz and Pilgrim Media Group which are included in the purchase accounting and related adjustments line item above.

	PRO FORMA COMBINED
	Year Ended March 31, 2017
	(Unaudited, amounts in millions)
Depreciation and amortization	$ 77.3
Less: Amount included in purchase accounting and related adjustments	(40.3)
Adjusted depreciation and amortization	$ 37.0

(2) Restructuring and other includes restructuring and severance costs, certain transaction and related costs, and certain unusual items, when applicable.

(3) Adjusted share-based compensation represents share-based compensation excluding amounts related to immediately vested stock awards granted as part of the Company's annual bonus program (which are, when granted, included in segment and corporate general and administrative expense) and excludes share-based compensation included in restructuring and other. The following table reconciles share-based compensation expense to adjusted share-based compensation expense:

	PRO FORMA COMBINED
	Year Ended March 31, 2017
	(Unaudited, amounts in millions)
Share-based compensation	$ 98.4
Less:	
Amount included in restructuring and other[(a)]	(2.4)
Adjusted share-based compensation	$ 96.0

(a) Represents share-based compensation expense included in restructuring and other expenses reflecting the impact of the acceleration of certain vesting schedules for equity awards pursuant to certain severance arrangements.

(4) Purchase accounting and related adjustments represent the amortization of non-cash fair value adjustments to certain assets acquired in the acquisition of Starz, Pilgrim Media Group and Good Universe. The following sets forth the amounts included in each line item in the financial statements:

	PRO FORMA COMBINED
	Year Ended March 31, 2017
	(Unaudited, amounts in millions)
Purchase accounting and related adjustments:	
Direct operating	$ 17.5
General and administrative expense	5.0
Depreciation and amortization	40.3
	$ 62.8

RECONCILIATION OF NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW

	Three Months Ended March 31,		Year Ended March 31,	
	2018	2017	2018	2017
	(Unaudited, amounts in millions)			
Net Cash Flows Provided By Operating Activities	$ 17.0	$ 142.8	$ 389.2	$ 558.6
Capital expenditures	(17.5)	(9.5)	(45.9)	(25.2)
Net borrowings under and (repayment) of production loans	(45.5)	56.1	(13.1)	(336.6)
Free Cash Flow, as defined	$ (46.0)	$ 189.4	$ 330.2	$ 196.8