



2017
REGISTRATION DOCUMENT
ANNUAL REPORT



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This document is a free translation into English of some contents included in the French *Document de référence* filed with the AMF (*Autorité des marchés financiers*, the French financial markets authority) under the number D.18-0306 on April 10, 2018.

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MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Gaumont made a major strategic shift in 2017 by selling its stake in Les Cinémas Gaumont Pathé. More than anyone else, Gaumont brought movies home. Throughout its existence, the Gaumont Palace was the world's largest movie theater. It was sold in 1971, before I joined Gaumont.

The theater network expanded dramatically after my arrival. The end of GIE Gaumont Pathé in 1983 and the drop in theater admissions, which reached a low in 1993, led the various operators into head-on competition in the quest to attract theater goers.

Tired of this sterile confrontation, Gaumont and Pathé decided to merge their networks in 2001, with Gaumont giving up the hands-on management of its theaters.

As a minority shareholder in Les Cinémas Gaumont Pathé, Gaumont was a happy but passive partner. Happy because it received dividends and trademark royalties; passive because Pathé got to write the strategy.

It was not in Gaumont's nature to be a happy retiree living off dividends. Gaumont is an ambitious audiovisual company: in films since 1895, and in television – where its revenue is now comparable with that of films – since 2010.

Very dynamic in the United States, Gaumont now also operates in Germany and the United Kingdom.

Gaumont's aim is to be a major partner in film and television creation.

The sale of its stake in Les Cinéma Gaumont Pathé enabled Gaumont to free up a significant amount of cash. Despite its various projects, Gaumont has no use of all of this cash, so in the spring of 2017 it offered to buy back its shares at a premium of 50% to the average price in 2016. All the main minority shareholders tendered their shares, bringing Ciné Par's stake in Gaumont's capital to nearly 90%.

As a personal measure, I gave my children the bare ownership of the capital of Ciné Par, keeping just the usufruct.

This has put Gaumont's capital on very firm foundations: Sidonie Dumas, Chief Executive Officer, chosen by the Board of directors to chair the company if I were no longer around, will therefore have a majority stake in the company.

I cannot say that the vital battle against piracy has been won, even though the "professionals of the profession" are sparing no efforts. Over the last 18 months, the number of unprincipled Internet users has faltered, with a decrease of around 12%.

In September 2017, the CNC, Google and the Alpa signed a partnership agreement whose title, "the fight for the protection of intellectual property," echoes its most essential plank. It would be easy to find solutions to many of the problems currently plaguing the profession, not least of all the media release chronology, if illegal downloading were stopped. This has been my mission for a number of years. We haven't won the fight, but I haven't given up hope.

The French film industry is enjoying strong admissions thanks to the resistance of French films to piracy and the massive investments made by the sector over the last 20 years or more. But additional revenues from television, video and video on demand are not at the level they should be.

A drastic reduction in the number of illegal downloads would give the film and audiovisual production industry the breath of air it needs.

Nicolas Seydoux, March 21, 2018



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

2017 was a year rich in emotions for Gaumont, marked by a major strategic decision: its withdrawal from the movie theater operation business through the sale to Pathé of its 34% minority stake in Les Cinémas Gaumont Pathé.

Since 2001, operating movie theatres was no longer Gaumont's core business, having left the operational management of the network to Pathé. Gaumont's stake in Les Cinémas Gaumont Pathé was for sure a comfortable source of earnings and dividends, but in view of the substantial price offered by Pathé, it was decided to sell so as to speed up the promising development of television series production in the United States and Europe, to strengthen the production of feature films and to look into expanding Gaumont's operations in Europe.

Gaumont's main activity is producing small- and large-screen works and showing them to as many people as possible – theater goers, TV viewers and subscribers to paid Internet platforms – without compromising on its editorial standards.

2017 was an excellent year in movie theaters, with 209 million admissions in France. With more than 12 million admissions, Gaumont is France's second-largest distributor behind Studio Canal, but has the best average per copy. Gaumont produced and distributed five of the sixteen French films that exceeded 1 million admissions in 2017. Four of its films were nominated at the 2018 César awards, reaping a total 36 nominations and 7 awards, including best actress for Jeanne Balibar (*Barbara*) and best director for Albert Dupontel (*See You up There*).

It was also a very good year for the sale of our films abroad, with revenue of €31 million, nearly 30% of which for catalog films. *Ballerina* represents more than ten million international admissions in 2016 and 2017. Rights sales were also driven by *C'est la Vie!*, *A Bag of Marbles*, *See You up There* and *Santa & Co*, while *The Death of Stalin* has been a huge success since its first international release in England in October 2017.

In 2017, nearly 250 Gaumont films were aired on French TV channels. *Untouchable*, *Samba* and *The Corsican File* notched up nearly 19 million viewers on TF1, *La French* and *Paulette* more than 6.5 million on France 2 and *The Crimson Rivers* 3.5 million on France 3.

Gaumont sold more than 1.1 million video units in a steadily declining market, plus nearly 1 million video-on-demand screenings. The year's biggest success was *Ballerina*, with nearly 150,000 video units and 145,000 views on digital formats. In 2017, Gaumont won an award from the French Critics Syndicate for the collector's edition of *J'accuse* by Abel Gance.

At Gaumont we attach great importance to our heritage and promote it throughout the world. After several stops in Asia in 2016, the exhibition tracking Gaumont's 120 year history stopped in Angoulême, attracting more than 40,000 visitors. Like Gaumont Pathé Archives, Gaumont is pursuing its policy of conserving and restoring its film catalog.



In the TV production business, which accounts for nearly half of Gaumont's revenue, 2017 was an intensive year for production and development in France and the United States.

In the United States, season 2 of *F is for Family* and season 3 of *Narcos* were aired by Netflix in May and September. The next seasons are in production, with season 4 of *Narcos* currently being filmed in Mexico.

It was a successful year in France. *The Frozen Dead* series aired on M6 won the channel's largest ever audience, all programs combined, attracting more than 5 million viewers with its first episode. *The Art of Crime* series was also a very pleasing success on France 2, winning 5 million viewers on its first night. A second season is currently being shot. The series *Nox*, starring Nathalie Baye and Maiwenn, was broadcast on Canal+ in March 2018.

In animated films, Gaumont is active on multiple projects in both France and the United States. The series *Belle and Sebastian* for M6, *Trulli Tales* for Disney and season 2 of *Noddy* for Dreamworks and France 5 are all currently in production.

Gaumont has numerous projects in the pipeline, for cinema and television in France, Europe and the United States. Two new subsidiaries have recently been created in Germany and the United Kingdom to produce television programs.

The sector is undergoing a veritable revolution. Technology is changing, as is the audiovisual landscape considering the "Frightful Five" – Google, Amazon, Facebook, Apple and Microsoft, and we should probably add Netflix to the list – sharing massive appetites and the potential gargantuan mergers and acquisitions between Disney and Fox or Warner and AT&T.

Other changes are on the cards in France, with the amendment to the media release chronology, the recasting of the public broadcaster, the intensification of the fight against piracy and the restructuring of Canal+.

2018 looks set to be exciting on a number of scores, but we will have to remain vigilant, demanding and daring.

I would like to thank all shareholders for their support and loyalty, as well as all our staff for their contribution to Gaumont's various activities in France and abroad, and in particular those within the works council or representative bodies who have contributed to the proper operation of the legal institutions and employee benefit schemes.

Sidonie Dumas, March 20, 2018





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ACTIVITIES AND CONSOLIDATED RESULTS OF GAUMONT

Key figures

	2017		2016		CHANGE
	in thousands of euros	as a % of revenue	in thousands of euros	as a % of revenue	
Revenue	177,049	100%	188,725	100%	-6%
Operating income from cinema and television production and distribution ⁽¹⁾	22,449	13%	41,699	22%	-46%
Operating income from movie theater operations ⁽¹⁾	11,956	7%	23,776	13%	-50%
Operating income after share of net income of associates	133,067	75%	23,206	12%	473%
Consolidated net income	122,966	69%	18,985	10%	548%
Investments in cinema production	47,479	27%	31,008	16%	53%
Investments in television production	63,967	36%	63,236	34%	1%

(1) After share of net income of associates, excluding overheads.

	12.31.17	12.31.16	CHANGE
Equity attributable to owners of the parent company	305,128	277,312	13%
Net borrowings	27,680	205,348	-98%

Two significant events occurred in 2017:

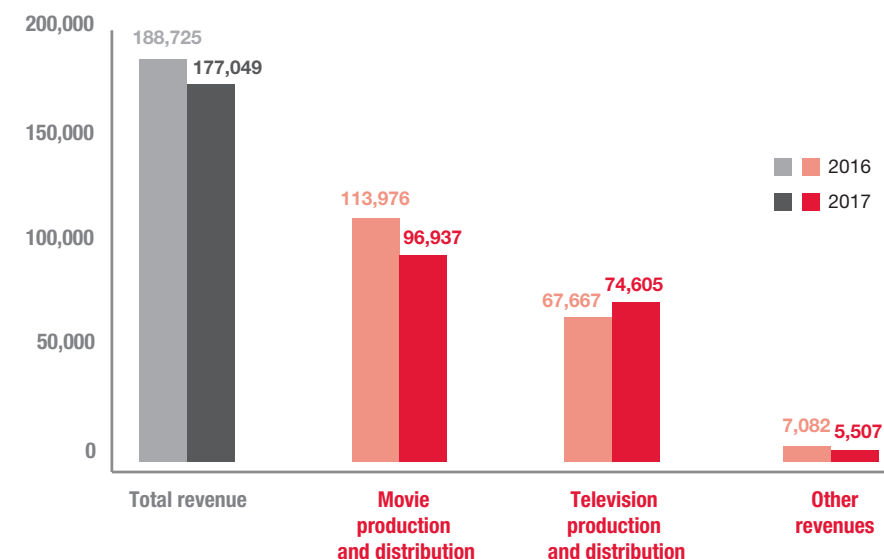
- the sale to Pathé of Gaumont's 34% minority stake in Les Cinémas Gaumont Pathé, on May 18, 2017 for k€380,000. The gain recognized in the consolidated financial statements to December 31, 2017 totaled k€143,884, net of fees. Half of the sales price was paid on the date of the sale. The balance, accruing interest, was deferred over three years. On July 20, 2017, Pathé made an early payment of k€63,333 for the first deferred installment payment initially set for June 29, 2018;

- the public share buyback offer conducted by Gaumont, the outcome of which was announced by the AMF (*Autorités des marchés financiers*) on June 30, 2017. Gaumont repurchased 1,284,112 of its own shares at a unit price of €75. The share settlement took place on July 6, 2017 for k€96,308. Gaumont's Board of Directors, which met on July 25, 2017, decided to cancel the treasury shares purchased during the public share buyback offer. Following this cancellation, Gaumont SA's share capital is now composed of 3,119,723 shares.

Consolidated results

Revenue by business activity

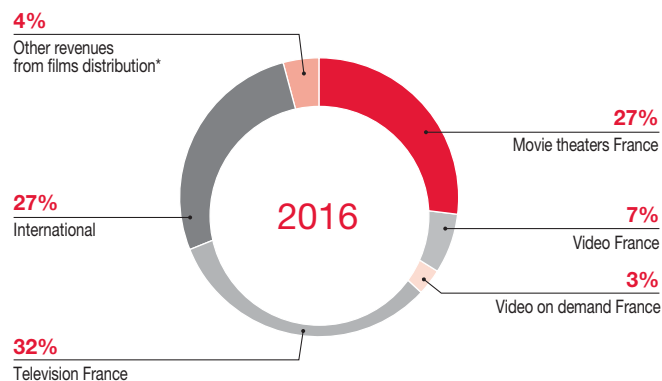
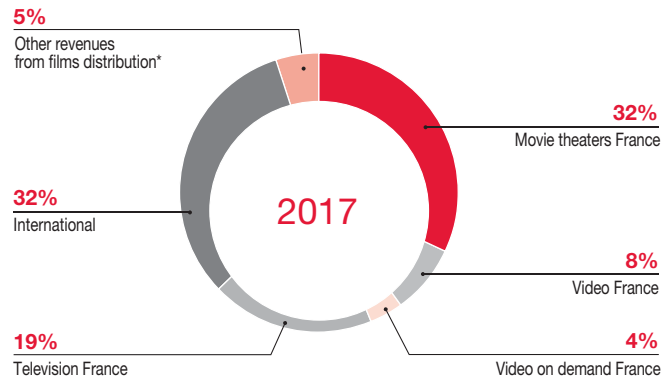
Gaumont's consolidated revenue amounted to k€177,049 in 2017, compared with k€188,725 in 2016. Revenue by business activities breaks down as follows:





Movie production and distribution

Revenue from the cinema production business amounted to k€96,937 in 2017, compared with k€113,976 in 2016, and breaks down as follows:



* Primarily includes spin-off products, music publishing and the Gaumont Pathé Archives business.

MOVIE THEATER DISTRIBUTION

Revenue from the release of films in movie theaters in France stood at k€30,690 in 2017, versus k€30,888 in 2016.

Thirteen feature films were released in 2017:

- *A Bag of Marbles*, directed by Christian Duguay, starring Patrick Bruel, Elsa Zylberstein, Christian Clavier and Kev Adams, released on January 18;
- *Step by Step*, directed by Grand Corps Malade and Medhi Idir, starring Pablo Pauly and Soufiane Guerrab, released on March 1;
- *Baby Bump(s)*, directed by Noémie Saglio, starring Juliette Binoche, Camille Cottin and Lambert Wilson, released on March 29;
- *Wedding Unplanned*, directed by Reem Kherici, starring Reem Kherici, Nicolas Duvauchelle, Julia Piaton, Sylvie Testud and Chantal Lauby, released on April 26;
- *50 is the New 30*, directed by Valérie Lemercier, starring Valérie Lemercier, Patrick Timsit and Denis Podalydès, released on May 31;
- *Return to Montauk*, directed by Volker Schlöndorff, starring Nina Hoss, Stellan Skarsgard and Niels Arestrup, released on June 14;
- *The Mansion*, directed by Tony T. Datis, starring Kemar, Jérôme Niel and Nattoo, released on June 21;
- *Barbara*, directed by Mathieu Amalric, starring Mathieu Amalric and Jeanne Balibar, released on September 6;
- *Tomorrow and Thereafter*, directed by Noémie Lvovsky, starring Noémie Lvovsky, Mathieu Amalric, and Luce Rodriguez, released on September 27;
- *C'est la Vie!*, directed by Olivier Nakache and Eric Toledano, starring Jean-Pierre Bacri and Jean-Paul Rouve, released on October 4;
- *See You up There*, directed by Albert Dupontel, starring Albert Dupontel, Laurent Lafitte, Niels Arestrup and Émilie Dequenne, released on October 25;
- *Bright Weakness*, directed by Guillaume Gallienne, starring Adeline d'Hermey, Vanessa Paradis, Eric Ruf and Xavier Beauvois, released on November 15;
- *Santa & Co*, directed by Alain Chabat, starring Alain Chabat, Audrey Tautou and Pio Marmaï, released on December 6.

Gaumont sold over 12 million cinema tickets, of which 3 million for *C'est la vie!*, 2 million for *See You Up There* and respectively 1.3 million, 1.2 million and 1.6 million for *A bag of marbles*, *Step by Step* and *Santa & Co*, the latter selling a total of 2 million tickets over its release time that continued into 2018. Four of the films received a total of 36 nominations for the 2018 César awards.



MANAGEMENT REPORT
ACTIVITIES AND CONSOLIDATED RESULTS OF GAUMONT

VIDEO PUBLISHING AND VIDEO ON DEMAND

Revenue from video and video on demand distribution in France amounted to k€11,599 in 2017, compared with k€10,968 in 2016.

Physical video sales in France remain steady at k€7,732 in 2017, versus k€7,687 in 2016, with over one million video units sold. They were driven by sales of new releases, with 12 recent movies published in 2017 versus 14 in 2016. In addition, sales of films from the Gaumont catalog keep up from one year to the next, despite a market in structural decline.

Video on demand sales grew to k€3,867 in 2017 versus k€3,281 in 2016, particularly following the agreement signed with Netflix for around 20 catalog films.

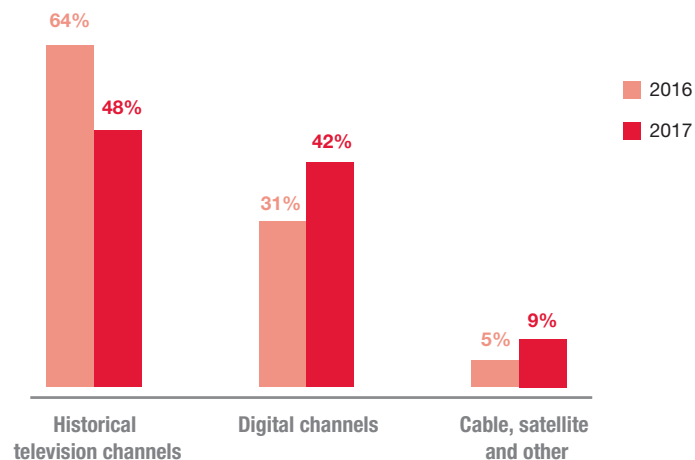
SALES OF TELEVISION BROADCASTING RIGHTS

Sales of broadcasting rights to French television channels amounted to k€18,634 in 2017, compared with k€37,057 in 2016.

No pre-sales were recorded in 2017, compared with k€12,311 in 2016 for *The Visitors – Bastille Day*, *Odd Job* and *Heartstrings*.

Sales of catalog titles to historical television channels were lower than for the previous year which was an excellent year, while sales to digital channels increased. Over 200 titles were sold during the year, including *Belle and Sebastien*, *The Dinner Game*, *36 quai des Orfèvres* and *Follow that Guy with One Black Shoe*.

Sales by type of channel break down as follows:



INTERNATIONAL SALES OF RIGHTS

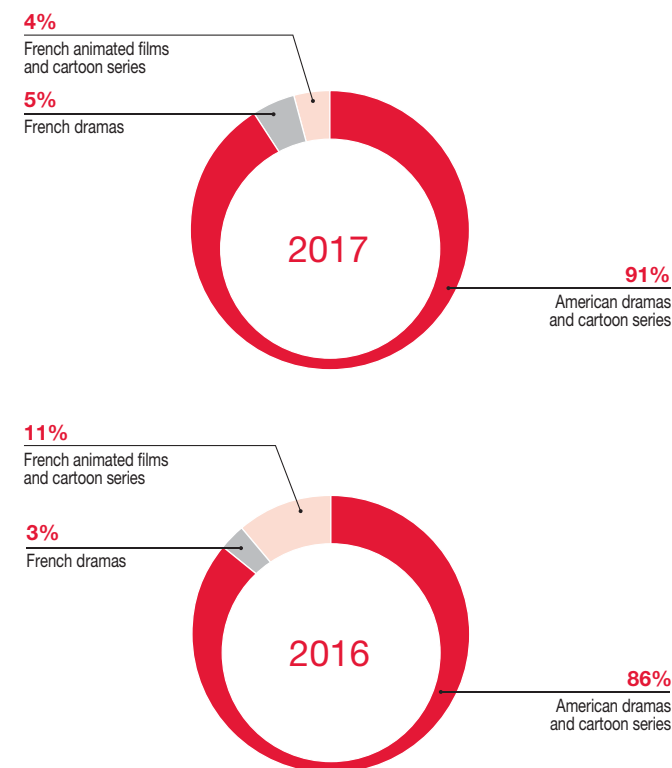
International sales of rights totaled k€30,883 in 2017, compared with k€30,268 in 2016. These were mainly driven by *Ballerina* – which sold more than 10 million cinema tickets outside France, but also *C'est la Vie!*, *A Bag of Marbles*, *Santa & Co* and *The Death of Stalin*, which enjoyed success upon its first international release in the UK in October 2017. Sales of catalog films were in line with the previous period.

OTHER REVENUE FROM FILM DISTRIBUTION

Other revenues from film distribution amounted to k€5,131 in 2017, versus k€4,795 in 2016. They mainly correspond to the distribution of archive images by Gaumont Pathé Archives, music publishing, and sales of spin-off products.

Production and distribution of dramas and cartoon series for television

Revenue from the sale of television programs totaled k€74,605 in 2017, compared to k€67,667 in 2016, and breaks down as follows:





Sales of American drama and cartoon series accounted for k€67,807 in 2017, versus k€57,862 as of in 2016.

In 2017, two series were delivered compared to only one in 2016:

- the ten-episode third season of *Narcos*, to Netflix. This series, directed by Eric Newman, has been available on the operator's online video-on-demand platform since September 2017;
- the ten-episode second season of *F is for family*, to Netflix. This series, created by comedian Bill Burr and scriptwriter Michael Price, has been available in full on the operator's online video-on-demand platform since May 30, 2017.

Sales of French drama and cartoon series accounted for k€6,798 in 2017, versus k€9,805 in 2016.

In 2017, the following programs were delivered:

- the six-episode series *The Art of Crime*, to France 2. Co-directed by Charlotte Brandström and Éric Woreth, starring Nicolas Gob, Éléonore Gosset-Bernheim and Philippe Duclos, it was broadcast from November 17, 2017;
- the first episodes of the 52-episode cartoon series *Belle and Sebastien*, delivered to M6. This series started airing on September 9, 2017;
- the first episodes of the 52-episode cartoon series *Trulli Tales*, delivered to Disney France. This series started airing in November 2017.

Trademark royalties and other income

Income from trademark royalties paid by Les Cinémas Gaumont Pathé totaled k€3,623 in 2017, against k€3,781 in 2016.

Other miscellaneous income came to k€1,884 in 2017, compared to k€3,301 in 2016, and included income from real estate lease agreements and miscellaneous services provided to third parties.

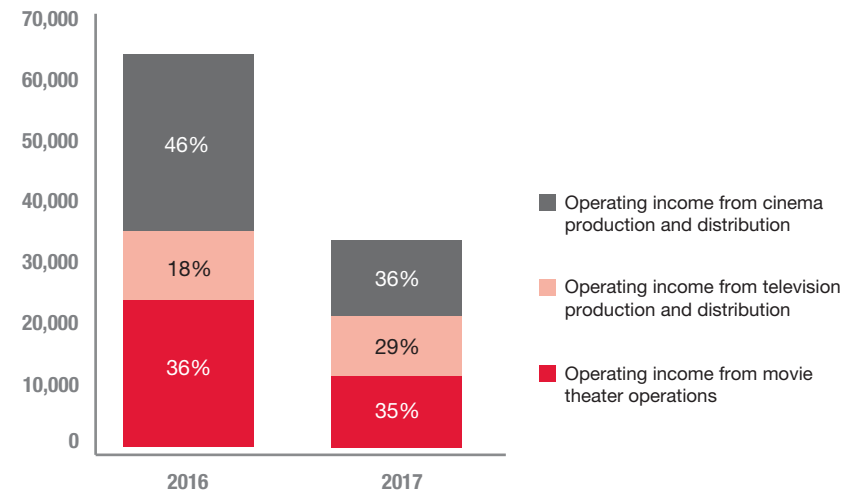
Operating income after share of net income of associates

Operating income after share of net income of associates represented a profit of k€133,067 in 2017, versus k€23,206 in 2016, and includes:

- the gain on disposal of the 34% minority stake in Les Cinémas Gaumont Pathé for k€143,884;
- operating income from cinema and television production and distribution activities;
- operating income from movie theater operations;
- overheads of the various operating activities and functional services, including non-current income and expenses linked to asset disposals, which came to k€45,222 in 2017 versus k€42,269 in 2016.

A breakdown of operating income before overheads among the various operating activities is presented below:

in thousands of euros



Operating income from cinema and television production and distribution

Operating income from cinema and television production and distribution after share of net income of associates, excluding overheads, amounted to k€22,449 in 2017, versus k€41,699 in 2016, and includes:

- the share of income attributed to feature films at k€12,549 in 2017, versus k€30,281 in 2016, including the share of net income of La Boétie Films (formerly LGM);
- the share of income attributed to television cartoon and drama series for k€9,900 in 2017, versus k€11,418 in 2016, including k€10,412 for American series.



Operating income from movie theater operations

Operating income from movie theater operations, after share of net income of associates amounts to k€11,956 in 2017, versus k€23,776 in 2016, and includes:

- the share of net income of associates for k€8,333 in 2017, against k€19,985 in 2016. This income specifically includes the contribution of Les Cinémas Gaumont Pathé, up to the date of the sale, totaling k€8,361;
- income from trademark royalties paid by Les Cinémas Gaumont Pathé for k€3,623 in 2017, against k€3,781 in 2016;

Net income

In 2017, net income stood at k€122,966, compared with k€18,985 in 2016, and includes:

- operating income after share of net income of associates;
- net financial loss, which amounted to k€8,055 in 2017, compared to k€5,336 in 2016, composed mainly of foreign exchange losses for k€4,521, principally due to movement in the Dollar over the period;
- income tax expense of k€2,046, mainly consisting of deferred tax liability of k€522 and an income tax expense on French companies of k€1,996.

The share of net income attributable to non-controlling shareholders amounted to a k€78 loss in 2017 versus a profit of k€41 in 2016.

The share of net income attributable to shareholders of the parent totaled k€123,044 in 2017, versus k€18,944 in 2016.

Financial structure and cash flows

Consolidated equity stood at k€308,018 as of December 31, 2017, versus k€280,272 as of December 31, 2016. This net increase is the result of opposite effects: increases of k€6,720 from the exercise of stock options and k€122,966 from net income, including the gain on disposal of the stake in Les Cinémas Gaumont Pathé, offset by reductions due to a k€3,115 dividend distribution and the capital reduction following the public share buyback offer for k€97,014, including fees.

The consolidated financial position stood at k€560,080, versus k€603,734 in 2016.

Net borrowings

The Group's net borrowings had fallen significantly to k€27,680 as of December 31, 2017, versus k€205,348 as of December 31, 2016. This includes k€83,749 in cash resulting from the partial payment of the sales price of the stake in Les Cinémas Gaumont Pathé, the Gaumont SA bond for k€60,025 and self-liquidating production loans of k€44,342, based on proceeds from pre-financing and distribution of French and American series.

The financial statements at December 31, 2017 include the outstanding balance of k€128,471 due from Pathé for the sale of the stake in Les Cinémas Gaumont Pathé, which is to be received in installments until 2020.

In France, given its growth policy, Gaumont estimates that its operating cash flows, the revolving credit line and the bond will cover said financing requirements, excluding any acquisitions.

In the United States, Gaumont is continuing to take out bank loans to finance its productions and uses assignments of receivables to fund new projects. These borrowings are guaranteed exclusively through assets held by the American subsidiaries without any recourse against the Group in France.

Gaumont believes that it has adequate means to honor its commitments and to guarantee the continuity of its business.

Bonds and syndicated loans

To finance the Group's general needs, at December 31, 2017, Gaumont has the following resources:

- a revolving credit facility signed on November 5, 2014, revised on July 26, 2016 and on May 19, 2017, for a maximum amount of k€80,000 maturing on November 15, 2021, without guarantees, but with three financial covenants to be met half-yearly;
- a bond in the form of a two-part listed euro private placement (EuroPP) totaling k€60,000, maturing on November 15, 2021 and November 15, 2024, and with an annual coupon of 4.75% and 5.125% respectively. This bond features the same covenants as the revolving credit facility.

The characteristics of the revolving credit facility and the bond, in addition to the accompanying covenants, are set out, respectively, in notes 3.12 and 6.4 to the consolidated financial statements.

As of December 31, 2017, no draw downs from the revolving credit facility were underway. The unused amount of the revolving credit facility stood at k€80,000.



Self-liquidating production loans

To finance the American series, the group takes out separate loans for each production. These loans were granted to production companies, subsidiaries of Gaumont Television USA, by American credit institutions specialized in financing production companies. They are exclusively allocated to financing the series concerned and are guaranteed until the amount borrowed, interest and related charges are recovered, by pledging the assets financed and all of the pre-sales, tax credit and sales contracts, with no further guarantee given. The loans include a completion guarantee contract signed with a company specialized in audiovisual production.

The loans for season 3 of the *Narcos* series and season 2 of *F is For Family* were fully repaid in 2017.

The two outstanding loans as of December 31, 2017, were granted for an overall amount of k\$ 72,540 to finance season 4 of *Narcos* and season 3 of *F is For Family*, currently in production. Their cumulative outstanding balance stands at k\$ 23,546. The undrawn balance on these loans was k\$ 48,975 as of December 31, 2017.

The individual characteristics of these production loans are set out in note 3.12 of the notes to the consolidated financial statements.

Assignments of receivables

In order to finance French productions, Gaumont made use of the assignment of receivables under the Dailly Law. Assignments within the framework of these contracts are generally linked to pre-financing the production, such as pre-sales to the main broadcaster, contributions of co-producers, or allowance from the support funds to the audiovisual industry. As of December 31, 2017, the debt related to these assigned receivables amounted to k€1,026, and the unused amount of these loans stood at k€1,996.

In the United States, Gaumont Television USA entered into a receivables assignment agreement for a maximum authorized amount of k\$50,000 to finance the development of its new projects. This line of credit is based on the series' operating receivables, with the exception of receivables pledged to production loans. As of December 31, 2017, the debt related to these assigned receivables amounted to k\$29,392, and the unused amount of these loans stood at k\$3,639.

Detailed characteristics of these loans are set out in note 3.12 of the notes to the consolidated financial statements.

Other borrowings

Other borrowings included, in particular, debt to the *Caisse des dépôts et consignations* in respect of its investment in the back catalog restoration and digitization program, which totaled k€4,470 as of December 31, 2017.

Cash flows

In 2017, Gaumont's business activities generated k€122,899 in net cash flows, versus k€131,847 in 2016.

Investment operations generated cash income of k€148,524 in 2017, thanks to k€253,333 as part payment of the sales price of the shares in Les Cinémas Gaumont Pathé. Adjusted of this sale, net investment was k€104,806 in 2017 compared to k€113,685 in 2016.

In 2017, cash flows from financing activities include the Gaumont SA capital reduction following the public share buyback offer for k€97,014, including fees. 2017 also features a decrease in debt of k€94,930, a dividend payment of k€3,115 and interest payments on loans of k€6,696.

As of December 31, 2017 Gaumont had k€83,748 in cash, compared with k€8,087 at the beginning of the year, *i.e.* a positive change of k€75,661.

Investments

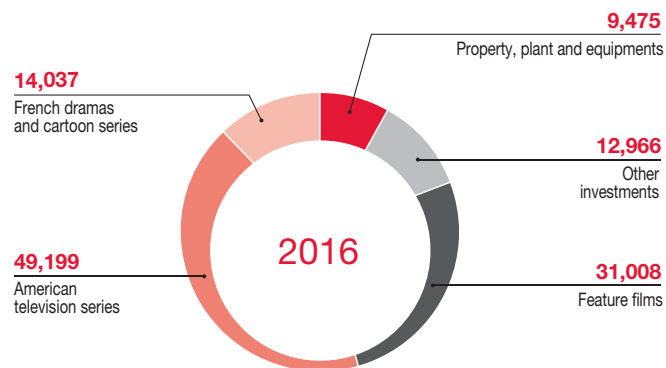
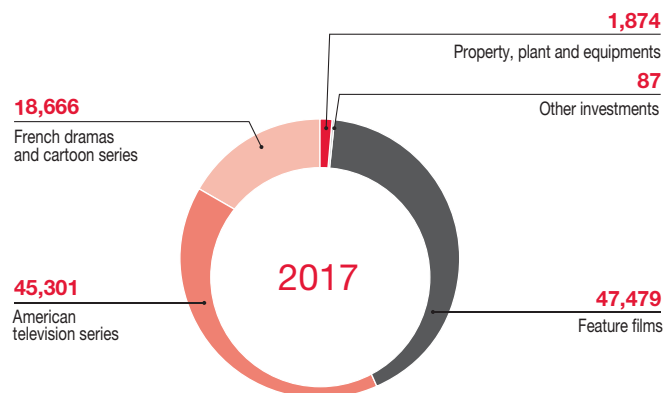
Over the last two years, investments were as follows:

<i>(in thousands of euros)</i>	2017	2016
Intangible assets	111,465	94,418
Property, plant and equipment	1,874	9,475
Financial assets	68	32
Acquisition of shares in consolidated companies	-	12,760
TOTAL INVESTMENTS	113,407	116,685

Investments in intangible assets are mostly made up of investments in feature film and television program production. The volume of investments varies from one year to another depending on the type and number of ongoing projects.



Investments by nature are presented below (in thousands of euros).



Pre-sales and coverage rates

Cinema production

Of the 13 films produced or co-produced by Gaumont and released in 2017, only one, *The Mansion*, was financed as executive producer. It featured a total coverage rate of 80%.

The other films were subject to a co-production contribution for a lump sum amount. This type of contribution enables Gaumont to limit its financial risk to the amount invested. Most of the cost of the film and pre-financing, such as contributions and pre-sales, is recognized by the executive producer in charge of line production.

French television production

Gaumont produced and delivered three series in 2017. The total coverage rate exceeded 100%.

American television production

Gaumont produced and delivered two American series in 2017, season 3 of *Narcos* and season 2 of *F is for Family*. The coverage rate for these series exceeded 100%.

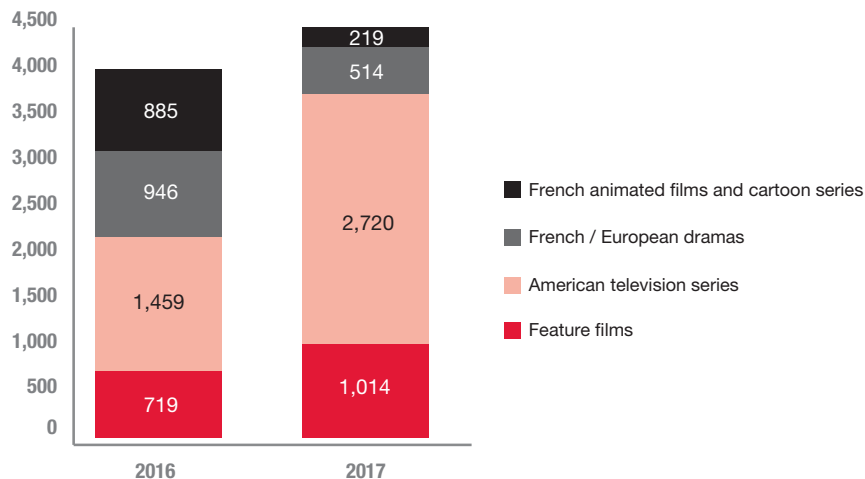


Preliminary costs

Preliminary costs are all costs related to feature films, cartoon series or television dramas incurred prior to making the final decision to invest in this project. These may be copyrights, costs relating to rewriting the screenplay, finding a shooting location, documentary research, etc. Related costs are expensed as soon as they are incurred. They have to be considered in addition to investments.

For 2017, preliminary costs totaled k€4,466, versus k€4,009 in 2016, and were divided up into the different business segments as follows:

in thousands of euros



2018 outlook

Ten feature films are scheduled for release in 2018:

- *Burn Out*, directed by Yann Gozlan, starring François Civil and Manon Azem. Released on January 3, 2018, the film has generated 150,000 ticket sales;
- *Belle and Sebastien 3: Friends for Life*, directed by Clovis Cornillac, starring Clovis Cornillac, Félix Bossuet and Tchéky Karyo, released on February 14;
- *Rolling to You*, directed by Franck Dubosc, starring Franck Dubosc and Alexandra Lamy, to be released on March 14;
- *The Death of Stalin*, directed by Armando Iannucci, starring Jeffrey Tambor, Steve Buscemi and Olga Kurylenko, to be released on April 4;
- *Mr. Know-It-All*, directed by François Prévôt-Leygonie and Stephan Archinard, starring Arnaud Ducret, Alice David and Max Baissette de Malglaive;
- *Raising Colors*, directed by Hélène Fillières, starring Lambert Wilson, Diane Rouxel and Josiane Balasko;
- *Tricky old Dogs*, directed by Christophe Duthuron, starring Pierre Richard, Eddy Mitchell, Roland Giraud and Alice Pol;
- *A Man in a Hurry*, directed by Hervé Mimran, starring Fabrice Luchini and Leila Bekhti;
- *Ailo's Journey*, a documentary by Guillaume Maidatchevsky;
- *The Emperor of Paris*, directed by Jean-François Richet, starring Vincent Cassel, August Diehl, Olga Kurylenko and Freya Mavor.

Investments for films that are expected to be released in 2018 amount to k€34,700. Gaumont has favored lump-sum investments for 9 of the 10 films, thus limiting its risk of exposure to the contingencies of time and surplus production costs. At December 31, 2017, all films were completed, except for the documentary movie *Ailo's Journey*, the filming of which is due to be completed in the summer of 2018.

Seven television series will be delivered in 2018:

- *Narcos* season 4, a ten-episode American drama directed by Eric Newman, to Netflix;
- *F is for Family* season 3, a ten-episode American cartoon series to Netflix;
- *The Art of Crime* season 2, a six-episode French drama, to France 2;
- *Nox*, a six-episode French series, to Canal+;
- the last episodes of the cartoon series *Trulli Tales*, to the Disney Channel;
- the last episodes of the cartoon series *Belle and Sebastian*, to M6;
- and the cartoon series *Furiki Wheels*, to France 3.

Investments in television production, including ongoing productions for delivery in 2018 and 2019, total k€95,610, of which nearly 60% for the American series. The rate of completion of all programs is 68% at December 31, 2017.



Change of scope

Main Gaumont group companies.

Cinema production and distribution			Television production and distribution		
	<u>12/31/17</u>	<u>12/31/16</u>		<u>12/31/17</u>	<u>12/31/16</u>
Gaumont SA			Gaumont Télévision SAS	100.00%	100.00%
Gaumont Vidéo SNC	100.00%	100.00%	Gaumont Television USA Llc	73.60%	73.60%
Gaumont Films USA Llc	100.00%	100.00%	Gaumont Animation SAS	100.00%	100.00%
Mitzé Films SAS	100.00%	100.00%	Gaumont Animation USA Llc	100.00%	100.00%
Nouvelles Editions de Films SARL	100.00%	100.00%	Gaumont GmbH	100.00%	
Fideline Films SARL	100.00%	100.00%	Gaumont Television UK Ltd	100.00%	100.00%
Gaumont Musiques SARL	100.00%	100.00%	Gaumont Distribution TV Llc	100.00%	100.00%
Editions la Marguerite SARL	100.00%	100.00%	Gaumont Animation Musique SARL	100.00%	100.00%
Gaumont Production SARL	100.00%	100.00%	Gaumont Production Télévision SARL	100.00%	100.00%
Gaumont Inc.	100.00%	100.00%	Gaumont Production Animation SARL	100.00%	
La Boétie SAS (ex LGM)	20.00%	20.00%	Gaumont USA Inc.	100.00%	100.00%

Movie theater operations			Audiovisual archive images distribution		
	<u>12/31/17</u>	<u>12/31/16</u>		<u>12/31/17</u>	<u>12/31/16</u>
Les Cinémas Gaumont Pathé SAS		34.00%	Gaumont Pathé Archives SAS	57.50%	57.50%
Lincoln Cinema Associates	31.95%	31.95%			

Companies created

In February 2017, Gaumont created Gaumont Production Animation, a company intended to ensure line production services for cartoon programs in France.

In July 2017, Gaumont created Gaumont GmbH in Germany to produce television series.

Sale of the minority stake in Les Cinémas Gaumont Pathé

During its meeting of May 16, 2017, Gaumont's shareholders General Meeting approved the resolution authorizing the sale of Gaumont's stake in the share capital of Les Cinémas Gaumont Pathé to Pathé for k€380,000. This sale became effective on May 18, 2017.



MAIN RISKS AND UNCERTAINTIES AFFECTING GAUMONT AND INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES PUT IN PLACE

The main risks and uncertainties that Gaumont faces, particularly those which affect the preparation of the financial information, are described below. Investors are requested to be aware of these prior to making investment decisions.

Gaumont reviews these risks and uncertainties when making any organizational changes and during the general revision cycles of its key operating procedures. The internal control mechanism put in place is part of the existing risk management procedure, which involves identifying, measuring and taking control of new risks likely to affect the business or how it is reflected in the financial statements.

Risks inherent to the film and television industry

A highly competitive industry facing sophisticated and ever-changing demand

As a leisure activity, the film and television industries are highly dependent on the wishes, preoccupations and the expectations of the public at large. The political and economic environment, as outside events, have an influence on the public expectations and may thus have more or less significant repercussions on the activity of Gaumont and its subsidiaries. In fact, even though artistic and technical qualities are essential, the success of a film or television program depends on other factors which are difficult to evaluate and quantify, such as the public's awareness of the subject broached, the popularity of the actors, the appeal of competing films and programs, and even the weather.

The motion picture production industry is a highly competitive market, where the success of films with the public has a significant impact on income. In a market where movie theaters offer nearly two new releases a day, Gaumont cannot guarantee the commercial success of the films it produces, co-produces and distributes.

Television production operations have a high risk of dependency on the broadcasters, which are relatively few and highly concentrated. The number of series produced by television channels, as well as by new market players, is constantly increasing and, due to the sheer quantity available, series sometimes struggle to find their audience.

The cartoon market is a very dynamic market that caters to children and young adults first and foremost. This industry is very competitive as the offering is wide and broadcasting times are limited. An increasing number of animated feature films are available within the audiovisual landscape. They tend to be

scheduled in theaters during school vacations or close to Christmas, in order to increase the chances for the movies to stand out. The number of these periods being limited, several films targeting young audiences are released at the same time and share movie theater attendance levels. On television, cartoon series are usually broadcast in the morning, Wednesdays or the weekend, and during school breaks. Only children-themed channels offer broadcasting in all time slots. This limitation makes cartoons a highly seasonal business activity which limits producers in determining their program delivery schedule.

The constraints of operating visas and the barrier effect of censorship

In most countries, the right to operate a film and the conditions of its distribution depend on a certain number of administrative authorizations.

To show a film in theaters in France, the film distributor must first obtain an operating visa from the Ministry of Culture, which is determined by an opinion from the film classification commission. The regulations governing the granting of this operating visa state that this administrative authorization can only be refused for reasons pertaining to "child and youth protection or respect for human dignity".

In the United States, a classification system that identifies the public for which the film is intended has been put in place by the Motion Picture Association of America. Although this classification is optional, it is generally required by the operators for programming the films in their movie theaters. Equivalent classification systems exist in most western countries.

In some countries, notably China whose fast-growing market offers major opportunities for film distributors, the local distribution of films is regulated by quota systems that restrict the distribution of foreign movies so that local productions can benefit. These protectionist systems are usually combined with strict censorship commissions regarding scenes of sex and violence or even political and social scenes.

Likewise, the broadcasting of television programs is generally subject to a classification and identification system according to the recommended public.

In France, this classification is organized by the Audiovisual Council (*Conseil supérieur de l'audiovisuel*), and specifies the inclusion of visual pictograms showing the age range recommended for the program.

In the United States and in many countries, the system of content classification is organized by associations that include broadcasters and representatives of the public. Elsewhere, classification is left to the assessments of the program producers.



Regulatory financial support for production and distribution

Financial support for production

WRITING AND PRODUCTION SUPPORT IN FRANCE

The French film and audiovisual industry is governed by complex regulations, the implementation of which is overseen by the CNC. This French regulatory system, and to a lesser extent the European system, helps finance projects and productions.

Financial support for the production of television programs, also called the COSIP (Program for the support of audiovisual programs) is primarily funded by the tax on videograms and taxes on broadcasters proceeds. The COSIP is redistributed to executive producers based on the program's length and genre. They can then reinvest the funds in future productions and projects being developed.

A special tax levied on the price of movie tickets is one of the main sources of financial support for motion picture production. The income from this levy is then redistributed to film producers, distributors, video publishers and movie theater operators in order to encourage them to invest in new films or to modernize their movie theaters.

Gaumont benefits from these measures, particularly from the CNC's automatic support fund system for its production, French and foreign distribution and video publishing activities. The accounting methods for those grants and the amounts recognized in income for the period are presented, respectively, in notes 2.17 and 4.3 to the consolidated financial statements.

Gaumont believes that this system helps maintain varied audiovisual production in France, in terms of nature, genre and budget of the programs, and that questioning the system could have significant consequences on its business.

TAX CREDITS

In France, the United States, Canada and in many other foreign countries, producers of feature films and television programs can benefit from tax credits when they incur production costs in the country concerned. The eligibility criteria for these forms of assistance usually include the obligation to commit a defined proportion of production costs in the country granting the tax credit. Other conditions, generally related to the characteristics of the work and the nationality of the applicant or the persons intervening in the production may also be required.

These tax incentives are widely used, and contribute to the producer's capacity for financing. Gaumont and its subsidiaries regularly benefit from these sources of funding so, were they to come under threat, this would have significant impacts on the activity of not only Gaumont but also its financial partners. In France, recent political decisions are more part of an effort to make tax incentives even more attractive, rather than to question them.

The accounting method for these tax credits and the amounts recognized in income for the period are set out, respectively, in notes 2.17 and 4.3 to the consolidated financial statements.

Regulations supporting distribution

THE IMPORTANCE OF BROADCASTERS IN FINANCING PRODUCTIONS

Film financing is largely made up of private funding from the producers, who bear the production risk and share the property of the master recording and copyrights, the distributors who acquire the operating rights, and the television channels which invest from the beginning of the project by buying the broadcasting rights and generally top up their participation with an investment as co-producer granting them with a share in proceeds.

French regulations set forth an obligation for free and pay television channels to contribute financially to original French-language film production, by dedicating a percentage of their revenue to the pre-sale of broadcasting rights or to investments as a co-producer. In exchange for these investments, the television channels receive exclusive first broadcasting rights. Consequently, television channels represent an important source of funding for movie production and, on average, contribute approximately a third of a movie's budget, divided between pre-sales and co-production contributions.

In France, the television channels are legally obligated to invest a percentage of their resources in television dramas, which contributes to maintaining a market for French television works. The financing of television productions (dramas, series and documentaries) relies essentially on the television channels that order programs from producers, from whom they acquire the rights from the beginning of the project and sometimes as early as the development phase.

Gaumont believes that this system helps maintain audiovisual production in France, and that challenging the system could have significant consequences on its business.

THE TRANSFORMATION OF THE WORLD AUDIOVISUAL LANDSCAPE

For several years, major changes have occurred in the audiovisual landscape that could have a substantial impact on Gaumont and its subsidiaries' results.

The increase in the number of television channels, the appearance of thematic channels, and the transformation of broadcasting channels constitute a threat to the hegemony of the historical channels throughout the world. Moreover, the emergence of new transnational players, in particular on-demand video platforms such as Netflix or Amazon obligates the television channels to revise their broadcasting strategy in order to keep their audiences and their advertising revenues. These transformations, although they are an opportunity in terms of sales potential, considerably alter the economic model of the film and television program distribution.

These structural changes are also apparent in the decline of purchases of French dramas and documentaries to the benefit of light entertainment (games, varieties, reality shows) and American series and in the reduction in time slots for films in the program schedule, especially on historical television channels. The increase in themed channels and digital television partly offsets the decline in the volume of movies purchased by historical television channels, with, however, a reduction in the average price of the sales of broadcasting rights.



THE REGULATORY ORGANIZATION OF BROADCASTING WINDOWS

In France, feature film distribution must follow the media chronology, which designates the succession of windows for showing a movie, starting from its release in theaters. The sequence of the different releases and their timing has a considerable impact on the profitability of a movie, because all these media, even though they represent various sources of revenue, are also in direct competition. In October 2017, the Ministry of Culture launched a mediation on media chronology which is due to be completed in April 2018. Gaumont is following and taking part in the discussions, so it can be as best prepared as possible for the impact of any coming changes on its activities.

Impacts of technological progress

Costs relating to changes in broadcasting formats

The rise of digital technologies is bringing about major changes in the film industry. These changes are visible at all levels of the production and distribution chain, and require significant investments for all of the players in the industry.

The digital revolution and the convergence between traditional content and digital technologies have substantially changed how films are produced and distributed.

Substantial investments have been made in movie theaters to enable digital films to be screened, and now virtually all movie theaters in France have gone digital. The 2010 law on financing the digital roll-out, which requires distributors to help finance digital equipment for movie theaters, as well as national and regional assistance, have significantly helped expand of the number of digital theaters.

In addition, companies that have a film catalog find themselves obligated to restore and digitize back catalog films in order to comply with their obligation for ongoing operation of works if they wish to continue the operation, given the standards imposed by the television channels.

With a film catalog of about 1,200 titles, Gaumont is mindful of these developments and took measures early on to protect its business. Since 2009, Gaumont has put in place digitization and restoration programs for over 400 films in its catalog. However, the new technology race and the speed of change in standards may require significant new investments.

To finance this work, Gaumont regularly seeks financial aid, in particular from the CNC. Such assistance may take the form of repayable advances or simple grants. The amount of assistance received by Gaumont for this is presented in note 4.3 to the consolidated financial statements.

Impacts of pirating

Pirating is a practice that severely jeopardizes the creation and broadcasting of movies and programs. According to a recent study conducted by the ALPA in collaboration with Médiamétrie and the CNC, 13 million internet users visited a website dedicated to audiovisual counterfeiting in 2016, that is 27% of internet users. While P2P (Peer to Peer) has sharply declined over the past few years, DDL (Direct download) and streaming have increased considerably. Digitizing movies also makes it easier to create, transmit and share high-quality unauthorized copies. According to another study conducted by the firm EY, in 2016 piracy was the cause of €1.35 billion in lost revenue, affecting the motion picture and audiovisual industry and Government budgets.

In order to combat this phenomenon, France is equipped with an independent public authority, the Hadopi (*Haute Autorité pour la diffusion des œuvres et la protection des droits sur Internet* – an institution for protecting intellectual property rights on the internet). The different areas of intervention and assignments of the Hadopi are defined in the French Code of intellectual property, and notably aim at protecting works from the violation of their respective rights as part of the “calibrated response”.

The Ministry for Culture has also created an online advertising best practices charter signed by advertisers, advertising professionals and rights holders, as well as an online payment means best practice monitoring committee. These two initiatives aim to financially drain pirating sites. The “Liberty of Creation, Architecture and Property” law of July 7, 2016, also allowed for strengthening of the CNC’s anti-piracy role.

In September 2017, the ALPA (*Association de lutte contre la piraterie audiovisuelle*) and Google, under the aegis of CNC, signed an agreement for more effective anti-pirating measures. This partnership, the first of its kind in France, allows ALPA to use, on behalf of its members, Google’s tracking and protection tools, similar to YouTube’s Content ID technology, on its platforms.

Gaumont is particularly sensitive to the risks that pirating causes to its distribution business, and supports the development of warning and penalty measures introduced by the Hadopi Law authorizing the agency to record infringements, to monitor the dissemination of films and to protect rights on the internet. Gaumont considers that this system favors the dissemination and protection of creativity on the internet and also supports the new tougher anti-pirating devices.



MANAGEMENT REPORT

MAIN RISKS AND UNCERTAINTIES AFFECTING GAUMONT AND INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES PUT IN PLACE

Credit and counterparty risks

Risk of customer default

Customer risk is presented in note 6.4 to the consolidated financial statements.

Risks of dependency on customers in a concentrated market

In 2017, the top ten customers accounted for 65.1% of consolidated revenue.

TRADE RECEIVABLES	CONSOLIDATED REVENUE	
	<i>in thousands of euros</i>	<i>as a %</i>
1. Netflix	67,809	38.3%
2. Les Cinémas Gaumont Pathé group	10,965	6.2%
3. France Télévisions group	8,057	4.5%
4. TF1 group	5,864	3.3%
5. Canal+ group	5,629	3.2%
6. UGC group	4,232	2.3%
7. M6 group	4,056	2.3%
8. The Weinstein Company	3,604	2.0%
9. CGR group	2,767	1.6%
10. FNAC group	2,308	1.3%
TOTAL	115,291	65.1%
CONSOLIDATED REVENUE	177,048	100.0%

Despite the apparent concentration of its revenue, Gaumont does not face a risk of dependency on its main customers given that the breakdown of its key customers mainly mirrors the financing structure of the works it produces and delivers during a particular year and changes over time.

To control this risk, Gaumont does however try to enter into partnerships with all market players.

Other dependency risks

Gaumont is not exposed to a risk of dependency in industrial, commercial or financial terms or in relation to industrial property rights (patents, licenses, etc.) that could have a major impact on its business or its profitability.

Gaumont is not exposed to a risk of dependency with regard to its suppliers or its subcontractors.

Managing market risks and the associated costs

Managing general market risk

To mitigate risks in the markets in which it operates, Gaumont has opted to diversify both its productions and its activities.

Gaumont and its subsidiaries are committed to offering the public diversified content and try to make it available to all. Furthermore, Gaumont always seeks to partner with experienced professionals, thereby ensuring quality productions, and constantly works at uncovering and supporting new talents.

In a competitive environment, Gaumont and its subsidiaries are always seeking to gain a foothold in new markets, in North America, Europe and the rest of the world, and adopt new media as quickly as possible. In order to do this, Gaumont works to develop films, dramas and animated productions with high international potential.

To remain competitive, Gaumont capitalizes on the production know-how it has gained over more than a century, ensures it keeps its operating costs at a manageable level and optimizes its overheads by centralizing its support structures and using its own resources and expertise before turning to external subcontractors.

To enable it to make the best possible provisions for market changes, political decisions and amendments to regulations, Gaumont is actively involved in the discussions and debates of the professional organizations in the industry, either by attending public events or through its presence in the main professional bodies.

Finally, Gaumont's strategy is to maintain a balance of activities overall, by mixing activities in the short production and broadcasting cycle which are financed on delivery, such as television series and drama production, with activities in the longer-term profitability cycles such as feature films which very often require long-term television broadcasting to break even. This is why Gaumont strives for a heritage vision, regularly purchasing catalogs which enable it to increase its share of proceeds or broaden and diversify its offering of films and television programs, so that each year it can offer broadcasters a catalog of over 800 feature films.

Pirating protection

To protect the works of Gaumont and its subsidiaries from pirating, the Legal department takes a number of prevention and remedial actions.

As a preventative measure, Gaumont strictly supervises the conditions around manufacture, promotion and release of its works in order to limit the risk of fraudulent copies. In particular, Gaumont makes sure to include upstream protection, for security and traceability of the copies, by "marking" or placing "footprints" on the works, in close cooperation with the laboratories, auditoriums and inventory companies with whom it works. The works are also declared to TMG, a technology platform commissioned by the ALPA to detect fraud. The ALPA then supplies Hadopi with data pertaining to illegal connections allowing it to proceed with the "calibrated response". Lastly, contracts with video on demand operators, television channels and agreements for international sales of rights also include a specific clause under which the third-party company undertakes to comply with Gaumont's video protection systems.

As a remedial measure, Gaumont monitors online public communication networks in order to detect any unauthorized presence of a work and to limit the risk of pirating.



Risks associated with the operations of Gaumont and its subsidiaries

Financing of activities

Financing needs and high-volume feature film production

Cinema is a business that requires significant investments prior to a release. As first stakeholder in the economic life of a film, the producer is the party in charge of raising the capital necessary for its production.

A producer's risk depends on the type of participation it is committed to in each film produced or co-produced:

- when it is involved as executive producer or co-producer, it is tasked with organizing the financing of the film prior to production beginning. During production, it is responsible for all of the decisions pertaining to the content of the work, both the artistic and financial aspects, and supports the potential budget overspending. In certain cases, the executive producer's role can be entrusted to two co-producers who jointly assume the decision-making responsibility;
- when it operates as a non-executive co-producer, its contribution and risk is limited to a lump sum contribution. The commitment being limited to this contribution, the main part of the finance risk is carried by the executive producer.

Financing balance for television production

French-language dramas generally have a limited useful life. Aside from rare cases, these works are subject to single broadcasting and present few sales opportunities in the long-run and on other distribution channels. It is therefore important for the producers to limit the risks for losses from the pre-financing stage.

The American series have a more international market and a longer operating cycle: many series run for at least two seasons and are distributed on video or by video on demand, which helps amortize investments over a longer period.

Risks inherent in the use of external borrowings

To cover its cash flow requirements throughout the production cycle, Gaumont uses bank loans or bond issues on the open market. These present specific risks linked to their individual characteristics as well as the risk of default by third party financing.

Gaumont regularly conducts a special review of its liquidity risk and believes that it has adequate resources to honor its commitments and guarantee the continuity of its business. The financial structure and cash flows are presented on pages 14 to 16 of this Registration Document.

Liquidity risk is detailed in note 6.4 to the consolidated financial statements.

Interest rate risk, foreign exchange risk, and equity risk are presented in the same note 6.4 to the consolidated financial statements.

Managing financing-related risks

OPERATIONAL RISK MANAGEMENT THROUGH DIVERSIFIED INVESTMENTS

To control its investment and financing capacities, Gaumont commits to productions across a range of budgets, alternating large-budget projects with more modest budgets, and also diversifies the type of contributions it makes.

When it acts as executive producer or co-producer in a movie, Gaumont only decides to produce once the financial coverage is deemed to be satisfactory, taking into account firm commitments obtained, mainly including co-production contributions, pre-sales of rights to television channels, pre-sales to foreign distributors, and distribution minimum guarantees. When Gaumont participates in a production by providing a lump sum, and although its risk is limited to its contribution, it ensures that the executive producer has sufficient funding before making the decision to invest.

For French television productions, Gaumont Télévision and Gaumont Animation make sure that a financing plan is drawn up for each drama or series prior to starting production. The financing plan brings together various partners' contributions to ensure production profitability. Financing plans are primarily made up of pre-sales to television channels, support for audiovisual production and the audiovisual tax credit.

Gaumont pays careful attention to the pre-financing of productions of American television series and only decides to start production when the financial coverage rate is deemed satisfactory, based on, in particular, pre-sales of rights and tax credits. Gaumont also ensures that the project's international sales prospects are sufficient.

Gaumont does not take out "completion guarantee" insurance for French productions but does so for American films and series, in accordance with the industry's standard practices.

FINANCIAL RISK MANAGEMENT USING HEDGING INSTRUMENTS

To cover the risks linked to its external financing, such as interest rate risk and foreign exchange risk, Gaumont makes regular use of derivatives such as interest rate swap contracts and forward currency sales/purchases. The full details of Gaumont's management process and the instruments used are set out in note 6.4 to the consolidated financial statements.

Within the Finance department, a financing and treasury department ensures that Gaumont and its subsidiaries always have access to adequate, long-term sources of available cash to enable the business to continue to operate. Cash positions are checked daily and cash flow forecasts are drawn up and reviewed periodically. This department also sets hedging policy to manage the interest rate and foreign exchange risks inherent in the loans. Cash flow requirements and financing resources of productions are examined on a case by case basis with the Production department and the Executive management. Short-term and long-term financing transactions require prior approval of the Executive management or the Board of directors, depending on the level of engagement.



MANAGEMENT REPORT

MAIN RISKS AND UNCERTAINTIES AFFECTING GAUMONT AND INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES PUT IN PLACE

Controlling production costs

Production delays and the risk of budget overrun

PRODUCTION OF FEATURE FILMS

Several external events can cause production delays, inflation in production costs and related financial charges, or induce the need to postpone the release of a film. The risk associated with these events depends on the type of participation in the movie's financing:

- when acting as executive producer or co-producer, the producer (alone or with the co-executive producer) bears the risks related to increased production costs and financial charges, and is the sole beneficiary of any savings achieved. In order to limit the risk of increased costs as a result of production delays, the production budget includes a specific line for contingencies, usually set at 10% of production costs. Insurance policies are also taken out to cover certain financial hazards;
- when acting as a non-executive co-producer, the producer's risk is limited to its financial contribution, the overruns being the executive producer's responsibility.

PRODUCTION OF TELEVISION PROGRAMS

As the long-term sales potential of French television productions is limited, prior financing usually covers the entire production budget. Because of this economic model, controlling production costs is essential to preserving the financial equilibrium of the business.

In the United States, the producer assumes the risk of exceeding the budget and benefits from potential savings. In order to limit these risks, it is common practice to include a line for contingencies in the budget and sign a completion guarantee with a third party specialized in this business.

Managing risks linked to production costs

In order to limit its risk exposure, Gaumont alternates executive producing and lump sum investments. Moreover, when acting as executive producer, Gaumont entrusts the supervision of the production to a line producer whose role is to, in particular, ensure that the film's budget is followed, authorize expenses, ensure the shooting schedule is being adhered to, and supervise the editing work. This line producer can be a Gaumont employee or independent. He/she carries out his/her assignment under Gaumont's direction and in close cooperation with the production administrator.

For its television productions, Gaumont organizes to continually monitor and control the production through the line producer, and systematically signs a completion guarantee for its American productions. Production controllers, reporting to Gaumont's Finance department, are responsible for monitoring the production costs of ongoing productions and the associated financial risks. The teams play a vital role in controlling production costs by monitoring the production budgets in close collaboration with the production administrator.

Production risk insurance policies are held for each film and series produced by Gaumont and its subsidiaries. These insurance policies cover the preparation and production phase at the level of a film's estimate, to cover sickness-accident risks on the main actors and the director and the risk of degradation of the master recording.

Risks associated with intellectual property rights

Respecting the chain of rights

Intellectual property constitutes the heart of the cultural and artistic industry. Like other cultural industries, the audiovisual industry is therefore exposed to legal risks, primarily including disputes relating to intellectual property rights and sharing proceeds from a work.

The chain of rights is one of the vital elements allowing for peaceful distribution and use of rights, as any break in the chain of rights could make it impossible to distribute the work and could expose Gaumont to lawsuits.

In the event of a dispute concerning intellectual property rights, Gaumont records provisions in its accounts concerning these risks. These provisions are presented in note 3.11 to the consolidated financial statements.

Managing risks associated with intellectual property rights

In order to minimize the risks of disputes concerning the property rights of a film as much as possible, when Gaumont, or one of its subsidiaries, is the executive producer, it always states that it is the holder of the copyright and related rights enabling the production and distribution of the films and ensures the protection of material.

The Legal department plays a major role in the internal control mechanism, particularly in terms of controlling legal and regulatory risks. When Gaumont takes on the role of executive producer, the legal department is responsible for formalizing, negotiating and drawing up all production-related contracts. The legal teams comprise specialist lawyers who are organized by operating activity, thereby enabling them to better assess and manage the contractual risks specific to these activities. The contracts are prepared by the individual lawyer, in collaboration with the operating managers, then reviewed centrally by the Head of the Legal department.

When Gaumont is not the executive producer of a film, it has greater exposure to the risk of non-validity of the chain of rights. To mitigate this risk, the Legal department ensures the chain of rights is respected by obtaining a copy of the contracts from the executive producer. As the distributor, Gaumont insists on all of the contracts being provided to it no later than before the release of the film, and analyzes them thoroughly. In the event of a dispute, Gaumont also has the right to take legal action against its co-contractor.



Within the Legal department, the Catalog management division monitors the author' contracts over time and ensures that the entire catalog of Gaumont and its subsidiaries is always available for sale by the various sales departments.

To keep track of the rights and manage sales of all its cinema and audiovisual works on all broadcasting and distribution media, Gaumont uses dedicated software. Through it, Gaumont manages and controls the rights in the works obtained from the authors, and the broadcasting rights sold or available for sale with detail by distribution medium and territory, in order to guarantee the chain of rights of its catalog on a permanent basis.

Commercial and employment litigation risks

In addition to intellectual property risks, Gaumont may be exposed to other specific legal risks such as legal proceedings with personnel or with trade partners.

Litigation or legal rulings of any kind, whether in Gaumont or its subsidiaries' favor or not, may generate significant costs and adverse publicity for Gaumont or members of its management.

A provision for risk is set aside as soon as Gaumont or its subsidiaries enter into an obligation with a third party, assuming an outflow of resources, and that the indemnity amount can be reliably estimated.

The provisions for risks and expenses pertaining to commercial and employment litigation are presented in note 3.11 to the consolidated financial statements.

The company, to the best of its knowledge, is not subject to any on-going or threatened governmental, legal or arbitration proceedings that could have a material effect on Gaumont or its subsidiaries' financial position or profitability.

Risks inherent in the preparation and the processing of the accounting and financial information

Fraud risk

Because of the crisis, financial crime is increasing and affecting all companies. Large-scale financial fraud involves the misappropriation of assets, corruption or the production of fraudulent financial statements, but it can also involve less-visible anomalies such as tax avoidance, the concealment of expenses and abuse of payment terms.

Fraud, which by its very nature must be intentional, can be the result of an attack from outside the company or by a company member. Fraud detection requires extreme vigilance and making all parties aware of potential occurrences. Gaumont, because of its notoriety, media exposure and growth, is an attractive target and the volume of information made public, specifically to fulfill the regulatory obligations of the industry (publicizing production contracts, authors' contracts, etc.) and the stock market, heighten the risk of a malicious attack.

The main fraud risks to which Gaumont believes it is exposed include the management of fictitious third parties, over-invoicing, falsification of documents and misappropriation of the payments made for transactions with suppliers.

Errors in the preparation of accounting and financial information

In addition to the risk of deliberate fraud, Gaumont is exposed to the risk of unintentional errors which could, to varying degrees, affect the accounting and financial information it publishes.

Within Gaumont's activities, there are two main areas which pose potential problems: first, the high volume of transactions which require to be processed to a tight deadline and, second, the increasing complexity of operations arising from the many and varied contractual situations and the growing number of activities within the Group. Gaumont has therefore acquired applications and software to automate the flows, which also take account of special situations.

The main risk is therefore human error in preparing the financial statements, but undetected anomalies could also be generated as a result of the extensive use of IT tools.

IT vulnerability risks

Computerized data are central to Gaumont's business. But, like all companies, Gaumont is exposed to the risk of targeted or non-targeted cyber attacks, which could lead to the corruption of business data, the diversion of funds to pirates, and the disclosure of private or confidential information, or simply affect the normal operation of the business.



MANAGEMENT REPORT

MAIN RISKS AND UNCERTAINTIES AFFECTING GAUMONT AND INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES PUT IN PLACE

The internal control and risk management procedures in place for the preparation and processing of the accounting and financial information

To control the risks which could have a direct impact on the accounting and financial information, Gaumont put in place an internal control system based on rules and procedures which it strives to permanently upgrade and adapt.

The main principles of Gaumont's internal control system

COMPLIANCE WITH AN ETHICS CHARTER

Gaumont monitors compliance with certain rules of conduct and ethics. These are brought together in a Professional Ethics Charter which sets out a Code of Ethics with which employees must comply, with specific reference to stock market dealings, the confidentiality of Gaumont's data and relationships with clients and suppliers. Each year, employees must confirm in writing that they will adhere to these rules. The Professional Ethics Charter is appended to Gaumont's Rules of Procedure, which also sets out the rules for using the IT, telephone and internet tools and reminds users of their responsibility in this area.

CENTRALIZED MANAGEMENT OF INTERNAL CONTROL

Gaumont's internal control mechanism is based on the principles and components of America's COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework and the simplified reference framework of the French Financial Markets Authority (AMF) for small and mid-caps.

The internal control principles and guidelines are drafted by the central internal control department and then distributed to all subsidiaries inside and outside France. The guidelines are transposed into procedures at company level and implemented with the help of local resources and centralized departments.

When it acquires a company, Gaumont makes every effort to integrate the mechanism within a reasonable time frame, which may however vary according to the size of the company.

The half-yearly report on the internal control orientations and activities is submitted to the Audit Committee which delivers an opinion on the work carried out and the general internal control mechanism put in place.

MANAGING IT RISK

The management of IT risk is organized into four key areas: user training, segregation of functions, upgrade management and the security policy.

To implement the recommendations of a security audit of its IT system carried out at the end of 2014, Gaumont put in place a short and medium-term action plan with a view to tightening all its security measures. Gaumont's IT security policy focuses on protecting its network and internet access, backing up the company's historic data and email filtering. Most of the 2017 actions related to the

implementation of a new password management policy, protection of workstations and smartphones, securization of the telephony system and message system access, the deployment of new spam protection and website administration.

The segregation of functions in the applications is done through user right management, with a separation of the consultation, processing and development rights. These rights are managed by administrators who are not involved in producing accounting and financial information.

The administrators are also in charge of parametrization upgrades and functional tests, in close collaboration with the users, publishers and other stakeholders. An upgrade of any type or size must be requested, formally monitored and then tested and validated before it is put into production. The most important interventions are carried out as part of structured projects, sometimes with the support of outside specialists.

In terms of user training, in 2017 Gaumont organized IT security awareness sessions for all users and each year a large number of users receive training on the tools they use to do their work. This training may be delivered by an external provider, for office automation software training for example, or delivered internally, such as training on Gaumont's own tools or tools which have been significantly customized to meet business needs.

EXPENDITURE WORKFLOW AND CONTROL PROCEDURES AND FRAUD RISK MANAGEMENT

All expenditures and financial flows of Gaumont and its subsidiaries are subject to a multi-level validation procedure.

Budget control

Each year, the operations and functional managers submit to Executive management and the Finance department their strategy, objectives, and detailed budget requirements for the following year. Once approved by Executive management, a consolidated summary is compiled by the Finance department and submitted to the Board of directors. The approved budgets serve as a reference for expenditure commitments for the following fiscal year.

As films are released and television programs delivered, the Finance department arranges for the business forecasts to be updated. By doing this, any significant variation in activity which could impact the consolidated results can be anticipated. All the budgets are updated at least once a year and submitted to the meeting of the Board of directors called to approve the budget for the following year.

Overhead and general operating expenses are subject to a periodic report from the various operating divisions to Gaumont's Executive management.

Validation of expenditure

Gaumont's organization is structured around levels of authority and responsibility. It is based on a delegation and transaction authorization system drawn up to meet the specific needs and constraints of every activity. The procedures are formalized in the procedure manual and apply to all business sectors of Gaumont and its subsidiaries.



An organization which structures transactions and delegations of power is key to risk management within Gaumont. To further tighten the control of its processes, Gaumont implemented an invoice validation workflow software, which guarantee compliance with the internal delegation rules.

In 2017, Gaumont continued to deploy its electronic approval system, extending it to virtually all of its activities. This system guarantees the audit trail of the expenditure authorization process and compliance with the delegation thresholds.

Control of payment methods

To limit the risk of misappropriation of funds, Gaumont has a double signature policy in place for all payment means. Although restrictive, this offers security against internal fraud and provides more opportunities to detect errors and anomalies.

In 2017, Gaumont dematerialized its bank signature process to incorporate these rules into an IT system with rights management which is managed by a user who is not a signatory and has no connection to cash management.

Segregation of functions in the Finance department

The Finance department is organized into specialist departments to separate bookkeeping, controlling and cash management functions. The people involved in the processes most susceptible to fraud, such as managing third parties and bank references, issuing payments and validating invoices, always work in different departments of the company.

Preparation and approval procedures for financial statements

Preparation of the financial statements for publication is covered by a procedure which involves several departments and is organized according to a detailed timetable drawn up by the Finance department. This timetable, which sets out the sequence of the work to be carried out by the different departments, is distributed to all relevant employees and the IT teams.

The data from the different departments are cross-checked by the Accounting department and the Controlling department to ensure consistency between management data and statutory accounting data.

Market software is used to keep the books and consolidate the financial statements, to guarantee compliance with the accounting rules, and is adapted to meet the specific business needs of Gaumont and its subsidiaries, for example using analytic plans to monitor activities.

Gaumont's separate and consolidated financial statements are audited each year and undergo a limited half-yearly review, in compliance with the rules of independence and the code of conduct of the statutory auditors, whose working methods focus particularly on controlling the risk of fraud and errors in preparation of the financial statements.

The financial information is submitted to the Executive management and the Board of directors for approval, as required by law, and published in accordance with the rules governing listed companies.



CORPORATE SOCIAL RESPONSIBILITY

Social data

Gaumont's social and cultural footprint in France and abroad

Founded in 1895 by Léon Gaumont, Gaumont is the only movie company in the world that is as old as motion picture itself.

Since the beginning of the 20th century, Gaumont has been involved in cinematic production, with Alice Guy, the first female director, then with Louis Feuillade, famous for *The Vampires*, *Fantômas* and *Judex*.

Throughout the 20th century, and particularly starting from the 1950's, following the arrival of the producer Alain Poiré, Gaumont has produced and distributed more than 400 feature films, some of which were big hits in French film history, and partnered up with renowned directors such as Sacha Guitry, Édouard Molinaro, Yves Robert, Georges Lautner, André Cayatte, Gérard Oury, Claude Pinoteau, Francis Veber and Jean-Paul Rappeneau.

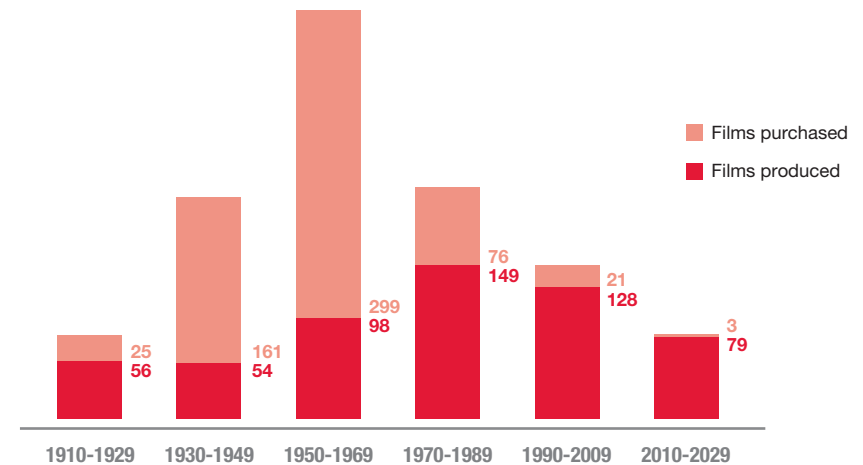
In 1975, Nicolas Seydoux took over Gaumont and gave it new momentum. He committed to an ambitious production policy and expanded business internationally. With Daniel Toscan du Plantier, Chief Executive Officer, he led a European production policy matching up big popular hits with avant-garde works. Gaumont also launched the film-opera concept by producing *Carmen*, directed by Francesco Rosi, and *Don Giovanni*, directed by Joseph Losey. From the end of the eighties onwards, under the management of Patrice Ledoux, then Sidonie Dumas, Gaumont started leaning towards promoting young talents. Major successes for this period include *The Big Blue* and *The Fifth Element*, directed by Luc Besson, *The Visitors*, directed by Jean-Marie Poiré, or *Untouchable*, directed by Éric Toledano and Olivier Nakache.

Today, Gaumont has hundreds of works in its catalog which have enchanted hundreds of millions of viewers across the world. From *Monsieur Gangster* to *OSS 117*, from *Greed in the Sun* to *The Dinner Game*, from *Delusions of Grandeur* to *Boum 1*, from *Knock on Wood* to *That Night in Varennes*, from *Fantômas* to *Untouchable*, its movies feature world-famous stars and directors, and some of them have written the most beautiful pages in the history of cinema.

An important portfolio of movies

Through its history and longevity, Gaumont has made a huge contribution to the creation of film and plays a vital role in preserving French film heritage. With more than 1,100 feature films, the Gaumont catalog, the second largest catalog in France in terms of the number of works, represents history of French cinema from its origin to the present day.

BREAKDOWN OF GAUMONT CATALOG FEATURE FILMS BY PERIOD



Backed by this history and conscious of its role, in 1989, Gaumont created the Gaumont Museum, a place dedicated to the history of film, where documents, correspondence, objects and materials having supported the production and release of films since its creation are assembled. Everything pertaining to Gaumont's history is meticulously assembled, purchased, restored and conserved. Throughout the years, this reference documentation has become a source of precious and unique information for universities, researchers and visual arts professionals.

In order to share this part of history with as many people as possible, the Gaumont Museum is open to the public on Heritage Days. 240 visitors attended this event in 2017.

Since 2015, some of the collections have been on show to the public as part of a touring exhibition inspired by the "120 years of cinema" exhibition which was created to celebrate Gaumont's 120th



anniversary. In 2017, the exhibition visited Kuala Lumpur in Malaysia, Bangkok in Thailand and Prague in the Czech Republic.

Gaumont Pathé Archives, a company created in 2003 by Gaumont and Pathé, is the one of the main French-language banks of black & white and color motion picture images. The Company offers over 250,000 documents and 17,000 films and documentaries illustrating the history of the 20th century and news of the 21st century which mainly come from weekly film journals, Gaumont Actualités, Eclair Journal and Pathé Journal, which were shown in movie theaters in the mid-20th century.

Cinema, promoter of French culture abroad

Gaumont actively participates in spreading the legacy of French film and promoting it in France and abroad through its business and its heritage, which contributes to France's cultural representation and influence across the world.

Today, French film making is strong in its own territory with a market share of approximately 37% in 2017, the highest in Europe. It is regularly the second largest exporter of movies after the United States, with two-thirds of French films being exported to at least one foreign country.

In 2017, this represented:

- 642 films released in foreign theaters, up 5% compared to 2016;
- 80 million tickets sold throughout the world for French films, with two Gaumont films appearing in the top 10, *Ballerina* with ticket sales of 14 million and *Santa & Co* with 600,000 tickets sold;
- 468 million in proceeds from foreign countries in 2017, that is more than double compared to the 2016 figure.

Sources: CNC - movie theater attendance: 2017 estimates; UniFrance report on the performance of French films abroad in 2017.

Gaumont distributes its film catalog in over 81 territories worldwide and close to 520 feature films were sold abroad in 2017.

Since its creation, Gaumont has always promoted originality, preserved heritage and contributed to the expansion of French culture abroad. Most of Gaumont's actions are led in the spirit of leaving a societal and cultural imprint in France and worldwide.

An active process for development and diversification of international activities

Since the end of the 2000s, Gaumont has added television program production to its historic movie production and distribution business. After the late 2007 purchase of Alphanim, one of the largest French cartoon production studios, in 2010, Gaumont created in France and in the United States two drama production companies, which made their mark in this highly competitive industry with productions such as *Narcos* for Netflix, *The Frozen Dead* for M6 and *Noddy* for Dreamworks.

On the back of this success, Gaumont is pursuing its expansion strategy in the United States and Europe.

Relationships with stakeholders

Stakeholders

As part of its film, drama and cartoon production and distribution businesses, Gaumont, has direct relations with all of the players in the motion picture and audiovisual industry, and in particular:

- authors, scriptwriters, dialogue writers and directors, without whom movies and series would not exist, and who bring the innovation and creativity necessary for the work's success with audiences;
- producers and co-producers, with whom Gaumont shares the production experience and the corresponding risks;
- shooting and editing teams, essentially contract workers, who bring their know-how to produce quality films and series;
- players in the technical industry who assist Gaumont in manufacturing and storing the master copy and distribution material for the works, in 35 mm and digital;
- public authorities and public organizations, and particularly the CNC, which organizes the business on a regulatory level and manages the funds necessary to finance movies, notably through the cinema and audiovisual support program;
- movie theater operators, independent or organized in networks, which release the films in theaters;
- television channels, primary financers of new productions, with which Gaumont signs co-production and pre-sale of broadcasting rights agreements, and which make up the main outlet for television productions and catalog films;
- foreign distributors which purchase the distribution rights of the films internationally;
- telecommunication and online video service operators that offer new marketing opportunities for movies in video on demand.

Conditions of dialogue with stakeholders

Wishing to be involved beyond commercial relations, Gaumont is a member of various professional organizations and unions in the movie, audiovisual and multimedia industries.

For production activities, Gaumont and its subsidiaries are active members of producers' unions such as, for film, the *Association des producteurs indépendants* (API), chaired by Sidonie Dumas; for television drama, the *Union syndicale de la production audiovisuelle* (USPA) and for animation, the *Syndicat des producteurs de films d'animation* (SPFA).

For their distribution and publishing activities, Gaumont and its subsidiaries are represented in different branches of the audiovisual industry. For film, Nicolas Seydoux is director of the *Fédération nationale des distributeurs de films* (FNDF) that includes 54 French feature film distribution companies. For video publishing and commercialization of video on demand, the director of Gaumont Vidéo is a member of the board of the *Syndicat de l'édition vidéo numérique* (SEVN). For the film export business, Gaumont is a member of the *Association des exportateurs de films* (ADEF), which unites almost all French feature film exporters. The ADEF works closely with UniFrance Films at designing and carrying out operations abroad in order to ensure the presence of French cinema and the exporters in the main festivals and international markets.



Gaumont and its subsidiaries are also represented in agencies active in the promotion and preservation of French cinema and audiovisual works, which includes:

- UniFrance that brings together approximately 1,000 members, feature film and short film producers, exporters, directors, actors, writers and artistic agents. This organization is responsible for promoting French cinema throughout the world. It supports French movies in international markets, from their sale to their release, and organizes special events dedicated to French film;
- the Independent Film and Television Alliance (IFTA), an international organization that is over 30 years old, and brings together close to 130 major film and television program production and distribution companies from around the world, spread out over more than 20 countries. The IFTA is known in particular for organizing one of the largest film markets in the world, the American Film Market (AFM) in Los Angeles, bringing together more than 7,000 companies from more than 80 countries each year;
- the Cinémathèque française, of which Sidonie Dumas is board member, and the Cinémathèque de Toulouse. The mission of these organizations is the preservation, restoration, and promotion of film heritage. With more than 40,000 films and thousands of documents and articles related to film, the Cinémathèque française is one of the world's largest databases of information on the seventh art.

This presence within different professional organizations and unions allows Gaumont to take part in numerous projects, studies and discussions led each year on all subjects pertaining to the profession and the industry.

Support, partnerships or sponsorships

Under its partnerships, Gaumont chose to support various social players involved in spreading French film heritage as widely as possible. These choices illustrate Gaumont's attachment to assert a strong heritage policy.

In this spirit, Gaumont is a partner of the *Les toiles enchantées* association. Since 1997, Gaumont has supported this association, which drives through France by truck and shows movie projections on big screens to hospitalized or disabled children for free by handing over free copies of the films it releases each year.

Gaumont is also a partner of the *Centre des monuments nationaux*. When exhibitions occur, Gaumont supports them and graciously provides items from its collections such as costumes, decorations, posters, photos and operating equipment since 2010.

In addition, Gaumont regularly acts as an exhibition partner, as with the following events that took place in 2017:

- the exhibition "Montmartre décor de cinéma" at the Musée de Montmartre in Paris from February 12, 2017 to January 14, 2018 for which Gaumont lent posters, photos and distribution material;
- the "Sport et cinéma: une enfance partagée" exhibition from August 30, 2017 to November 21, 2017 at the Jérôme Seydoux – Pathé foundation;
- the "Lino Ventura – Une gueule de cinéma" at the Musée des Avelines in Saint-Cloud from October 12, 2017 to January 21, 2018 for which Gaumont lent objects from the museum;

- the traveling exhibition "Le train du cinéma" in partnership with the SNCF and the Île-de-France Transport Syndicate (STIF) in which two RER D train cars were fully decorated by posters, photos and replicas tracing the history of Gaumont;
- the "Lumière! l'invenzione del cinematografo" travelling exhibition which, after Paris and Bologna, will end in Lyon on February 25, 2018.

Lastly, Gaumont regularly contributes to books and exhibition brochures on cinema such as, in 2017:

- *Bourvil, le ciné d'André* by Annie Boucher and Pascal Delmotte, published by Flammarion;
- *Fantômas de Louis Feuillade*, a work by Benjamin Thomas, published by Editions Vendémiaire;
- the catalog for the "Christian Dior, couturier du rêve" exhibition at the Musée des Arts Décoratifs in Paris from July 5, 2017 to January 7, 2018.

Territorial, economic and labor impact of the business

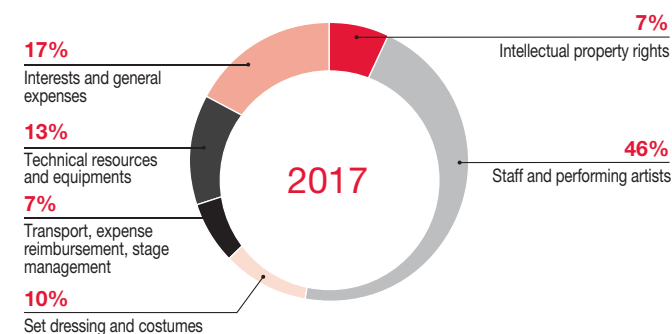
Gaumont's economic imprint

Gaumont wishes to continue producing movies and television dramas to enhance its catalog and help talented individuals express their artistic creativity.

In 2016, French film production represented approximately 283 feature films with a total investment budget of €1.4 billion, *i.e.* an average budget of €4.9 million per movie⁽¹⁾.

Gaumont produces approximately ten films per year, and the budgets are in general higher than average. In 2017, Gaumont produced or co-produced nine movies (excluding animation), which were released in 2017 or will be released in 2018, representing a total production budget of roughly €99 million. By way of comparison, the movies produced in 2016 represented a total production budget of roughly €102 million, *i.e.* 4.7% of French national production in volume and 7.6% in value. All nine movies produced in 2017 were shot in the EU, and 6 of them entirely in France.

BREAKDOWN OF CINEMA PRODUCTION EXPENSES BY TYPE

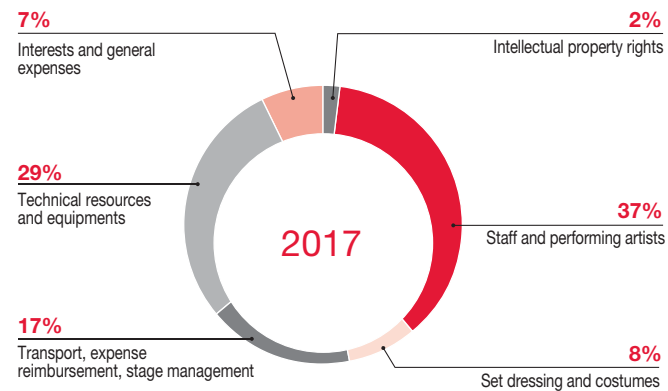


(1) CNC report - La production cinématographique 2016 – 2017 data not available.

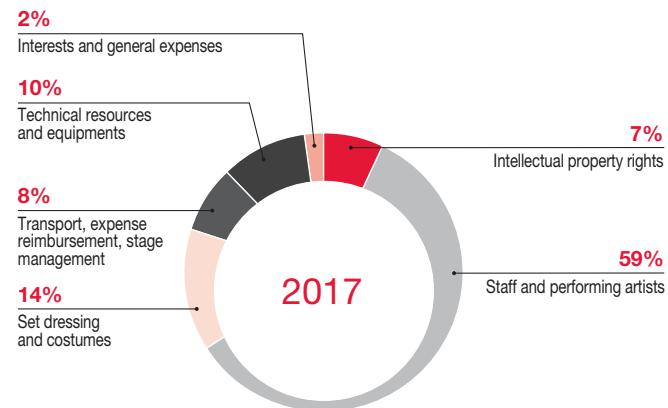


Within the context of its television productions, in 2017, Gaumont produced approximately 12 hours of French dramas and 9 hours of American dramas, representing an accumulated production budget of €12 million for French series and \$44 million for American series. Filming took place in France, the United States, Canada, Colombia and Mexico.

BREAKDOWN OF AMERICAN TELEVISION PRODUCTION EXPENSES BY TYPE⁽¹⁾



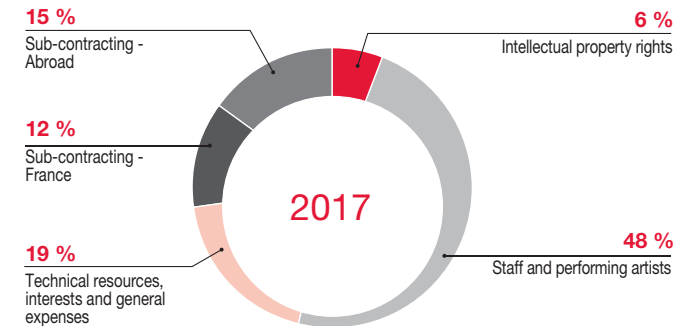
BREAKDOWN OF FRENCH TELEVISION SERIES AND DRAMA PRODUCTION EXPENSES BY TYPE



(1) Including cartoon series.

Lastly, in terms of French cartoon production, Gaumont produced around 13 hours of cartoon series in 2017, representing an accumulated production budget of €9 million.

BREAKDOWN OF FRENCH CARTOON PRODUCTION EXPENSES BY TYPE



As a whole, production budgets in 2017 amounted to €207 million, with nearly 49% being used to compensate the authors, actors, artists and technicians involved in the productions.

Impact of the business in terms of employing contract workers

Gaumont and its subsidiaries use contract workers for short-term jobs when producing films and series.

As a producer, Gaumont and its subsidiaries are led to intervene in various ways, each position having its own responsibilities, notably in relation to labor law. Therefore, when Gaumont or its subsidiaries are the line producer of a film or series, they establish contracts directly with contract workers employed for the production and assume the responsibility of employer in the contractual relationship. When Gaumont participates in a production as an executive producer not acting as line producer, or as a non-executive co-producer, the employer responsibility is assumed by the line producer, acting under the direction of the executive producer.

In 2017, Gaumont and its subsidiaries directly employed 2,585 contract workers for a total of approximately 450,000 hours. Furthermore, in executive productions where it was not line producer, Gaumont and its subsidiaries contributed to the employment of some 10,600 people, in France and the United States, representing roughly 850,000 working hours, approximately 480,000 of which were spent working on the production of American series.



The breakdown of contract workers in the production of works where Gaumont or its subsidiaries are the executive producer (either acting or not acting as line producer), by profession and according to the production company's country of origin, is presented in the following manner:

BUSINESS SEGMENT	2017					2016				
	NUMBER OF CONTRACT WORKERS BY PROFESSION				NUMBER OF HOURS ⁽¹⁾ (in thousands)	NUMBER OF CONTRACT WORKERS BY PROFESSION				NUMBER OF HOURS ⁽¹⁾ (in thousands)
	TECHNICIANS	ARTISTS & ACTORS	EXTRAS	TOTAL		TECHNICIANS	ARTISTS & ACTORS	EXTRAS	TOTAL	
Feature film production ⁽²⁾	1,151	289	2,716	4,156	407	1,010	333	1,853	3,196	268
Animated films and series production	506	74	-	580	194	403	34	-	437	217
Television series and drama production ⁽³⁾	963	247	7,254	8,464	709	1,327	369	4,391	6,087	781
TOTAL	2,620	610	9,970	13,200	1,310	2,740	736	6,244	9,720	1,266
France	2,040	480	3,493	6,013	725	1,680	475	2,336	4,491	561
United States	580	130	6,477	7,187	585	1,060	261	3,908	5,229	705

(1) The daily number of hours worked depends on the collective agreement, the duration of the contract and the duties of each contract worker. For example: technicians work 7 hours a day in animation, 8 hours in French television drama and movie production, and workday length varies from 8 to 12 hours, depending on agreements, in American productions.

(2) Partial data for 1 film out of 7 produced in 2016 as executive producer.

(3) Partial data for 1 series out of 2 produced in 2016.

As a distributor, Gaumont also employs contract workers during promotional events, tours and festivals.

Contract workers directly employed by the Group's French companies are covered, depending on the type of production concerned, by the collective agreement for the production of animated films, audiovisual production, or the cinema production collective agreement, signed in 2012 by the main production unions. Contract workers employed by Gaumont's partners when these partners have the role of line producer, are covered by the partner's collective agreement, or failing that, by the French Labor code.

In the United States, the union system is based on voluntary membership for contract workers. Both the French collective agreements and the American unions set out scales of minimum wages applicable to technicians. In addition, French collective agreements include a capping system for working hours and set mandatory payment of overtime and night hours.

Contract workers also receive social security coverage and workman's compensation coverage. In France, French companies employing contract workers must contribute to a single fund used to ensure occupational safety, manage vacation pay and ensure social protection. In the United States, private insurance is taken out to protect workers during filming.

Sub-contracting and supplier relations

In addition to partnerships that Gaumont maintains with producers and co-producers for the production of new films, Gaumont develops very close ties with two categories of sub-contractors vital to its film and television series production and distribution activities: technical laboratories and video distributors.

Technical laboratories are involved in each major phase of the film-making process, from creation to post-production: editing, calibration, sub-titling, making copies; and for storage on photochemical or digital media, the latter format now being mostly used. The technical laboratories also participate in creating special effects, editing of credits or movie trailers, restoring old works, creating video masters, and are an essential partner in obtaining "ready to operate" agreements for television broadcastings.

Given the critical nature of this link in the value chain, over time, Gaumont has developed close relationships with the company Éclair, the leading film development laboratory in France, whose expertise is based on over a century of experience serving the 7th Art.

Gaumont collaborates with Twentieth Century Fox for the video distribution of its movies. Twentieth Century Fox is currently in charge of marketing, storage, logistics and physical delivery of video products (DVD, Blu-ray) with large retailers and big distribution brands. Gaumont initiated this collaboration due to the complementarity of the Twentieth Century Fox catalog, consisting mainly of English-language films for the general public, with the Gaumont catalog, consisting of French films,



mostly comedies, and the quality of the sales force of Twentieth Century Fox in France. The marketing and advertising plan, product placement actions and commercial operations are discussed between the Twentieth Century Fox teams and Gaumont's video teams.

Moreover, to produce animated films and cartoon series, Gaumont regularly uses subcontractors to absorb the work overload and overcome the cyclical effects of the business. Gaumont ensures that it only works with recognized French and foreign cartoon studios that respect international conventions concerning labor conditions. Consequently, subcontracting spending essentially corresponds to the cost of external personnel.

Fair practice

Preserving intellectual property and the chain of rights vis-à-vis authors or their beneficiaries

"Throughout the ages, only a small number of artists have been able to captivate and innovate. The representation of human thought, regardless of the form, is the domain of a few talented people." (excerpt from the Chairman of Gaumont's message in the 2009 Registration Document). The economy of cinema relies on creation, that is why Gaumont strives to develop transparent and long-term relationships with its authors.

The creative industry being driven by copyrights, preserving intellectual, artistic and literary property, and respecting the chain of rights with third parties are a cornerstone of Gaumont's policy, illustrated in particular by Gaumont's participation in the ALPA (*Association de lutte contre la piraterie audiovisuelle* – an association to combat audiovisual pirating) against piracy, from which the industry suffers.

Management of authors' contracts

Out of respect for intellectual property and the chain of rights with authors, scriptwriters or their rights holders, Gaumont uses standard contracts drawn up by Gaumont's legal department in compliance with the law and in agreement with other stakeholders (mainly the SACD – Society of Authors and Composers of Dramatic Works, agents, lawyers).

Gaumont strives to maintain transparent and trusting relationships with its authors and rights holders. Although it is not obliged to issue consulting assignments, Gaumont supports its authors and makes it its duty to respond to their questions and to show availability and assistance.

Gaumont's policy towards its authors encourages the development of sustainable relationships, and throughout its history Gaumont has assisted and supported several big names in French film.

Author contracts are signed for the legal duration for copyrights or for a minimum of 30 years from the release of the work in theaters, in order to allow for the peaceful enjoyment of the work over a long period of time.

At the end of 2017, almost 2,500 author contracts were active and subject to internal management. In addition, in 2017, 180 contracts concerning 94 different authors and 131 different works were subject to copyright renewal.

Transparency in compensation to rights holders

The "Liberty of Creation, Architecture and Property" law published in the French Official Journal of July 8, 2016, increased transparency in the film industry by requiring film production and distribution financial statements to be provided to all beneficiary third parties.

Gaumont is constantly striving to maintain quality service with regard to accountability.

Whether it is a case of artists and their representatives (agents, heirs, etc.), production companies, financial partners or professional bodies (CNC, SACD, ADAMI, etc.), Gaumont seeks to forge and maintain relationships based on trust and transparency, ensuring that contractual and inter-professional undertakings are respected to the letter.

With this in mind, Gaumont has developed its own IT tools for over 15 years and has put in place procedures ensuring that royalties are reliable and can be audited. The Group employs a team of eight people in its royalties department who endeavor to provide the most precise responses as quickly as possible to questions asked.

Every year, nearly 4,000 copyright statements are prepared by this team to comply with recommendations⁽¹⁾ on transparency between producers, distributors, authors and other beneficiaries. Approximately half of the copyright statements give rise to compensation.

In the United States, Gaumont relies on specialized institutions to calculate the residuals in order to make the payable amounts accurate.

Gaumont, player in combating pirating

Gaumont is taking decisive actions to reduce pirating and taking any measures necessary to protect its copyright owners' works and interests.

Gaumont protects the works and objects to which copyright or neighboring rights are attached by referencing its works as much as possible with legal institutions.

(1) Report by René Bonnell "Le droit des auteurs dans le domaine cinématographique : coûts, recettes et transparence" (Copyrights in the cinematographic domain: costs, income and transparency) December 2008 and Report by Michel Gomez "Mission sur la transparence de la filière cinématographique – la relation entre le producteur et ses mandataires" (Mission for transparency in the film industry – the relation between producer and his agents), September 2011.



Gaumont and its subsidiaries are striving to build in protection to ensure that copies are secure and traceable by marking works or putting an imprint on them. This detection system blocks the dissemination of copyright-protected content. Gaumont also ensures that online public communication networks are monitored in order to detect any unauthorized presence of a work and to limit the risk of pirating.

Gaumont and its subsidiaries also protect their works by referencing them with legal institutions. Upon the request of Gaumont, an ISAN (International Standard Audiovisual Number) is given to each new audiovisual work. Derived from the joint initiative of professional organizations in the motion picture and audiovisual industry, of which Gaumont is a member, the ISAN is a unique number allowing any kind of audiovisual work to be registered. The ISAN constitutes a major advantage in controlling and managing the distribution of works in a digital environment.

Lastly, to further reinforce the fight against pirating, Gaumont works in collaboration with ALPA, chaired by Nicolas Seydoux.

At the regulatory level, Gaumont supports all legal provisions that reinforce anti-piracy efforts, like the online advertising best practices charter and the online payment means best practices monitoring committee; two initiatives by the Ministry for Culture aiming to financially drain illegal downloading sites. The "Liberty of Creation, Architecture and Property" law of July 7, 2016, strengthened the anti-piracy role of the CNC.

Human rights

Gaumont conducts its business mainly in countries that respect the United Nations Universal Declaration of Human Rights.

For artistic reasons, Gaumont and its subsidiaries may however eventually shoot films in countries considered at risk by the associations for the defense of human rights. In this case, Gaumont and its subsidiaries will monitor compliance with these fundamental rights in their role as producer. When Gaumont use subcontracting for the production of cartoons in foreign countries, they ensure that their partners comply with the precepts of the universal declaration of human rights.

Consumer protection, health and safety

Protection of minors

The French system is equipped with a movie classification system controlled by the Classification commission of the CNC, the family associations, the administration, infant expert institutions and movie industry professionals. The commission has a graduated range of prohibitions: under 12 years of age, under 16 years of age, under 18 years or age, X-rated and total ban. Its opinions, almost always monitored by the Minister of Culture and communication, are intended for movie theaters but also determine the broadcasting schedule of films on television, and are used during physical video or video on demand releases. The age rating must be publicly displayed at the entrance of movie theaters where the work is shown.

Without legal obligation, and in line with the commission's opinion, Gaumont sometimes spontaneously advises operators of disturbing scenes included in its movies.

In the United States, the system of restriction by age is provided by a private organization, the Motion Picture Association of America film rating system that includes the Hollywood studios and is not mandatory.

Access for hearing or vision-impaired audiences

To respond to the expectations of people with hearing or visual impairments, since 2011, Gaumont provides movie theater operators with subtitled versions of its feature films or versions with audio description. In addition, a periodic email is sent to associations in order to keep them informed of new releases, particularly by means of subtitled trailers.

Concerning dramas and television series, the Law of March 5, 2009 on audiovisual communication and on the new public television service requires television channels whose average audience exceeds an audience share of 2.5% to offer programs accessible to hearing- or visually-impaired audiences. Subtitled versions or versions with audio description are created either by the channel operators or by Gaumont, depending on the agreements.

Since 2008, Gaumont Vidéo has been publishing all its DVDs and Blu-rays with subtitles for the deaf and hearing-impaired, and with audio description.



Social data

Employment

Breakdown of workforce

SALARIED EMPLOYEES

As of December 31, 2017, Gaumont and its subsidiaries have 216 employees, excluding contract workers.

The average workforce in 2017 totaled 219 full-time equivalent workers, and breaks down as follows:

BUSINESS SEGMENT	2017			2016		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Gaumont SA	59	93	152	55	97	152
Feature film production and distribution subsidiaries ⁽¹⁾	8	10	18	8	9	17
Animated films and series production	5	7	12	7	6	13
Television series and drama production	20	12	32	22	11	33
Distribution of series, animated films and television drama	1	4	5	1	2	3
AVERAGE WORKFORCE	93	126	219	93	125	218
France	77	110	187	77	113	190
United Kingdom	-	1	1	1	2	3
United States	16	15	31	15	10	25

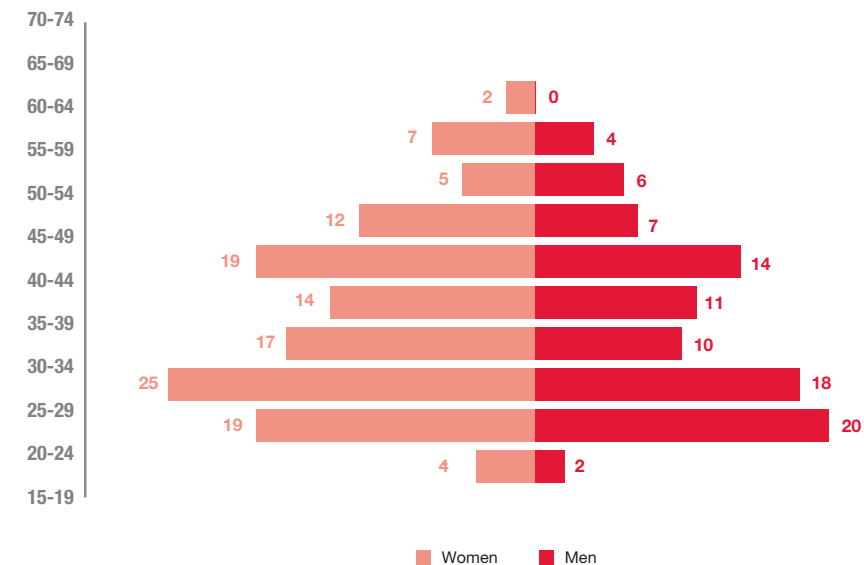
(1) Archive images management companies are included in this scope.

Open-ended contracts accounted for 89% of the average total workforce.

Overall, the workforce was made up of 58% women and 42% men.

The average age of employees at December 31, 2017 was 40 for women and 39 for men.

The breakdown of average workforce by age group is shown below.



HIRING OF INTERNS

Gaumont wants to be actively involved in training and integrating young people into jobs. Gaumont and its subsidiaries therefore regularly receive school or university interns for internships that can last from one week to six months.

In 2017, 38 paid interns worked with the Group. They accounted for around 3,455 work days, or 13 full-time equivalents.

Furthermore, Gaumont actively participates in the actions of the French educational system designed to introduce pupils to the world of work. Each year, numerous middle school students spend time with the company as part of their "discovery" internship. In 2017, 27 students spent one to two weeks with the Group for individual internships.

In order to make these internships as educational as possible, the Human Resource Department has built a special program organized into half-days enabling students to discover the different jobs existing in the company, to visit the Gaumont Museum, to attend the screening of films before their release and, if possible, to visit a technical laboratory or spend some time on a shooting.



Hires and layoffs

The average length of service is down slightly compared with 2017, at ten years for women and seven years for men.

Changes that affected the permanent workforce in 2017 were as follows:

	MEN	WOMEN	TOTAL
Hires	13	14	27
Transfer from contract worker to permanent employee	2	1	3
Resignations	4	6	10
Layoffs & Contractual terminations	11	10	21
Retirement	1	1	2

The permanent workforce decreased by 3% between January 1 and December 31, 2017, equating to six fewer employees than 2016.

Gaumont and its subsidiaries employed on average 24 people under fixed-term contracts in 2017, compared with 9 in 2016. 23 new fixed-term contracts were signed during the period. Among these contracts, 9 were linked to temporary professional events and, in particular, the Cannes Festival. Moreover, 3 fixed-term contracts were converted into permanent contracts in 2017.

Salaries

OVERALL GROSS COMPENSATION

The overall amount of gross compensation paid in 2017 by Gaumont and its fully consolidated subsidiaries amounted to k€20,298, compared with k€18,866 in 2016, *i.e.* a 8% increase. The average annual salary came to k€94 in 2017, versus k€86 in 2016.

INCENTIVE BONUSES AND COMPANY SAVINGS PLAN

Gaumont, Gaumont Vidéo and Gaumont Télévision are grouped together within an Economic and Social Union (UES).

UES employees benefit from an agreement providing for the payment of an incentive bonus calculated based on the consolidated net income before tax. The amounts are broken down among employees, for 50% uniformly and 50% in proportion with salaries.

Under the company savings plan, any employee paying all or part of the incentive bonus into the plan benefits from an employer contribution amount equal to a maximum of 2/3 of the amount of the incentive calculated uniformly and within 8% of the annual social security ceiling.

In 2017, the overall amount of incentive bonuses paid totaled k€530, representing an average of k€3 per employee. The employer contribution on the amounts invested totaled k€137. The incentive bonus amount due in respect of 2017 earnings and accounted for as of December 31, 2017 totaled k€2,161.

The employees of Gaumont Pathé Archives, who are not part of the UES, benefit from a distinct company savings plan. Voluntary payments are made to the latter by employees who are members of it. At the beginning of each year, the member undertakes to make a monthly payment to the company savings plan. Payments are made by monthly automatic deduction from salaries.

Apart from the voluntary monthly payments, each member may make at least two exceptional payments per year on the dates of his or her choice. Gaumont Pathé Archives makes an additional employer contribution to the voluntary payments of employees, which is capped at €1,829.39 per employee. In 2017, 13 employees joined this plan. Payments under the savings plan amounted to k€14, and employer contributions paid by the company totaled k€21.

EMPLOYEE PROFIT SHARING

UES employees also receive, in accordance with the law, a profit-sharing benefit calculated in accordance with legislation currently in effect. In 2017, UES companies paid employees a total of k€32, plus a k€7 employer contribution on the amount invested. For 2017, the special reserve for profit-sharing recognized in the financial statements amounted to k€292.

ALLOCATION OF STOCK OPTIONS

Since 1987, Gaumont has set up eight stock option plans for a certain number of its employees, in particular for its executives. No new plan has been set up since 2005.

Details of the stock option plans still in effect as of December 31, 2017 are provided on page 123 of this Registration Document.

Organization of working time

Corporate agreements pertaining to the organization of work time

Within the UES, an agreement on the organization of working time structures the working time of employees according to their degree of independence.

Employees who have real autonomy in the organization of their work time, and where the job justifies it, have an annual agreement in days. The annual fixed number of days worked, subject to the acquisition of full rights to annual time off, is 218 days per year.

Other employees have their working time spread out over the year. They follow a collective fixed weekly hour basis of 36.80 hours and receive time-off days, the number of which varies depending on the number of working days legally not worked.

To date, Gaumont has not signed any special agreement on the organization of working time for American and British employees. Employment contracts are governed by laws in the relevant countries.



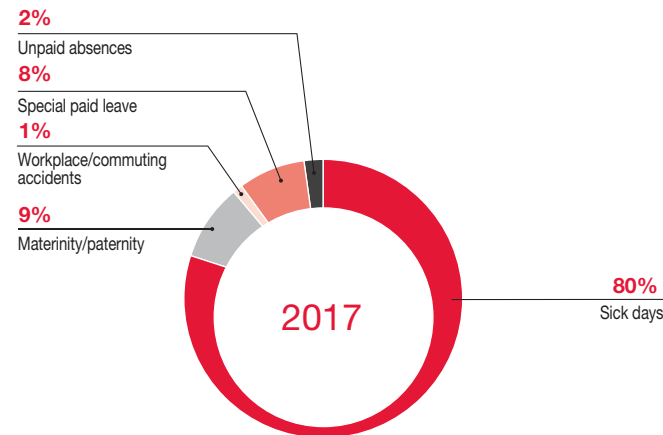
Part-time workforce

The part-time workforce is made up of 6 men and 13 women, corresponding to 11 full-time employees, *i.e.* 5% of the Group's average workforce.

Absenteeism

Gaumont and its subsidiaries have a generally low level of absenteeism among employees. In 2017, the Group's employees accumulated 1,524 days absent, excluding annual leave and rest days related to the reduction of working hours, *i.e.* a rate of absenteeism⁽¹⁾ of 3%.

A breakdown by type of absence is shown below.



Social relations

Organization of social dialogue

Gaumont, Gaumont Vidéo and Gaumont Télévision, organized into a UES, as well as Gaumont Pathé Archives and Gaumont Animation acting individually, all have a collective agreement corresponding to their primary business activity as well as employee representative bodies with which the Group maintains a policy of sustained dialogue.

Gaumont and its subsidiaries had 14 employee representatives in 2017, versus 12 in 2016. Two employee representatives, members of the works council, are affiliated with union organizations.

In 2017, 15 meetings were held with the different works councils or employee representatives, for all entities combined.

(1) (Number of days absent (excluding paid leave) × 7 hours/1,820)/average workforce.

Summary of collective agreements

At the end of 2017, several collective agreements were signed to organize for Gaumont Animation to join the Economic and Social Union (UES) from January 1, 2018.

Health and safety at work

Issues related to health and safety at work are of major concern to Gaumont. Within the UES, no collective agreement has been signed concerning health and safety at work; nevertheless, these subjects are tackled with the *Comité d'hygiène et de sécurité* (Health and Safety committee) in quarterly meetings, and permanent measures for improving the environment and working conditions have been implemented.

Every two years, employees who have a workplace first-aid qualification follow a refresher course in order to maintain their knowledge. Every year, new employees are trained in relation to this qualification whose goal is to be able to provide first aid to any victims of a workplace accident or illness while working, as well as being a player in prevention in the company. In 2017, 12 employees participated in training concerning health and safety at work.

The number of workplace accidents is traditionally low. In 2017, two commuting accidents were recorded, the same as in 2016. These accidents led to less than ten days of work stoppage.

The Group recorded no cases of occupational illness in 2017.

Training

Gaumont and its subsidiaries offer employees continuous assistance in professional training to maintain or improve skills. Training wants and needs are reviewed at least once per year, during annual reviews.

These training courses cover all of Gaumont and its subsidiaries' businesses and are available to all employees, regardless of their status.

In 2017, 142 employees received training, representing 65% of the average workforce. 1,324 hours of training were delivered, representing an average of 9 hours per employee.

44 employees having worked for the company for more than 10 years took training courses. They received a total of 354 hours of professional training.



Equal opportunity

Gender equality

Breakdown of men and women by socio-professional category is as follows:

CATEGORY	MEN	WOMEN	TOTAL
Managers	50	71	121
Supervisors	20	26	46
Employees	23	29	52
TOTAL	93	126	219
<i>as a % of the whole</i>	<i>42%</i>	<i>58%</i>	

Overall, Gaumont and its subsidiaries employ 58% women and 42% men. This gender ratio can be observed at all hierarchical levels and is reflected in the most recent hires:

- executive staff is made up of 59% women and 41% men;
- the Management committee, chaired by the Chief Executive Officer, which meets each week in the presence of the Chairman of the Board of directors, comprises 16 members who are employed by the company. The Board is made up of 8 women and 8 men;
- of the employees who have been with the Group for less than two years, 51% are men and 49% are women.

Moreover, for an identical average age of around 40, on average, women worked for the company longer than men.

Employment and integration of disabled workers

Gaumont and its subsidiaries wish to participate in integrating disabled workers and make efforts to encourage their employment. Nonetheless, in 2017, disabled workers accounted for less than 1% of the average workforce.

Non-discrimination

In accordance with legal obligations, posters are displayed in the offices and other premises concerning measures relating to fighting workplace discrimination.

As part of its recruitment policy to promote diversity in candidates, Gaumont ensures that no illegal or discriminatory criterion appears in the circulation of job offers, internally or externally, and regardless of the type of employment contract or type of job offered.

Regardless of the type of candidate received, the recruiting process is unique, and strictly identical selection criteria are applied. Recruitment, compensation or career advancements are only based on professional expertise, skills, aptitude, and experience.

The cross-generation contract signed in 2015 reaffirmed equality at the workplace and the absence of all forms of discrimination.

Promotion and compliance with fundamental International Labour Organization (ILO) conventions

Employer-employee relations are subject to regulations in effect in France, the United Kingdom and the United States – the only countries where Gaumont or its subsidiaries are located and operate directly. In these countries, the ILO's fundamental conventions, especially those pertaining to freedom of association and the right to collective bargaining, prohibiting forced or mandatory labor, and non-discrimination in the workplace, are transposed into local law.

Regarding child labor, French law states that children under 16 years of age cannot be employed by entertainment companies without prior administrative authorization. This authorization, issued by the Prefect of the administrative department in which the company is domiciled, is granted upon the opinion of a commission that assesses for each individual case:

- the morality of the role or service;
- the child's aptitude to perform the work offered to him/her (according to his/her age, education and health condition);
- conditions for employing children (number of performances, compensation, vacation and time off, health and safety, protection of welfare and morality);
- the arrangements made with a view to ensuring the child has a normal education.

Working hours are strictly regulated.

Child labor is also regulated in the United States at both the local and federal level. For example, the state of California requires the entertainment industry to ensure that children have work permits and that companies have a permit to employ minors. Both are issued by the California Department of Industrial Relations. Hours and volume of work are regulated, and the child must be able to attend school normally.

Gaumont or its subsidiaries directly employed 18 children under 16 years of age for feature film and television series productions in 2017, for a total of 192 hours of work. In addition, 101 children were employed by partner line producers for filming where Gaumont assumed the role of executive co-producer.



Environmental data

Gaumont and its subsidiaries' on-going business activities are essentially administrative and commercial in nature. In order to conduct its business, Gaumont and its French subsidiaries are located at three sites in Paris, one of which expanded in 2015 due to its growth. In the US, Gaumont occupies offices in Los Angeles. Gaumont owns its head office in Neuilly-sur-Seine, two commercial buildings on the Champs-Élysées in Paris and a group of housings located in the Paris area.

For its cinema production business, Gaumont is responsible for decisions pertaining only to production when it acts as executive producer, or for co-productions, when it is responsible for filming (primary executive producer). For the last few years, Gaumont has mostly acted as co-producer and is therefore not directly responsible for decisions relating to productions that could have an impact on the environment. In 2017, Gaumont was involved in the production of nine films, one of which as primary executive producer, while over 250 feature films are produced each year in France.

For television program productions (drama and cartoons), Gaumont's subsidiaries act almost exclusively as sole executive producer, and are thus responsible for the environmental impact of their productions. However, the Group's output remains extremely limited: Gaumont Animation and Gaumont Télévision together produced 25 hours of television programs as executive producer, out of approximately 800 hours of drama and 300 hours of cartoon programs produced in France each year. In the United States, in 2017, Gaumont Television USA produced approximately 9 hours of programs, in other words, the equivalent of a 10-episode series, in a market which, every year, counts almost a hundred renewed series and the same number of pilots of original series ordered.

In general, Gaumont and its subsidiaries' environmental impact therefore remains limited.

General policy

Gaumont assumes responsibility for environmental impacts produced by its administrative and commercial business activities, as well as by its real estate assets.

For its administrative business activities, Gaumont is working on using recycled and low consumption materials, but its business activities, by virtue of their limited scope, do not lead to significant environmental impacts.

In its production and distribution activities, Gaumont and its subsidiaries prioritize the artistic and technical quality of the works produced and distributed and endeavors to reduce its environmental impacts when it does not change the quality of the works produced. For example, today Gaumont shoots most of its films in digital format, therefore limiting the use of magnetic recording media.

Since its direct business activities do not bring about significant environmental risk, no systematic measures are taken by Gaumont or its subsidiaries, nor imposed upon its sub-contractors. No specific training courses for personnel or pollution risk prevention have been conducted.

Insofar as its business activities have a limited impact on the environment, Gaumont does not make provisions for environmental risks.

Pollution and waste management

Gaumont and its subsidiaries' businesses do not cause any significant air, water or soil pollution, nor any significant emission of environmental, noise or visual pollution.

The executive producer is responsible for managing waste from shooting. With regards to set dressing and props, common practice within film and audiovisual industry is to sell them to contract workers and others involved in the movie at the end of filming. These practices limit waste and encourage recycling.

In addition, waste production directly attributable to productions remains marginal due to the small number of productions in which Gaumont and its subsidiaries operate as primary executive producer.

The management of copies, from their manufacture to their destruction at the end of their run in theaters is the distributor's responsibility. When Gaumont distributes its movies, it calls on specialized sub-contractors which destroy the copies in compliance with the standards in effect. In addition, the increasing digitization of copies and the increasingly systematic use of digitized media tend to significantly reduce the production of waste and the emission of polluting substances.

Sustainable use of resources

Gaumont and its subsidiaries' use of resources is essentially tied to their administrative activities and their production shooting. For general functioning, Gaumont exclusively uses domestic water, and the main raw material consumed is printing paper. Depending on shooting, raw material use is determined by the particular requirements of each production. However, the environmental impact attributable to Gaumont and its subsidiaries remains extremely limited, since productions the companies work on as primary executive producer represent less than 1% of production volumes, both in France and the United States.

In terms of energy, Gaumont adheres to a rational consumption policy, which includes, in particular, automatic room temperature control, motion sensor lighting, etc. In the case of productions, the Group's energy choices are tailored to the specific needs of each shooting. Overall, energy spending accounted for less than 1% of production costs.

As part of its video publishing activity, Gaumont Vidéo produced approximately 1.2 million DVDs and Blu-rays in 2017. The manufacturing, storage and management of media at end-of-life are entirely subcontracted to specialized companies.

Gaumont's land use is not significant. It is limited to the occupation of a few buildings in urban areas.



Change in climate and biodiversity

It is generally admitted that the ecological impact of the audiovisual and motion picture sector is considered as marginal compared with other industries. In 2011, a study to evaluate the industry's carbon footprint, conducted by the company Carbone 4, confirmed this point. In fact, the study shows that the industry as a whole produces approximately 1 million equivalent tons of CO₂, annually, *i.e.* less than 0.2% of total CO₂ emissions in France (statistical data from the Ministry of Ecology and Sustainable Development/International Energy Agency).

According to the Carbone 4 study, one quarter of these emissions come directly from the production of works, 44% are directly related to their distribution in movie theaters, their broadcasting on television channels and their video distribution and 25% of emissions are indirectly generated by the industry to the extent that they result from the travel of spectators to movie theaters.

Due to the small number of productions in which Gaumont and its subsidiaries operate as primary executive producer, the greenhouse gas emissions directly attributable to the Group remain marginal.

Climate change does not represent a risk and offers no specific opportunity for the Group's business activities.

Gaumont and its subsidiaries' business activities do not damage the balance of nature, natural environments or protected species other than through their carbon footprint.

Methodological approach

This section has been drafted in accordance with article L. 225-102-1 of the French Commercial Code, implemented by Decree n° 2012-557 of April 24, 2012, codified in articles R. 225-104, R. 225-105, R. 225-105-1 and R. 225-105-2 of the French Commercial Code.

Scope of responsibility

Gaumont and its subsidiaries' scope of responsibility is defined below.

Employee data is prepared at the consolidated level and includes all French and foreign fully-consolidated companies.

Environmental data mainly concerns movie and audiovisual production companies. The scope of responsibility is also limited to productions in which Gaumont or its subsidiaries act as executive producer.

Data collection

The information on which this report is based is gathered through annual reports by the various departments in charge of monitoring this data: human resources, production controllers and production managers, royalties department, legal department, communications department, etc. The data provided is the responsibility of the departments concerned. A consistency check is carried out at Group level upon consolidation.

Indicators

The indicators reported are used consistently from one period to another. Where necessary, clarification on the definition applicable to the indicator is provided in a note. The data in this report is for 2017, unless otherwise indicated.



CONSOLIDATED FINANCIAL STATEMENTS

<u>Consolidated statement of financial position</u>	<u>42</u>	<u>Consolidated statement of cash flows</u>	<u>47</u>
<u>Consolidated income statement</u>	<u>44</u>	<u>Notes to the consolidated financial statements</u>	<u>48</u>
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<u>Consolidated statement of changes in equity</u>	<u>46</u>		



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)

	NOTE	12.31.17	12.31.16
Goodwill	3.1	12,035	12,035
Films and audiovisual rights	3.2	147,398	147,536
Other intangible assets	3.3	323	553
Property, plant and equipment	3.4	47,086	47,995
Investments in associates	3.5	379	226,069
Other financial assets	3.6	126,830	172
Non-current deferred tax assets	4.8	2,604	2,236
Non-current assets		336,655	436,596
Inventories	3.7	540	578
Trade receivables	3.8	91,457	107,410
Current income tax assets	3.8	4,554	4,290
Other receivables and current financial assets	3.8	42,684	46,167
Cash and cash equivalents	3.9	84,190	8,693
Current assets		223,425	167,138
TOTAL ASSETS		560,080	603,734



LIABILITIES AND EQUITY <i>(in thousands of euros)</i>	NOTE	12.31.17	12.31.16
Capital		24,958	34,242
Retained earnings and comprehensive income		280,170	243,070
Equity attributable to the shareholders of the parent company		305,128	277,312
Non-controlling interests		2,890	2,960
Equity	3.10	308,018	280,272
Non-current provisions	3.11	3,719	3,868
Non-current deferred tax liabilities	4.8	2,293	2,678
Non-current financial liabilities	3.12	107,669	192,003
Other non-current liabilities	3.13	370	482
Non-current liabilities		114,051	199,031
Current provisions	3.11	818	985
Current financial liabilities	3.12	4,201	22,038
Trade payables	3.13	33,388	22,482
Current income tax liabilities	3.13	-	2
Other payables	3.13	99,604	78,924
Current liabilities		138,011	124,431
TOTAL LIABILITIES		560,080	603,734



CONSOLIDATED INCOME STATEMENT

<i>(in thousands of euros)</i>	NOTE	2017	2016
Revenue	4.1	177,049	188,725
Purchases		-1,340	-2,003
Personnel costs	4.2	-30,934	-34,701
Other current operating income and expenses	4.3	-55,206	-33,987
Impairment, depreciation, amortization and provisions	4.4	-108,330	-114,832
Current operating income (loss)		-18,761	3,202
Other non-current operating income and expenses	4.5	143,587	-870
Operating income (loss)		124,826	2,332
Share of net income of associates	4.7	8,241	20,874
Operating income after share of net income of associates		133,067	23,206
Gross borrowing costs		-7,444	-8,482
Income from cash and cash equivalents		9	-
Net borrowing costs		-7,435	-8,482
Other financial income and expenses	4.6	-620	3,146
Net income (loss) before tax		125,012	17,870
Income tax	4.8	-2,046	1,115
NET INCOME		122,966	18,985
Share attributable to non-controlling interests		-78	41
Share attributable to the shareholders of the parent company		123,044	18,944
Earnings per share attributable to the shareholders of the parent company			
• Average number of shares in circulation	4.9	3,788,735	4,276,808
• <i>In euros per share</i>		32.48	4.43
Diluted earnings per share attributable to the shareholders of the parent company			
• Average potential number of shares	4.9	3,797,013	4,279,566
• <i>In euros per share</i>		32.41	4.43



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in thousands of euros)</i>	NOTE	2017	2016
Net income		122,966	18,985
Translation adjustments of foreign operations		454	-124
Share in currency adjustments of foreign operations of associates		-60	405
Changes in fair value of available-for-sale financial assets		-	-
Changes in fair value of hedging financial instruments	6.5	-1,965	1,195
Share of changes in fair value of hedging financial instruments of associates		-	48
Income tax on gains and losses recognized directly in equity	4.8	589	-472
Other elements of comprehensive income that could be reclassified later in net income		-982	1,052
Changes in asset revaluation surplus		-	-
Actuarial gains and losses on defined benefit plans	3.11	304	-463
Share of actuarial gains and losses of associates		-	-162
Income tax on gains and losses recognized directly in equity	4.8	-101	154
Other elements of comprehensive income that cannot be reclassified in net income		203	-471
Total of other elements of comprehensive income after taxes		-779	581
COMPREHENSIVE INCOME FOR THE YEAR		122,187	19,566
Share attributable to non-controlling interests		70	22
Share attributable to the shareholders of the parent company		122,257	19,544



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHANGES IN EQUITY (in thousands of euros)	ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY						TOTAL	ATTRIBUTABLE TO NON- CONTROLLING INTERESTS	TOTAL EQUITY
	NUMBER OF SHARES	CAPITAL	ADDITIONAL PAID IN CAPITAL ⁽¹⁾	TREASURY SHARES	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME			
AS OF DECEMBER 31, 2015	4,275,958	34,208	27,890	-307	188,142	19,128	269,061	2,982	272,043
Net income for the year	-	-	-	-	18,944	-	18,944	41	18,985
Other comprehensive income	-	-	-	-	-	600	600	-19	581
Comprehensive income for the year	-	-	-	-	18,944	600	19,544	22	19,566
Capital transactions	4,311	34	147	-	-	-	181	-	181
Share-based payments	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-4,269	-	-4,269	-44	-4,313
Elimination of treasury shares	-	-	-	46	-1	-	45	-	45
Other ⁽²⁾	-	-	-	-	-7,250	-	-7,250	-	-7,250
AS OF DECEMBER 31, 2016	4,280,269	34,242	28,037	-261	195,566	19,728	277,312	2,960	280,272
Net income for the year	-	-	-	-	123,044	-	123,044	-78	122,966
Other comprehensive income	-	-	-	-	-	-787	-787	8	-779
Comprehensive income for the year	-	-	-	-	123,044	-787	122,257	-70	122,187
Capital transactions ⁽³⁾	-1,160,546	-9,284	-22,769	-	-58,241	-	-90,294	-	-90,294
Share-based payments	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-3,115	-	-3,115	-	-3,115
Elimination of treasury shares	-	-	-	13	47	-	60	-	60
Other	-	-	-	-	-1,092	-	-1,092	-	-1,092
AS OF DECEMBER 31, 2017	3,119,723	24,958	5,268	-248	256,209	18,941	305,128	2,890	308,018

(1) Issue premiums, contribution premiums, merger premiums, legal reserves.

(2) Mainly the impact of the purchase of a share of minority interests of Gaumont Television USA Llc.

(3) Effect of the exercise of options and capital reduction of Gaumont SA following the public share buyback offer.



CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in thousands of euros)</i>	NOTE	2017	2016
Operating activities			
Consolidated net income (including non-controlling interests)		122,966	18,985
Net allowances for depreciation, amortization, impairment and provisions	5.1	108,703	114,032
Impairment of goodwill	3.1	-	856
Gain on a bargain purchase		-	-
Unrealized gains and losses related to changes in fair value	6.5	1,939	634
Expenses and income related to stock options and similar		-	-
Other calculated income and expenses		2,850	-720
Gains and losses on disposal of assets	4.5	-145,866	1,069
Share of net income of associates	4.7	-8,241	-20,874
Dividends received from associates	5.2	-	10,519
Cash flow from operating activities after tax and net borrowing costs		82,351	124,501
Net borrowing costs		7,435	8,482
Tax expenses (including deferred tax)	4.8	2,046	-1,115
Cash flow from operating activities before tax and net borrowing costs		91,832	131,868
Tax paid		-157	660
Change in working capital requirement related to operating activities	5.3	31,224	-681
(A) Net cash flow from operating activities		122,899	131,847
Investment activities			
Proceeds from sales of fixed assets	4.5	380,069	14
Acquisition of fixed assets	5.4	-113,407	-103,925
Change in liabilities on investments	5.5	-118,138	-438
Net impact of changes in scope, net of cash acquired	5.6	-	-9,336
(B) Net cash flow from investment activities		148,524	-113,685
Financing activities			
Gaumont SA capital increase	3.10	-90,294	181
Dividends paid to Gaumont SA shareholders	3.10	-3,115	-4,269
Dividends paid to non-controlling interests in consolidated companies		-	-44
Change in treasury shares		60	45
Change in borrowings	3.12	-94,930	-8,819
Interest paid		-6,696	-7,290
(C) Net cash flow from financing operations		-194,975	-20,196
(D) Impact of changes in foreign exchange rates		-787	183
NET CHANGE IN CASH & CASH EQUIVALENTS: (A) + (B) + (C) + (D)		75,661	-1,851
Cash and cash equivalents at beginning of period		8,693	10,156
Bank overdraft at beginning of period		-606	-218
Cash position at beginning of period		8,087	9,938
Cash and cash equivalents at end of period	3.9	84,190	8,693
Bank overdraft at end of period	3.12	-442	-606
Cash position at end of period		83,748	8,087
NET CHANGE IN CASH & CASH EQUIVALENTS		75,661	-1,851



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1. Scope of consolidation

1.1. Transactions on the share capital of the parent company

Share issue following the exercise of stock options

During the first half of 2017, Gaumont SA issued 123,566 shares representing a capital increase of k€989, and share premiums of k€5,731, following the exercise of stock options.

Public share buyback offer by Gaumont from May 26, 2017 to June 26, 2017

On May 16, 2017, the General meeting authorized the company to carry out a public share buyback offer at the unit price of €75 for all shares issued, with the exception of those held by its majority shareholder Ciné Par. It took place between May 26 and June 26, 2017. Gaumont shareholders tendered 1,284,112 shares to the offer according to the AMF report published on June 30, 2017.

On July 25, 2017, on delegation of authority by the General meeting of May 16, Gaumont's Board of directors decided to cancel all of the securities acquired as part of the public share buyback offer. Cancellation of the 1,284,112 shares resulted in a reduction of the capital of k€10,273 and of the additional paid-in capital and available reserves of k€40,527. The k€46,214 balance of the purchase price, including fees, was posted to the retained earnings account. At the end of these transactions the capital of Gaumont amounted k€24,958 for a total of 3,119,723 fully paid up shares.

1.2. Change in scope of consolidation

Creation of Gaumont Production Animation

In February 2017, Gaumont created Gaumont Production Animation, a company intended to ensure line production services for cartoon programs in France.

Sale of the minority stake in Les Cinémas Gaumont Pathé

During its meeting of May 16, 2017, Gaumont's General meeting of shareholders adopted the resolution authorizing the sale of Gaumont's stake in the share capital of Les Cinémas Gaumont Pathé for k€ 380,000. This sale became effective on May 18, 2017.

Half of the sales price was paid on the date of the sale. The balance, accruing interest, was deferred over three years. On July 20, 2017, Pathé made an early payment of k€63,333 for the first deferred installment payment initially set for June 29, 2018.

The gains arising from the sale, which is presented in non-current operating income, totaled k€143,884 after the deduction of expenses incurred as part of the transaction.

Creation of Gaumont GmbH

In July 2017, Gaumont created Gaumont GmbH, a German company for the production of television dramas and feature films for the German and European market.



1.3. Main companies included in the scope of consolidation

COMPANY AND LEGAL FORM	REGISTERED OFFICE	SIREN	% INTEREST	% CONTROL	CONSOLIDATION METHOD
Parent company					
Gaumont SA	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	562 018 002	100.00		F.C.
Movie production and distribution					
Gaumont Films USA Llc	750 San Vicente Blvd, Suite 1550, West Hollywood, CA 90069	United States	100.00	100.00	F.C.
La Boétie Films SAS (ex. LGM SAS)	53, rue du Faubourg-Poissonnière, 75009 Paris	814 155 461	20.00	20.00	E.A
Gaumont Vidéo SNC	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	384 171 567	100.00	100.00	F.C.
Mitzé Films SAS	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	449 912 609	100.00	100.00	F.C.
Fideline Films SARL	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	308 240 480	100.00	100.00	F.C.
Nouvelles Editions de Films SARL	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	562 054 817	100.00	100.00	F.C.
Gaumont Production SARL	5, rue du Colisée, 75008 Paris	352 072 904	100.00	100.00	F.C.
Editions la Marguerite SARL	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	602 024 150	100.00	100.00	F.C.
Mitzé Editions SARL	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	500 977 129	100.00	100.00	F.C.
Gaumont Musiques SARL	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	494 535 255	100.00	100.00	F.C.
Gaumont Inc.	520 West 43rd Street, New York, NY 10036	United States	100.00	100.00	F.C.
Production of television dramas and cartoon series					
Gaumont Television USA Llc	750 San Vicente Blvd, Suite 1550, West Hollywood, CA 90069	United States	100.00	73.60	F.C.
Gaumont Télévision SAS	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	340 538 693	100.00	100.00	F.C.
Gaumont Animation USA Llc	750 San Vicente Blvd, Suite 1550, West Hollywood, CA 90069	United States	100.00	100.00	F.C.
Gaumont Animation SAS	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	411 459 811	100.00	100.00	F.C.
Gaumont Distribution TV Llc	750 San Vicente Blvd, Suite 1550, West Hollywood, CA 90069	United States	100.00	100.00	F.C.
Gaumont Television UK Ltd	c/o H3P, 131-135 Temple Chambers, 3-7 Temple Avenue, London EC4Y 0HP	United Kingdom	100.00	100.00	F.C.
Gaumont GmbH	c/o LACORE RA LLP, Markgrafenstrasse 36, 10117 Berlin	Germany	100.00	100.00	F.C.
Gaumont Production Télévision SARL	5, rue du Colisée, 75008 Paris	322 996 257	100.00	100.00	F.C.
Gaumont Production Animation SARL	49-51, rue Ganneron, 75018 PARIS	825 337 900	100.00	100.00	F.C.
Gaumont Animation Musique SARL	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	433 438 769	100.00	100.00	F.C.
Ouroboros Productions Llc	750 San Vicente Blvd, Suite 1550, West Hollywood, CA 90069	United States	100.00	73.60	F.C.
Chiswick Productions Llc	750 San Vicente Blvd, Suite 1550, West Hollywood, CA 90069	United States	100.00	73.60	F.C.
Narcos Productions Llc	750 San Vicente Blvd, Suite 1550, West Hollywood, CA 90069	United States	100.00	73.60	F.C.
Leodoro Productions Llc	750 San Vicente Blvd, Suite 1550, West Hollywood, CA 90069	United States	100.00	73.60	F.C.
Movie theater operations					
Les Cinémas Gaumont Pathé SAS	2, rue Lamennais, 75008 Paris	392 962 304	34.00	34.00	Outgoing*
Lincoln Cinema Associates	1886 Broadway, New York, NY 10023	United States	31.95	31.95	E.A
Audiovisual archive management					
Gaumont Pathé Archives SAS	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	444 567 218	57.50	57.50	F.C.

F.C.: Fully consolidated.

E.A.: Equity-accounted.

* Company included in the consolidation scope using the equity method until May 18, 2017.



2. Accounting principles and methods

2.1. General principles

Pursuant to Regulation (EC) No. 1606/1606 of July 19, 2002, Gaumont's consolidated financial statements for the year ended December 31, 2017 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable on that date.

The accounting principles used to prepare the consolidated financial statements comply with IFRS standards and interpretations as adopted by the European Union on December 31, 2017 and available from the website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

These accounting principles are consistent with those used when preparing the annual consolidated financial statements for the reporting period ended December 31, 2016, with the exception of the IFRS standards and IFRIC interpretations applicable from January 1, 2017 and standards possibly applied in advance, the details and individual impact of which are described in note 2.2.

2.2. Changes to the IFRS accounting principles

Impact of IFRS standards and IFRIC interpretations applicable from January 1, 2017

The impacts of the new standards from January 1, 2017 are set out below.

STANDARD		EFFECTIVE DATE ⁽¹⁾	IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GAUMONT GROUP
Amendments to IAS 7	Disclosure initiative – Statement of cash flows	01/01/2017	No significant impact on the consolidated financial statements
Amendments to IAS 12	Recognition of deferred tax assets for unrealized losses	01/01/2017	Not applicable
Annual improvements	2014-2016 cycle ⁽²⁾	01/01/2018	No impact on the consolidated financial statements

(1) Unless otherwise specified, applicable to reporting periods beginning on or after the date indicated (date of EU application).

(2) Only the amendment to IFRS 12 is applicable as of January 1, 2017.

Gaumont also applies the ANC (*Autorité des normes comptables* – the French accounting regulation authority) recommendation 2013-01 dated April 4, 2013 pertaining to the presentation of the share of net income of associates in the consolidated income statement and in segment information. Since movie production and movie theater operation businesses run by associates are in line with the production and distribution activities carried out by fully consolidated entities, Gaumont considers that reporting the share of income from associates immediately after operating income from fully consolidated entities represents an improvement on its financial reporting.

The consolidated financial statements are presented in thousands of euros, unless otherwise specified.



Expected impact of texts adopted by the European Union and not yet compulsory as at December 31, 2017

Gaumont has decided not to use the option proposed by the European Commission for early application of standards or interpretations not yet compulsory.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The assessment of the impact related to setting up IFRS 15 is currently being finalized. Gaumont does not anticipate significant impacts concerning the way and timing at which revenue is recognized, as the current recognition methods are in line with the principles defined by IFRS 15.

Marginally, the pre-sales currently recognized as revenue at the time of release of the feature films could be recognized in IFRS 15 when the license period actually begins. This change would mean that recognition of this revenue would be deferred to take account of the different local regulations, particularly in France, governing the sequence of the broadcasting windows for the feature films on the different media. It is not

anticipated that this change will have a significant impact in view of the proportion of pre-sales of feature films in the consolidated revenue.

Changes will however be necessary in the presentations of the statement of financial position in order to comply to the requirements of the new standard.

The standard and its amendment are applicable for years beginning on or after January 1, 2018.

IFRS 9 – FINANCIAL INSTRUMENTS

Gaumont does not anticipate any significant changes to its current practices in assessing and presenting the financial assets and liabilities when implementing IFRS 9 on financial instruments.

IFRS 16 – LEASES

The expected impacts of the standard are presented in note 6.3

Consequences for the Group of standards, amendments and interpretations published by the IASB but not yet adopted by the European Union as at December 31, 2017

STANDARD		EFFECTIVE DATE ⁽¹⁾	IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GAUMONT GROUP
IFRS 14	Regulatory deferral accounts	01/01/2016	Not applicable
IFRS 17	Insurance policies	01/01/2021	Not applicable
Amendments to IAS 40	Transfers of investment property	01/01/2018	No impact on the consolidated financial statements
Amendments to IFRS 2	Classification and measurement of share-based payment transactions	01/01/2016	Not applicable
Amendments to IFRS 9	Early repayment clause with negative compensation	01/01/2019	Not applicable
Amendments to IAS 28	Long-term interests in associates or joint ventures	01/01/2019	Not applicable
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and an associate	Deferred	
Annual improvements	2015-2017 cycle	01/01/2019	No significant impact on the consolidated financial statements
IFRIC 22	Foreign currency transactions and advance consideration	01/01/2018	No significant impact on the consolidated financial statements
IFRIC 23	Uncertainty over income tax treatment	01/01/2019	No significant impact on the consolidated financial statements

(1) Unless otherwise specified, applicable to reporting periods beginning on or after the date indicated (date of IASB application).

Gaumont has decided to not use the option proposed by the European Commission for early application of some standards or interpretations not yet adopted.



2.3. Consolidation methods

Controlled entities

An entity is a subsidiary consolidated using the fully-consolidated method when the parent company exercises direct or indirect control on the subsidiary.

In accordance with IFRS 10, there is control when the following criteria are all satisfied:

- the parent company has power over an entity;
- the parent company is exposed or has the right to variable returns depending on the performance of the entity, from its involvement with the entity;
- the parent company has the ability to use its power to affect the amount of the returns it obtains from the entity.

Power is defined as the existing rights of all types conferring on the parent company the current ability to direct the relevant activities of the entity, independently of the actual exercising of these rights. Relevant activities are those that significantly affect the entity's returns.

The parent company must present consolidated financial statements in which the assets, liabilities, equity, income, expenses and flows of the parent company and its subsidiaries are measured and recognized using uniform accounting methods as those of a single economic entity.

Subsidiaries are consolidated from the date on which the parent company obtains control. Changes to the percentage of interest in a subsidiary which do not result in the loss of control are equity transactions. When the parent company loses control of a subsidiary, the assets and liabilities of this subsidiary are derecognized from the consolidated financial statements, and the profit or loss related to the loss of control is recognized in the income for the year. If appropriate, the residual investment retained in the entity is measured at fair value on the date of loss of control.

A non-controlling interest, defined as the share in equity of a subsidiary not attributable, directly or indirectly, to the parent company must be presented separately from the equity attributable to the parent company's shareholders.

One parent company only can control a subsidiary. In the event of collective control, no investor is deemed to have sole control of the entity, and each investor recognizes its interest in the entity using the method recommended by the applicable standard. A non-controlled entity can be classified as a joint arrangement pursuant to IFRS 11, associate or joint venture pursuant to IAS 28 revised, or a financial instrument pursuant to IFRS 9.

In accordance with IFRS 10, the companies controlled by Gaumont are consolidated. The share of net assets and net income attributable to non-controlling shareholders is shown separately as non-controlling interests on the consolidated statement of financial position and on the consolidated income statement.

Associates and joint ventures

In accordance with IFRS 11 and IAS 28 revised, interests held in a joint venture or an associate are accounted for using the equity method.

A joint venture is a company over which two investors or more exercise joint control and have rights to the net assets. Joint control means the contractually agreed sharing of control of the entity and only exists when the decisions relating to relevant activities require the unanimous agreement of the parties sharing control. An associate is an entity over which the investor has significant influence, defined as the power to participate in the financial and operating policy decisions without exercising control over these policies.

The equity method consists of initially recognizing the investment at cost, then adjusting its value after the acquisitions, to take into account the changes of the investor's share in the net assets of the entity. Goodwill is included in the carrying amount of the investment.

Financial statements used by the investor to determine its share in the entity's net assets shall be prepared using the same accounting methods as the investor.

The investor's net income includes the share of net income of equity-accounted entities. Other comprehensive income of the investor includes its share in the other comprehensive income of those entities. Adjustments are made to the investor's share of net income to account for in particular, amortization and depreciation of the fair value of the assets and liabilities acquired or impairment losses of goodwill.

If the investor's share in the losses of an equity-accounted entity exceeds its interest in the latter, the investor discontinues recognizing its share of further losses. After the interest is reduced to zero, additional losses are the subject of a provision and a liability is recognized, provided the investor has a legal or implicit obligation to cover these losses. When the entity returns to profit, the investor only starts to recognize its proportional share of profits when it exceeds its proportional share of unrecognized losses.

In accordance with IAS 28, the companies in which Gaumont has a significant influence or joint control are recognized using the equity method. The share of net assets of equity-accounted entities is reported as an asset on the statement of financial position in the "Investments in associates" line item. Where applicable, this share is supplemented by taking into account any fair-value adjustments attributable to the assets and liabilities of the companies concerned and goodwill recorded during the acquisition.

2.4. Business combinations

Recognizing business combinations

In accordance with IFRS 3, business combinations are recognized according to the acquisition method.

The first time a controlled business is consolidated, the acquired assets and liabilities as well as contingent liabilities are measured at their fair value at the acquisition date.

Optionally for each transaction, goodwill is measured on the date of taking control, either by the difference between the acquisition price and the proportionate share of the assets, liabilities and contingent liabilities measured at fair value, or including the minority interests measured at fair value. This option, known as "full goodwill" results in the recognition of goodwill on non-controlling interests.



Earn outs are included in the acquisition price at fair value on the date of taking control. Subsequent adjustments to this value are recognized in goodwill, if they occur within the twelve-month measurement period, or in profit or loss beyond this date.

The direct acquisition costs are recognized in expenses for the period.

In the case of staged acquisitions resulting in taking control of the entity, the proportionate shares held prior to taking control are remeasured at fair value on the date of taking control. The impact of these revaluations is recognized in profit or loss.

Subsequent changes to the percentage of interest, while control of the acquire company is retained, constitute transactions between shareholders and have no impact on profit or loss or on goodwill. The difference between the redemption price and the proportionate share acquired (or sold) is recognized in equity.

Goodwill measurement

In accordance with IFRS 3, the Group finalizes the analysis of the fair value of assets and liabilities acquired within a maximum of 12 months following the acquisition date.

Goodwill is allocated to the smallest identifiable group of assets or cash-generating units.

Goodwill is not amortized, but each cash-generating unit individually undergoes an impairment test at each annual closing. The impairment test is carried out by comparing the recoverable value and the carrying amount of the cash-generating unit(s) to which the goodwill was allocated.

The recoverable value of a cash-generating unit is defined as the higher of the fair value (usually the market price) less costs to sell and the value in use determined using the discounted future cash flow method.

Gaumont defines each entity acquired as a cash-generating unit. When the entities are integrated into a wider operating unit, the CGU is analyzed taking into account the synergies with that unit.

Key assumptions made in carrying out the impairment tests vary depending on the cash-generating unit's area of business.

For movie and television production and distribution activities, cash flows are based on a two-year minimum business plan, then extrapolated by applying a growth rate over a defined or undefined period depending on the activity considered. Cash flows are discounted using an appropriate rate for the type of business. Assumptions retained to conduct the impairment test are described in note 3.1 for each individually significant goodwill.

If the carrying amounts of the cash-generating unit exceed the recoverable value, the assets of the cash-generating unit will be impaired in order to bring them into line with their recoverable value. Impairment losses are first charged against goodwill and are recognized under "Other non-current operating income and expenses".

Impairment losses on goodwill are irreversible.

Goodwill relating to investments in equity-accounted entities is presented in the "Investments in associates" line item.

2.5. Measurement and presentation of the consolidated financial statements

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared according to the historical cost principle, with the exception of some land and buildings measured at fair value at January 1, 2004. Moreover, some of the IFRS standards may provide for other measurement principles applicable to specific categories of assets and liabilities. Measurement principle used for each category of assets and liabilities are described in the following notes.

Use of estimates

When preparing the consolidated financial statements, Group Management made estimates relying on assumptions that could have an impact on the value of assets and liabilities at the reporting date and on income and expenses for the period. The estimates are based on past experience and other factors deemed to be reasonable in view of the circumstances. They form a basis for determining accounting values of assets and liabilities which cannot be directly obtained from other sources. These estimates are re-examined on an ongoing basis. However, the final amounts appearing in Gaumont's future consolidated financial statements may differ from the amounts currently estimated.

Using of estimations concerns, in particular, measurement of tangible and intangible assets, accumulated amortization of films, measurement of the loss of value on financial assets, recognition of deferred tax assets, and current and non-current provisions. Specifications relating to the estimates are provided in the notes.

Foreign currency translation

FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

The functional currency of foreign subsidiaries is the local currency, defined as the currency of the economic environment in which the entity operates.

The consolidated financial statements of these subsidiaries are converted into euros, the operating currency of the parent company, when being integrated into the consolidated financial statements. In accordance with IAS 21, their statement of financial position is translated into euros at the closing rate, and their income statement is translated at the average exchange rate of the period concerned. Differences resulting from the translation are recognized as translation adjustments in consolidated equity and reported to the net income when the entity cease to be consolidated.

FOREIGN CURRENCY TRANSACTIONS

IAS 21 "Effects of changes in foreign exchange rates" defines recognition and measurement of transactions in foreign currencies. Pursuant to this standard:

- transactions denominated in foreign currencies are translated into local currency at the exchange rate on the date of the transaction;
- monetary items in the statement of financial position are remeasured at the closing rate at each reporting date and the relevant translation adjustments are recognized in income;



- translation adjustments on a monetary item that is part of a net investment in a foreign operation are recognized in other comprehensive income and reclassified in net income on disposal of the net investment.

Structure of the consolidated statement of financial position

IAS 1 “Presentation of financial statements” requires current and non-current items to be split out on the statement of financial position.

The breakdown is as follows:

- current assets are those that the Group expects to realize or use in the normal operating cycle. All other assets are deemed to be non-current assets;
- current liabilities are those that the Group expects will be paid in the normal operating cycle. All other liabilities are deemed to be non-current liabilities.

2.6. Intangible assets

In accordance with IAS 38, identifiable items are only recognized as an asset if, and only if, it is probable that the future economic benefits associated with the items will flow to the Group and the cost of the item can be measured reliably.

Preliminary costs

Preliminary costs represent the expenses, such as searches for themes, talent and locations required to develop projects, incurred prior to the decision to make the film. These costs are recognized as an expense in the year in which they are incurred.

Evaluation of films and audiovisual rights

Films and audiovisual rights include:

- the production costs of works of which the Group is executive producer, intended to be marketed in France or abroad through all audiovisual media;
- French or foreign co-production investments;
- the acquisition value of rights allowing distribution of an audiovisual work;
- the restoration and digitization costs incurred to enable long-term use of works.

The gross value reported as an asset in the financial statement is constituted in particular of:

- the production costs of movies and television programs, net of contributions from co-producers, when the Group was involved as executive producer;
- the amounts invested as lump-sum contributions, when the Group was involved in the production as co-producer;

- the amount of the non-refundable advances paid to the executive producer when the Group was involved as a distributor;
- the acquisition cost of rights when the Group was not involved in the production of the work.

Capitalized cost of works produced includes interest expenses incurred during the production period as well as a portion of overheads that are directly attributable to the production.

Amortization of films and audiovisual rights

Films and audiovisual rights are intangible assets with a fixed useful life. The future economic advantages that Gaumont obtains in consideration for the use of these assets largely depends on the success of these works with the public upon the first screening and the artistic characteristics of each work, essential to its commercial potential.

During the screening of films and television programs over time, the income received for license renewals and royalties indicate the public's continued interest or the progressive disinterest in the work, and are directly representative of the expected future economic advantages of the asset.

The proceeds for a period being accordingly directly associated with the progressive consumption of economic advantages associated with these assets, Gaumont deems that the cost-unit amortization, based on the ratio of net proceeds acquired in the year to total net proceeds, is the most appropriate method.

In order to take into account the release of works and the erosion of the demand, total net proceeds include Gaumont's share of net proceeds received for the year and estimated net proceeds, over a maximum period of ten years from release date. Management reviews the estimated net proceeds regularly and adjusts them, if need be, taking into account operating profits, new contracts signed or planned and the audiovisual environment at the reporting date. These adjustments may result in additional amortization to cover the insufficient revenue when the carrying amount of the asset exceeds the revised estimated net proceeds.

For feature films that experience great success with the public when they are released in movie theaters, Gaumont examines the artistic characteristics of the work in order to determine if the film is likely to produce future economic advantages beyond ten years. If applicable, a residual value is allocated to the film concerned. Pursuant to the provisions of IAS 36, the justification for the recoverability of this residual value is reviewed at each reporting date.

Ongoing productions

Ongoing productions represent all direct costs and financial expenses incurred to produce a film or a series and include a share of overheads directly attributable to the production. Production costs are transferred from the “Ongoing productions” item to the final asset account once the production is complete and available for release.

An impairment loss may be recognized for productions in progress where the budget initially provided for has been significantly overrun or where, for films marketed between the reporting date and the publication of the financial statements, the estimate of future proceeds is below the value of the investment.



Other intangible assets

Musical rights are amortized by type:

- musical productions are eligible to the declining balance method whose duration varies depending on the type of work: two years for pop music, three years for classical music productions;
- music publishing rights acquired are amortized on a straight-line basis over five years.

Other intangible assets primarily consist of software and are amortized over the duration of the license.

2.7. Property, plant and equipment

Measurement of property, plant and equipment

Property, plant and equipment include all identifiable physical assets controlled by Gaumont that generate future economic benefits. Property, plant and equipment are recorded as assets in the financial statement starting from the date Gaumont acquires control and is assured that it will receive virtually all of the future economic benefits that it could generate.

The gross value of property, plant and equipment consists of purchase price net of potential discounts, and also includes all incidental expenses related to the acquisition and all costs directly related to startup.

As an exception, as part of the first application of IFRS, the Group opted to measure certain land and buildings located in the 8th Arrondissement of Paris and in Neuilly-sur-Seine at their fair value.

The borrowing costs incurred to purchase, build or manufacture eligible property, plant or equipment are included in the gross value of the assets until the asset's startup date.

Accumulated amortization of property, plant and equipment

Property, plant and equipment are amortized over their useful life. When property, plant or equipment has distinct components with their own use, each element is recognized separately and amortized over its own useful life.

The depreciable amount includes the acquisition cost less any potential residual value allocated to each asset. Residual value is allocated to assets when Gaumont intends to sell the asset concerned after its useful life and the asset has a measurable market value. Residual value comprises the resale value net of selling costs.

Amortization methods and periods generally used for property, plant and equipment are as follows:

FIXED ASSETS	COMPONENT	AMORTIZATION METHOD	AMORTIZATION PERIOD
Property	Structural works	Straight-line	40 years
Property	Facade	Straight-line	30 years
Property	Roofing and exterior fixtures and fittings	Straight-line	20 to 25 years
Property	Plant and equipment	Straight-line	10 to 15 years
Property	Interior fixtures and fittings	Straight-line	5 to 10 years
Movable property	Passenger vehicles	Straight-line	4 years
Movable property	Furniture and equipment	Straight-line	3 to 5 years

A different method and amortization period may be used for certain assets depending on the actual consumption of related economic benefits.

Items purchased for a fee and added to the Gaumont Museum's inventory are recorded under Gaumont assets when their acquisition cost is individually significant. They are considered collection pieces with an indefinite useful life and are not amortized.

When the use of property, plant or equipment changes, the amortization method may change if the prior amortization schedule no longer suits the new consumption method for the asset's expected economic benefits. Revisions to the amortization schedule are prospective and calculated based on the asset's net carrying value at the beginning of the period.

Property, plant and equipment held under finance lease

IAS 17 defines a finance lease as a lease that transfers the lessee substantially all the risks and rewards incidental to ownership of an asset. Classification of lease contract is determined independently of the effective transfer of title at the end of the lease.

Pursuant to IAS 17, at the commencement of the leasing term, the asset held under finance lease is recognized as asset and liabilities at amounts equal to the fair value of the leased property or, if it is lower, to the net present value of the minimum lease payments. The discount rate to be used to calculate the present value of the minimum lease payments is the implicit interest rate of the lease.



Minimum lease payments installments are broken down between the financial cost and the reduction of the outstanding liability.

Depreciation is calculated over the expected useful life, using a method consistent with the one applied to the Group's wholly-owned assets. If there is a reasonable certainty that the Group will become the owner of the asset at the end of the operating lease, the expected useful life is the period during which the asset can be used, otherwise the asset is depreciated over the shorter of the lease term and its useful life.

Investment properties

Buildings owned or held under financial leases and leased to third parties not exercising an activity in keeping with those of Gaumont and its subsidiaries are qualified as investment properties.

In application of the options offered by IAS 40, the method used for the measurement of the investment properties is the cost model. The provisions of IAS 16 are thus applicable to investment properties and the depreciation methods used for the investment properties are identical to those used for properties actually occupied.

Except in rare cases rendering this measurement impossible, the fair value of the investment properties is subject to a periodic assessment by an independent surveyor exercising his activity in the geographic area in which the building is located.

2.8. Impairment of assets

Under the provision of IAS 36, the carrying amount of goodwill, intangible assets and property, plant and equipment is reviewed at each reporting date and is tested for impairment whenever there is an indication that the unit may be impaired.

In the case of assets with an indefinite useful life, the test is carried out at least once a year. For the Group, only goodwill is included in this asset category. The method of conducting impairment tests on goodwill is presented in note 2.4.

For intangible assets that have a definite useful life and property, plant and equipment, if there is an indication of impairment, the Group estimates the recoverable amount of the asset defined as the higher of the fair value, less cost of disposal, and the value in use. The value in use is determined by discounting the future cash flows expected from using the asset and from its sale.

In the event that the carrying amount of the asset exceeds its recoverable value, an impairment loss is recognized to bring the carrying amount down to the recoverable value.

Impairment losses on intangible assets with definite useful lives and on property, plant and equipment may be subsequently reversed where the net recoverable value becomes higher than the net carrying amount (up to the amount of the initial impairment loss).

2.9. Inventories

Inventories are assessed at the lower of the purchase cost of the inventory or the net recoverable value. An impairment loss is recognized at the reporting date if the market value becomes less than the carrying amount.

2.10. Financial assets and liabilities

In reference to IAS 39, IFRS 13 and IFRS 7, financial assets are divided into three separate categories:

- financial assets valued at amortized cost, which essentially comprises loans and receivables;
- financial assets held for transaction purposes, measured at fair value through profit and loss;
- available-for-sale financial assets, measured at fair value through equity.

Financial liabilities mainly include borrowings, which are valued at amortized cost.

Furthermore, IFRS 13 and IFRS 7 classify financial assets and liabilities measured at fair value according to three hierarchical levels, depending on the more or less observable nature of the fair value of the instrument:

- level 1 instruments are financial instruments listed on an active market;
- level 2 instruments are those for which measurement at fair value requires using techniques based on observable market data;
- level 3 instruments are measured using techniques based on non-observable data.

Measurement of financial assets

INVESTMENTS IN NON-CONSOLIDATED COMPANIES

Investments in non-consolidated companies represent the Group's interest in the share capital of non-consolidated companies.

Investments in non-consolidated companies are analyzed as being available for sale and are therefore recognized at their fair value. Changes in fair value are recognized directly in equity.

For listed securities, this fair value corresponds to the stock market price. If the fair value cannot be reliably determined, the securities are recognized at historical purchase cost.

If there is an objective indication that a financial asset may be impaired, and in particular if there is a significant or permanent decrease in the asset's value, an impairment loss is recognized in the income statement. This loss will be reversed in the income statement only when the securities are sold.

RECEIVABLES FROM NON CONSOLIDATED ENTITIES, OTHER LOANS, DEPOSITS AND BONDS

These financial assets are measured at amortized cost. Their carrying amount in the statement of financial position includes the outstanding capital and the unamortized share of purchase costs.

An impairment loss may be recognized if there is an objective indication of impairment. The impairment representing the difference between the net carrying amount and recoverable value is recognized as an expense and is reversible when there is an improvement in recoverable value.



TRADE RECEIVABLES AND OTHER RECEIVABLES

Receivables are recognized at amortized cost. Their value in the statement of financial position corresponds to their nominal value, after deducting accumulated impairment losses on the non-recoverable amounts.

An estimate of the non-recoverable amount is made individually for each receivable when it is no longer probable that the entire receivable will be recovered. An impairment loss is recognized for the non-recoverable portion of receivables.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include liquidity held in bank current accounts and investments in money market instruments that may be liquidated or sold in the very short term, in view of Management intentions, and do not entail a significant risk of loss in value in the event of interest rate changes.

These financial instruments are measured at their fair value through profit and loss.

Measurement of financial liabilities

LOANS AND BORROWINGS

Loans and other borrowings are measured at amortized cost based on the effective interest rate of the transaction, including the cost of the loan issue fees.

SOFICAS

The rights to a share of proceeds of Soficas guaranteed by Gaumont are measured at amortized cost and recorded for their nominal value in the liabilities of the statement of financial position. The payback of the share of proceeds to which Soficas are entitled is directly recognized as an offset to these liabilities.

SALE AND BUYOUT COMMITMENTS

In accordance with IAS 32, when the Group has made a binding and unconditional commitment to buy out a subsidiary's non-controlling interests ("buyout commitment") and, conversely, the subsidiary's non-controlling interest shareholders have made a commitment to sell the Group their full interest ("sale commitment"), the commitments to buy out the share of non-controlling interests ("puts") are treated as liabilities and regularly remeasured.

The Group recognizes a financial liability against a reduction of the share of equity attributable to the non-controlling shareholders and, if applicable, as goodwill for the balance. Subsequent changes in value are recognized as re-classifications within equity without any impact on income.

Derivatives and hedging operations

The Group uses derivatives to manage and reduce its exposure to the risk of changes in interest rates and foreign exchange rates. These instruments include interest rate swap agreements and foreign exchange options as well as forward contracts to purchase or sell currencies.

Derivatives are initially recognized at their fair value on the effective date of the contract and then remeasured at each reporting date in accordance with IAS 39. The fair value of derivatives is shown on the statement of financial position as "Other receivables" or "Other payables", depending on whether it results in an unrealized gain or loss.

NON-HEDGING DERIVATIVES

For instruments that do not qualify as hedges, the change in fair value is reported in financial income under "Other financial income and expenses".

HEDGING DERIVATIVES

IAS 39 defines three categories of hedging instruments, each having its own accounting method:

- fair value hedges are intended to provide protection from exposure to a change in the fair value of an asset or of a liability that has been recognized, or of a firm commitment that has not been recognized, which has an impact on net income;
- cash flow hedges are intended to provide protection from exposure to fluctuations in cash flows attributable to a particular risk associated with an asset or with a liability that has been recognized, or to a highly probable forecast transaction, which could affect net income;
- hedges of net investments in foreign operations are designed to protect from exposure to fluctuations in foreign exchange rates affecting an investment in a foreign entity.

When the Group enters into a hedging transaction, it ensures that:

- at the inception of the transaction, formal designation and documentation describe the hedging relationship and the Management's objective in relation to the relevant risk management and hedging strategy;
- management expects the hedge to be highly effective in offsetting risks;
- the transactions hedged are highly probable and involve exposure to variations in cash flows that could ultimately affect net income;
- the effectiveness of the hedge can be measured reliably;
- the effectiveness of the hedge is assessed on an ongoing basis and is determined to be highly effective throughout the life of the hedge.

For cash flow hedges, any changes in fair value relating to the effective portion of the derivative are recognized in other comprehensive income. The ineffective portion of these changes is recognized in operating income or in financial income for the year, depending on the nature of the hedged item. The changes in fair value that are recorded in equity are transferred to net income for the year in which the hedged transaction occurs and affects net income.



2.11. Equity instruments

Stock options

Stock options were awarded to certain executive officers and employees of the Group. These options give rise, when being exercised, to new shares being issued by a capital increase.

In accordance with the provisions of IFRS 2, the fair value of the options is valued on the grant date, using the Black & Scholes mathematical model as a basis. Fair value is reported as personnel costs on a straight-line basis over the period of acquiring the rights and recognized in exchange for equity.

Treasury shares

Purchases of treasury shares are recognized as a deduction from equity at their acquisition cost.

When treasury shares are sold, any resulting gains or losses are recognized in the consolidated retained earnings, net of tax.

2.12. Provisions and contingent liabilities

In accordance with IAS 37, a provision is accounted for where an obligation exists at the reporting date towards a third party as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, without the Group receiving at least equivalent consideration, and a reliable estimate can be made of the amount of the obligation.

2.13. Employee benefits

Provisions for post employment benefits

The provision for post employment benefits relates to the Group's pension commitment to its employees.

This is limited to the pensions and other retirement benefits provided for under the collective agreements of the Group's companies. In accordance with IAS 19, it is calculated, by independent actuaries, on the basis of the projected unit credit method at the date of retirement, based on the salary at that date, and regarding the following assumptions:

- rights under agreements measured in relation to the length of service accrued by the various categories of personnel;
- an assumption of the retirement date varying based on the employees' job category and date of birth, in order to take into account the regulations in force;
- an estimated turnover rate based on past experience;
- wages and salaries, including employer's social security contributions, measured at the prevailing rates;
- an annual rate of salary increase;

- mortality based on statistical tables;
- discount rate reviewed at each reporting date, based on long-term corporate bonds ("Euro zone AA rated corporate bonds +10 years").

In accordance with IAS 19:

- commitments are all recognized as a liability on the consolidated statement of financial position;
- past service costs, profits and losses on liquidation and the net interest on the liabilities recognized in respect of the services defined are recognized as net income for the year and presented in "Personnel costs";
- the actuarial gains and losses are recognized in "Other comprehensive income";
- impacts of plan amendments are immediately recorded in net income;
- the expected rate of return on plan assets is the same as the discount rate applied to the defined benefit obligation.

The Group has no assets in respect of its defined benefit plans.

Seniority bonuses

The Group also recognizes its commitments related to bonuses granted subject to certain seniority conditions. The value of these commitments is calculated by applying the method and assumptions used to measure the pension benefit.

2.14. Income tax and other taxes

Obligating event for levy recognition

In accordance with the interpretation of IFRIC 21, the obligating event for levy recognition is the event that triggers the payment, as defined in legal and regulatory provisions. When the obligating event occurs over a certain period of time, the tax liability is recognized gradually over the period.

When legal and regulatory provisions state that a minimum threshold must be reached for the tax to be payable, it is recognized when the threshold is actually reached.

Deferred tax

In accordance with IAS 12, deferred tax is recognized for all temporary differences identified between the carrying amount of assets and liabilities and their tax bases, using the liability method.

Deferred tax assets on tax loss carryforwards are recognized when their recovery is considered probable based on recent business plans.

In accordance with IAS 12, deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are assessed at the tax rates that are expected to be applied during the year in which the asset will be realized or the liabilities paid, based on known tax rates applicable in the various countries on the reporting date.



Contributions based on the added value of companies

The Group considers the local business tax (*contribution économique territoriale*) and in particular the contributions based on the added value of companies (*cotisation sur la valeur ajoutée des entreprises*, or CVAE) as an operating expense which does not come under the scope of IAS 12. No deferred tax liability is recognized on this basis.

2.15. Operating segments

In application of IFRS 8, the segment information presented by the Group is based on the same management data available to executive management, the chief operating decision maker. The measurement methods for figures by operating segment are in line with the principles and policies used to prepare the consolidated financial statements.

The Group's organizational structure is based on its various businesses. The Gaumont group operates in three business sectors which constitute its operating segments:

- movie production and distribution, which includes the various distribution phases of movies: release in theaters, television broadcasting rights, distribution on video and video on demand, both in France and internationally;
- production and distribution of animated feature films and cartoon and drama series;
- operation of movie theaters through its stake in Les Cinémas Gaumont Pathé until May 18, 2017.

2.16. Revenue

IAS 18 defines three categories of revenue from operations that apply to Gaumont: sales of goods, rendering of services and royalties.

In accordance with IAS 18, sales of rights made for a fixed fee are license sales to be considered in substance as a sale of goods and are recognized entirely when the majority of risks and benefits related to the distribution of the work are transferred to the customer. These transactions mainly include sales of television broadcasting rights (pre-sales and subsequent sales) and sales of distribution rights to foreign distributors as minimum guarantees or simple lump-sum sales. For these sales, most of the risks and benefits related to distributing the work are considered transferred once all of the following events have taken place:

- the contract defining the terms and conditions of the sale of rights is signed by all of the parties and enforceable;
- the seller's obligations have been fulfilled; delivery has been made and the material's compliance has been acknowledged;
- the customer is able to use the right acquired without restrictions, it being specified that in the particular case of television rights pre-sales, regulatory restrictions related to a potential media chronology are not taken into account beyond the entitlement date defined in the contract.

Revenue from the transactions is measured at estimated fair value on the day it is recognized, given the recovery risks identified by Gaumont. If no recovery risks are identified, the fair value of the sale is deemed to be equal to the contractual amount as long as the contract does not include any significant financing component. When the contract provides for payment terms similar to financing granted to the purchaser, the license's fair value is determined by discounting the future cash flows using an imputed interest rate. This rate is determined for each transaction by referring to the prevailing rate that would be obtained by the third party from a credit institution to finance a similar transaction.

In accordance with IAS 18, revenue resulting from a third party's use of rights attached to a work that Gaumont produced or co-produced are royalties recognized when sales to the final customer are completed. This revenue particularly includes proceeds from the distribution of films to movie theaters, revenue from video and video on demand distribution, music revenue and producer's share of proceeds. Sales to the final customer are considered complete when the distributor or the executive producer responsible for managing rights has communicated the number and value of the sales to Gaumont via a distribution statement. Royalties are recognized net of distribution fees opposable to Gaumont and of estimated refunds.

When contracts include both a fixed fee component and variable revenue, each component is measured and recognized separately according to the principles described above.

In the case of contracts including multiple deliveries or when the sale pertains to several distinct works (or several distinct episodes) and when the sales price can be accurately allocated between the works, the proceeds are recognized when the risks and benefits are transferred to the customer. When the sales price cannot be allocated, revenue is recognized when all of the works have been delivered and accepted by the customer.

In accordance with IAS 18, barter transactions are individually analyzed to determine if they can be recognized as revenue. Transactions including a media advertising space in exchange for brand visibility in a work or on a poster are analyzed by Gaumont as transactions relating to dissimilar services and recognized as revenue at the fair value of the services received.

In accordance with IAS 18, the services provided by Gaumont are recognized as an income by reference to the stage of completion at the end of the period. For line production services provided by Gaumont to third parties, stage of completion is measured according to the production work progress rate expressed as a percentage of the total amount of services expected.

Revenue recognized in the income statement is representative of the transactions carried out by Gaumont on its own behalf. When Gaumont acts as distributor without owning the film and when the risks related to distributing the work remain the producer's responsibility, Gaumont is considered acting on the producer's behalf. In this situation, income from sales to the final customer is recognized in the consolidated statement of financial position as debt to the producer. The commission received by Gaumont as compensation for its service is recognized in net income when the sales are completed.



2.17. Government grants and assistance

Financial support for the cinema industry and the audiovisual industry

Films generate financial support on account of their commercial distribution in movie theaters, their broadcasting on television and their video distribution. The financial support for the movie production, distribution, exportation and video publishing is recognized in tandem with the revenue of films that generate the support. It is recognized under assets on the statement of financial position in "Other receivables", offset by an operating income account. The support fund invested in the production of new films is charged against "Other receivables".

The support fund for the audiovisual program industry (COSIP) follows the same rule. Financial support for the production of audiovisual works is recognized in tandem with the proceeds from the series and dramas that generate the support.

Other subsidies

Subsidies received, insofar as they are definitively vested, are recognized in income from the date of the first release in theaters of the relevant films, and, for television productions, from the date of delivery and acceptance of material by the principal television broadcasters.

Tax credits linked to current operations

AUDIOVISUAL AND CINEMA TAX CREDIT

The tax credit granted to production companies is recognized in the consolidated financial statements in current operating income. It is recognized, from the first screening of films in theaters or from the date of delivery and acceptance of the broadcasting material in the case of dramas and cartoons, on a *pro rata* basis of the accumulated amortization of the film which it helped finance.

EMPLOYMENT COMPETITIVENESS TAX CREDIT

The employment competitiveness tax credit is measured and recognized as income when the eligible compensation expenses are incurred. Under IAS 19, the corresponding saving is deducted from personnel costs.

2.18. Operating income (loss)

Operating income integrates current and non-current items related to operations.

The non-current operating income represents non-recurring operations not directly related to ordinary activities.

Proceeds from the sale of films, series and the associated audiovisual rights are included in current operating income. Proceeds from the sale of other intangible assets and property, plant and equipment and goodwill impairment losses are included in other non-current operating income and expenses.

Operating income after share of net income of associates also includes the share of net income of associates involved in an activity which is similar to or an extension of the activities of fully consolidated companies.

2.19. Earnings per share

In accordance with IAS 33, the base result of earnings per share is determined by dividing the net income attributable to equity owners of the parent by the weighted average number of shares outstanding over the reporting period.

Diluted earnings per share are determined by dividing the net income attributable to equity owners of the parent by the weighted average number of shares outstanding over the reporting period, plus the number of shares that would result if all dilutive stock options that can be exercised were exercised at the beginning of the reporting period.

In the case of stock options, the difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price is treated as an issue of ordinary shares with a dilutive effect. Options and share warrants have a dilutive effect when their exercise would incur the issue of ordinary shares at a price below the average market price for ordinary shares during the year. Options and share warrants only have a dilutive effect when the average market price of ordinary shares during the year exceeds the strike price of the options or share warrants.

If a loss is made during the period, diluted earnings per share are calculated by dividing the net income attributable to equity owners of the parent by the number of shares at the reporting date, taking into account the accretive effect of exercising stock options.



3. Notes to the consolidated statement of financial position

3.1. Goodwill

	12.31.17	MOVEMENTS OF THE PERIOD			12.31.16
		+	-	OTHER ⁽¹⁾	
Animation	15,794	-	-	-	15,794
Mitzé Films	856	-	-	-	856
LGM Participations	491	-	-	-	491
Gross value	17,141	-	-	-	17,141
Animation	-4,250	-	-	-	-4,250
Mitzé Films	-856	-	-	-	-856
Accumulated impairment losses	-5,106	-	-	-	-5,106
CARRYING VALUE	12,035	-	-	-	12,035

(1) Change in rate of interest, write-offs.

For the most significant goodwill, the key assumptions are as follows:

	CGU CATEGORY	PROJECTION PERIOD	DISCOUNT RATE	PERPETUAL GROWTH RATE	OTHER KEY ASSUMPTIONS	CARRYING VALUE	
						12.31.17	12.31.16
Animation	Animated films and cartoon series production	indefinite	7,5%	1,5%	Two-year budget ⁽¹⁾ and going concern	11,544	11,544

(1) Budgets are based on firm commitments known at the date the budget was prepared and include all resources immediately available. They do not rely on any significant estimates except for planning forecasts.

As of December 31, 2017, the net carrying value of the Cash-Generating Unit (CGU) is equivalent to its value in use. An adverse change in one or more key assumptions would entail the recognition of an additional impairment loss for the asset concerned.

The sensitivity of value in use to changes in the principal assumptions is presented below.

PERPETUAL GROWTH RATE	DISCOUNT RATE		
	8.50%	7.50%	6.50%
1.00%	-7,981	-2,768	4,344
1.50%	-5,968	-	8,358
2.00%	-3,652	3,262	13,252



3.2. Films and audiovisual rights

	12.31.17	MOVEMENTS OF THE PERIOD			12.31.16
		+	-	OTHER ⁽¹⁾	
Films and cinema rights	1,875,694	37,082	-	9,278	1,829,334
Television series, dramas and broadcasting rights	377,423	23,112	-	-19,836	374,147
Animated films and series	186,498	1,560	-	8,043	176,895
Musical productions and publishing rights	2,943	-	-	-	2,943
Video games	1,525	-	-	-	1,525
Movies in production	10,480	10,397	-	-7,979	8,062
Television series and dramas in production	18,244	22,189	-	-24,095	20,150
Animated films and series in production	23,656	17,106	-	-10,065	16,615
Gross value	2,496,463	111,446	-	-44,654	2,429,671
Films and cinema rights	-1,807,281	-44,414	43	-1,165	-1,761,745
Television series, dramas and broadcasting rights	-352,700	-43,580	-	39,387	-348,507
Animated films and series	-179,426	-13,280	-	1,201	-167,347
Musical productions and publishing rights	-2,879	-17	-	-	-2,862
Video games	-1,525	-	-	-	-1,525
Television series and dramas in production	-109	-	40	-	-149
Animated films and series in production	-5,145	-5,145	-	-	-
Accumulated amortization and impairment losses	-2,349,065	-106,436	83	39,423	-2,282,135
CARRYING VALUE	147,398	5,010	83	-5,231	147,536

(1) Changes in scope, transfers between items, foreign currency translation adjustments.

As of December 31, 2017, ongoing productions essentially correspond to works that will be delivered in 2018 and 2019, in particular:

- for feature films: *Rolling to You*, *The Emperor of Paris*, *Tricky Old Dogs*, *A Man in a Hurry* and *Edmond*;
- for television series: *Narcos* season 4 and *Nox*;
- for animated films and series: *F is for Family* season 3, *Furiki Wheels*, *Belle and Sebastian* and *Trulli Tales*.

Films released in theaters between the reporting date and approval by the board can be subject to impairment when the expected net proceeds are lower than investments. Impairment losses are reversed when the film is released and the corresponding amount is included in the amortization for the year.

Films released in early 2018 have not resulted in any impairment losses.

Other changes of the period include mainly the foreign currency translation adjustments from the accounts of American subsidiaries.

3.3. Other intangible assets

	12.31.17	MOVEMENTS OF THE PERIOD			12.31.16
		+	-	OTHER ⁽¹⁾	
Franchises, patents, licenses, brands and software	2,377	8	-	-1,302	3,671
Other intangible assets	-	-	-	-	-
Other intangible assets in progress	-	-	-	-	-
Advances and prepayments to suppliers	31	11	-	-11	31
Gross value	2,408	19	-	-1,313	3,702
Franchises, patents, licenses, brands and software	-2,085	-97	-	1,161	-3,149
Other intangible assets	-	-	-	-	-
Accumulated depreciation and impairment losses	-2,085	-97	-	1,161	-3,149
CARRYING VALUE	323	-78	-	-152	553

(1) Changes in scope, transfers between items, foreign currency translation adjustments.

Other changes are constituted mainly of the change in the presentation of restoration costs, reclassified to film and audiovisual rights.



3.4. Property, plant and equipment

	12.31.17	MOVEMENTS OF THE PERIOD			12.31.16
		+	-	OTHER ⁽¹⁾	
Land	10,063	-	-	-	10,063
Buildings and fittings	25,026	612	-51	987	23,478
Plant, equipment and machinery	1,393	2	-33	50	1,374
Other property, plant and equipment	8,223	260	-514	-104	8,581
Properties measured in accordance with IAS 40	33,561	886	-32	-	32,707
Property, plant and equipment held under finance lease	451	-	-	-	451
Property, plant and equipment in progress	48	114	-	-1,021	955
Gross value	78,765	1,874	-630	-88	77,609
Land	-	-	-	-	-
Buildings and fittings	-14,403	-880	16	6	-13,545
Plant, equipment and machinery	-1,216	-60	33	-46	-1,143
Other property, plant and equipment	-5,876	-499	247	70	-5,694
Properties measured in accordance with IAS 40	-10,033	-946	32	-	-9,119
Property, plant and equipment held under finance lease	-151	-38	-	-	-113
Accumulated depreciation and impairment losses	-31,679	-2,423	328	30	-29,614
CARRYING VALUE	47,086	-549	-302	-58	47,995

(1) Changes in scope, transfers between items, foreign currency translation adjustments.

Gaumont foresees a restructuring and renovation of its property located on Avenue des Champs-Élysées, to subsequently rent the estate. Given the progress in operations, in particular the current marketing of available spaces, Gaumont deems that the fair value of all the properties as of the reporting date is not representative of the fair value of the property at the end of the project and that the reporting of this value may adversely affect the relevance of the financial disclosures for those using the financial statements. Gaumont has however made sure that the fair value of the buildings at reporting date exceeded the carrying value of the properties.

Pending the start-up of the renovation works, a part of the surface area was leased under a temporary lease. The leasing revenue corresponding to this operation is presented in note 4.1.

A breakdown of lease commitments and discounted future cash flows from property, plant and equipment held under finance lease is shown in note 6.3.

3.5. Investments in associates

COMPANY	% INTEREST	12.31.17	12.31.16
Les Cinémas Gaumont Pathé	34.00%	-	225,510
Lincoln Cinema Associates (USA)	31.95%	423	511
La Boétie Films (e.g. LGM)	20.00%	-44	48
Gross value		379	226,069
Accumulated impairment losses		-	-
CARRYING VALUE		379	226,069

The 34% stake held in Les Cinémas Gaumont Pathé was sold to Pathé on May 18, 2017 for a price of k€380,000 payable in an initial installment of k€190,000 followed by three equal annual installments of k€63,333. In July 2017, Pathé made an early payment for the first annuity initially planned for June 2018. The gain from this sale totaled k€143,884 net of expenses and is included in non-current operational income.

Les Cinémas Gaumont Pathé is included in the scope of consolidation until the date of the sale. The share of income represents the 34% interest owed to Gaumont for the period prior to the sale.

Summarized financial information of associates

	LINCOLN CINEMA ASSOCIATES (USA)	LA BOÉTIE FILMS
Non-current assets	944	1,423
Current assets	661	4,619
Total assets	1,605	6,042
Equity attributable to the shareholders of the parent company	1,303	-1,500
Non-controlling interests	-	-
Non-current liabilities	-	4,122
Current liabilities	302	3,420
Total equity and liabilities	1,605	6,042
Revenue	4,103	3,012
Net income	-87	-1,844

Summarized financial data is presented according to IFRS in the event of sub-consolidation. Separate financial statements include the impacts of harmonizing accounting rules and methods and fair value adjustments made on their acquisition date, where applicable.



Interests held by the Group in the associates

Interests in associates held by the Group are presented in the table below.

	LINCOLN CINEMA ASSOCIATES (USA)	LA BOËTIE FILMS
Equity of the associate	1,303	-1,500
% interest	31.95%	20.00%
Share attributable to the shareholders of the parent company	416	-300
Adjustments on share – cancellation of intercompany gains/losses	7	-
Fair value of assets and liabilities, net value	-	-
Goodwill, net value	-	256
INVESTMENTS IN ASSOCIATES	423	-44

Transactions with associates

Only Gaumont SA enters into transactions with associates. These transactions come under ordinary operations and are concluded under normal market conditions.

	12.31.17	12.31.16
Trade receivables	10	2,423
Other receivables	-	-
Non-current liabilities	-	482
Trade payables	-	-
Liabilities on property, plant and equipment and intangible assets	-	-
Other payables	-	112
Revenue and other current income	9	11,324
Other current expenses	101	-

3.6. Other financial assets

	12.31.17	MOVEMENTS OF THE PERIOD			12.31.16
		+	-	OTHER ⁽¹⁾	
Investments in non consolidated entities	2	-	-	-	2
Loans, deposits and bonds and other financial assets	161	68	-30	-50	173
Receivables and other non-current financial assets	126,667	126,667	-	-	-
Gross value	126,830	126,735	-30	-50	175
Investments in non consolidated entities	-	-	-	-	-
Loans, deposits and bonds and other financial assets	-	-	3	-	-3
Receivables and other non-current financial assets	-	-	-	-	-
Accumulated impairment losses	-	-	3	-	c
CARRYING VALUE	126,830	126,735	-27	-50	172

(1) Changes in scope, transfers between items, foreign currency translation adjustments.

Non-current receivables are comprised of the claim on Pathé following the disposal of 34% interests in Les Cinémas Gaumont Pathé. This receivable carries interest at 2% payable annually in arrears that are presented in current assets for their amount accrued at December 31, 2017.

Other changes in the year corresponded to transfers of non-current financial assets to current financial assets.

Uninvested cash assigned to the Group's liquidity contract is unavailable and is therefore reported under other financial assets.

The investments in non-consolidated entities are not material in relation to the Group's assets, financial position and results. They consist of companies where the Group has less than a 10% stake.

Impairment testing of financial assets revealed no unrealized losses.



3.7. Inventories

	12.31.17	MOVEMENTS OF THE PERIOD		12.31.16
		+	-	
Semi-manufactured product inventories	129	33	-	96
Merchandise inventories	1,647	335	-	1,312
Gross value	1,776	368	-	1,408
Semi-manufactured product inventories	-90	-90	51	-51
Merchandise inventories	-1,146	-1,146	779	-779
Accumulated impairment losses	-1,236	-1,236	830	-830
CARRYING VALUE	540	-868	830	578

3.8. Trade receivables and other current assets

	12.31.17	12.31.16
Trade receivables	92,213	108,948
Current financial assets	1,424	1,314
Advances and prepayments to suppliers	1,060	809
Payroll receivables	138	47
Tax receivables	10,293	20,487
Subsidies receivables	24,219	19,515
Current income tax assets	4,554	4,290
Current accounts	-	1
Receivables on asset sales	1,804	-
Other receivables	5,014	3,369
Derivatives	47	1,737
Prepaid expenses	663	866
Gross value	141,429	161,383
Trade receivables	-756	-1,538
Current financial assets	-943	-943
Current accounts	-	-
Other receivables	-1,035	-1,035
Accumulated impairment losses	-2,734	-3,516
CARRYING VALUE	138,695	157,867
Maturities:		
• less than 1 year	124,335	138,176
• 1 to 5 years	14,360	19,691
• more than 5 years	-	-

Outstanding trade receivables mainly consist of the portion of outstanding receivables linked to pre-sales and sales of the American series delivered at the end of the year, and of the films released in late 2017. The level of receivables is strongly impacted by the volumes and the schedule of deliveries of new productions.

As of December 31, 2017, tax receivables included k€1,038 in tax credits for American productions, compared to k€14,548 as of the end of December 2016.



Breakdown of accumulated impairment losses

	12.31.17	MOVEMENTS OF THE PERIOD			12.31.16
		+	-	OTHER ⁽¹⁾	
Trade receivables	-756	-146	928	-	-1,538
Current financial assets	-943	-	-	-	-943
Current accounts	-	-	-	-	-
Other receivables	-1,035	-	-	-	-1,035
ACCUMULATED IMPAIRMENT LOSSES	-2,734	-146	928	-	-3,516
Impact on current operating income		-146	928	-	
Impact on non-current operating income		-	-	-	
Impact on financial income		-	-	-	

(1) Changes in scope, transfers between items, foreign currency translation adjustments.

3.9. Cash and cash equivalents

	12.31.17	12.31.16
Cash equivalents	4,003	-
Bank accounts and petty cash	80,187	8,693
TOTAL	84,190	8,693

3.10. Equity

Share capital of the parent company

During the first half of 2017, Gaumont SA issued 123,566 shares representing a capital increase of k€989 following the exercise of stock options.

On July 25, 2017, on delegation of authority by the General meeting of May 16, the Board of directors of Gaumont decided to cancel all of the securities acquired as part of the public share buyback offer. Cancellation of the 1,284,112 shares resulted in a reduction of the capital of k€10,273. At the end of these transactions the capital of Gaumont amounted k€24,958 for a total of 3,119,723 fully paid up shares.

	12.31.17	MOVEMENTS OF THE PERIOD		12.31.16
		+	-	
Number of shares	3,119,723	123,566	-1,284,112	4,280,269
Par value	€8	€8	€8	€8
CAPITAL (in euros)	24,957,784	988,528	-10,272,896	34,242,152

Treasury shares

At December 31, 2017, Gaumont SA held 4,685 of its own shares, purchased under its liquidity contract. These shares were recognized against equity.

Dividends

Gaumont SA paid out the following dividends for the last two years:

(in euros)	2017	2016
Dividends paid	3,114,575	4,268,621
Dividends per share	1.00	1.00



Stock options

Gaumont SA has set up eight stock option plans since December 1987 for some of its employees, in particular its managing executives, except for the Chairman of the Board of directors who does not benefit from any plan. All these plans are equity-settled.

No new stock option plans were established in the financial year.

Outstanding option plans as per December 31, 2017, are detailed below.

PLAN	INITIAL GRANT		ADJUSTED GRANT		OPTIONS AT END OF PERIOD			
	PRICE	NUMBER	PRICE	NUMBER	CANCELED	SUBSCRIBED	OUTSTANDING	EXERCISABLE
Plan V (February 1996)	€50.31	104,000	€44.14	118,689	46,792	70,755	1,142	1,142
Plan VI (March 1998)	€64.03	168,000	€56.17	191,736	99,333	90,119	2,284	2,284
Plan VII (April 2002)	€48.00	165,000	€42.11	188,527	124,228	64,299	-	-
Plan VIII (February 2005)	€64.00	196,750	€56.26	224,653	103,080	101,050	20,523	20,523
TOTAL		633,750		723,605	373,433	326,223	23,949	23,949

The changes in outstanding options are presented in the following tables:

PLAN	GRANT DATE	OPTION EXERCISE PERIOD		12.31.17	MOVEMENTS OF THE PERIOD				12.31.16
		START	END		ADJUSTED	GRANTED	CANCELED	SUBSCRIBED	
Plan V	02.15.96	02.15.01	02.14.46	1,142	-	-	-	-3,313	4,455
Plan VI	03.12.98	03.12.03	03.11.48	2,284	-	-	-	-7,999	10,283
Plan VII	04.09.02	04.09.06	04.08.46	-	-	-	-	-13,488	13,488
Plan VIII	02.28.05	02.28.09	02.27.49	20,523	-	-	-	-98,766	119,289
TOTAL				23,949	-	-	-	-123,566	147,515

In the last two years, no expenses have been recognized in respect of stock option plans, the vesting period for rights being complete for all plans since February 28, 2009.

Equity attributable to non-controlling interests

Equity attributable to non-controlling interests represents participation of minority shareholders in Gaumont Pathé Archives and Gaumont Television USA Llc.



3.11. Current and non-current provisions

	12.31.17	MOVEMENTS OF THE PERIOD				12.31.16
		INCREASES	USES	REVERSALS ⁽¹⁾	OTHER ⁽²⁾	
Provisions for pension and similar benefits	3,719	334	-178	-1	-304	3,868
Non-current provisions	3,719	334	-178	-1	-304	3,868
Provisions for legal proceedings relating to intellectual property rights over works	360	205	-	-25	-	180
Provisions for legal proceedings with personnel	123	46	-26	-	-	103
Provisions for commercial legal proceedings	-	-	-	-	-	-
Provisions for other legal proceedings	335	-	-	-235	-	570
Provisions for risks on investments in associates	-	-	-	-	-	-
Provisions for risks on creative works	-	-	-	-	-	-
Other provisions for miscellaneous risks	-	-	-	-5	-	5
Provisions for property-related expenses	-	-	-	-	-	-
Provisions for personnel costs	-	-	-127	-	-	127
Provisions for income taxes	-	-	-	-	-	-
Provisions for other costs	-	-	-	-	-	-
Current provisions	818	251	-153	-265	-	985
TOTAL	4,537	585	-331	-266	-304	4,853
Impact on current operating income		585	-331	-266	-	
Impact on non-current operating income		-	-	-	-	
Impact on share of net income of associates		-	-	-	-	
Impact on other comprehensive income		-	-	-	-304	

(1) Unused amounts.

(2) Changes in scope, transfers between items, foreign currency translation adjustments and actuarial gains and losses.

Provisions for intellectual property disputes include ongoing disputes over ownership of creative works or over how proceeds from their distribution should be divided up. Provisions for other legal proceedings relate to suits over the application of French employment regulations, but do not include disputes with employees going through arbitration which are reported under legal proceedings with personnel.

Provisions for other risks covers risks related to regulatory controls or partners in financial difficulties.

These provisions are adjusted according to changes in risk estimated using information available on the closing date. As of December 31, 2017, provisions recognized for contingent liabilities were measured on the basis of the amounts for which the Group is being sued, where it is considered probable that it will have to pay.

The provisions for costs related to personnel are representative of severance pay whose obligating event occurred prior to December 31, 2017.



Provisions for pension and similar benefits

Provisions for pension and similar benefits include pensions and other retirement benefits provided for under the collective agreements of the Group's companies and commitments related to bonuses granted subject to certain seniority conditions. These provisions solely relate to the Group's French employees.

Analysis of provisions for pension and similar benefits break down as follows:

	12.31.17	12.31.16
Pensions	3,579	3,726
Seniority bonuses	140	142
TOTAL	3,719	3,868

The commitment for post-employment benefits is expected to result in the payment schedule set out below.

	12.31.17	12.31.16
Expected payments in the next ten years		
less than 1 year	397	466
1 to 5 years	778	712
5 to 10 years	789	885
Average duration of the commitment (in years)	13.01	12.50

The changes in actuarial liability for the last three years are detailed in the table below.

	2017			2016		
	PENSIONS	SENIORITY BONUSES	Total	PENSIONS	SENIORITY BONUSES	TOTAL
ACTUARIAL LIABILITY AT THE BEGINNING OF THE YEAR	3,726	142	3,868	3,045	119	3,164
Current service cost	275	15	290	224	12	236
Plan amendments	15	-	15	-	-	-
Benefits paid	-177	-1	-178	-66	-8	-74
Service cost	113	14	127	158	4	162
Discounting effect	44	2	46	60	3	63
Interest expense	44	2	46	60	3	63
Actuarial gains/losses recognized in income	-	-18	-18	-	16	16
Net expense recognized in income	157	-2	155	218	23	241
Experience gains/losses	-173	-	-173	97	-	97
Changes in demographic assumptions	-	-	-	6	-	6
Changes in financial assumptions	-131	-	-131	360	-	360
Actuarial gains/losses recognized in comprehensive income	-304	-	-304	463	-	463
Amounts recognized in other comprehensive income	-304	-	-304	463	-	463
Changes in scope	-	-	-	-	-	-
ACTUARIAL LIABILITY AT THE END OF THE YEAR	3,579	140	3,719	3,726	142	3,868



The future liability for pension and similar benefits was assessed based on the following actuarial assumptions:

	PENSIONS		SENIORITY BONUSES	
	12.31.17	12.31.16	12.31.17	12.31.16
Discount rate	1.50%	1.25%	1.50%	1.25%
Expected return on plan assets	0.00%	0.00%	0.00%	0.00%
Inflation rate	1.50%	1.50%	1.50%	1.50%
Average expected increase in salaries	1.50%	1.50%	1.50%	1.50%

Applying the actuarial assumptions, the expected charge for 2018 breaks down as follows:

	2018		
	PENSIONS	SENIORITY BONUSES	TOTAL
Current service cost	280	14	294
Plan amendment	-	-	-
Service cost	280	14	294
Discounting effect	51	2	53
Interest expense	51	2	53
EXPECTED CHARGE FOR THE PERIOD	331	16	347

The table below shows the sensitivity of the commitment and future charge to a 100 basis points change in the discount rate. The amounts shown represent the change compared with the liability reported in the statement of financial position or to the expected charge for the next period.

ASSUMPTIONS	PRESENT VALUE OF LIABILITY			SERVICE COST IN 2018		
	PENSIONS	SENIORITY BONUSES	TOTAL	PENSIONS	SENIORITY BONUSES	TOTAL
Discount rate (Base rate: 1.50%)						
0.50%	524	18	542	6	-	6
2.50%	-408	-15	-423	-96	-4	-100



3.12. Borrowings

	MOVEMENTS OF THE PERIOD WITH AN IMPACT ON THE CASH POSITION				MOVEMENTS OF THE PERIOD WITHOUT AN IMPACT ON THE CASH POSITION				12.31.16
	12.31.17	+	-	OTHER ⁽¹⁾	CURRENCY TRANSLATION ADJUSTMENTS	CHANGES IN SCOPE	OTHER ⁽¹⁾		
Revolving credit facility	-1,149	-	-66,000	-125	-	-	288	64,688	
Bonds	59,667	-	-	-	-	-	75	59,592	
Finance lease debt	284	-	-46	-	-	-	-	330	
Production loans ⁽²⁾	19,232	46,111	-63,382	-433	-4,021	-	257	40,700	
Assignments of receivables	25,061	46,432	-57,960	-16	-3,784	-	197	40,192	
Financial contribution from the Caisse des dépôts	4,470	1,346	-774	-	-	-	-	3,898	
Other loans	1,450	22	-23	-	-	-	-25	1,476	
Advances repayable on distribution proceeds	1,638	-	-43	-	-	-	25	1,656	
Deposits received	253	50	-89	-	-	-	-	292	
Bank overdraft	442	-	-159	-	-5	-	-	606	
Accrued interest	522	-	-	-	-11	-	-78	611	
TOTAL	111,870	93,961	-188,476	-574	-7,821	-	739	214,041	
Maturities:									
• less than 1 year	4,201							22,038	
• 1 to 5 years	92,521							173,320	
• more than 5 years	15,148							18,683	

(1) Transaction costs paid on loan issue, amortization of loan transaction costs, reclassifications, changes in accrued interests.

(2) Production loans are reported according to their contractual maturity. However, since they are repaid via pre-financing contracts and proceeds from the series, part of the loans will be repaid early from this consolidated maturity.



Credit facility

The revolving credit facility agreement signed on November 5, 2014, revised on July 26, 2016 and again on May 19, 2017, maturing on November 15, 2021, has the following characteristics:

- the maximum loan amount is k€80,000;
- interest is variable rate, Euribor-based;
- the loan is tied to financial covenants that must be met half-yearly, see note 6.4.

As of December 31, 2017, the revolving credit facility had not been drawn and Gaumont had the confirmed right to draw k€80,000. In application of the effective interest rate method, transaction costs incurred during the implementation and the re-negotiations of the loan are amortized over the term of the agreement. As of December 31, 2017, the amount recorded under liabilities for the revolving credit facility represented transaction costs that are still to be amortized up to the expiration date of the agreement.

EFFECTIVE INTEREST RATE

At December 31, the effective interest rate of the outstanding borrowing was as follows:

	12.31.17	12.31.16
Before hedging	-	2.34%
After hedging	-	2.41%

AVERAGE INTEREST RATE

The changes in the loan average interest rate are presented below.

	2017	2016
Before hedging	3.14%	2.15%
After hedging	3.24%	2.29%

The average rate of the period includes the effects of the commission for non-use paid on the available portion of the credit facility.

Bond

In addition to the revolving credit facility, Gaumont issued a bond on November 14, and December 22, 2014 in the form of a listed Euro private placement (EuroPP) for a total amount of k€60,000. This bond is made up of two separate parts whose respective characteristics are presented below.

	PART 1	PART 2
Listing market	Euronext Paris	
ISIN	FR0012303170	FR0012303188
Par value	k€ 45,000	k€ 15,000
Maturity	7 years	10 years
Expiration date	November 14, 2021	November 14, 2024
Annual coupon	4.75%	5,125%
Payment of the coupon	annually in arrears	
Repayment	<i>in fine</i> – no premium	
Guarantees	None	
Covenants	3 covenants to be respected every 6 months	

The bond features the same covenants as the revolving credit facility signed on November 5, 2014, which are specified in note 6.4.

EFFECTIVE INTEREST RATE

At December 31, the effective interest rate of the outstanding borrowing was as follows:

	12.31.17	12.31.16
Before hedging	4.97%	4.97%
After hedging	-	-

AVERAGE INTEREST RATE

The changes in the loan average interest rate are presented below.

	2017	2016
Before hedging	4.82%	4.84%
After hedging	-	-



Production loans

Production loans are self-liquidating loans used to finance the production of American television series. These loans have the following characteristics:

- repayment of each loan takes place *via* a senior call on pre-financing payments and proceeds from the series financed;

- interest is variable rate, Libor-based;
- collateral for the loans consists of pledging of assets financed.

Interest on these loans and the associated transaction costs are capitalized in the production costs of the assets until the series financed is delivered in full.

Details of outstanding production loans as of December 31, are presented below.

SERIES	RECIPIENT ⁽¹⁾	LENDER	SUBSCRIPTION	MATURITIES	<i>(in thousands of US dollars)</i>			
					TOTAL AMOUNT AUTHORIZED	REMAINING AMOUNT AVAILABLE	POSITION AT 12.31.17	POSITION AT 12.31.16
<i>Hannibal</i> season 3	Chiswick Productions Llc	MUFG Union Bank	10.10.14	04.10.17	44,758	-	-	13,479
<i>F is for Family</i> season 2	Leodoro Productions Llc	MUFG Union Bank	05.31.16	12.14.18	14,022	-	-	9,184
<i>Narcos</i> season 3	Narcos Productions Llc	MUFG Union Bank	10.22.16	02.01.19	49,640	-	-	20,651
<i>F is for Family</i> season 3	Leodoro Productions Llc	MUFG Union Bank	09.13.17	05.31.18	15,348	7,707	7,641	-
<i>Narcos</i> season 4	Narcos Productions Llc	MUFG Union Bank	11.09.17	06.30.20	57,192	41,267	15,905	-
TOTAL					180,960	48,974	23,546	43,314

(1) Subsidiaries wholly-owned by Gaumont Television USA Llc.

The loans associated with season 3 of the *Narcos* series, season 2 of the *F is For Family* series and season 3 of the *Hannibal* series were fully repaid in 2017.

EFFECTIVE INTEREST RATE

At December 31, the effective interest rate of the outstanding borrowing was as follows:

	12.31.17	12.31.16
Before hedging	3.16%	3.58%
After hedging	-	-

AVERAGE INTEREST RATE

The changes in the loan average interest rate are presented below.

	2017	2016
Before hedging	4.85%	4.07%
After hedging	-	-



Assignments of receivables

In France, the Group assigns receivables as allowed by the Dailly Law to fund production of feature films, animated films and cartoon series and French television dramas.

(in thousands of euros)

ACTIVITY	STATUS OF ASSIGNED RECEIVABLES				DEBT SITUATION			
	VALUE OF ASSIGNED CONTRACTS	BALANCE OF ASSIGNED RECEIVABLES	BALANCE SHEET BALANCE	OFF-BALANCE SHEET COMMITMENTS	AUTHORIZED MAXIMUM AMOUNT	REMAINING AMOUNT AVAILABLE	POSITION AT 12.31.17	POSITION AT 12.31.16
French cartoon	6,004	1,034	200	834	8,000	1,996	1,026	4,007
TOTAL	6,004	1,034	200	834	8,000	1,996	1,026	4,007

For animated film and series production, receivables are assigned periodically as part of a general contract for managing cash deferrals, for a maximum authorized amount of k€8,000. Taking into account the assigned contracts, the available balance from this contract at December 31, 2017 totals k€1,996.

Contracts are negotiated individually for each production for French dramas and feature films.

The receivables assigned are mainly receivables associated with financing productions: contributions from co-producers, pre-sales of French broadcasting rights, support funds allocations. Assignments are generally based on the contracts and financing arrangements.

Additionally, Gaumont Television USA Llc has a receivables assignment agreement for a maximum authorized amount of k\$50,000, based on the series' operating receivables, with the exception of receivables pledged to production loans. The interest is variable and Libor-based. The detail of this credit facility is presented below.

(in thousands of US dollars)

ACTIVITY	STATUS OF ASSIGNED RECEIVABLES				DEBT SITUATION			
	VALUE OF ASSIGNED CONTRACTS	BALANCE OF ASSIGNED RECEIVABLES	BALANCE SHEET BALANCE	OFF-BALANCE SHEET COMMITMENTS	AUTHORIZED MAXIMUM AMOUNT	REMAINING AMOUNT AVAILABLE	POSITION AT 12.31.17	POSITION AT 12.31.16
American drama	147,498	49,337	49,119	218	50,000	3,639	29,392	35,669
TOTAL	147,498	49,337	49,119	218	50,000	3,639	29,392	35,669

Since all the risks associated with assigned receivables remain with the Group, the receivables are kept on as assets on the statement of financial position, or included as off-balance sheet commitments.

As of December 31, 2017, outstanding assigned receivables, net of payments received for all contracts amounted to k€1,034 for French contracts and k\$49,337 for the American contract, with k€200 and k\$49,119 in receivables reported as assets in the statement of financial position and k€834 and k\$218 reported as financing commitments received, from total authorized facilities of k€8,000 and k\$50,000.



EFFECTIVE INTEREST RATE

At December 31, the effective interest rate of the outstanding borrowing was as follows:

	12.31.17	12.31.16
Before hedging	2.98%	2.89%
After hedging	-	-

AVERAGE INTEREST RATE

The changes in the loan average interest rate are presented below.

	2017	2016
Before hedging	3.43%	2.63%
After hedging	-	-

Caisse des dépôts et consignations' investment for the restoration and digitization of the catalog

On July 6, 2012, Gaumont signed a financial investment agreement with Caisse des dépôts et consignations, for a maximum amount of k€9,828 to restore and digitize 270 films in its catalog. This financial investment is repayable when receipts are earned on the restored films over a maximum 15-year period, and is guaranteed by the pledge of the assets concerned, as detailed in note 6.3.

At December 31, 2017, outstanding debt to *Caisse des dépôts et consignations* amounted to k€4,470.

3.13. Trade payables and other liabilities

	12.31.17	12.31.16
Tax liabilities	-	-
Current accounts	370	482
Payables on acquisitions	-	-
Other payables	-	-
Total other non-current liabilities	370	482
Trade payables	10,243	9,527
Liabilities on films and audiovisual rights	23,145	12,955
Advances and deposits received	98	317
Payroll liabilities	8,012	6,941
Tax liabilities	3,605	3,875
Current income tax liabilities	-	2
Current accounts	112	112
Payables on acquisitions	-	-
Liabilities on other property, plant and equipment and intangible assets	54	191
Other payables	54,135	34,215
Derivatives	1,264	64
Deferred income	32,324	33,209
Total other current liabilities	132,992	101,408
TOTAL	133,362	101,890
Maturities:		
• less than 1 year	132,992	101,408
• 1 to 5 years	148	256
• more than 5 years	222	226

Trade payables are strongly linked to the release schedule of the films in movie theaters, whereas liabilities on property, plant and equipment and intangible assets are directly linked to the cycles of production of works.

At the end of 2017, liabilities on assets include the final installments of Gaumont investments in films released at the end of 2017 or that will be released at the beginning of 2018, whose payment is not yet due at December 31, 2017.

Other payables include liabilities to right holders of the works. At the end of 2017, the other payables include the shares to be repaid to producers and other right holders for the distribution of films released in the 3rd and 4th quarters of 2017, as well as the shares belonging to right holders of the American series.

Deferred income is mainly income from pre-sales of films not yet released and series not yet delivered as well as from broadcasting rights not yet available. They also include unamortized tax credits.



4. Notes to the consolidated income statement

4.1. Revenue

	2017			2016		
	FRANCE	ABROAD	TOTAL	FRANCE	ABROAD	TOTAL
Movie production and distribution	65,505	31,432	96,937	83,010	30,966	113,976
Movie theater distribution	30,690	-	30,690	30,888	-	30,888
Video publishing and video on demand	11,599	231	11,830	10,968	335	11,303
Television broadcasting rights	18,634	-	18,634	37,057	-	37,057
International sales	-	30,652	30,652	-	29,933	29,933
Other movie distribution income	4,582	549	5,131	4,097	698	4,795
Production and distribution of television series	4,403	70,202	74,605	6,900	60,767	67,667
American series	490	67,317	67,807	706	57,156	57,862
French dramas	2,541	1,049	3,590	2,294	-	2,294
French cartoon series	1,372	1,836	3,208	3,900	3,611	7,511
Trademark royalties	3,623	-	3,623	3,781	-	3,781
Other miscellaneous revenue	1,884	-	1,884	3,301	-	3,301
TOTAL	75,415	101,634	177,049	96,992	91,733	188,725

Gaumont's revenue is strongly impacted by the release schedule and the method of financing of films. In 2016, Gaumont released three films in which it acted as executive producer and received all of the pre-financing payments. Sales of broadcasting rights to television channels included pre-sales of k€12,311 in 2016. No pre-sales were recognized in 2017.

In 2017, movie production and distribution and television series production and distribution accounted for 55% and 42% of consolidated revenue, respectively.

The Group generated 57% of its revenue outside France in 2017, compared with 49% in 2016.

The rent collected as of December 31, 2017, for the rental of part of the Champs Elysees property, was k€1,061 and is included in other miscellaneous revenue.

4.2. Personnel costs

Personnel costs include all fixed and variable compensation, employee benefit costs and share-based payments issued for Gaumont personnel or executive officers.

In 2017, k€363 in accrued income for the Employment competitiveness tax credit was recognized against social security contributions, compared to k€299 in 2016.

	2017	2016
Salaries	-22,640	-25,081
Social security contributions	-7,846	-9,347
Employee profit-sharing	-293	-32
Pensions and similar benefits	-155	-241
Share based payments expense	-	-
TOTAL	-30,934	-34,701



4.3. Other current operating income and expenses

	2017	2016
Audiovisual support fund	12,124	12,566
Other subsidies	169	531
Audiovisual and cinema tax credit	3,508	3,541
Purchases of materials and supplies	-11,365	-8,238
Subcontracting	-2,121	-4,488
Rentals and rental expenses	-2,568	-2,500
Maintenance and repairs	-748	-1,110
Insurance premiums	-185	-215
Other purchases of studies and services	-5,003	-3,870
Outside personnel	-1,358	-1,045
Fees	-6,794	-6,244
Advertising, publications and public relations	-1,975	-1,754
Transport	-303	-260
Travel and entertainment expenses	-2,662	-2,571
Postal costs and telecommunications costs	-410	-409
Bank services	-242	-211
Other external expenses	-353	-422
Taxes and similar payments	-3,412	-3,613
Foreign exchange gains and losses on operating activities	-718	373
Copyrights, royalties and similar	-7,418	-7,691
Shares of co-producers and guaranteed minima	-29,024	-20,736
Income from the sale of operating assets	37	-1,055
Other income and expenses	5,615	15,434
NET OTHER CURRENT OPERATING INCOME/EXPENSES	-55,206	-33,987

The operating costs incurred by the investment properties over the period were k€633 and include costs for securing the premises, energy costs, taxes and miscellaneous professional fees.

The automatic financial support includes k€9,446 of financial support for film production, distribution, and exportation and k€2,091 of support for audiovisual production. This item also includes k€312 of grants for digitization of works.

The audiovisual and cinema tax credits are recognized at the same pace as the amortization of the works that generate them. In 2017, this item included k€1,356 related to American series, versus k€1,774 in 2016, k€192 for cinema production and k€3,315 for French television production.

Tax credits like financial support and operating subsidies are collected by Gaumont and its subsidiaries as part of their activity of producing and distributing works. Their amount varies based on the production number, the shooting location, and for the cinema production support funds, the success of movies in theaters. The tax credit amount recognized in net income for the period is based on the amortization rate for the works that it helped finance. The amount of tax credits recognized on a deferred basis is posted to deferred income in the statement of financial position.

Shares of co-producers and minimum guarantees represent amounts due to co-producers and other partners of a film or series. This item is dependent on the method of financing and the success of the movies and series delivered during the year.

4.4. Impairment, depreciation, amortization and provisions

	2017	2016
Intangible assets		
• Reversals of impairment losses	83	987
• Depreciation expense and impairment losses	-106,533	-113,508
Subtotal	-106,450	-112,521
Property, plant and equipment		
• Reversals of impairment losses	-	-
• Depreciation expense and impairment losses	-2,423	-1,686
Subtotal	-2,423	-1,686
Current assets		
• Reversals of impairment losses	1,758	1,053
• Impairment losses	-1,382	-1,853
Subtotal	376	-800
Risks and expenses		
• Reversals of provisions	418	368
• Increases in provisions	-251	-193
Subtotal	167	175
TOTAL	-108,330	-114,832

In 2017, amortization expense on intangible assets included k€49,563 for amortization of American series, against k€45,437 in 2016.



4.5. Other non-current operating income and expenses

	2017	2016
Proceeds from disposals of assets	5	2
Carrying value of assets sold or disposed of	-302	-16
Gains from disposals of investments in consolidated companies	143,884	-
Earnout adjustments	-	-
Impairment losses on goodwill	-	-856
Gains on bargain purchases	-	-
TOTAL	143,587	-870

The 34% stake held in Les Cinémas Gaumont Pathé was sold to Pathé on May 18, 2017 for a price of k€380,000. The gain arising from this sale totaled k€143,884 net of expenses.

4.6. Other financial income and expenses

	2017	2016
Income from investments	-	-
Interest expense capitalized	2,068	1,417
Interest from assets and liabilities excluding cash equivalents	3,529	1,746
Discounting effect of liabilities and receivables	-188	-
Proceeds from disposals of financial assets	-3	-
Accumulated impairment losses and financial provisions	3	-600
Foreign exchange gains and losses	-4,521	1,217
Changes in fair value	-1,511	-634
Other financial income and expenses	3	-
NET OTHER FINANCIAL INCOME/EXPENSES	-620	3,146

Capitalized interest expenses concern movie and television series productions. They rise and fall in line with the productions each year.

The interest collected includes the financial components of the sales agreements with payment conditions over one year, that may vary depending on the amounts collected in the period. The interest income in the period also includes k€1,804 in accrued interest on the receivable with Pathé resulting from the disposal of shares of Les Cinémas Gaumont Pathé, whose payment will be made through annual installments over 3 years.

The foreign exchange losses in the period are essentially linked to the Gaumont's exposure to changes in the American dollar related to the financing of the American activities. In 2016, the foreign exchange gains reflected that same exposure.

4.7. Share of net income of associates

COMPANY	% INTEREST	2017	2016
Les Cinémas Gaumont Pathé	34.00%	8,361	19,870
Lincoln Cinema Associates (USA)	31.95%	-28	125
Légende	50.00%	-	1,087
La Boétie Films (e.g. LGM)	20.00%	-92	-208
SHARE OF NET INCOME OF ASSOCIATES		8,241	20,874

Les Cinémas Gaumont Pathé is included in the scope of consolidation until the date of the sale. The share of income represents the 34% interest owed to Gaumont for the period from January 1 to May 18, 2017.

4.8. Income tax

Breakdown of the tax expense or benefit

	2017	2016
Current income tax	-1,524	-218
Deferred tax	-522	1,333
INCOME TAX	-2,046	1,115

Current income tax

Current tax income or expense is equal to the amounts of income tax, net of tax credits, owed to the tax authorities for the year under the tax law, and rates in force in the various countries.

Gaumont and the French subsidiaries of which it owns 95% or more have elected for the tax consolidation scheme.

The tax consolidation group includes Gaumont SA, Gaumont Télévision SAS, Gaumont Production SARL, Gaumont Animation SAS, Gaumont Animation Musique SARL, Gaumont Musiques SARL, Editions la Marguerite SARL, Gaumont Production Télévision SARL, Nouvelles Editions de Films SARL, Fideline Films SARL, Mitzé Films SAS and Mitzé Editions SARL.



The tax consolidation is neutral for the subsidiaries, as the tax savings or expenses generated by consolidation are recognized in the financial statements of Gaumont SA. The tax saving on profits inherent in the tax losses of the consolidated subsidiaries are systematically repaid to the latter.

The tax consolidation generated tax savings of k€1,061 for the year.

Deferred tax

The rate used to calculate deferred tax is as follows:

	2017	2016
Standard tax rate for French companies	33.33%	33.33%
Tax rate for companies based in Germany	20.50%	na
Tax rate for companies based in the United Kingdom	20.00%	20.00%
TAX RATE FOR COMPANIES BASED IN THE UNITED STATES	28.00%	40.00%

The tax rate used for the assessment of deferred tax of French entities at December 31, 2017, factors in the gradual reduction of the income tax rate laid down in the 2018 finance law that plans to bring down the tax rate from 33.33% in 2017 to 25% in 2022.

There is no impact from the change in the French tax rate on the Group's net earnings to the extent that the tax losses of the integrated group are recognized in the financial statements so that the net deferred tax assets of group companies do not exceed their net deferred tax liabilities and that the unrecognized tax losses of the tax consolidation group are adequate to cover the changes linked to the decrease in tax rate.

Deferred tax is presented in the statement of financial position under non-current assets and/or non-current liabilities, as applicable. They break down as follows:

	12.31.17	EFFECT ON COMPREHENSIVE INCOME	OTHER CHANGES ⁽¹⁾	12.31.16
Deferred tax assets	2,604	1,134	-766	2,236
Deferred tax liabilities	-2,293	-1,168	1,553	-2,678
NET DEFERRED TAX	311	-34	787	-442

(1) Changes in scope, transfers between items, foreign currency translation adjustments.

The origin of the net deferred tax is presented below.

	12.31.17	EFFECT ON COMPREHENSIVE INCOME	OTHER CHANGES ⁽¹⁾	12.31.16
Recognized unused tax losses	17,401	-4,460	321	21,540
Fair value of films	-2,558	263	-	-2,821
Fair value of land and buildings	-5,302	676	-	-5,978
Accelerated amortization of films	-5,962	-1,208	-	-4,754
Long term capital gain on Les Cinémas Gaumont Pathé shares	-	1,062	-	-1,062
Other temporary differences	-3,268	3,633	466	-7,367
NET DEFERRED TAX	311	-34	787	-442

(1) Changes in scope, transfers between items, foreign currency translation adjustments.

At December 31, 2017, the losses of the Gaumont tax consolidation group that could be carried over indefinitely and against which there is a probability of charging future profits amounted to k€73,652.

Tax losses of the integrated group are recognized in the financial statements so that the net deferred tax assets of group companies do not exceed their net deferred tax liabilities, after using any tax losses available prior to the fiscal consolidation. At December 31, 2017, recognized consolidated tax losses were k€48,370, compared with k€51,917 at the end of 2016.

A total of k€2,710 in individual tax loss carryforwards related to reporting periods prior to tax consolidation were also recognized at December 31, 2017 for companies in the scope of tax consolidation.

At December 31, 2017, net deferred tax assets, of companies outside the scope of tax consolidation, stood at k€312.

The tax losses of the American companies are recognized in the financial statements so that the deferred tax assets do not exceed their net deferred tax liabilities. At December 31, 2017, the losses recognized for the American companies total k\$16,610, compared with k\$17,507 at the end of 2016.



Reconciliation of recorded tax and theoretical tax

	2017	2016
Net income of companies before tax	125,012	17,870
Current tax rate applicable to the parent company	33.33%	33.33%
Theoretical tax	-41,671	-5,957
Reduced tax rate differentials	-	-
Effect of change in rates on temporary differences	-40	-
Tax rate differentials between France and abroad	-43	253
Share of net income of associates	2,747	6,916
Permanent differences	-143	-550
Long-term gains on disposals of consolidated shares	37,084	-
Change in unrecognized tax loss carryforwards	-2,262	-1,002
Tax consolidation	1,061	927
Tax credits in operating income ⁽¹⁾	838	689
Income tax without base and tax credits	383	-162
Effective tax benefit (expense)	-2,046	1,115
Effective tax rate	1.64%	-6.24%

(1) In the consolidated financial statements, the cinema tax credit and the employment competitiveness tax credit are presented in current operating income (loss).

Income tax on other comprehensive income

OTHER COMPREHENSIVE INCOME	2017			2016		
	GROSS AMOUNT	TAX EFFECT	CARRYING VALUE	GROSS AMOUNT	TAX EFFECT	CARRYING VALUE
Translation adjustments of foreign operations	454	-	454	-124	-	-124
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	-
Changes in fair value of hedging financial instruments	-1,965	589	-1,376	1,195	-472	723
Changes in asset revaluation surplus	-	-	-	-	-	-
Actuarial gains (losses) on defined benefit plans	304	-101	203	-463	154	-309
Share in other comprehensive income of associates	-60	-	-60	291	-	291
TOTAL	-1,267	488	-779	899	-318	581



4.9. Earnings per share

Earnings per share are calculated by dividing net income attributable to owners of the parent company by the weighted average number of ordinary shares issued and outstanding over the reporting period.

	2017	2016
Number of shares at January 1	4,280,269	4,275,958
Capital increases relating to the exercise of stock options (<i>prorata temporis</i>)	-491,534	850
Average number of ordinary shares	3,788,735	4,276,808

Diluted earnings per share are calculated by dividing net income attributable to owners of the parent company by the weighted average number of ordinary shares, adjusted for the dilutive effect of stock options.

	2017	2016
Average number of ordinary shares	3,788,735	4,276,808
Dilutive effect of stock options	8,278	2,758
Average potential number of ordinary shares	3,797,013	4,279,566

Stock options with an exercise price higher than the average share price over the year are accretive. They are therefore not included in the calculation of diluted earnings per share.

5. Notes to the consolidated statement of cash flows

5.1. Analysis of net allowance to depreciation, amortization, provisions and impairment of non-current assets

	2017	2016
Intangible assets		
• Reversals of impairment losses	83	987
• Amortization expense and impairment losses	-106,533	-113,508
Subtotal	-106,450	-112,521
Property, plant and equipment		
• Reversals of impairment losses	-	-
• Depreciation expense and impairment losses	-2,423	-1,686
Subtotal	-2,423	-1,686
Financial assets		
• Reversals of impairment losses	3	-
• Impairment losses	-	-
Subtotal	3	-
Risks and expenses		
• Reversals of provisions	418	368
• Increases in provisions	-251	-193
Subtotal	167	175
TOTAL	-108,703	-114,032



5.2. Dividends received from associates

COMPANY	% INTEREST	2017	2016
Les Cinémas Gaumont Pathé	34.00%	-	10,519
Lincoln Cinema Associates (USA)	31.95%	-	-
La Boétie Films (e.g. LGM)	20.00%	-	-
TOTAL		-	10,519

5.3. Changes in net operating working capital requirement

	2017	2016
Changes in operating assets	11,526	-2,397
Changes in operating liabilities	20,910	2,353
Premiums paid on financial instruments	-	-
Current income tax expense	-1,524	-218
Tax paid	157	164
Pension and similar benefits allowance	155	241
TOTAL	31,224	143

The table below details the change in operating assets constituting the working capital requirement net of impairment (impairment losses on items constituting the working capital requirement are deemed to be disburseable).

	12.31.17	CHANGES IN WORKING CAPITAL REQUIREMENT	OTHER CHANGES ⁽¹⁾	12.31.16	CHANGES IN WORKING CAPITAL REQUIREMENT	OTHER CHANGES ⁽¹⁾	12.31.15
Inventories	540	-38	-	578	-21	-	599
Trade receivables	91,457	-9,328	-6,625	107,410	-2,297	2,465	107,242
Current financial assets	481	63	47	371	-611	95	887
Advances and prepayments to suppliers	1,060	251	-	809	200	4	605
Payroll receivables	138	91	-	47	-69	-	116
Tax receivables	10,293	-9,070	-1,124	20,487	1,309	523	18,655
Subsidies receivables	24,219	4,704	-	19,515	383	1,077	18,055
Current income tax assets	4,554	304	-40	4,290	2,345	179	1,766
Current accounts	-	-1	-	1	-48	-	49
Other receivables	3,979	1,692	-47	2,334	1,373	36	925
Prepaid expenses	663	-194	-9	866	-167	1	1,032
ASSETS CONSTITUTING THE WORKING CAPITAL REQUIREMENT	137,384	-11,526	-7,798	156,708	2,397	4,380	149,931

(1) Changes in scope, transfers between items and foreign currency translation adjustments.

A decrease in receivables is reflected in the cash position by a collection. As a result, the negative change above is represented as an inflow in the statement of cash flows.

An increase in receivables is reflected in the cash position by a non collection. As a result, the positive change above is represented as an outflow in the statement of cash flows.



The table below sets out the change in operating liabilities constituting the working capital requirement.

	12.31.17	CHANGES IN WORKING CAPITAL REQUIREMENT	OTHER CHANGES ⁽¹⁾	12.31.16	CHANGES IN WORKING CAPITAL REQUIREMENT	OTHER CHANGES ⁽¹⁾	12.31.15
Trade payables	10,243	773	-57	9,527	-2,893	72	12,348
Advances and deposits received	98	-219	-	317	182	-	135
Payroll liabilities	8,012	1,166	-95	6,941	154	51	6,736
Tax liabilities	3,605	-270	-	3,875	581	114	3,180
Current income tax liabilities	-	-2	-	2	-7	-	9
Current accounts	482	-112	-	594	-251	138	707
Other payables	54,135	19,714	206	34,215	7,544	1,387	25,284
Deferred income	32,324	-140	-745	33,209	-2,957	256	35,910
LIABILITIES THAT CONSTITUTE THE WORKING CAPITAL REQUIREMENT	108,899	20,910	-691	88,680	2,353	2,018	84,309

(1) Changes in scope, transfers between items and foreign currency translation adjustments.

5.4. Breakdown of acquisitions of fixed assets

	Note	2017	2016
Acquisition of intangible assets	3.2 & 3.3	111,465	94,418
Acquisition of property, plant and equipment	3.4	1,874	9,475
Acquisition of financial assets	3.6	68	32
TOTAL		113,407	103,925

5.5. Change in liabilities and receivables on investments

	12.31.17	CHANGE	OTHER CHANGES ⁽¹⁾	12.31.16	CHANGE	OTHER CHANGES ⁽¹⁾	12.31.15
Liabilities on property, plant and equipment and intangible assets	23,199	10,333	-280	13,146	-188	117	13,217
Payables on share acquisitions	-	-	-	-	-250	-	250
Receivables on asset sales	-128,471	-128,471	-	-	-	-	-
TOTAL	-105,272	-118,138	-280	13,146	-438	117	13,467

(1) Changes in scope, transfers between items and foreign currency translation adjustments.



5.6. Impact of changes in scope

	2017	2016		
		GAUMONT TELEVISION USA	LÉGENDE	LGM
Price paid	-	7,252	5,500	8
Cash acquired	-	-	-3,424	-
IMPACT OF CHANGES IN SCOPE	-	7,252	2,076	8

6. Other information

6.1. Average workforce broken down by category

The table below gives the workforce of the companies consolidated using the full consolidation method:

	2017	2016
Managers	121	124
Supervisors	46	46
Employees	52	48
TOTAL WORKFORCE	219	218

6.2. Compensation of corporate officers

Corporate officers as defined by IAS 24 only include individuals who are or were during the year members of the Board of directors or the Executive management.

The gross salaries and benefits prior to social security and tax deductions allocated by Gaumont with respect to the position of corporate officer broke down as follows:

	2017	2016
Total gross compensation ⁽¹⁾	1,360	2,199
Post-employment benefits ⁽²⁾	-	-
Termination or end of contract benefits	-	-
Other long term benefits	-	-
Share-based payments ⁽³⁾	-	-

(1) Salaries, bonuses, indemnities, directors' fees and benefits in kind, payable for the year.

(2) Current service cost.

(3) Expense recognized in income for Gaumont stock option plans.

No compensation or directors' fees were paid to corporate officers by the controlled or controlling companies within the meaning of article L. 233-16 of the French Commercial code.

Corporate officers did not benefit from any golden hello, golden handshake or supplementary pension plan applicable for corporate officers.

6.3. Commitments and contingent liabilities

Off statement of financial position commitments stemming from ordinary business activities

	12.31.17	12.31.16
Commitments given	85,644	82,444
Guarantees	-	-
Other commitments given:		
• Contracts to research and develop film projects	200	723
• Production of films and project development	81,149	76,445
• Commitments to employees	4,295	5,276
Commitments received	221,383	255,213
Unused credit facility	125,866	95,175
Other commitments received:		
• Purchases of rights and financing of films and series	95,042	159,354
• Contracts to research and develop film projects	-	-
• Real estate rental contracts	475	684



Unused credit facilities consist of:

- k€80,000 in respect of the revolving credit facility arranged by Gaumont SA;
- k\$48,974 in respect of production loans arranged for US activities;
- k€1,996 in respect of the receivables assignment agreements set under the Dailly Law;
- k\$3,639 for the receivables assignment agreement entered into by Gaumont Television USA.

At December 31, 2017, Gaumont and its subsidiaries had committed to invest k€81,349 in film and series production and project development. At the same time, the Group had received commitments for the purchase of rights and contributions by co-producers for films and series totaling k€95,042, in addition to the amounts reported in receivables.

Pledging of assets

In guarantee of the financial contribution from the *Caisse des dépôts et consignations* for the digitization of 270 films from its catalog, Gaumont pledged the works restored with the help of this funding. As of December 31, 2017, this concerned 208 films from Gaumont's catalog. They represent a carrying value of k€10,331.

The Group pledged all of the assets financed in guarantee of the production loans taken out by Gaumont Television USA subsidiaries.

At December 31, 2017, the pledges made by Gaumont and its subsidiaries had a total net carrying amount of k€31,274.

TYPE OF PLEDGES/MORTGAGES	12.31.17	12.31.16
On intangible assets	25,988	34,625
On property, plant and equipment	-	-
On financial assets	-	-
On receivables	2,003	14,908
On cash accounts	3,383	2,119
TOTAL	31,374	51,653

These pledges expire at the same date as the associated loans.

TYPE OF PLEDGES/MORTGAGES	12.31.17	EXPIRATION DATE		
		LESS THAN 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS
On intangible assets	25,988	5,413	10,244	10,331
On property, plant and equipment	-	-	-	-
On financial assets	-	-	-	-
On receivables	2,003	256	1,747	-
On cash accounts	3,383	679	2,704	-
TOTAL	31,374	6,348	14,695	10,331

Mortgage commitments

The Group has no mortgage over its assets.

Seller warranties received

Gaumont also received a seller warranty granted on May 9, 2016 by the assignors of the company Légende SAS for k€1,500, accompanied by a first-demand bank guarantee of k€150. The guarantee expires in 2018.

Complex commitments

The Group had not entered into any complex commitments as at December 31, 2017.

Other contractual obligations

CONTRACTUAL OBLIGATIONS	12.31.17	PAYMENTS DUE BY PERIOD		
		LESS THAN 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS
Operating leases	19,192	2,122	10,985	6,084
Finance leases	345	69	276	-
TOTAL	19,537	2,191	11,261	6,084

The operating leases concern offices and warehouses used by Gaumont and its subsidiaries for their current business activities. These leases on buildings in France and the United States are characterized by linear non-indexed rents and straightforward renewal arrangements.

The operating leases fall under the scope of the new IFRS 16, applicable as of January 1, 2019. They will result in the recognition of an asset representing the right-of-use and a debt corresponding to the rental commitments.

At December 31, 2017, the present value of future payments in respect of finance leases totaled k€280.



6.4. Financial risks

Credit and counterparty risk

The main credit risk to which the Group is exposed is the risk of non-payment by its customers or financial partners involved in the production of works. The Group operates in France and internationally with the main market players and considers that its credit risk is very limited.

As of December 31, 2017, exposure to credit risk was as follows:

	12.31.17	OUTSTANDING	RECEIVABLES OWING					
			FROM 1 TO 30 DAYS	FROM 31 TO 60 DAYS	FROM 61 TO 90 DAYS	FROM 91 TO 180 DAYS	FROM 181 TO 360 DAYS	OVER 360 DAYS
Trade receivables	66,264	51,756	4,643	6,793	1,168	1,167	425	312
Net receivables on movies and series	5,839	5,839	-	-	-	-	-	-
TOTAL	72,103	57,595	4,643	6,793	1,168	1,167	425	312

Liquidity risk

The k€80,000 credit facility and the k€60,000 bond, whose key features are described in note 3.12, come with three covenant ratios that must be met half-yearly.

The R1 ratio requires the value of the Group's main assets to be at least equal to 2.25 times its net financial borrowings, plus outstanding financial advances granted by Gaumont SA to Gaumont USA Inc. subsidiaries. The Group's main assets comprise the film catalog, the interest in Gaumont Animation and the real estate assets on the Group's balance sheet.

The R2 ratio requires the Group to keep borrowings below equity.

The R3 ratio requires the Group to maintain net average revenue from its catalog at a minimum of 15% of its net borrowings at the calculation date.

For the R1, R2 and R3 ratios, borrowings are defined excluding *Caisse des dépôts et consignations* financial investment and excluding loans taken out by American subsidiaries, as long as they are without recourse against the Group.

At December 31, 2017, given that Gaumont had a positive cash position, thus the R3 ratio was not applicable. The R1 and R2 ratios are 109.68 and 0.21, respectively.

Market risks

INTEREST RATE RISK

In France, the Group funds its general requirements through external borrowing, composed of a k€60,000 fixed-rate bond and a revolving credit facility for a maximum of k€80,000, syndicated from a banking pool. French productions are financed either by drawing on the credit facility, or by assigning receivables in accordance with the Dailly Law.

In the United States, the Group finances its productions by drawing on dedicated production credit lines and by assigning receivables for a line of credit with a maximum amount of k\$50,000. These variable rate credit lines are arranged with banks specializing in television production finance.

The key features of these credit lines are described in note 3.12.

As of December 31, 2017, the Group's interest rate exposure was as follows:

	12.31.17	MATURITY SCHEDULE		
		LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS
Fixed-rate financial assets	-	-	-	-
Variable-rate financial assets	84,190	84,190	-	-
Financial assets not exposed	-	-	-	-
Financial assets⁽¹⁾	84,190	84,190	-	-
Fixed-rate financial liabilities	-64,421	-384	-49,063	-14,974
Variable-rate financial liabilities	-44,105	-1,388	-42,717	-
Financial liabilities not exposed	-3,344	-2,429	-741	-174
Financial liabilities⁽²⁾	-111,870	-4,201	-92,521	-15,148

(1) Cash and cash equivalents.

(2) Borrowings.

The Group manages its exposure to rate risk by using interest rate swap and cap contracts.

At December 31, 2017, Gaumont had no running interest rate derivatives.



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The net exposure to interest rate risk is as follows:

	TOTAL	FIXED RATE	VARIABLE RATE	NOT EXPOSED
Financial assets ⁽¹⁾	84,190	-	84,190	-
Financial liabilities ⁽²⁾	-111,870	-64,421	-44,105	-3,344
Net position before hedging	-27,680	-64,421	40,085	-3,344
Hedging	-	-	-	-
Net position after hedging	-27,680	-64,421	40,085	-3,344
Sensitivity	401	-	401	-

(1) Cash and cash equivalents.

(2) Borrowings.

A 100 basis point rise in variable interest rates would have increased borrowing costs by 5.4%, or k€401.

FOREIGN EXCHANGE RISK

The Group is exposed to operating foreign exchange risks on commercial transactions posted on the balance sheet and on likely future transactions. When the Group produces films or television series outside the home country of the producer company, it is also exposed to foreign exchange risks on its production expenses.

Throughout 2017, revenue invoiced in a currency other than that of the company behind the transaction amounted to k€16,094, or 9.1% of total revenue, and breaks down as follows.

(in thousands of euros)	TOTAL	USD	CAD	GBP	CHF	JPY	CNY	EUR ⁽¹⁾	OTHERS
Revenue	16,094	13,881	113	437	273	68	283	828	212

(1) Revenue generated by entities outside the euro zone.

The Group endeavors to ensure natural hedging between the collection and disbursement flows of foreign currencies, but also investigates, on a case by case basis, the need for and feasibility of setting up a foreign exchange hedge to cover this risk.

As of December 31, 2017, as part of its production of American series, the Group entered into forward currency sale or purchase contracts to hedge against future fluctuations in the Canadian dollar, the Euro and the Mexican peso against the US dollar.

	CURRENCY	COUNTERPARTY	NOTIONAL AMOUNT (in thousands of currency)	EXPIRATION DATE				FAIR VALUE (in thousands of US dollars)
				LESS THAN 90 DAYS	FROM 90 TO 180 DAYS	FROM 180 TO 360 DAYS	OVER 360 DAYS	
Forward currency sales	CAD	USD	220	-	100	120	-	-2
Forward currency purchases	CAD	USD	2,370	1,500	650	220	-	57
Forward currency purchases	MXN	USD	263,500	156,000	107,500	-	-	-1,514
TOTAL								-1,459



At December 31, 2017, the Group's exposure to operating foreign exchange risk was as follows:

	RISK RELATED TO A CHANGE IN THE EURO VALUE							
	TOTAL (in thousands of euros)	USD/EUR	ZAR/EUR	JPY/EUR	CAD/EUR	CHF/EUR	GBP/EUR	OTHER/EUR
Assets	2,052	1,810	82	67	51	36	1	5
Liabilities	-69	-69	-	-	-	-	-	-
Off balance sheet	3,836	3,836	-	-	-	-	-	-
Net position before hedging	5,819	5,577	82	67	51	36	1	5
Hedging	-813	-813	-	-	-	-	-	-
Net position after hedging	5,006	4,764	82	67	51	36	1	5
Sensitivity	-501	-476	-8	-7	-5	-4	-	-1

An across-the-board 10% decrease in all of the above-mentioned currencies against the euro would have a negative impact of k€501 on the Group's net income.

	RISK RELATED TO A CHANGE IN THE DOLLAR VALUE			
	TOTAL (in thousands of US dollars)	CAD/USD	AUD/USD	MXN/USD
Assets	1,345	197	182	966
Liabilities	-112	-	-	-112
Off balance sheet	-17,758	-1,031	-	-16,727
Net position before hedging	-16,525	-834	182	-15,873
Hedging	17,761	1,031	-	16,730
Net position after hedging	1,236	197	182	857
Sensitivity	-124	-20	-18	-86

An across-the-board 10% decrease in all of the above-mentioned currencies against the US dollar would have a negative impact of k\$124 on the Group's net income.

The Group is exposed to financial foreign exchange risk via its bank accounts and advances denominated in currencies other than the functional currency of the company concerned. The Group endeavors to keep foreign currency balances in its accounts at a low level to ensure natural hedging between collection and disbursement flows of foreign currencies and to keep advances made in foreign currencies to a minimum.

At December 31, 2017, the Group's exposure to financial foreign exchange risk was as follows:

	RISK RELATED TO A CHANGE IN THE EURO VALUE			RISK RELATED TO A CHANGE IN THE DOLLAR VALUE	
	TOTAL (in thousands of euros)	USD/EUR	GBP/EUR	TOTAL (in thousands of US dollars)	MXN/USD
Assets	30,400	29,968	432	2,384	2,384
Liabilities	-173	-173	-	-	-
Off balance sheet	-	-	-	-	-
Net position before hedging	30,227	29,795	432	2,384	2,384
Hedging	-	-	-	-	-
Net position after hedging	30,227	29,795	432	2,384	2,384
Sensitivity	-3,023	-2,980	-43	-238	-238

A 10% decrease in the dollar and the sterling pound against the euro would have a negative impact of k€3,023 on the Group's net income. A 10% decrease in Mexican Peso against the US dollar would have a negative impact of k\$238 on the Group's net income.

As a result of its investments in subsidiaries based in the United States and the United Kingdom, the Group is also exposed to foreign exchange risk when it translates its subsidiaries' accounts into the reporting currency of its consolidated financial statements. The impacts of this risk are recognized in equity.



At December 31, 2017, the Group's exchange rate exposure from foreign investments was as follows:

<i>(in thousands of euros)</i>	USD/EUR	GBP/EUR
Assets	73,276	429
Liabilities	-96,920	-450
Off balance sheet	-9,254	-
Net position before hedging	-32,898	-21
Hedging	-	-
Net position after hedging	-32,898	-21
Sensitivity to a 10% change	3,290	2

A 10% decrease in the dollar against the euro would have a positive impact of k€3,290 on the Group's equity.

EQUITY RISK

Gaumont and its subsidiaries are not engaged in speculative stock market operations.

On July 1, 2010, Gaumont contracted Exane BNP Paribas to manage its securities within the framework of a liquidity contract in accordance with the AMAFI Code of conduct, recognized by the *Autorité des marchés financiers*. The contract is provisioned in the amount of k€300 paid in July 2010 and increased by k€100 in November 2010.

As a result of Gaumont's transactions on its own shares, the liquidity contract was suspended from the end of February to the end of June 2017.

At December 31, 2017, Gaumont held 4,685 treasury shares traded under the liquidity contract, and representing an investment recognized as an offset to equity for k€248.

The risk of impairment of treasury shares related to volatility in the Gaumont share price remains marginal in view of the amounts invested.

6.5. Financial instruments

Derivatives

The Group uses derivatives to manage and reduce its exposure to the risk of changes in interest rates and foreign exchange rates.

In 2017, the Group used interest rate swap agreements to reduce its exposure to Euribor, the base rate for its credit line, and currency derivatives to reduce its exposure to fluctuations in the dollar.

Derivatives included in the statement of financial position at their fair value at the reporting date are reported below.

	12.31.17		12.31.16	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Interest rate derivatives	-	-	-	26
Foreign exchange derivatives	47	1,264	1,737	38
TOTAL	47	1,264	1,737	64

Changes in the fair value of derivatives were recorded in financial income or other comprehensive income, in accordance with the provisions of IAS 39.



	12.31.17	OTHER COMPREHENSIVE INCOME	NET INCOME	CURRENCY TRANSLATION ADJUSTMENTS	PREMIUMS PAID	12.31.16
Derivative instruments – assets	47	-45	-1,515	-130	-	1,737
Derivative instruments – liabilities	-1,264	-1,276	4	72	-	-64
TOTAL	-1,217	-1,321	-1,511	-58	-	1,673

Derivatives designated as hedging instruments against the Group's foreign exchange exposure have the following characteristics:

	CURRENCY	COUNTERPARTY	NOTIONAL AMOUNT <i>(in thousands of currency)</i>	EXPIRATION DATE			
				LESS THAN 90 DAYS	FROM 90 TO 180 DAYS	FROM 180 TO 360 DAYS	OVER 360 DAYS
Forward currency sales	CAD	USD	220	-	100	120	-
Forward currency purchases	CAD	USD	2,370	1,500	650	220	-
Forward currency purchases	MXN	USD	263,500	156,000	107,500	-	-

At December 31, 2017, the net fair value of these instruments totaled k€1,459. The ineffective portion recognized in income for the period for these contracts resulted in a k\$34 loss.



Financial instruments by category and fair value hierarchy

The table below compares, by category, the carrying amount and the fair value of all of the Group's financial instruments.

Financial assets and liabilities are measured at fair value in the financial statements.

	12.31.17		BREAKDOWN BY CATEGORY OF INSTRUMENTS					
	NET CARRYING VALUE	FAIR VALUE	FAIR VALUE THROUGH PROFIT AND LOSS	AVAILABLE-FOR-SALE ASSETS	LOANS AND RECEIVABLES AT AMORTIZED COST	LIABILITIES AT AMORTIZED COST	DERIVATIVES	HIERARCHICAL LEVEL
Investments in non consolidated entities	2	2	-	2	-	-	-	na
Other non-current financial assets	126,828	126,828	-	-	126,828	-	-	na
Other current financial assets	137,985	137,985	-	-	137,985	-	-	na
Derivative instruments – assets	47	47	-	-	-	-	47	2
Cash and cash equivalents	84,190	84,190	84,190	-	-	-	-	1
Financial assets	349,052	349,052	84,190	2	264,813	-	47	
Non-current financial liabilities	107,669	107,669	-	-	-	107,669	-	na
Other non-current financial liabilities	370	370	-	-	-	370	-	na
Current financial liabilities	4,201	4,201	-	-	-	4,201	-	na
Other current financial liabilities	99,404	99,404	6,664	-	-	92,740	-	3/na
Derivative instruments – liabilities	1,264	1,264	-	-	-	-	1,264	2
Financial liabilities	212,908	212,908	6,664	-	-	204,980	1,264	

Investments in non-consolidated companies are categorized as available-for-sale financial assets and carried at purchase cost as fair value cannot be reliably measured.

The fair value of interest rate and foreign exchange derivatives is estimated from measurements provided by banks or financial models commonly used in financial markets on the basis of market inputs at the reporting date for the year (level 2 valuation). These derivatives are designated as hedging derivatives.

Other current financial liabilities included a liability of k€6,664 measured at fair value through profit and loss. This liability represents Gaumont's commitment to repurchase, at the end of a five years period,

the right to a share of proceeds held by the investors in the French-language feature films produced and distributed by Gaumont, as well as the residual assets and liabilities of the investment structure as of the settlement date. The fair value of this commitment was measured by applying the discounted cash flow method to the films released in movie theaters and to the asset and liability components identified as of the reporting date. As of December 31, 2017, the impact on net income of the discounted fair value of this commitment was -k€539.

No transfers in fair value hierarchy took place during the period.



	12.31.16		BREAKDOWN BY CATEGORY OF INSTRUMENTS					
	NET CARRYING VALUE	Fair value	FAIR VALUE THROUGH PROFIT AND LOSS	AVAILABLE-FOR-SALE ASSETS	LOANS AND RECEIVABLES AT AMORTIZED COST	LIABILITIES AT AMORTIZED COST	DERIVATIVES	HIERARCHICAL LEVEL
Investments in non consolidated entities	2	2	-	2	-	-	-	na
Other non-current financial assets	170	170	-	-	170	-	-	na
Other current financial assets	155,264	155,264	-	-	155,264	-	-	na
Derivative instruments – assets	1,737	1,737	-	-	-	-	1,737	2
Cash and cash equivalents	8,693	8,693	8,693	-	-	-	-	1
Financial assets	165,866	165,866	8,693	2	155,434	-	1,737	
Non-current financial liabilities	192,003	192,003	-	-	-	192,003	-	na
Other non-current financial liabilities	482	482	-	-	-	482	-	na
Current financial liabilities	22,038	22,038	-	-	-	22,038	-	na
Other current financial liabilities	68,135	68,135	-	-	-	68,135	-	na
Derivative instruments – liabilities	64	64	-	-	-	-	64	2
Financial liabilities	282,722	282,722	-	-	-	282,658	64	



6.6. Operating segments

Segment information

The Group's organizational structure is based on its various businesses. The Gaumont group operates in three business sectors which constitute its operating segments:

- movie production and distribution, which includes the various distribution phases of movies: release in theaters, sales to television channels, distribution on video and video on demand, both in France and internationally;
- production and distribution of animated feature films and cartoon and drama series via its subsidiaries Gaumont Animation, Gaumont Animation USA, Gaumont Télévision and Gaumont Television USA;

- operation of movie theaters through its interests in Les Cinémas Gaumont Pathé until May 18, 2017. Segments used for segment reporting are the same as those used by executive management, the chief operating decision maker of the Group. Operating segments are reported without any further grouping. The Group applies ANC recommendation 2013-01 of April 4, 2013 pertaining to the share of net income of associates in the consolidated income statement and in segment information.

INCOME STATEMENT

2017	CINEMA PRODUCTION	TELEVISION PRODUCTION	MOVIE THEATER OPERATION	NON-ALLOCATED	TOTAL
Revenue	98,821	74,605	3,623	-	177,049
Operating income from cinema and television production and distribution ⁽¹⁾	12,549	9,900	-	-	22,449
Operating income from movie theater operations ⁽¹⁾	-	-	11,956	-	11,956
Overheads	-11,080	-11,934	-	121,676	98,662
Operating income after share of net income of associates	1,469	-2,034	11,956	121,676	133,067
Net borrowing costs	-	-3,032	-	-4,403	-7,435
Other financial income and expenses	364	1,677	-	-2,661	-620
Income tax	-96	-29	-	-1,921	-2,046
NET INCOME	1,737	-3,418	11,956	112,691	122,966

(1) After share of net income of associates, excluding overheads.

2016	CINEMA PRODUCTION	TELEVISION PRODUCTION	MOVIE THEATER OPERATION	NON-ALLOCATED	TOTAL
Revenue	117,277	67,667	3,781	-	188,725
Operating income from cinema and television production and distribution ⁽¹⁾	30,281	11,418	-	-	41,699
Operating income from movie theater operations ⁽¹⁾	-	-	23,776	-	23,776
Overheads	-11,251	-10,640	-	-20,378	-42,269
Operating income after share of net income of associates	19,030	778	23,776	-20,378	23,206
Net borrowing costs	-55	-3,321	-	-5,106	-8,482
Other financial income and expenses	244	1,086	-	1,816	3,146
Income tax	-141	1,515	-	-259	1,115
NET INCOME	19,078	58	23,776	-23,927	18,985

(1) After share of net income of associates, excluding overheads.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

12.31.2017	CINEMA PRODUCTION	TELEVISION PRODUCTION	MOVIE THEATER OPERATION	NON-ALLOCATED	TOTAL
Goodwill	491	11,544	-	-	12,035
Films and audiovisual rights	78,957	68,441	-	-	147,398
Other intangible assets	323	-	-	-	323
Property, plant and equipment	46,594	492	-	-	47,086
Investments in associates	-44	-	423	-	379
Other financial assets	68	95	-	126,667	126,830
Non-current deferred tax assets	-	-	-	2,604	2,604
Inventories	540	-	-	-	540
Trade receivables	42,296	49,161	-	-	91,457
Current income tax assets	3,976	578	-	-	4,554
Other receivables and current financial assets	33,285	9,399	-	-	42,684
Cash and cash equivalents	76,185	8,005	-	-	84,190
TOTAL ASSETS	282,671	147,715	423	129,271	560,080
Equity	-	-	-	308,018	308,018
Non-current provisions	3,580	139	-	-	3,719
Non-current deferred tax liabilities	-	-	-	2,293	2,293
Non-current financial liabilities	-	43,570	-	64,099	107,669
Other non-current liabilities	370	-	-	-	370
Current provisions	818	-	-	-	818
Current financial liabilities	-	1,026	-	3,175	4,201
Trade payables	29,465	3,923	-	-	33,388
Current income tax liabilities	-	-	-	-	-
Other payables	63,367	36,237	-	-	99,604
TOTAL LIABILITIES	97,300	84,895	-	377,885	560,080
Investments in films and audiovisual rights	47,479	63,967	-	-	111,446



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12.31.2016	CINEMA PRODUCTION	TELEVISION PRODUCTION	MOVIE THEATER OPERATION	NON-ALLOCATED	TOTAL
Goodwill	491	11,544	-	-	12,035
Films and audiovisual rights	75,732	71,804	-	-	147,536
Other intangible assets	543	10	-	-	553
Property, plant and equipment	47,041	954	-	-	47,995
Investments in associates	48	-	226,021	-	226,069
Other financial assets	105	67	-	-	172
Non-current deferred tax assets	-	-	-	2,236	2,236
Inventories	578	-	-	-	578
Trade receivables	44,711	62,699	-	-	107,410
Current income tax assets	3,996	294	-	-	4,290
Other receivables and current financial assets	22,230	23,937	-	-	46,167
Cash and cash equivalents	3,208	5,485	-	-	8,693
TOTAL ASSETS	198,683	176,794	226,021	2,236	603,734
Equity	-	-	-	280,272	280,272
Non-current provisions	3,595	273	-	-	3,868
Non-current deferred tax liabilities	-	-	-	2,678	2,678
Non-current financial liabilities	-	62,152	-	129,851	192,003
Other non-current liabilities	482	-	-	-	482
Current provisions	985	-	-	-	985
Current financial liabilities	2,249	16,491	-	3,298	22,038
Trade payables	17,705	4,777	-	-	22,482
Current income tax liabilities	-	-	-	2	2
Other payables	49,140	29,784	-	-	78,924
TOTAL LIABILITIES	74,156	113,477	-	416,101	603,734
Investments in films and audiovisual rights	31,008	63,236	-	-	94,244



Information by region

REVENUE

At December 31, 2017, revenue broken down per region is as follows:

	2017	2016
French companies	109,774	131,456
American companies	67,275	57,269
TOTAL	177,049	188,725

Revenue below is broken down by clientele commercialization zone:

	2017	2016
France	75,415	96,992
• Europe	20,582	28,601
• Americas	75,142	56,716
• Asia/Russia	3,513	4,117
• Africa/Middle East	1,368	1,938
• Rest of the world	1,029	361
International	101,634	91,733
TOTAL	177,049	188,725

NON-CURRENT ASSETS

Non-current assets (other than financial instruments, deferred tax assets and assets relating to post-employment benefits) are broken down depending on where the consolidated companies are located.

The geographical distribution of non-current assets was as follows:

	12.31.17			12.31.16		
	FRANCE	AMERICAS	TOTAL	FRANCE	AMERICAS	TOTAL
Goodwill	12,035	-	12,035	12,035	-	12,035
Films and audiovisual rights	109,139	38,259	147,398	97,716	49,820	147,536
Other intangible assets	323	-	323	553	-	553
Property, plant and equipment	46,746	340	47,086	47,529	466	47,995
Investments in associates	-44	423	379	225,558	511	226,069
Other financial assets	126,830	-	126,830	172	-	172
TOTAL NON-CURRENT ASSETS	295,029	39,022	334,051	383,563	50,797	434,360

At December 31, 2017, the German and British companies did not hold any non-current assets.

Information about the Group's major customers

The Group's top ten customers together accounted for 65% of the Group's consolidated revenue. The breakdown between customers varies significantly from one year to the next.

In 2017, sales to Netflix accounted for 38.3% of consolidated revenue. No other single customer contributed more than 10% of the Group's consolidated revenue.



6.7. Statutory auditors' fees

The fees of the statutory auditors and members of their network paid by the Group in 2016 and 2017 are as follows:

	TOTAL				ADVOLIS				EY			
	2017		2016		2017		2016		2017		2016	
	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Auditing												
Certification and review of separate and consolidated financial statements												
• Issuer	218		219		82		84		136		135	
• Consolidated subsidiaries	195		173		7		5		188		168	
Related services												
• Issuer	8		7		8		7		-		-	
• Consolidated subsidiaries	-		-		-		-		-		-	
TOTAL	421	100%	399	100%	97	100%	96	100%	324	100%	303	100%

Related services are those in connection with typical service delivered following the statutory auditors' assignment or any other special mission, in general, non-recurring and by contract.

6.8. Subsequent events

On February 14, 2018, Gaumont acquired 100% of the capital of the company DD Catalogue, a company holding producer shares of Gérard Depardieu in about forty feature films including *ComDads*, *The Fugitives*, *Guardian Angels* and *Ruby & Quentin*.

On the reporting date, Gaumont is finalizing an acquisition of all producer shares held by the company Financière Dassault in about thirty feature films including the trilogy of the 7^e *compagnie*, *Boum 1 & 2*, *The Slap* and *Hôtel de la plage*.

In February 2018, Gaumont committed to acquire 15% of the capital of the American series production company Gaumont Television USA Llc held by the minority shareholders, for a total amount of k\$24,000 payable over 3 years. Once this transaction is completed, Gaumont will hold 88.6% of Gaumont Television USA Llc.



STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2017

To the General meeting of Gaumont,

Opinion

In compliance with the engagement entrusted to us by your General meeting, we have audited the accompanying consolidated financial statements of Gaumont for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2017 and of the results of its operations for the year then ended in accordance with international financial reporting standards as adopted by the European union.

The audit opinion expressed above is consistent with our report to the Audit committee

Basis for opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory auditors' responsibilities for the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in article 5(1) of regulation (EU) No 537/2014 or in the French Code of ethics (*Code de déontologie*) for statutory auditors.

Justification of assessments - Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.



Assessment of the value of films and audiovisual rights

Risk identified	<p>Notes 2.6 and 3.2 of the notes to the consolidated financial statements</p> <p>Feature films and animations, as well as audiovisual series produced or distributed by the Gaumont group are fixed assets whose net amount totals €147.4 million in the consolidated financial statements of the Gaumont group at December 31, 2017.</p> <p>The Gaumont group believes that the most appropriate way to reflect the progressive consumption of economic benefits linked to films and audiovisual rights is to account for a cost-unit based amortization, defined as the ratio of net proceeds acquired in the year to total net proceeds.</p> <p>Estimates of future economic benefits correspond to the expected revenue in the different distribution channels (over-the-air TV broadcasting, video on demand, sales abroad, etc.) minus any charges applicable according to the contractual provisions specific to each film, taking into account a variety of parameters.</p> <p>Moreover, a residual value is attached to films that have great public success when presented in movie theaters and that also present a major commercial potential beyond a ten-year horizon.</p> <p>Consequently, the estimates of future economic benefits, that are subject to regular updates, influence the valuation of the films. This is why we have considered these estimates as a key point of our audit.</p>
Our response	<p>Our audit approach consists in verifying that the use of these estimates does not lead to a situation of over- or under-estimation of the net carrying amount of the films and audiovisual rights. Our work consisted in:</p> <ul style="list-style-type: none">• assessing the consistency of the estimates from information provided by the finance department and with respect to the history of the estimates, and performing sensitivity analyses;• testing the compliance and proper implementation of the rule for calculating amortization;• controlling, by the use of a sampling method, that the consequences of the estimates of the future benefits are properly reflected in the financial statements;• assessing the relevance of the information provided in the notes.

Recognition of revenue

Risk identified	<p>As mentioned in Note 2.16 to the consolidated financial statements, the Group's revenue is primarily generated by the sales of rights and distribution royalties for which the rules for recognition are different.</p> <p>The diversity of the distribution channels, the periods and conditions of distribution are a source of complexity in the recognition of revenue, and each contract also contains indications that are specific to it.</p> <p>We have therefore considered compliance with the criteria for the recognition of revenue, as a key point of our audit. Revenue totals €177 million in the consolidated financial statements of the Gaumont group at December 31, 2017.</p>
Our response	<p>Our work consisted in:</p> <ul style="list-style-type: none">• documenting our understanding of the process of revenue recognition;• analyzing the contractual clauses over a sample of contracts, in particular the most significant new contracts in the period and the special transactions;• assessing the criteria used to recognize the revenue;• analyzing the evolution of revenue compared with the previous year-end;• testing, using a sampling method, the reality of the revenue recorded by comparing with the contracts;• testing the proper attachment of the yearly revenue over a sample of sales recorded during the previous period preceding and following closing.



Verification of the Information pertaining to the Group presented in the management report

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Board of directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on other legal and regulatory requirements

Appointment of the statutory auditors

We were appointed as statutory auditors of Gaumont by the General meeting held on May 2, 2005 for ADVOLIS and on May 3, 2011 for ERNST & YOUNG et Autres.

As at December 31, 2017, ADVOLIS and ERNST & YOUNG et Autres were in the 13th year and 7th year of total uninterrupted engagement respectively.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with international financial reporting standards as adopted by the European union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the company or to cease operations.

The Audit committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of directors.

Statutory auditors' responsibilities for the audit of the consolidated financial statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in article L.823-10-1 of the French Commercial code (code de commerce), our statutory audit does not include assurance on the viability of the company or the quality of management of the affairs of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;



CONSOLIDATED FINANCIAL STATEMENTS

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit committee

We submit a report to the Audit committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit committee with the declaration provided for in article 6 of regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by articles L.822-10 to L.822-14 of the French Commercial code (*Code de commerce*) and in the French Code of ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris and Paris-La Défense, March 5, 2018

The statutory auditors

ADVOLIS

Hugues de Noray

ERNST & YOUNG et Autres

Christine Vitrac



INFORMATION ON CORPORATE OFFICERS

Operating Board members 104

Compensation of corporate officers 114



OPERATING BOARD MEMBERS

Functions and offices held in all companies by each corporate officer

NICOLAS SEYDOUX

Born on July 16, 1939

French national

Number of Gaumont shares held at December 31, 2017: 526

Voting rights at December 31, 2017: 1,052

Business address

30, avenue Charles de Gaulle

92200 Neuilly-sur-Seine

France

Biography

Graduate of the Paris Institut d'Études Politiques (IEP) and bachelor in law and economics. Head of the legal department at the Compagnie Internationale pour l'Informatique (CII) Paris (1967-1970), financial analyst at Morgan Stanley & Co. Inc. New York (1970-1971), and Morgan & Cie International SA Paris (1971-1974), Gaumont group: Vice-Chairman and Chief Executive Officer (1974), Chairman and Chief Executive Officer (1975-2004), Chairman of the Supervisory board (2004-2010), and since May 6, 2010, Chairman of the Board of directors. Since 2002, Chairman of the ALPA (*Association de Lutte contre la Piraterie Audiovisuelle* – a society to combat audiovisual pirating). Since 2003, Vice-Chairman of the Supervisory board of Arte. From 2008 to 2014, Chairman of the Forum d'Avignon association. Chairman of the General meeting of shareholders of Arte GEIE since 2016.

Family ties with another Board member

Father of Sidonie Dumas, Vice-Chairwoman of the Board of directors and Chief Executive Officer, father of Pénélope Seydoux and brother of Michel Seydoux, Board members.

Functions and offices held in Gaumont SA

- **Chairman of the Board of directors**

Term of appointment ends at the General meeting called to approve the 2019 financial statements.

- **Chairman of the Appointments and compensation committee**

Other functions and offices held in the Group

- **Chairman** of Ciné Par SAS, controlling shareholder of Gaumont

- **Board member** of Gaumont Television USA Llc. (United States)

Other functions and offices held outside the Group

- **Chairman** of the ALPA (*Association de Lutte contre la Piraterie Audiovisuelle* – an association to combat audiovisual pirating)

- **Chairman** of the General meeting of shareholders of Arte GEIE

- **Vice-Chairman of the Supervisory board** of Arte France SA

- **Member of the Management committee** of Les Cinémas Gaumont Pathé SAS

- **Chairman** of the Fondation C Génial

- **Chairman** of Grands Vins de Pazac SCA

- **Board member** of Val Richer SC

- **Board member** of the Fondation des Diaconesses de Reuilly

Functions and offices ceased within the last five years

- **Chairman** of Gaumont Inc. (United States) (until December 2017)

- **Chairman** of Gaumont Distribution Inc. (United States) (until December 2017)

- **Chairman** of the Forum d'Avignon association (until October 2014)

- **Chairman** of The Visitors Inc. (United States) (until December 2013)



SIDONIE DUMAS

Born on April 28, 1967

French national

Number of Gaumont shares held at December 31, 2017: 1,165

Voting rights at December 31, 2017: 2,330

Business address

30, avenue Charles de Gaulle

92200 Neuilly-sur-Seine

France

Biography

Sidonie Dumas, after studying law, very quickly started her professional career in movies beside Luc Besson.

In 2010, she was appointed Chief Executive Officer of Gaumont.

The company, that celebrated its 120 years in business in 2015, today has the second richest catalog of the French film industry, with more than 1000 titles.

From *Don Giovanni* to *Monsieur Gangster*, *Fantomas*, *The Dinner Game* or *The Fifth element*, a great many masterpieces have enchanted millions of viewers worldwide.

Since her arrival as the head of Gaumont, Sidonie Dumas, continued a strong heritage policy by systematically restoring films from the catalog.

Continuing the artistic investment that made the Gaumont brand, Sidonie Dumas produced many films with millions of viewers, like *Untouchable*. It has alone brought together over 50,000,000 viewers worldwide, becoming not only Gaumont's biggest hit, but also becoming the 2nd largest French blockbuster of all time.

Other highly popular films, among which *Me Myself and Mum*, earned it many awards. In 2015, she co-produced *Courted*, that was awarded at the Venice International Film Festival, the prizes of Best Actor and Best Screenplay and in 2016, *Monsieur Chocolat*, a promising future.

In parallel, Sidonie Dumas put Gaumont back in television production and in particular created a subsidiary in the United States. She helped the company acquire international stature with the success of the *Narcos* series.

Sidonie Dumas and her teams, works to change an art for which she has always been and still is one of the most enthusiastic supporters.

Family ties with another Board member

Daughter of Nicolas Seydoux, Chairman of the Board of directors, sister of Pénélope Seydoux and niece of Michel Seydoux, Board members.

Functions and offices held in Gaumont

- **Board member and Vice-Chairwoman of the Board of directors**

Term of appointment ends at the General meeting called to approve the 2019 financial statements.

- **Chief Executive Officer** since May 6, 2010, appointed for an indefinite term

Other functions and offices held in the Group

- **Legal representative of Gaumont, Manager** of Gaumont Vidéo SNC
- **Chairwoman** of Gaumont Télévision SAS, of Gaumont Animation SAS and of Mitzé Films SAS
- **Chairwoman and Member of the Management committee** of Gaumont Pathé Archives SAS
- **Director and Chairwoman** of Gaumont USA Inc. (United States)
- **Board member and Chief Executive Officer** of Gaumont Television USA Llc. (United States)
- **Director** of Gaumont Television UK Ltd (United Kingdom)
- **Chief Executive Officer** of Gaumont Animation USA Llc. (United States), of Gaumont Films USA Llc. (United States) and of Gaumont Distribution TV Llc. (United States)
- **Manager** of Editions La Marguerite SARL, Gaumont Production SARL, Gaumont Production Télévision SARL, Gaumont Animation Musique SARL, Gaumont Musiques SARL, Nouvelles Editions de Films SARL, Fidelity Films SARL, Mitzé Editions SARL and Gaumont Production Animation SARL (since January 2017)

Other functions and offices held outside the Group

- **Chairwoman** of the API (Association of Independent Producers)
- **Managing Partner** of Apar SC
- **Legal representative of Gaumont, Board member** of La Cinemathèque française (an association that aims at preserving and promoting French film archives)
- **Member of the Supervisory board** of Banque Neufilze OBC SA
- **Board member** of Havas SA
- **Board member** of the Forum des Images association
- **Chairwoman** of the Bureau de liaison des industries cinématographiques (BLIC) (from January 2017 to January 2018)

Functions and offices ceased within the last five years

- **Vice-Chairwoman** of Gaumont Inc. (United States) (until December 2017) and of Gaumont Distribution Inc. (United States) (until December 2017)
- **Permanent representative of Gaumont, Member of the Management committee** of Les Cinémas Gaumont Pathé SAS (until May 2017)
- **Manager** of Prestations et Services SARL (until May 2016)
- **Chairwoman of the Board of directors** of Gaumont Animation SA (until May 2015)
- **Chairwoman** of Fidelity Films SAS (from July to November 2013)



ANTOINE GALLIMARD

Born on 19, 1947

French national

Number of Gaumont shares held at December 31, 2017: 400

Voting rights at December 31, 2017: 800

Business address

5, rue Sébastien Bottin

75007 Paris

France

Biography

At the beginning of 1973, Antoine Gallimard joined the publishing house created in 1911 by his grandfather Gaston Gallimard and chaired as of January 1976 by his father, Claude.

He was named Chief Executive Officer of Editions Gallimard in 1981, then Chairman and CEO in March 1988, a position he still holds today.

Antoine Gallimard preserved the independence of the family business, modernized and developed the publishing and commercial business activity, and consolidated the integration in its professional environment.

He gathered new publishing brands and new businesses within the Madrigall group and purchased the Flammarion group in 2012.

Today he is the head of the third largest French publishing group, present in many sectors (literature, knowledge, youth, art books, cartoons, guides, pocket books, etc.) and comprised of publishing houses, distribution companies and bookstores.

Involved in the promotion of the books and reading channel, focused on diversity and editorial freedom, he brought all his support to the “Librairie de création” and was able to transpose the single price for physical books to digital books. Antoine Gallimard chaired the Syndicat national de l'édition from 2010 to 2012, where he is Vice Chairman today.

Since 2012 he has chaired the association of “Petits Champions de la Lecture”, created at the initiative of the *Syndicat national du livre*, to promote books and reading for children in elementary school.

Family ties with another Board member

None

Functions and offices held in Gaumont SA

- **Board member**

Term of appointment ends at the General meeting called to approve the 2019 financial statements.

- **Member of the Appointments and compensation committee**

Other functions and offices held in the Group

None

Other functions and offices held outside the Group

- **Board member, Chairman and Chief Executive Officer** of Madrigall SA and Editions Gallimard SA

- **Board member** of Groupe Eyrolles SA and Flammarion SA

- **Board member and Chairman** of RCS Livres SAS

- **Permanent representative** of Editions Gallimard SA on the Board of directors of POL Éditeur SA and of Madrigall SA on the Board of directors of Mercure de France SA

- **Member of the Supervisory board** of Electre SA and Sodefis SAS

Functions and offices ceased within the last five years

- **Permanent representative** of Magridall SA on the Board of directors of Editions de la Table Ronde SA

- **Board member** of Scérén and of BNF, public-sector organizations (until 2014)



FÉLICITÉ HERZOG

Born on April 23, 1968

French national

Number of Gaumont shares held at December 31, 2017: 10

Voting rights at December 31, 2017: 10

Business address

20 rue Quentin Bauchart

75008 Paris

France

Biography

Félicité Herzog is manager and director of companies in Paris. Félicité Herzog is a graduate of the Paris Institut d'études politiques (IEP, 1991) and has an MBA from INSEAD (June 2000).

In 1992, Félicité Herzog began her career at the investment banking Lazard Frères in Paris and went to New York from 1993. She then went on with her career in mergers and acquisitions at JP Morgan in London in 1996.

In 1997 she joined Apax Ventures & Co, an investment fund in London and implemented venture capital and LBO operations in the European media and telecommunication industry. After obtaining her MBA at the INSEAD in 2000, she became partner at Madison Dearborn Partners, a firm specialized in that same business.

From 2002 to 2006, Félicité Herzog was appointed Director of mergers and acquisitions of the Publicis group. From 2007 to 2013 she joined Areva. She was appointed Director of group development in 2007. In 2009 she became Deputy CEO of Technicatome, a subsidiary of Areva.

Since 2013, Félicité Herzog runs Apremont Conseil, a company specialized in strategy and mergers and acquisitions. She is a member of the Board of directors of Telecom Italia and its Risk control committee since 2015.

She is, moreover, the author of two novels, *Un Héros* (Grasset, 2012) and *Gratis* (Gallimard, 2015), and one essay, *La France retrouvée* (Flammarion, 2017).

Family ties with another Board member

None

Functions and offices held in Gaumont SA

- **Board member**

Term of appointment ends at the General meeting called to approve the 2018 financial statements.

- **Member of the Audit committee** since May 16, 2017

Other functions and offices held in the Group

None

Other functions and offices held outside the Group

- **President and CEO** of Apremont Conseil SAS

- **Member of the Board of directors** of Telecom Italia SpA

- **Member of the Risk and Control Committee** of Telecom Italia SpA

Functions and offices ceased within the last five years

- **Senior Advisor** of Ondra Partners

- **Deputy CEO** of Technicatome SA

- **Director of development** of Areva SA



INFORMATION ON CORPORATE OFFICERS OPERATING BOARD MEMBERS

MICHEL SEYDOUX

Born September 11, 1947

French national

Number of Gaumont shares held at December 31, 2017: 580

Voting rights at December 31, 2017: 1,160

Business address

19, rue de la Trémoille

75008 Paris

France

Biography

Michel Seydoux began his career as assistant to the Chairman of the Central Organization for Camps and Youth Activities (OCCAJ) between 1968 and 1970. In 1971 he founded the company Caméra One, of which he is the Manager. Formerly Chairman of Air Littoral Holding and of Losc Lille football club, he is a Member of the Pathé Management board. He has produced or co-produced many films including the following: *F as Fairbanks* by Maurice Dugowson (1976), *Don Giovanni* by Joseph Losey (1979), *Hôtel de France* by Patrice Chéreau (1987), *Cyrano de Bergerac* by Jean-Paul Rappeneau (1990), *Urga* by Nikita Mikhalkov (1991), *Prospero's Book* by Peter Greenaway (1991), *Toxic Affair* by Philomène Esposito (1993), *Smoking and No smoking* by Alain Resnais (1993), *Anna and Burnt by the Sun* by Nikita Mikhalkov (1994), *Same Old Song* by Alain Resnais (1997), *The Barber of Siberia* by Nikita Mikhalkov (1999), *René* by Alain Cavalier (2002), *The Filmmaker* by Alain Cavalier (2005), *Ambitious* by Catherine Corsini (2006), *Leaving* by Catherine Corsini (2008), *Irène* by Alain Cavalier (2008), *Pater* by Alain Cavalier (2011), *La Danza de la Realidad* by Alejandro Jodorowsky (2013), *Paradise* by Alain Cavalier (2014), *Le Caravage* by Alain Cavalier (2015), *The Sense Of Wonder* by Eric Besnard (2015), *With Open Arms* by Philippe de Chauveron (2016).

Family ties with another Board member

Brother of Nicolas Seydoux, Chairman of the Board of directors; uncle of Sidonie Dumas, Vice-Chairwoman of the Board of directors and Chief Executive Officer and uncle of Pénélope Seydoux, Board member.

Functions and offices held in Gaumont

- **Board member**

Term of appointment ends at the General meeting called to approve the 2019 financial statements.

- **Member of the Appointments and compensation committee**

Other functions and offices held in the Group

None

Other functions and offices held outside the Group

- **Chairman** of MSI SAS, Citadelle Invest SAS, Les Cabrettes SAS and Socle SAS (since February 2017)
- **Member of the Management board** of Pathé SAS
- **Manager** of Camera One SARL, JSI SC, F.M.S. SNC and La Serdinière SARL (since May 2017)
- **Managing Partner** of Liberté 25 Citadelle SC

Functions and offices ceased within the last five years

- **Member of the Management committee** of Gaya Rive Gauche SAS (until June 2017)
- **Chairman of the Board of directors** of Socle SA (until February 2017 following change to SAS) and of Losc Lille SA (until January 2017)
- **Member of the Supervisory board** of Grand Lille TV SAS (until February 2017)
- **Manager** of the SCI du Domaine de Luchin SC (until January 2017)
- **Board member** of Financière Bon SA (November 2015) and of Groupement de Luchin GIE (until January 2017)
- **Representative of MSI SAS, Board member** of Airport Communication SA (June 2014)
- **Managing partner** of MSEB and Cie SNC (until December 2014)
- **Attorney** for the Société navale industrielle et de plaisance SAS (until December 2013)



PÉNÉLOPE SEYDOUX

Born on May 25, 1966

French national

Number of Gaumont shares held at December 31, 2017: 530

Voting rights at December 31, 2017: 1,060

Business address

Chemin de Haute Brise 1A

1012 Lausanne

Switzerland

Family ties with another Board member

Daughter of Nicolas Seydoux, Chairman of the Board of directors, sister of Sidonie Dumas, Vice-Chairwoman of the Board of directors and Chief Executive Officer and niece of Michel Seydoux, Board member.

Functions and offices held in Gaumont SA

- **Board member**

Term of appointment ends at the General meeting called to approve the 2019 financial statements.

- **Member of the Audit committee**

Other functions and offices held in the Group

None

Other functions and offices held outside the Group

- **Manager** of La Fermière SARL (Switzerland)

Functions and offices ceased within the last five years

- **Board member** of UMA Food and Beverages SA (Switzerland) (until 2014)



MARC TESSIER

Born on July 21, 1946

French national

Number of Gaumont shares held at December 31, 2017: 123

Voting rights at December 31, 2017: 217

Business address

10, rue de l'Arche
92400 Courbevoie
France

Biography

Having studied at the École Polytechnique and the École Nationale d'Administration (ENA), Marc Tessier became Inspector of Finances in 1971, Seminar Director at the Paris Institut d'Études Politiques (IEP) from 1972 to 1974, then Mission Head at the Department for External Economic Relations (DREE) from 1976 to 1978. He became Deputy to the General director of energy and raw materials at the Ministry for Industry from 1978 to 1979 then Deputy Director of the Cabinet to André Giraud (Minister of Industry) from 1980 to 1981. In 1982 he joined the Havas advertising agency as Chief Financial Officer (1982-1983) before becoming Chief Executive Officer (1983-1987). At the same time, he was Chief Executive Officer of Canal+ from 1984 to 1986. From 1987 to 1989, he was Advisor to the Chairman of Canal+ and Chief Executive Officer of the Company for the study and exploitation of satellite television (SEETS), before becoming Chief Executive Officer of Canal+ International from 1989 to 1993, and then Chief Executive Officer and Head of development at Canal+ from 1993 to 1995. He worked as Chief Executive Officer of the National Center for Cinematography (CNC) from 1995 to 1999. Marc Tessier chaired the Audiovisual and telecommunications institute in Europe (IDATE) from 1998 to 2000. From 1999 to 2005, he was Chairman of France Télévisions then of the France Télévisions group.

As of January 2006, he joined Netgem SA, a group in which he exercises various functions in subsidiaries exercising their activities in the domain of electronic media, successively Netgem Media Services, Glowria and Videofutur. Since November 2016 he is Advisor to the Chairman of Vitis, subsidiary of Netgem SA.

Family ties with another Board member

None

Functions and offices held in Gaumont SA

- **Board member**

Term of appointment ends at the General meeting called to approve the 2019 financial statements.

- **Chairman of the Audit committee**

Other functions and offices held in the Group

None

Other functions and offices held outside the Group

- **Board member** of Société éditrice du Monde SA, of the Fondation de France and of Aquaboulevard SAS
- **Non-voting Board member on the Board of directors** of G7 Entreprises SA and on the Board of directors of Netgem SA
- **Chairman** of the Forum des Images association and the France Film association
- **Manager with a controlling interest** of NJEE Productions SARL

Functions and offices ceased within the last five years

- **Board member** of Ediradio SAS (RTL) (until October 2017)
- **Board member** of Netgem SA (until January 2017), of the Idate association (until 2014) and of Video Futur Entertainment Group SA (following merger with Netgem SA until 2013)



JEAN TODT

Born February 25, 1945

French national

Number of Gaumont shares held at December 31, 2017: 500

Voting rights at December 31, 2017: 1,000

Business address:

2, rue des Granges

1204 Geneva

Switzerland

Biography

Jean Todt began his career as a rally co-driver from 1966 to 1981. In 1982 he took over as Director of Automotive Competition Peugeot, where he set up Peugeot Talbot Sport. He has been Director of PSA Peugeot-Citroën sporting activities since 1990. In 1993 he joined Ferrari (a Fiat Group company) as Director of Ferrari and Maserati sports management. Having been appointed as a Board member in 2001, he became Chief Executive Officer in 2004, then Deputy Board member in 2006 before leaving Ferrari in March 2009. Elected in October 2009, re-elected in December 2013 and re-elected in December 2017, he is Chairman of the Fédération Internationale de l'Automobile (FIA). In 2015, he was appointed Special Envoy of the United Nations Secretary General on road safety.

Family ties with another Board member

None

Functions and offices held in Gaumont SA

- **Board member**

Term of appointment ends at the General meeting called to approve the 2019 financial statements.

Other functions and offices held in the Group

None

Other functions and offices held outside the Group

- **Chairman** of the Fédération Internationale de l'Automobile (FIA) and eSafety Aware
- **Chairman of the Board of directors** of the SUU Foundation
- **Vice-Chairman** of the ICM Foundation (*Institut du cerveau et de la moelle épinière*)
- **Member of the Board of directors** of Groupe Lucien Barrière SAS, of Edmond de Rothschild SA (formerly Compagnie financière Saint-Honoré), of the Société des Amis du Musée d'Art Moderne de la Ville de Paris and of the International Peace Institute (IPI)
- **Member of the Board of Trustees** of the FIA Foundation for the Automobile and Society
- **Member of the Advisory board** of Sotheby's International

Functions and offices ceased within the last five years

- **Member of the Advisory board** of Hangar Bicocca (Italy) (until 2014)
-



Functions and offices held in all companies by each non-voting Board member

THIERRY DASSAULT

Born on March 26, 1957

French national

Number of Gaumont shares held at December 31, 2017: 0

Voting rights at December 31, 2017: 0

Business address

9, rond-point des Champs-Élysées – Marcel Dassault

75008 Paris

France

Biography

After receiving a Baccalaureate in Economics and serving in the military at the Establishment of Communication and Audiovisual Production of Defense (ECPAD), Thierry Dassault was Head of Civil Equipment for the company Electronique Serge Dassault in Brazil from 1979 to 1981, then Chief Executive Officer of an alarm systems company from 1982 to 1984, Associate producer and Director of advertising and institutional films at Claude Delon Productions from 1985 to 1993.

From 1994 to 2006, he was Chairman of Dassault Multimédia, which acquired interests in Infogrames, Gemplus, Infonie, BFM, CdandCo, Net2one, Emme and Welcome Real-time. He also personally invested in Chapitre.com.

In 2004, he was the backbone of the company Keynectis, that became OpenTrust in September 2013 then IDnomic in February 2016, which he has chaired since its origin. IDnomic provides electronic certification and security services, used for the digital identification of persons, terminals or connected objects.

At the end of 2006, Thierry Dassault created TDH, a company specializing in investments in emerging technologies and the niche sectors, that hold participating interests in Aquarelle, Bernardaud, Blablacar, CASF III, Collector Square, Coravin, Halys, IDnomic, Isabel Marant, La Maison, L Catterton, Quista, Scarcell, TwoOnpark, Usmile, Wallix Group, and YouScribe.com.

He is Deputy CEO of Groupe Industriel Marcel Dassault (GIMD) and is a member of the boards of: Artcurial, Dassault Belgique Aviation, Dassault Médias (Le Figaro), Gaumont (non-voting member), GIMD, Gstaad Palace, Halys, IDnomic, Immobilière Dassault (non-voting member), Particulier et Finances Editions, TwoOnpark and Wallix Group.

He is also a member of YouScribe's Strategy committee.

He is Chairman of the 58th National Session of the Institute of Higher National Defense Studies (IHEDN) and Colonel in the French Air Force Reserve.

Lastly, Thierry Dassault is Vice-Chairman of Fondation du Rein and a Member of the Board of directors of the Fondation Serge Dassault and of *Association pour la recherche sur Alzheimer* (IFRAD, an Alzheimers research foundation).

Family ties with another Board member

None

Functions and offices held in Gaumont SA

- **Non-voting Board member**

Other functions and offices held in the Group

None

Other functions and offices held outside the Group

- **Deputy CEO** and **Member of the Supervisory board** of Groupe Industriel Marcel Dassault SAS
- **Chairman** and **Member of the Board of directors** of IDnomic SA
- **Director** of Dassault Médias SA (formerly Socpresse), of Dassault Belgique Aviation SA (Belgium), of Société du Figaro SAS, of Artcurial SA (since May 2017) and of Gstaad Palace SA (since August 2017)
- **Member of the Supervisory board** of Particulier et Finances Editions SA
- **Permanent representative of TDH SC on the Boards of directors** of Halys SAS and of IF Research SAS (Wallix) and of TwoOnpark SAS

Functions and offices ceased within the last five years

- **Board Member** of Gaumont SA (until May 2017)
 - **Member of the Supervisory board** of Bluwan SA (until October 2015)
 - **Non-voting Board member** at Veolia Environnement SA (until March 2014)
 - **Member of the Supervisory board** of Veolia Eau – Compagnie Générale des Eaux SCA (until March 2014)
 - **Board member** of Bluwan SA (until January 2014)
-



BERTRAND SIGUIER

Born on June 10, 1941

French national

Number of Gaumont shares held at December 31, 2017: 45

Voting rights at December 31, 2017: 90

Business address:

191, rue de l'Université

75007 Paris

France

Biography

Graduate of the Paris Institut d'Études Politiques (IEP) and Bachelor in law, Bertrand Siguier began his career as a financial analyst at Neuflyze, Schlumberger, Mallet Bank (NSM), from 1967 to 1969. He joined Publicis-Conseil in 1970 as Head of Advertising, Head of Group (1971-1972) then Group Director (1973-1974). From 1975 to 1979 he was Deputy Director and International Coordinator of the Publicis-Intermarco-Farner Group. From 1980 to 1982, he was Chief Executive Officer of the Mc Cormick Publicis agency in London. From 1982 to 1988, he was Director of Publicis-Conseil. From 1988 to 2008, he was Vice-Chairman of Publicis FCB Communication, later Publicis Communication. From 1999 to 2008, he was a member of the Publicis Group's Executive board. Starting from 2008, he has been a Manager of Bertrand Siguier et Associés.

Family ties with another Board member

None

Functions and offices held in Gaumont SA

- **Non-voting Board member**

Other functions and offices held in the Group

None

Other functions and offices held outside the Group

- **Manager** of Bertrand Siguier et Associés SARL
- **Chairman** of Indépendance Média SAS
- **Board member** of Vivaki Performance SA
- **Board member** of Saatchi & Saatchi Fallon Tokyo K.K. (Japan), of Beacon Communications K.K. (Japan), of Publicis Yorum (Turkey), of Publicis Bold (Turkey) and of Publicis Zone (Turkey)

Functions and offices ceased within the last five years

- **Board member** and **Member of the Audit committee** of Gaumont SA (until May 2017)
 - **Chairman** of Buzz Advertising Network Group SAS (until 2013)
 - **Board member** of Hanmer MSL Communications (India) (until 2015) and of Saatchi & Saatchi (Korea) (until 2015)
-



COMPENSATION OF CORPORATE OFFICERS

Salaries and benefits of any kind paid to executive corporate officers

Tables 1 and 2 of the AMF recommendation No. 2014-14

The executive corporate officers, within the meaning of article L. 225-185 of the French Commercial code include the Chairman of the Board of directors, the Chief Executive Officer, the Deputy CEOs, the members of the Executive board or the manager(s) of a stock company:

(in euros)	TITLE	COMPENSATION ⁽¹⁾	2017		2016	
			AMOUNT PAID ⁽²⁾⁽³⁾	POSTED AMOUNTS	AMOUNT PAID ⁽²⁾	POSTED AMOUNTS
Nicolas Seydoux	Chairman of the Board of directors	Fixed compensation	450,000	450,000	450,000	450,000
		Variable compensation ⁽⁴⁾	412,684	-	388,271	419,582
		Directors' fees	51,765	-	41,111	51,765
		TOTAL	914,449	450,000	879,382	921,347
Sidonie Dumas	Chief Executive Officer	Fixed compensation	450,000	450,000	450,000	450,000
		Exceptional premium	-	-	-	-
		Variable compensation ⁽⁴⁾	412,684	-	388,271	419,582
		Allocation of stock options	-	-	-	-
	Board member, Vice President	Directors' fees	41,765	-	31,111	41,765
TOTAL	904,449	450,000	869,382	911,347		

(1) Before social and tax deductions.

(2) Amounts paid = all amounts paid by Gaumont during the year, it being specified that the variable compensation and directors' fees allocated under one year are actually paid during the following year.

(3) Payment of the variable and special components of the compensation of the Chairman and of the Chief executive Officer for the year 2017 are submitted to the vote of the General meeting of shareholders of May, 3, 2018.

(4) The basis for calculating the variable compensation is comprised of the consolidated net income Group share, after Income tax, excluding exceptional items.



Directors' fees and other compensation paid to non-executive corporate officers

Table 3 of the AMF recommendation No. 2014-14

(in euros)	TITLE	TYPE OF COMPENSATION	2017		2016	
			AMOUNT PAID ⁽¹⁾	POSTED AMOUNTS	AMOUNT PAID ⁽¹⁾	POSTED AMOUNTS
Marie Seydoux legacy	Board member, Vice President	Directors' fees	-	-	128,333	-
Thierry Dassault ⁽²⁾	Board member	Directors' fees	-	-	28,333	35,882
Antoine Gallimard	Board member	Directors' fees	51,765	62,857	41,111	51,765
Félicité Herzog	Board member	Directors' fees	35,882	62,857	-	35,882
Michel Seydoux	Board member	Directors' fees	51,765	62,857	41,111	51,765
Pénélope Seydoux	Board member	Directors' fees	48,824	58,286	41,111	48,824
Bertrand Siguier ⁽²⁾	Board member	Directors' fees	-	-	41,111	51,765
Marc Tessier	Board member	Directors' fees	51,765	72,857	41,111	51,765
Jean Todt	Board member	Directors' fees	38,824	48,286	25,556	38,824

(1) Directors' fees are allocated by the Board of directors following the General meeting approving the financial statements, funded over the period and paid the following year.

(2) Thierry Dassault and Bertrand Siguier, have been appointed non-voting Board members by the Board of directors of May 16, 2017.

The total amount of directors' fees granted in 2017 by Gaumont SA to its executive and non-executive directors was €460,000.

No compensation or directors' fees were paid to corporate officers by the controlled or controlling companies within the meaning of article L. 233-16 of the French Commercial code.

Directors' fees and other compensation paid to non-voting Board members

On May 16, 2017, the Board of directors decided to allocate non-voting Board members the same director's fees as voting members.

(in euros)	TITLE	TYPE OF COMPENSATION	2017		2016	
			AMOUNT PAID ⁽¹⁾	POSTED AMOUNTS	AMOUNT PAID ⁽¹⁾	POSTED AMOUNTS
Thierry Dassault	Non-voting Board member	Directors' fees	35,882	43,714	-	-
Bertrand Siguier	Non-voting Board member	Directors' fees	51,765	48,286	-	-

(1) Directors' fees are allocated by the Board of directors following the General meeting approving the financial statements, funded over the period and paid the following year.



Grant and exercise of stock options plans in favor of the executive corporate officers

Ms. Sidonie Dumas benefits from options giving the right to subscribe for shares, as part of the stock option plans instituted by the company from February 1996 to February 2005.

The conditions of the allocation of stock options of the plans put in place by the Board are compliant with recommendation No. 18 of the Middenext code against the excessive concentration of stock options on managers and against allocating options to executive corporate officers when they leave.

The conditions for the exercise and final allocation of options do not include performance conditions after the date of initial allocation, and for all beneficiaries whether they are managers, corporate officers or other employees. As the exercise and allocation for managers is carried out according to conditions identical as those for other employees, the exercise and final allocation of these options are not subject to future performance conditions.

During 2017, no share purchase or subscription options were granted to executive corporate officers of Gaumont SA or any of its subsidiaries.

During the year 2017, Ms. Sidonie Dumas exercised 20,523 stock options as part of the Gaumont public share buyback offer (OPRA).

Free and performance share grant programs

The Group shall not grant any free shares or performance shares in favor of the corporate officers.



SHARE CAPITAL AND SHAREHOLDERS

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SHAREHOLDERS

Shareholders holding over 5% of voting rights and treasury shares

Change in shareholding over the last three years

SHAREHOLDERS	12.31.17				12.31.16				12.31.15			
	BREAKDOWN OF CAPITAL		BREAKDOWN OF VOTING RIGHTS		BREAKDOWN OF CAPITAL		BREAKDOWN OF VOTING RIGHTS		BREAKDOWN OF CAPITAL		BREAKDOWN OF VOTING RIGHTS	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Ciné Par ⁽¹⁾	2,798,628	89.71	5,528,030	94.24	2,764,628	64.59	5,288,800	70.84	2,764,628	64.66	5,288,800	70.90
First Eagle Investment Management LLC (USA) ⁽²⁾	-	-	-	-	508,037	11.87	508,037	6.81	511,415	11.96	511,415	6.86
Bolloré ⁽²⁾	-	-	-	-	408,852	9.55	817,704	10.95	408,852	9.56	817,704	10.96
Groupe Industriel Marcel Dassault ⁽²⁾	-	-	-	-	232,670	5.44	465,340	6.23	232,670	5.44	465,340	6.24
Public	316,410	10.14	338,101	5.76	360,878	8.43	385,469	5.16	352,376	8.24	376,629	5.05
Shares held by Gaumont SA	4,685	0.15	-	-	5,204	0.12	-	-	6,017	0.14	-	-
Total	3,119,723	100.00	5,866,131	100.00	4,280,269	100.00	7,465,350	100.00	4,275,958	100.00	7,459,888	100.00

(1) Since October 2, 2017, Ms. Sidonie Dumas acquired control of Ciné Par, up to that time held by Mr. Nicolas Seydoux.

(2) Shares tendered to the OPRA (public share buyback offer) of Gaumont approved by the GM of May 16, 2017

To Gaumont's knowledge, no shareholder other than those mentioned in the above table held directly, indirectly or together more than 5% of the share capital or voting rights.

Gaumont is unable to estimate the exact number of its shareholders to date. At December 31, 2017, the number of registered shareholders was 76.

At December 31, 2017, as part of its liquidity contract, Gaumont held 4,685 treasury shares with a par value of €8, representing an investment of €248,019. These shares constituted 0.15% of the capital and carried no voting rights or dividend rights.

No controlled entity owns Gaumont shares.

Significant events that had an impact on shareholding structure during the last three years

On January 31, 2014, Ciné Par received double voting rights for 140,752 Gaumont shares registered in its name since January 2011, following the universal transfer of assets from Socipar to Ciné Par, which was carried out in September 2010.

On April 25, 2014, First Eagle Investment Management received double voting right for the 478,050 Gaumont shares registered in its name, in accordance with law No. 2014-384 of March 29, 2014 (*Loi Florange*) amending article L. 225-123 of the French Commercial code.

On December 15, 2015, First Eagle Investment Management converted 478,050 of the Gaumont registered shares it held to bearer shares, which resulted in a loss of double voting rights to said shares and a decrease in the total number of Gaumont voting rights.



As part of the public share buyback offer (OPRA) by Gaumont concerning 1,657,313 of its own shares approved by the General meeting on May 16, 2017 that occurred from May 26, 2017 to June 26, 2017:

- the company Bolloré tendered the 408,852 shares registered in its name;
- the fund managed by First Eagle Investment Management tendered the 503,091 shares registered in its name as well as its bearer shares;
- the Groupe Industriel Marcel Dassault tendered the 232,670 shares registered in its name.

Following their respective contributions to the public share buyback offer (OPRA), these three main minority shareholders held no further shares nor voting rights of Gaumont.

On October 2, 2017, Mr. Nicolas Seydoux completed a shared gift with usufruct bearing on the 1,886,494 shares of the company Ciné Par, including 1,386,494 Ciné Par shares to Ms. Sidonie Dumas and 500,000 Ciné Par shares to Ms. Pénélope Seydoux. At the conclusion of this donation of shares, Ms. Sidonie Dumas holds, directly or indirectly, 88.66% of the capital and 93.69% of the voting rights of Gaumont, by intermediary of the company Ciné Par that she acquired control of as of that date.

Breaching of shareholding thresholds

In letters dated May 2, 2014, First Eagle Investment Management disclosed to the AMF and to Gaumont that the shareholding threshold of 10% of Gaumont voting rights had been exceeded resulting from the grant of double voting right to its 478,050 registered Gaumont shares pursuant to law No. 2014-384 dated March 29, 2014 (*Loi Florange*), amending article L. 225-123 of the French Commercial code. First Eagle Investment Management sent a statement of intent to Gaumont and to the AMF in these same letters.

First Eagle Investment Management disclosed to the AMF and to Gaumont that it fell below the legal threshold of 10% of Gaumont voting rights on December 15, 2015 following the loss of double voting rights attached to its 478,050 registered Gaumont shares after converting said shares to bearer shares.

In letters dated January 13, 2016, Ciné Par disclosed to the AMF and to Gaumont that it exceeded the legal threshold of 2/3 of Gaumont voting rights following the decrease in total number of Gaumont voting rights as declared by the company on January 12, 2016.

This information was made public by the AMF, by notices dated May 5, 2014, December 21, 2015 and January 13, 2016.

On July 10 and 11, 2017, Bolloré, the First Eagle Investment Management fund and Groupe Industriel Marcel Dassault informed the AMF and the company of the downward crossing of the 5% and 10% thresholds of the capital and voting rights of Gaumont, following their contribution to the public share buy back offer initiated by Gaumont.

On July 28, 2017, Ciné Par informed the AMF and the company of the upward crossing, in concert with Mr. Nicolas Seydoux, of the two-thirds threshold of capital and of 90% of the voting rights of Gaumont, following Gaumont's capital reduction recognized on July 25, 2017 as part of the public share buyback offer initiated by Gaumont.

On October 2, 2017, Mr. Nicolas Seydoux informed the AMF and the company that he had directly and indirectly, acting in concert with Ms. Sidonie Dumas and the company Ciné Par, crossed downward the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, one third, 50% and two thirds of the voting rights of Gaumont and 90% of the voting rights of Gaumont, following the gift with usufruct reservation of the bare ownership of 500,000 Ciné Par shares to Ms. Pénélope Seydoux and 1,386,494 Ciné Par shares to Ms. Sidonie Dumas.

On October 2 and 4, 2017, Ms. Sidonie Dumas informed the AMF and the company that she had directly and indirectly, by the intermediary of the company Ciné Par, crossed upward the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, one third, 50% and two thirds of the capital and voting rights of Gaumont and 90% of the voting rights of Gaumont, following the gift with usufruct reservation of the bare ownership of Ciné Par shares that was granted to her by Mr. Nicolas Seydoux. Concomitantly, Ms. Sidonie Dumas declared her intentions for the six following months to the AMF and the company.

This upward crossing of the 30% thresholds of the capital and the voting rights of Gaumont, by Ms. Sidonie Dumas, was exempted, in a decision of the AMF on September 19, 2017, from the obligation to file a draft public offer on the shares of Gaumont.

Trading in Gaumont's own shares

From May 26, to June 26, 2017, Gaumont offered to buyback its own shares at the unit price of €75. 1,284,112 shares were tendered to this offer by shareholders. On July 6, 2017, Gaumont settled full purchase price for k€96,308. On July 25, 2017, shares purchased by Gaumont as part of this offer were cancelled by the Board of directors.

To ensure the Gaumont share continues to be liquidly traded and regularly quoted on the market, the Group has a counterparty account with broker Exane BNP Paribas under a liquidity contract, drawn up in compliance with the AMAFI Code of conduct and signed on July 1, 2010, for tacitly renewable periods of one year.

The initial contributions of k€300 were supplemented by an additional k€100 in November 2010.

Taking into account Gaumont's transactions on its own shares as part of the public share buyback offer, the liquidity contract was suspended at the end of June 2017.

At December 31, 2017, resources allocated to this contract included 4,685 treasury shares and k€199 in cash.

The liquidity contract is managed by Exane BNP Paribas, which is authorized to assess the need to intervene in the market solely for:

- facilitating the listing of the shares;
- improving the distribution of the share ownership;
- improving the security's liquidity in the market.



SHARE CAPITAL AND SHAREHOLDERS

SHAREHOLDERS

Gaumont carried out the following transactions in its own shares with regards to the liquidity contract:

	2017	2016
Number of shares purchased	1,042	11,153
Average purchase price	€56.29	€50.93
Number of shares sold	1,561	11,966
Average sale price	€46.15	€51.26
Trading fees	-	-
Number of shares held on December 31	4,685	5,204
Value of shares held on December 31	€248,019	€261,411
Percentage of capital held on December 31	0.15%	0.12%
Par value of shares	€8	€8

Employee and executive shareholding

Executive shareholders

To Gaumont's knowledge, the Board members together directly held 3,834 shares, representing 0.12% of the Company's share capital and 0.13% of the Company's voting rights as of December 31, 2017.

Trading in the company's shares by executive officers and directors

No trading in shares of the company has been operated by Gaumont's executive officers in 2017.

Employee shareholders

To Gaumont's knowledge, two of its employees together held 28 shares on December 31, 2017.

To Gaumont's knowledge, there was no savings plan or fund invested in the company's shares for the benefit of its current or former employees.

Dividend policy

The distribution policy in relation to future dividends is based on various criteria, in particular, the company's investment requirement, its financial position and market practices.

Unclaimed dividends are forfeited five years after they become payable, as provided by article 2224 of the French Civil code (*Code civil*). Such unpaid dividends are paid to the French Treasury, pursuant to article L. 1126-1 of the French State Property code (*Code général de la propriété des personnes publiques*).

Gaumont paid out the following dividends for the last five years:

YEAR	NUMBER OF SHARES PAID ⁽¹⁾	DIVIDENDS PAID FOR THE FINANCIAL YEAR (in euros)		
		NET	TAX ASSET	TOTAL
2012	4,265,835	1.00	-	1.00
2013	4,266,045	1.00	-	1.00
2014	4,267,078	1.00	-	1.00
2015	4,268,621	1.00	-	1.00
2016	3,114,575	1.00	-	1.00

(1) Excluding treasury shares at payment date.

Factors likely to have an impact in the event of a public offering

Reference shareholders

The reference shareholder of Gaumont is Ciné Par, controlled by Ms. Sidonie Dumas since October 2, 2017, who holds 89.70% of the capital and 94.23% of the voting rights at December 31, 2017.

The presence of independent members on the company's Board of directors (six out of ten members on the Board) and the fact that certain decisions are submitted to the Board of directors for prior approval, aim to ensure that the control of the company is properly exerted and not abused. In particular, the Board's prior approval is required for certain transactions carried out by Executive management.

Shareholders' agreements

To Gaumont's knowledge, there is no agreement between shareholders (in particular between officers) that could limit the transfer of shares and the exercise of voting rights.



Lock-up agreement

On October 2, 2017, Mr. Nicolas Seydoux, Ms. Pénélope Seydoux, Ms. Sidonie Dumas, and Ciné Par renewed the collective lock-up agreement signed on February 4, 2004, and subsequently renewed on March 17, 2008 and April 2, 2014, for the 2,764,632 Gaumont shares held by them.

As of December 31, 2017, the features of the lock-up agreement are as follows:

LOCK-UP AGREEMENT D	
Legal Regime	article 787-B of the French General tax code on donations
Signature date	October 2, 2017
Term of the lock-up agreement	two years from the signing date
Percentage of the share capital covered by the shareholders' agreement at the signature date of that agreement	88.62%
Percentage of voting rights covered by the shareholders' agreement on the signature date of that agreement	93.66%
Names of signatories who are executive officers	Nicolas Seydoux Sidonie Dumas
Names of signatories related to executive officers	Pénélope Seydoux Ciné Par SAS
Names of signatories holding at least 5% of the company's share capital and/or voting rights	Ciné Par SAS

To Gaumont's knowledge, there is no other provision that could delay, defer or prevent a change in its control.

Pledging of shares

To Gaumont's knowledge, there have been no Gaumont shares pledged as collateral as of December 31, 2017.

Changes in share capital and share rights

Any change in the share capital or the rights attached to each share is subject to compliance with applicable laws. The Articles of Incorporation do not place any conditions or restrictions on such transactions.

Gaumont agreements with a specific change of control clause

To Gaumont's knowledge, material agreements that are amended or that end in the event of change of control of the company, are as follows:

- a financial investment agreement with the *Caisse des dépôts et consignations* for the restoration and digitization of titles in its catalog signed on July 6, 2012;
- a revolving credit facility on November 5, 2014, for a maximum amount k€80,000, expiring November 15, 2021;
- a bond for a total of k€60,000, maturing on November 14, 2021 and November 14, 2024;
- a co-investment agreement signed with the company Entourage Pictures on July 9, 2016, concerning the financing of French-speaking films produced and distributed by Gaumont.



INFORMATION ON SHARE CAPITAL

Changes in Gaumont SA's share capital

		<i>(in euros)</i>					
	DESCRIPTION OF THE EVENT	NUMBER OF SHARES	PAR VALUE OF SHARES	RESULTING CAPITAL	ISSUE PREMIUM	SUCCESSIVE AMOUNTS OF THE CAPITAL	CUMULATIVE NUMBER OF SHARES
Oct-15	Exercise of stock options	2,285	8	18,280	80,260	34,198,520	4,274,815
Dec-15	Exercise of stock options	1,143	8	9,144	38,988	34,207,664	4,275,958
Oct-16	Exercise of stock options	3,429	8	27,432	116,963	34,235,096	4,279,387
Nov-16	Exercise of stock options	882	8	7,056	30,085	34,242,152	4,280,269
Jan-17	Exercise of stock options	602	8	4,816	20,534	34,246,968	4,280,871
Mar-17	Exercise of stock options	9,203	8	73,624	444,024	34,320,592	4,290,074
Apr-17	Exercise of stock options	805	8	6,440	38,849	34,327,032	4,290,879
May-17	Exercise of stock options	16,140	8	129,120	728,482	34,456,152	4,307,019
June-17	Exercise of stock options	96,816	8	774,528	4,499,677	35,230,680	4,403,835
Jul-17	Capital reduction by cancellation of shares	-1,284,112	8	-10,272,896	-24,773,469	24,957,784	3,119,723

At December 31, 2017, the share capital of Gaumont SA was €24,957,784. It is comprised of 3,119,723 shares, each with a par value of €8, all fully paid up and of the same category.

In all, there were 5,866,131 voting rights attached to shares, including 2,746,408 shares with double voting rights.

Gaumont had not issued any securities other than equity securities.

Potential capital

At December 31, 2017, 23,949 shares could potentially be issued upon the exercise of stock options granted to employees of Gaumont and other affiliated companies.

All 23,949 exercisable options, received an exercise price lower than the average listed price for the period and showed a dilutive effect equivalent to 8,278 shares as of December 31, 2017.

The following table shows the effects on capital and earnings per share of exercising all the options that are dilutive.

	2017	2016
Average number of shares	3,788,735	4,276,808
Consolidated net income attributable to owners of the parent <i>(in thousands of euros)</i>	123,044	18,944
Net income per share <i>(in euros)</i>	32.48	4.43
Number of stock options with a dilutive impact	8,278	2,758
Average potential number of shares	3,797,013	4,279,566
Diluted net income per share <i>(in euros)</i>	32.41	4.43
Percentage of dilution <i>(in %)</i>	0.22	0.06



History of stock option plans

Since December 1987, Gaumont has set up eight stock option plans for some of its employees, and in particular its executives, except for the Chairman of the Board of directors who does not benefit of any plan.

Stock option plans outstanding at the end of the period

Table 8 of the AMF recommendation No. 2014-14

Plans I and II expired December 2, 2002 and December 22, 2003, respectively.

All options granted under the plans III, IV and VII were fully exercised.

Plans V, VI and VIII were still outstanding as of December 31, 2017. They have the following characteristics:

	PLAN V	PLAN VI	PLAN VIII
Date of General meeting	06.02.94	04.25.96	04.29.04
Grant date	02.15.96 ⁽¹⁾	03.12.98 ⁽¹⁾	02.28.05 ⁽²⁾
Type of option	Subscription	Subscription	Subscription
Starting date of exercise of options	02.15.01	03.12.03	02.28.09
Expiry date	02.14.46	03.11.48	02.27.49
Exercise price (in euros)	€50.31	€64.03	€64.00
Adjusted exercise price (in euros)	€44.14	€56.17	€56.26
Total number of options granted	104,000	168,000	196,750
Total adjusted number of options granted	118,689	191,736	224,653
Aggregate number of options canceled at 12.31.17	46,792	99,333	103,080
Aggregate number of options exercised at 12.31.17	70,755	90,119	101,050
NUMBER OF OPTIONS OUTSTANDING AS 12.31.17	1,142	2,284	20,523
Including number of options that corporate officers may subscribe to			
• Sidonie Dumas	-	-	20,523
Including the number that may be subscribed to by the top ten employees with the highest number of options granted ⁽³⁾	-	-	-

(1) Board of directors.

(2) Executive board.

(3) When more than ten employees are concerned in equal terms, the number specified takes account of all concerned parties (including individuals who left the company).



SHARE CAPITAL AND SHAREHOLDERS

INFORMATION ON SHARE CAPITAL

Movements affecting options held by Executive management and top ten employees granted the largest number of options

During 2017, no share purchase or subscription options were granted by Gaumont SA or any of its subsidiaries.

Options exercised by executive managers or by the ten employees granted the largest number of options are detailed below.

	TOTAL NUMBER OF OPTIONS	AVERAGE WEIGHTED PRICE (in euros)	PLAN CONCERNED			
			PLAN V	PLAN VI	PLAN VII	PLAN VIII
Options exercised during the year by executive manager Sidonie Dumas	20,523	53.21	1,142	2,284	3,425	13,672
Options exercised during the year by the ten non-executive employees who benefited most	56,177	53.00	3,313	7,999	10,063	34,802

Delegations of authority granted by the General meeting to the Board of directors to carry out capital transactions

	CURRENT AUTHORIZATIONS				DELEGATIONS OF AUTHORITY PROPOSED TO THE GM OF MAY 3, 2018		
	GM DATE (RESOLUTION NO.)	TERM (EXPIRY DATE)	MAXIMUM AMOUNT OR MAXIMUM CEILING	USE OF THE AUTHORIZATION IN 2017	RESOLUTION NO.	TERM	MAXIMUM CEILING
INCREASE IN SHARE CAPITAL⁽¹⁾							
By issuing shares, securities or marketable securities with shareholder pre-emption rights	GM of 05.16.17 (20)	26 months (07.15.19)	k€15,000	Not used			
By capitalization of reserves, profits or premiums					(12)	26 months	k€15,000
Reserved to employees of the Group, members of the company Savings Plan					(13)	26 months	200,000 shares
COMPANY'S PURCHASE OF ITS OWN SHARES							
Company's purchase of its own shares ⁽²⁾	GM of 05.16.17 (7)	18 months (11.15.18)	k€33,208	Used	(9)	18 months	k€23,398
Reduction of share capital by cancellation of treasury shares	GM of 05.16.17 (19)	18 months (11.15.18)	10% of the share capital on the day of the GM	Not used	(10)	18 months	10% of the capital on the day of the GM
STOCK OPTION PLANS							
Grant of share subscription and/or purchase options ⁽³⁾	GM of 05.05.15 (7)	38 months (07.04.18)	Legal limit ⁽⁴⁾	Used	(11)	38 months	Legal limit ⁽⁴⁾

(1) Share capital capped at a total nominal amount of k€15,000.

(2) Within the limit of 10% of the number of shares of the company's capital at the time of purchase.

(3) In favor of employees and corporate officers of the company and/or those affiliated with it.

(4) Articles L. 225-182 and R. 225-143 of the French Commercial code: the total amount of the options awarded and not exercised cannot exceed one third of the equity.



Capital increases by the issue of shares, stock or securities and by capitalization of reserves, profits or premiums

These delegations of authority are granted by the General meeting to the Board of directors in order to:

- one or more issuances, maintaining the preferential subscription right of the shareholders, of shares or marketable securities giving access to capital securities to be issued, limited to k€15,000;
- to conduct a capital increase, in one or more installments, by capitalization of reserves, profits or premiums, followed by the creation and free grant of share capital securities or elevating the par value of the existing share capital securities, or a combination of these two modes, limited to k€15,000.

The objective of these delegations is to enable the company to conduct all issues of marketable securities to quickly and flexibly gather the necessary financial means.

All issuances of shares, capital securities or other marketable securities is capped at a global par value of k€15,000.

The delegation of authority granted to the Board of directors to increase the capital by the issue of shares, securities or marketable securities was renewed by the General meeting of May 16, 2017 for a period of 26 months.

It will be proposed, at the General meeting of May 3, 2018, to grant to the Board of directors, for a term of 26 months, the authority for the purpose of increasing capital by incorporation of reserves, profits or premiums.

Capital increase reserved for employees who are members of the company savings plan

In application of Article L. 225-129-6 of the French Commercial code, it will be proposed at the General meeting on May 3, 2018, to grant, for term of 26 months, the authorization to the Board of directors to conduct a capital increase, limited to 200,000 shares, with waiver of preferential subscription rights for the shareholders in favor of the employees of the company and/or those affiliated with it under the conditions set forth by Article L. 225-180 of the French Commercial code, who are members of the company savings plan and under the conditions set by Articles L. 3332-18 et seq. of the French Labor code.

Company's purchase of its own shares

The General meeting on May 16, 2017 renewed, for a term of 18 months, the authorization given to the Board of directors to purchase shares of the company within the maximum limit of 10% of the number of shares that comprise the company's capital at the time of the purchase, within the limit of k€33,208 and for a maximum authorized unit price of €75.

In accordance with the legislative and regulatory provisions in force, this authorization was granted to the Board of directors to:

- stimulate trading in or the liquidity of the shares via an investment service provider through a liquidity agreement in accordance with the AMAFI code of conduct recognized by the AMF (*Autorité des marchés financiers* – the French financial markets authority);
- holding and using the shares at a later date in payment or exchange within external growth transactions as permitted by the AMF;
- grant shares to employees and/or corporate officers (under the conditions and according to the terms set forth by law), particularly under a stock option plan, free share awards, or corporate savings plan;
- grant shares to holders of securities convertible to the company's capital when they exercise the rights attached to those securities, in accordance with regulations in effect;
- the potential cancellation of shares acquired.

As this authorization will expire November 15, 2018, it will be proposed to the General meeting on May 3, 2018 to renew it for a term of 18 months, within the limit of k€23,398, for a maximum price of €75 per share.

Grant of share subscription or purchase options

The General meeting on May 5, 2015 renewed, for a term of 38 months, the authorization given to the Board of directors by the General meeting on May 3, 2012 to grant one or more issuances of stock options in the company in favor of those that it shall appoint from among the staff members and executive corporate officers of the company or those affiliated with it under the conditions set forth by Article L. 225-180 of the French Commercial code.

This authorization will expire on July 4, 2018, and it will be proposed to the General meeting of May 3, 2018 to renew it for a term of 38 months.

At December 31, 2017, 23,949 shares could potentially be issued upon the exercise of stock options granted to employees of Gaumont and other affiliated companies.



SHARE CAPITAL AND SHAREHOLDERS



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2018 FINANCIAL DISCLOSURE TIMETABLE

Publication of the financial statements

February 15: 2017 full-year results

July 27: 2018 half-year results

General meeting of shareholders

May 3: Combined Ordinary and Extraordinary General meeting called to approve the financial statements for the year ended December 31, 2017



PERSONS RESPONSIBLE FOR INFORMATION

Person responsible for the Registration document

Sidonie Dumas

Chief Executive Officer

CERTIFICATE

After taking all reasonable measures to this effect, I certify that, to the best of my knowledge, the information contained in this Registration document is consistent with the facts and does not contain such omissions as may adversely affect its scope.

I hereby certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and results of Gaumont and all entities included in the consolidated group, and that the management report provides a true and fair view of the business trends, results and financial position of the company and all entities included in the consolidated group, together with a description of the main risks and uncertainties that they face.

I have obtained from the statutory auditors a completion report, in which they state that they have verified the information relating to the financial position and financial statements provided in this Registration document and that they have read the entire document.

Neuilly-sur-Seine, April 9, 2018

Sidonie Dumas
Chief Executive Officer



Persons responsible for auditing

Statutory auditors

Advois

- Member of the Compagnie régionale de Paris
- Address: 13, avenue de l'Opéra 75001 Paris
- Represented by Hugues de Noray
- First appointment: General meeting of May 2, 2005, taking over from KPMG, formerly RSM Salustro Reydel.

Ernst & Young et Autres

- Member of the Compagnie régionale de Versailles
- Address: 1-2, place des Saisons 92400 Courbevoie – Paris-La Défense 1
- Represented by Christine Vitrac
- First appointment: General meeting of May 3, 2011, taking over from Ernst & Young Audit.

Person responsible for financial information

Fabrice Batieau

Chief Financial Officer

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