2018

REGISTRATION DOCUMENT

ANNUAL REPORT

Gaumont
born with cinema

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2018
ANNUAL REPORT

AUTORITÉ DES MARCHÉS FINANCIERS
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MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Since selling its minority stake in Les Cinémas Gaumont Pathé in 2017, Gaumont has refocused its business on film and television production. As a result, 2018 was a year of transition, as 2019 is also shaping up to be.

Financing film production is becoming increasingly difficult in France. Canal+, private television channels and the public sector are investing less, and high-budget films are becoming harder to finance. Developing an ambitious, diversified editorial policy, which has always been tough, continues to pose a challenge. Without wading into the debate, which is not the subject here, and without being able to measure its financial effect, the yellow vest protests and the abuses committed are not conducive to boosting movie theater attendance, the main bellwether of the cinema industry.

Increasing the volume of television production remains an arduous process. Partnerships with traditional French players are taking longer to establish and are becoming harder to finance. Agreements with the major American platforms, however laborious they might be to negotiate, are both less time-consuming and more lucrative.

Alongside cinema, repeatedly impacted by changes in technology, the entire audiovisual landscape is undergoing a major transformation, the full effects of which are still unclear.

The fragmentation of audiences and their “segregation” by age group, screen size and delivery method is probably only just beginning.

The fight against piracy remains unchanged, even though rightholders have won all their legal battles. The European Parliament vote on the “recognition” of copyright is a major step forward. Its transposition into national legislation, not least in France, should support creation.

Gaumont is seeking to adapt to this changing landscape. Without underestimating the risks of a world redesigned by the ubiquitous presence of social media, the oldest film company in the world is mindful of the opportunity represented by one of todays’ most ambitious challenges, culturally and sociologically: creating programs seeking to move everyone.

Nicolas SEYDOUX, April 1, 2019

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

2018 was a mixed year. Since November 17, we have been going through a period of protests and unrest that has weakened and destabilized the country. But it was also a year of mobilization and consultation for the movie industry, that led to three new agreements being signed. The first one for a new media chronology, the other two with Canal+ and Orange, major players in the financing of French cinema.

Despite a lackluster market during the summer and early autumn, movie theaters once again pulled in audiences of more than 200 million in 2018. American films saw a decline in popularity, while French films remained in vogue with a market share of 40%. Going to the cinema is still the main form of cultural entertainment for French people and creates a strong social bond.

In 2018, Gaumont released 10 films which were seen by more than 8 million people. Careful promotion of films around the time of their release is crucial and the choice of date is essential. Because films are prototypes, their trajectory can sometimes surprise us, both in a good and bad sense. *The Emperor of Paris*, directed by Jean-François Richet, unfortunately failed to achieve a million ticket sales. By contrast, Franck Dubosc's first film *Rolling to You* delivered a stellar performance, reaching audiences of more than 2.4 million. The third and final chapter of *Belle and Sebastian*, directed by Clovis Cornillac, was also a box-office hit. The adaptation of the comic book *Tricky Old Dogs*, Christophe Duthuron's first film, was also warmly received by the public.

Despite a 16% fall in the video market, Gaumont sold more than 1.2 million units in 2018, driven by new releases with the publication of thirteen recent films. Gaumont also recorded more than a million paid video-on-demand transactions.

French television channels screened more than 180 films from our catalog in 2018, including *The Brats*, *Delusions of Grandeur*, *The Fifth Element* and the *Fantomas* trilogy.

In terms of foreign sales, new films generated more than €12.5 million in revenue, while heritage films remained at €9.3 million.

Our policy has always been heritage-based. Gaumont invests in the restoration of old films so that they can continue to be shared with a wide audience.

The touring exhibition designed to mark Gaumont's 120th anniversary is continuing to tell the story of cinema around the world. After Southeast Asia in 2017, it was the turn of Japan, Cuba, Lille and Canada in 2018. Next year, the exhibition will move to Mexico, Lariboisière Hospital in Paris and Berlin.

In 2019, the editorial line of Gaumont will be rich and diversified. Eleven new films will be brought to the big screen: *Edmond*, Alexis Michalik's feature-length debut as director; five comedies, *The Mystery of Henri Pick* by Rémi Besançon, *Pappy Sitter* by Philippe Guillard, *Ibiza* by Arnaud Lemort and *No Filter* by Eric Lavaine; a children's film, *Ailo's Journey*, by Guillaume Maidatchevsky; two comedy dramas, *Pure as Snow* by Anne Fontaine and *La Vie Scolaire* by

Grand Corps Malade; a thriller, *Three Days and a Life*, by Nicolas Boukrief; a historical film, *J'accuse*, by Roman Polanski, and *The Specials*, directed by the duo Toledano and Nakache.

For Gaumont, 2018 was also a year of transition. The sale of our stake in movie theaters in 2017 has allowed us to focus on developing our television business with two new subsidiaries, Gaumont GmbH in Cologne and Gaumont Ltd in London. It has been more than eight years now since Gaumont first returned to television production. This diversification is beneficial and should enable us to ride out any bumpy phases.

In France, two new series proved to be a hit in 2018: *Nox*, on Canal Plus, and the second season of *The Art of Crime* on France 2. In the United States, each new season of *Narcos* is a major event. This year, *Narcos Mexico* was no exception.

The audiovisual landscape has witnessed dramatic changes over the last few years. New technology has given rise to new consumer trends and the emergence of new players. Online streaming platforms have become strategic, highly responsive partners with a gargantuan appetite for new material. Competition is intense and we are profiting from their growth.

In France, the United States, Germany and the United Kingdom, we have signed a total of 11 series with online streaming platforms. In drama, the 5th season of *Narcos*, the 4th season of *F is for Family*, *Arsène Lupin* with Omar Sy and *The Barbarians* are planned for Netflix, while *El Presidente*, a South American series on football, has been announced for Amazon. In animation, *Do Re and Mi*, with the voice of Kristen Bell, is currently in production for Amazon, while *Stillwater*, spiritual tales with pandas, is in preparation for Apple.

To be passionate about one's work is a tremendous opportunity. Everyone I work with at Gaumont is extraordinarily professional. It reminds me of this quote from Antoine de Saint Exupéry in *Wind, Sand and Stars*: "The grandeur of a profession is perhaps, above all, uniting men: there is only one true luxury, that of human relationships."

Gaumont could not be ambitious without its teams.

I would like to thank all our 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 social and economic committee or representative bodies who have contributed to the proper operation of the legal institutions and employee benefit schemes.

Sidonie DUMAS, April 2, 2019

1 MANAGEMENT REPORT

ACTIVITIES AND CONSOLIDATED RESULTS OF GAUMONT

Key figures

	2018		2017		
	in thousands of euros	*as a % of revenue*	*in thousands of euros*	*as a % of revenue*	*Change*
Revenue	196,205	100%	177,049	100%	11%
Operating income from cinema production and distribution[(1)]	20,887	11%	12,549	7%	66%
Operating income from television production and distribution[(1)]	9,040	5%	9,900	6%	-9%
Operating income after share of net income of associates	-8,260	-4%	133,067	75%	NA
Consolidated net income	-8,644	-4%	122,966	69%	NA
Investments in cinema production	27,448	14%	47,479	27%	-42%
Investments in television production	68,516	35%	63,967	36%	7%

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

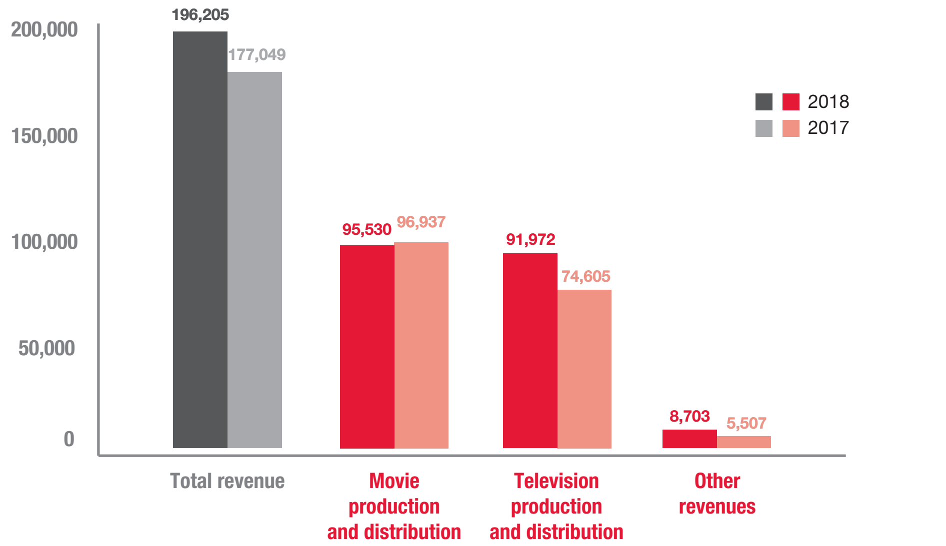
	31.12.18	31.12.17	CHANGE
Equity attributable to owners of the parent company	272,087	305,128	-11%
Net borrowings	-20,056	27,680	-172%

Consolidated results

Revenue by business activity

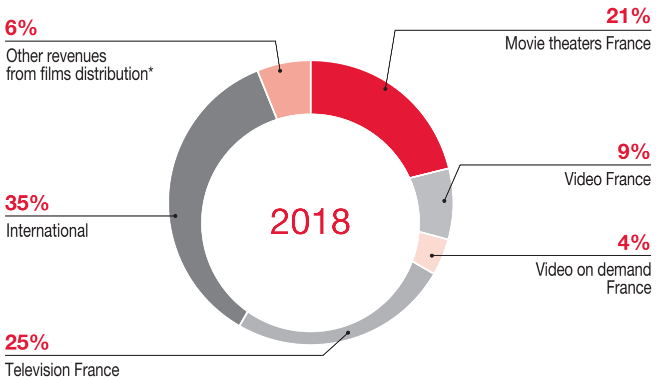
Gaumont's consolidated revenue amounted to k€196,205 in 2018, compared with k€177,049 in 2017. Revenue by business activities breaks down as follows:

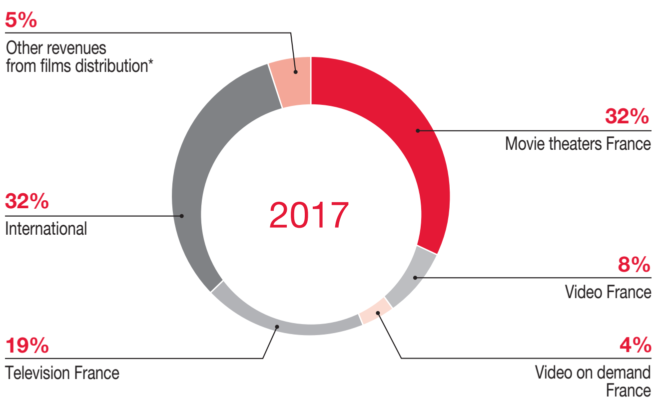
in thousands of euros



Movie production and distribution

Revenue from the cinema production business amounted to k€95,530 in 2018, compared with k€96,937 in 2017, and breaks down as follows:





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

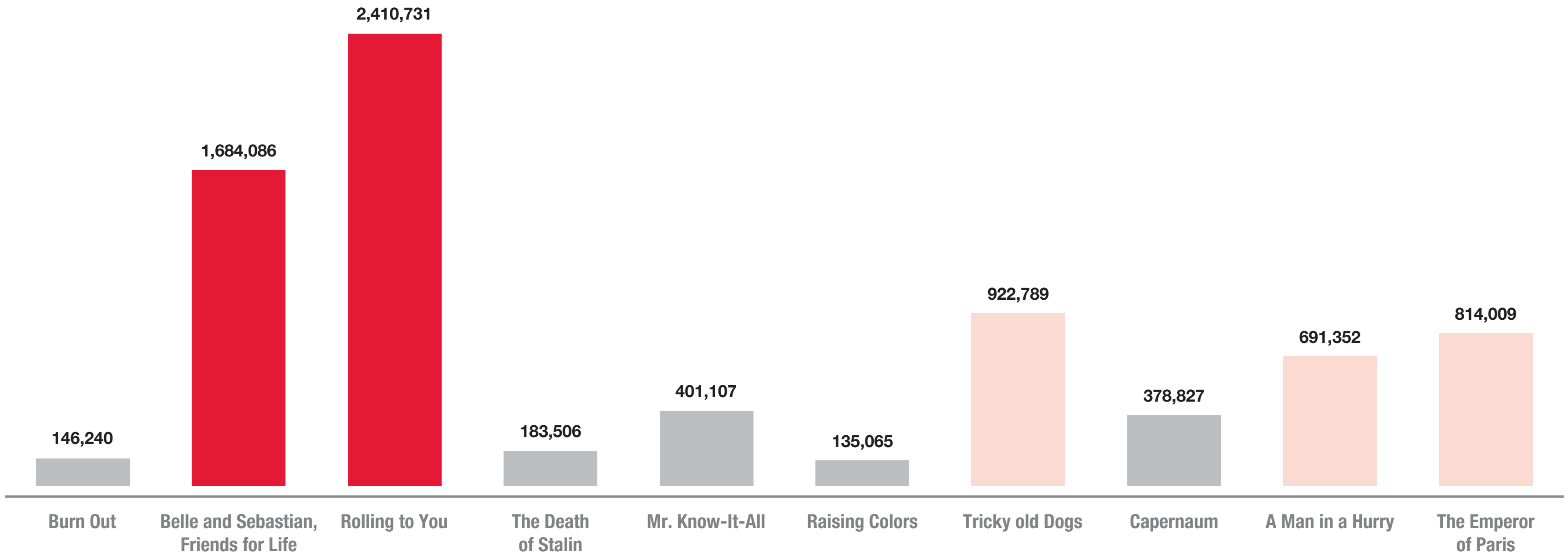
Movie theater distribution

Revenue from the release of films in movie theaters in France stood at k€20,444 as of December 31, 2018, *versus* k€30,690 as of December 31, 2017.

Ten feature films were released in theaters during 2018:

- *Burn Out* directed by Yann Gozlan, starring François Civil, released on January 3;
- *Belle and Sebastian, Friends for Life*, directed by Clovis Cornillac, starring Félix Bossuet, Tchéky Karyo and Clovis Cornillac, released on February 14;
- *Rolling to You,* directed by Franck Dubosc, starring Franck Dubosc, Alexandra Lamy, Elsa Zylberstein and Gérard Darmon, released on March 14;
- *The Death of Stalin*, directed by Armando Iannucci, starring Jeffrey Tambor, Steve Buscemi, Olga Kurylenko and Michael Palin, 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, released on May 9;
- *Raising Colors*, directed by Hélène Fillières, starring Lambert Wilson, Diane Rouxel and Josiane Balasko, released on June 6;
- *Tricky old Dogs*, directed by Christophe Duthuron, starring Eddy Mitchell, Roland Giraud, Pierre Richard and Alice Pol, released on August 22;
- *Capharnaum*, directed by Nadine Labaki, starring Zain Alrafeea, Yordanos Shifera, Treasure Bankole and Kawthar Al Haddad, released on October 17;
- *A Man in a Hurry*, directed by Hervé Mimran, starring Fabrice Luchini and Leïla Bekhti, released on November 7;
- *The Emperor of Paris,* directed by Jean-François Richet, starring Vincent Cassel, August Diehl, Olga Kurylenko and Freya Mavor, released on December 19.

The 10 movies released in theaters in 2018 and 2 films released in 2017 which were still in distribution sold 8.4 million tickets. The tickets sold by the films released in 2018 through their entire period of distribution breaks down as follows:



Video publishing and video on demand

Revenue from video and video on demand distribution in France amounted to k€12,355 in 2018, compared with k€11,599 in 2017.

Physical video sales in France increased with over 1.2 million units sold generating k€8,119 in 2018, *versus* k€7,732 in 2017. They were driven by sales of new releases, with 13 recent movies published in 2018 *versus* 12 in 2017. In addition, sales of films from the Gaumont catalog increase slightly from one year to the next, despite a market in structural decline.

Video on demand sales grew to k€4,236 in 2018 *versus* k€3,867 in 2017, with the arrival of new titles particularly appropriate for this market such as *C'est la Vie* and *Rolling to You*.

Sales of television broadcasting rights

Sales of broadcasting rights to French television channels amounted to k€24,007 in 2018, compared with k€18,634 in 2017.

Sales of catalog titles to historical television channels and digital channels increased by 24% and 30% respectively on the previous year.

In 2018, over 180 films were sold, including *The Brats*, *Delusions of Grandeur, The Fifth Element* and the *Fantomas* trilogy.

International sales of rights

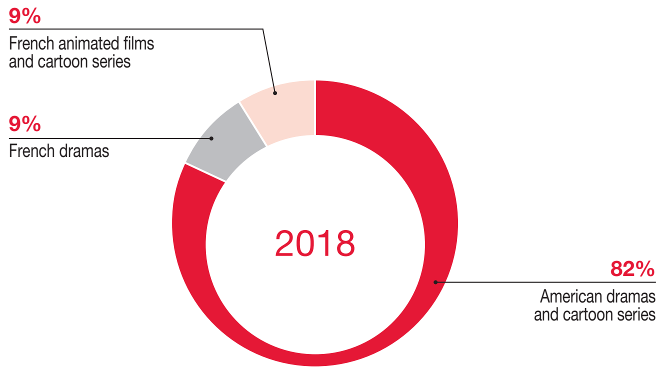
Revenue from the production and distribution of films outside France was k€33,272 in 2018 *versus* k€30,883 in 2017, driven by *C'est la Vie*, which sold over 2 million tickets, *Belle and Sebastien, Friends for Life,* which was very successful in Italy, and *Rolling to You*. Sales of catalog films were in line with the previous period.

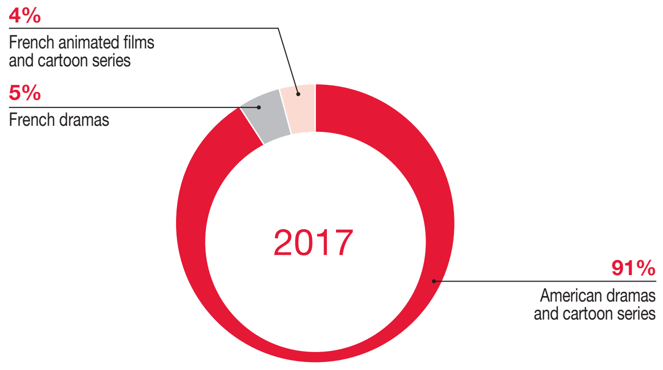
Other revenue from film distribution

Other revenues from distribution amounted to k€5,452 in 2018, *versus* k€5,131 in 2017. 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€91,972 in 2018, compared to k€74,605 in 2017, and breaks down as follows:





Sales of American drama and cartoon series accounted for k€75,394 of revenue as of December 31, 2018, *versus* k€67,807 as of December 31, 2017.

Two series were delivered in 2018 compared to one in the previous year:

- the 10-episode fourth season of *Narcos,* to Netflix. This series, directed by Eric Newman, has been available on the operator's online video-on-demand platform since November 16, 2018;
- the 10-episode third 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 November 30, 2018.

Sales of European drama and cartoon series accounted for k€16,578 of revenue as of December 31, 2018, *versus* k€6,798 as of December 31, 2017.

In 2018, the following programs were delivered:

- the second season of *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 23, 2018;
- the six-episode series *Nox,* to Canal+. Directed by Mabrouk El Mechri, starring Nathalie Baye, it started airing on March 12, 2018;
- the 52-episode cartoon series *Furiki Wheels*, to France 4. This series started airing on July 2, 2018;
- the last episodes of the cartoon series *Belle and Sebastian* and *Trulli Tales*, respectively to M6 and Disney.

Trademark royalties and other income

Income from trademark royalties paid by Les Cinémas Pathé Gaumont totaled k€6,217 in 2018, against k€3,623 in 2017.

Other miscellaneous income came to k€2,486 in 2018, compared to k€1,884 in 2017, and included income from real estate lease agreements and miscellaneous services provided to third parties.

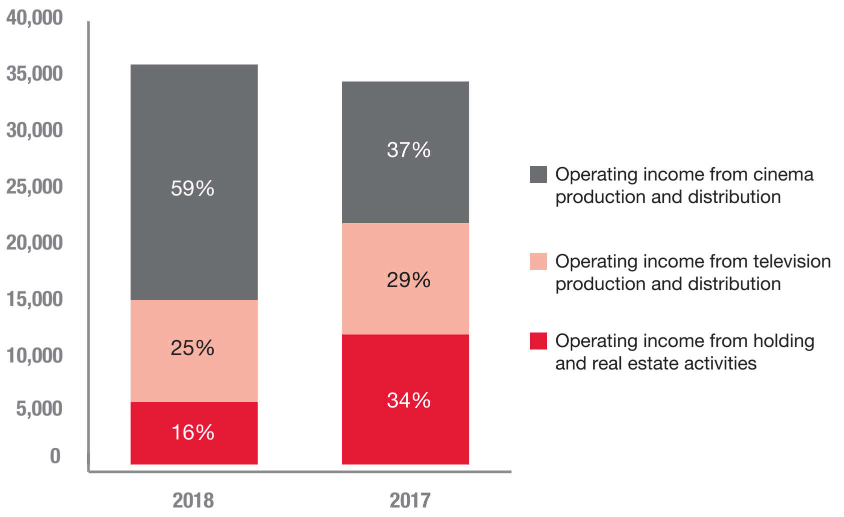
Operating income after share of net income of associates

Operating income after share of net income of associates represented a loss of k€8,260 in 2018, *versus* a profit of k€133,067 in 2017. The 2017 income included the k€143,884 gain on disposal of the 34% minority stake in Les Cinémas Pathé Gaumont. Operating income as of December 31, 2018 comprises:

- operating income from cinema and television production and distribution activities;
- income from holding and property activities;
- the overheads of the various operational activities and functional services.

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€30,357 in 2018, *versus* k€22,449 in 2017, and includes:

- the share of income attributed to feature films at k€20,887 in 2018, *versus* k€12,549 in 2017;
- the share of income attributed to television cartoon and drama series for k€9,040 in 2018, *versus* k€9,900 in 2017, including k€6,514 for American series.

Operating income from holding and property activities

Operating income from holding and property activities was k€5,530 in 2018, mainly from trademark royalties, *versus* k€11,509 in 2017.

Overheads

Overheads were k€43,717 in 2018, *versus* k€45,222 in 2017, 67% of which were salary costs.

The average workforce in 2018 totaled 216 full-time equivalent workers, and breaks down as follows:

	2018			2017		
BUSINESS SEGMENT	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Gaumont SA	57	81	138	59	93	152
Feature film production and distribution subsidiaries(1)	8	8	16	8	10	18
Animated films and series production	5	6	11	5	7	12
Television series and drama production	23	21	44	20	12	32
Distribution of cartoon series, animated films and television drama	-	7	7	1	4	5
AVERAGE WORKFORCE	**93**	**123**	**216**	**93**	**126**	**219**
France	*76*	*106*	*182*	*77*	*110*	*187*
Germany	-	*1*	*1*	-	-	-
United Kingdom	*1*	*2*	*3*	-	*1*	*1*
United States	*16*	*15*	*31*	*16*	*15*	*31*

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

Open-ended contracts and permanent contracts in the United States account for 89% of the total average workforce.

Net income

In 2018, net income was a loss of k€8,644, compared with a profit of k€122,966 in 2017, and includes:

- operating income after share of net income of associates;
- financial income, which is a net profit of k€220 in 2018 *versus* a loss of k€8,055 in 2017. In 2017, it included foreign exchange losses of k€4,521;
- income tax expense of k€604, mainly consisting of deferred tax profit of k€261 and an income tax expense on French companies of k€1,062.

The share of net income attributable to non-controlling shareholders amounted to a k€127 profit in 2018 *versus* a loss of k€78 in 2017.

The share of net income attributable to shareholders of the parent was a loss of k€8,771 in 2018, *versus* a profit of k€123,044 in 2017.

Cash flows and financial structure

Cash flows

As of December 31, 2018, the Group had k€129,759 in cash, compared with k€83,748 at the beginning of the year, i.e. a positive change of k€46,011.

In 2018, the Group's current business activities generated k€113,435 in net positive cash flows, *versus* k€122,899 in 2017.

Investment activities

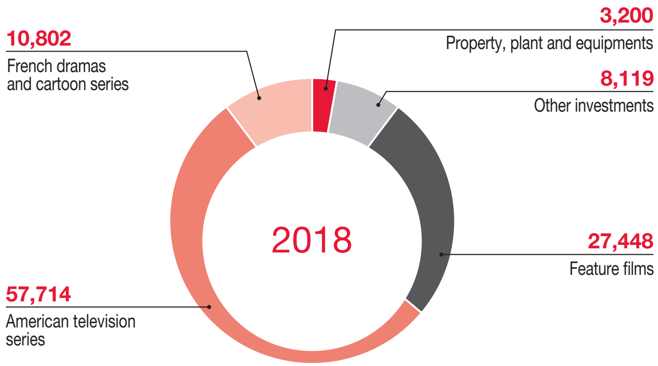
Net investments were k€52,146 at December 31, 2018, of which k€21,772 for the purchase of minority interests in Gaumont subsidiaries in the USA payable in three annual instalments, *versus* a positive cash flow of k€148,524 at December 31, 2017, including k€253,333 from collection of part of the selling price of Les Cinémas Pathé Gaumont shares.

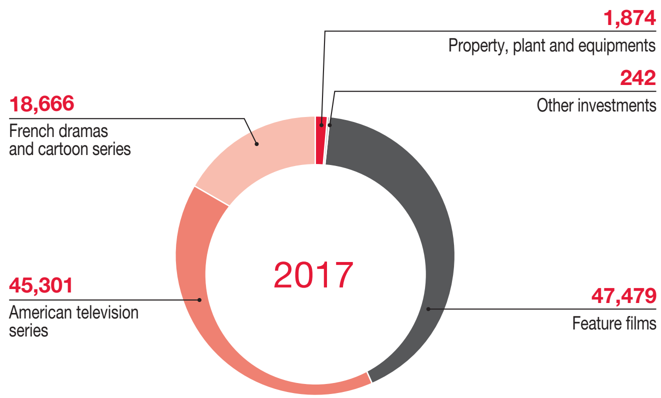
Over the last two years, investments were as follows:

(in thousands of euros)	2018	2017
Intangible assets	96,080	111,465
Property, plant and equipment	3,200	1,874
Financial assets	23	68
Acquisition of shares in consolidated companies (paid share)	7,980	-
TOTAL INVESTMENTS	**107,283**	**113,407**

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).





Investments in subsidiaries and equity interests

Purchase of minority interests in Gaumont Television USA Llc

On February 21, 2018, Gaumont USA Inc. acquired an additional 15% share in Gaumont Television USA Llc for k$24,000, payable in three annual installments.

As of December 31, 2018, the outstanding debt was k$16,000, and was discounted.

Company acquisition

On February 14, 2018, Gaumont bought DD Catalogue, established on December 21, 2017 through the partial contribution of assets comprising producer shares and rights to a share of proceeds of Gérard Depardieu in about 60 films, including *Ruby & Quentin*, *The Best Job in the World* and *The Fugitives* for a price, excluding costs, of k€1,277, which equates to the net assets of the company acquired. No goodwill was posted for this acquisition.

Internal restructuring

In June 2018, Mitzé Films, Nouvelles Editions de Films, Fideline Films and DD Catalogue were wound up without liquidation by the transfer of assets and liabilities to Gaumont SA.

In December 2018, Gaumont Inc. and its subsidiary Gaumont Distribution Inc., both in New York and wholly-owned by Gaumont SA, were merged into Gaumont USA Inc., a wholly-owned Gaumont SA subsidiary. Prior to this merger, Gaumont Inc. sold its share in Lincoln Cinema Associates Llc, consolidated by the equity method.

Disposals

A loss of k€431 was recorded on the sale of the 31.95% share in Lincoln Cinema Associates.

In July 2018, Gaumont sold its 20% stake in La Boétie Films. A deconsolidation profit of k€44 was posted for the period.

Financing activities

In 2018, cash flows linked to financing activities included the dividend payment of k€3,115, a k€5,386 reduction in debt and k€7,166 interest paid on loans.

Equity

Consolidated equity stood at k€274,998 as of December 31, 2018, *versus* k€308,018 as of December 31, 2017. The decrease in equity was due essentially to the year loss and to the purchase of non-controlling interests from subsidiaries in the United States.

The consolidated financial position stood at k€523,996, *versus* k€560,080 in 2017.

Net borrowings

The Group's net borrowings had fallen significantly to k€-20,056 as of December 31, 2018, *versus* k€27,680 as of December 31, 2017. This mainly includes k€129,831 in cash, the Gaumont SA bond for k€60,000 and k€41,914 of self-liquidating production loans based on proceeds from pre-financing and the release of French and American series.

As of December 31, 2018, following the advance payment of the second installment originally due on June 30, 2019, the Pathé debt arising from the sale of Gaumont's share in Les Cinémas Pathé Gaumont, stood at k€63,333 excluding accrued interest.

In France, based on its growth policy, Gaumont estimates that its available cash, operating cash flows, and the bond will cover its financing requirements, excluding any acquisitions.

In the United States, the Group 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.

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

Bonds and syndicated loans

After termination on June 30, 2018 of the revolving credit facility initially contracted on November 5, 2014, to meet its general financing needs Gaumont has a bond in the form of a two-part listed euro private placement (EuroPP) totaling k€60,000, with three financial ratios to be met every six months.

The features of the bond and the accompanying ratios are set out in notes 6.2 and 7.1 to the consolidated financial statements, respectively.

Self-liquidating production loans

To finance American series, Gaumont Television USA production subsidiaries take out production loans with 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 outstanding loan for a total value of k$72,235, was granted to the subsidiary of Gaumont Television USA to finance season 5 of *Narcos*. As of December 31, 2018, there was a cumulative outstanding balance of k$15,828 and a total available balance of k$57,085.

Assignments of receivables

In order to finance French productions, Gaumont makes regular 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, 2018, all assigned receivables had been recovered or bought back by Gaumont.

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. In 2018, this agreement was transferred to Gaumont USA Inc., with the main terms remaining unchanged. This line of credit is based on the series' operating receivables, with the exception of receivables pledged to production loans. As of December 31, 2018, the debt related to these assigned receivables amounted to k$33,010, and the unused amount of these loans stood at k$8,851.

Detailed characteristics of these loans are set out in note 6.2 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€4,409 as of December 31, 2018.

2019 outlook

Future releases and deliveries

Ten films have been released or are scheduled for release in theaters in 2019:

- *Edmond,* directed by Alexis Michalik, starring Thomas Solivérès, Olivier Gourmet, Mathilde Seigner and Clémentine Célarié, released on January 9;
- *The Mystery of Henri Pick,* directed by Rémi Bezançon, starring Fabrice Luchini, Camille Cottin, Alice Isaaz and Bastien Bouillon, released on March 6;
- *Ailo's Journey,* a wildlife documentary directed by Guillaume Maidatchevsky, released on March 13;
- *No filter*, directed by Eric Lavaine, starring Alexandra Lamy, José Garcia, Anne Marivin and Michel Vuillermoz;
- *Pure as Snow,* directed by Anne Fontaine, starring Lou de Laâge, Isabelle Huppert and Vincent Macaigne;
- *Ibiza,* directed by Arnaud Lemort, starring Mathilde Seigner and Christian Clavier;
- *Pappy Sitter,* directed by Philippe Guillard, starring Gérard Lanvin and Olivier Marchal;
- *La Vie Scolaire,* directed by Fabien Marsaud, starring Alban Ivanov and Zita Hanrot;
- *The Specials*, directed by Eric Toledano and Olivier Nakache, starring Reda Kateb and Vincent Cassel;
- *J'accuse,* directed by Roman Polanski, starring Jean Dujardin, Emmanuelle Seigner, Grégory Gadebois and Louis Garrel.

Five television series will be delivered in 2019:

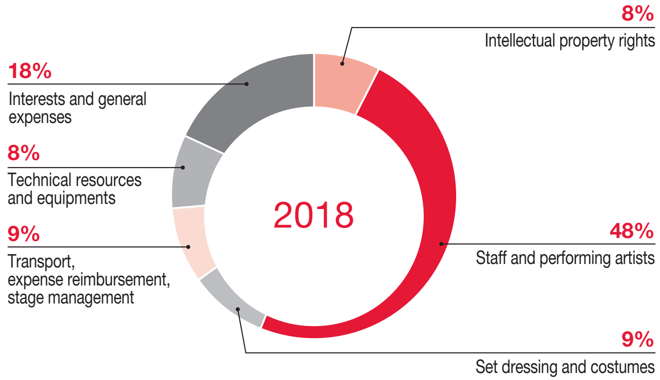
- *Narcos* season 5, a 10-episode American drama directed by Eric Newman, to Netflix;
- *El Presidente* season 1, an 8-episode Latin American drama, to Amazon;
- *The Art of Crime* season 3 to France 2;
- *Murder in Lisieux,* to France 3;
- *Noddy* season 2, to France 5.

Production costs and coverage rate

Cinema production

Breakdown of production costs

During 2018, Gaumont produced or co-produced 12 feature films. The total average expenses for all the films in which Gaumont invested breaks down as follows:



On average, 40% to 50% of the production costs of feature films are payments to staff and performing artists.

The breakdown by profession of contract workers in the production of films where Gaumont is line producer, is as follows:

CONTRACT WORKERS BY PROFESSION	2018	2017
Technicians	133	124
Artists and Actors	23	36
Extras	662	451
TOTAL WORKFORCE	**818**	**611**
Number of hours[(1)] *(in thousands)*	37	36

(1) *The daily number of hours worked depends on the collective agreement, the duration of the contract and the duties of each contract worker.*

Coverage rate of cinema productions

Investments for films that are expected to be released in 2019 amount to approximately k€19,000.

Gaumont has favored lump-sum investments for 11 of the 12 films, thus limiting its risk of exposure to the contingencies of time and surplus production costs. 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.

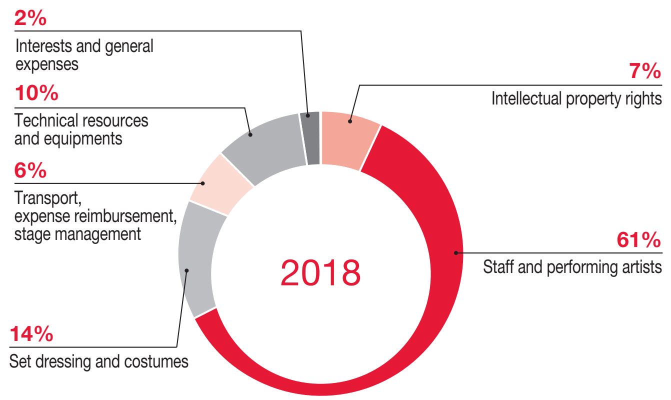
For the film *Three Days and a Life,* for which Gaumont acted as line producer, the total coverage rate at the date of production launch was 71%.

At December 31, 2018, all films to be released in 2019 were completed, except for *J'accuse*, the filming of which is due to be completed in the spring of 2019.

French television production

Breakdown of production costs

In 2018, Gaumont and its subsidiaries produced around 6 hours of French television dramas representing a total budget of €6 million. The breakdown of this budget by cost type is as follows:



On average, 50% to 60% of the production costs of French television dramas are payments to staff and performing artists.

The breakdown by profession of contract workers in the production of French television dramas, is as follows:

CONTRACT WORKERS BY PROFESSION	2018	2017
Technicians	265	383
Artists and Actors	117	117
Extras	495	777
TOTAL WORKFORCE	**877**	**1,277**
Number of hours[(1)] *(in thousands)*	67	124

(1) The daily number of hours worked depends on the collective agreement, the duration of the contract and the duties of each contract worker.

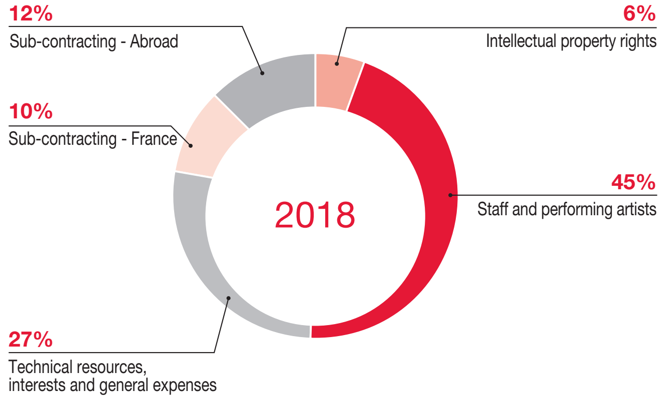
Coverage rate of French television drama productions

The total coverage rate for dramas produced in France in 2018, as of the date the production decision was taken, is higher than 100%.

Cartoon production

Breakdown of production costs

Gaumont produced around 24 hours of cartoon series in 2018, representing an accumulated production budget of €29 million. The breakdown of this budget by cost type is as follows:



On average, almost half of cartoon production costs are payments to staff and performing artists.

The breakdown by profession of contract workers employed in cartoon production, is as follows:

CONTRACT WORKERS BY PROFESSION	2018	2017
Technicians	246	506
Artists and Actors	54	74
TOTAL WORKFORCE	**300**	**580**
Number of hours[(1)] *(in thousands)*	152	194

(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 in France and between 8 and 12 hours, depending on the contracts, in American productions.

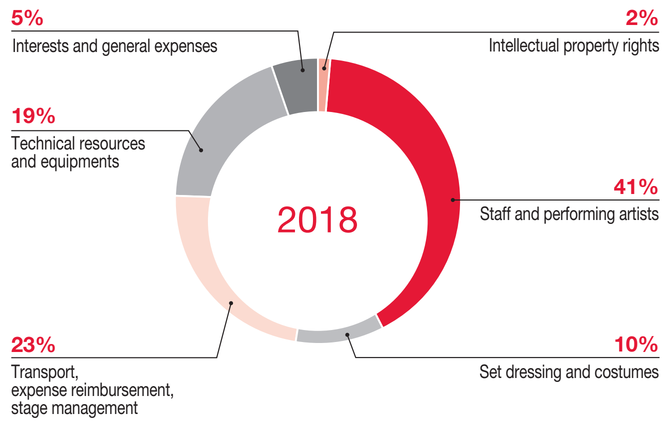
Coverage rate of cartoon productions

The total coverage rate for cartoon series produced in 2018, as of the date the production decision was taken, is higher than 100%.

American television production

Breakdown of production costs

In 2018, Gaumont and its subsidiaries produced around 8 hours of American television dramas representing a total budget of €44 million. The breakdown of this budget by cost type is as follows:



The breakdown of contract workers employed by Gaumont for the production of American television dramas is as follows:

CONTRACT WORKERS BY PROFESSION	2018	2017
Technicians	1,149	580
Artists and Actors	294	130
Extras	5,218	6,477
TOTAL WORKFORCE	**6,661**	**7,187**
Number of hours *(in thousands)*	597	585

Coverage rate of American television drama productions

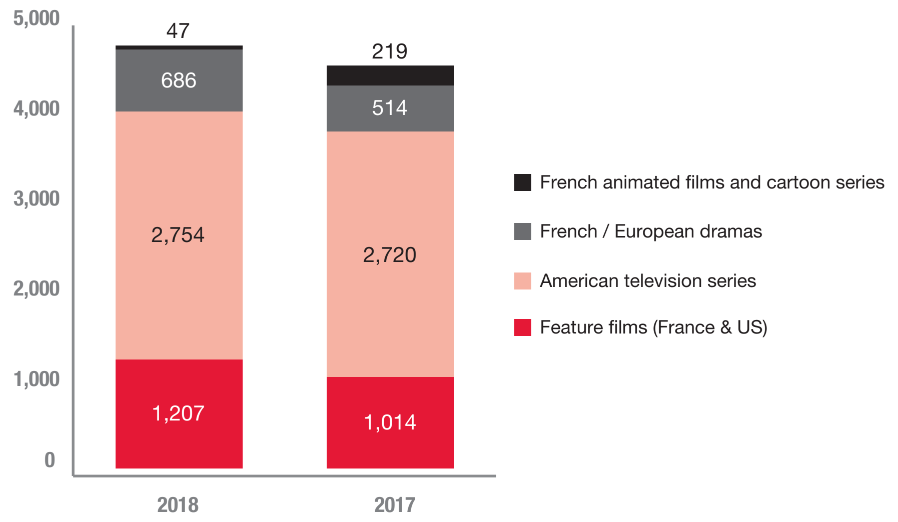
The total coverage rate for American dramas in 2018, as of the date the production decision was taken, is higher than 100%.

Development costs

Development 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, option purchase, 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 2018, preliminary costs totaled k€4,693, *versus* k€4,466 in 2017, and were divided up into the different business segments as follows:

in thousands of euros



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 public demands 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 were 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. There are more and more feature-length cartoon films in the audiovisual world. 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 is primarily funded by the tax on videograms and tax from television which 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 note 3.4 to the consolidated financial statements.

Gaumont believes that this system contributes to maintaining varied audiovisual production in France, in terms of nature and genre of the programs, as well as in terms of budget, 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 note 3.4 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 development 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.

At the end of 2018, the professional organizations in the sector signed an agreement for the reorganization of media release chronology which was then made mandatory through a ministerial decree. The aim of this new media release chronology is to offer viewers better access to the programs, while guaranteeing the investment of broadcasting players in the production of films and the development of film creation in all its diversity.

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, has 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 to seek 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 over 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 3.4 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, 12 million internet users visited a website dedicated to audiovisual counterfeiting in 2017, that is 26% of internet users. While P2P (Peer to Peer) has sharply declined over the past few years, DDL (Direct download) and streaming have increased considerably. Thus, in 2017, streaming became the most used technology for accessing illegal content. 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 2017 piracy was the cause of €1.18 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*). 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 at both national and European level.

Credit and counterparty risks

Risk of customer default

Customer risk is presented in note 7.1 to the consolidated financial statements.

Risks of dependency on customers in a concentrated market

In 2018, the top ten customers accounted for 71.5% of consolidated revenue.

	CONSOLIDATED REVENUE	
TRADE RECEIVABLES	*in thousands of euros*	%
1. Netflix	86,678	44.18%
2. France Télévisions group	11,676	5.95%
3. Les Cinémas Pathé Gaumont group	10,472	5.34%
4. TF1 group	9,661	4.92%
5. Canal+ group	8,601	4.38%
6. IFC Films	3,434	1.75%
7. M6 group	2,855	1.46%
8. Walt Disney group	2,667	1.36%
9. FNAC	2,232	1.14%
10. UGC	2,085	1.06%
TOTAL	**140,361**	**71.54%**
CONSOLIDATED REVENUE	**196,205**	**100.00%**

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 partners which help finance 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. 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 televisions 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.

American series have more international outlets and a longer distribution cycle. Many series extend to at least two seasons and are released on video and video on demand, so the investments can be amortized 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 15 and 16 of this Registration Document.

Liquidity risk is detailed in note 7.1 to the consolidated financial statements.

Interest rate risk, foreign exchange risk, and equity risk are presented in note 7.1 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, Gaumont only decides to produce the movie 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 notes 7.1 and 7.2 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. 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. This department also sets hedging policy to manage the interest rate and foreign exchange risks inherent in the loans.

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.

Management of environmental risks

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. 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. For the distribution activity, Gaumont is responsible for the management, manufacture and destruction of copies. 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.

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

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 8.1 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, 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. For this reason Gaumont takes particular care to nurture relationships of trust with its partners and encourages dialogue with the employee representative bodies.

Health and safety at work policy

Issues related to health and safety at work are of major concern to Gaumont. Within the UES companies, no collective agreement has been signed concerning health and safety at work; nevertheless, these subjects were tackled with the *Comité d'hygiène et de sécurité* (Health and Safety committee) in quarterly meetings, and from now on with the members of the Social and Economic Committee. Ongoing measures to improve the environment and working conditions are also put in place.

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.

Equal treatment and the non-discrimination policy

Overall, Gaumont and its subsidiaries employ 57% women and 43% men. This gender ratio can be observed at all hierarchical levels and is reflected in the most recent hires.

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

CATEGORY	MEN	WOMEN	TOTAL
Managers	50	68	118
Supervisors	20	30	50
Employees	23	25	48
TOTAL	**93**	**123**	**216**
as a % of the whole	*43%*	*57%*	

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

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

Financial translation of litigation risk

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 8.1 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.

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.

For companies it has acquired, 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.

Gaumont has implemented an action plan to enhance all its security measures. Gaumont's IT security policy focuses on protecting its network and internet access, data back-up and email filtering. In 2018, main actions included the securing of the technical architecture of the websites, deployment of new virus protection for the Cartoons division, introduction of a central supervision platform, revision of the distribution of Windows updates to company computers and servers, review and optimization of its spam protection, the decommissioning of old machines, implementation of secure network links between its sites, deployment of new security equipment and a revamp of the wifi network in the USA, and a review of the computer room stoppage/restart procedure.

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 2018 Gaumont once again organized IT security awareness sessions for new users at all sites in France, Europe and the USA, and each year a large number of users receive training on the tools they use to do their work.

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, management control 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 guarantees compliance with the internal delegation rules.

In 2018, 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.

Most transactions, from the generation of pay slips to bank signature and communications, are now paperless. They are processed securely in 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, are spread among several divisions and departments.

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.

2 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	NOTE	2018	2017
Revenue	**3.2**	**196,205**	**177,049**
Purchases		-2,063	-1,340
Personnel costs	3.3	-29,441	-30,934
Other current operating income and expenses	3.4	-49,181	-55,206
Impairment, depreciation, amortization and provisions		-123,369	-108,330
Current operating income (loss)		**-7,849**	**-18,761**
Other non-current operating income and expenses	3.5	-24	143,587
Operating income (loss)		**-7,873**	**124,826**
Share of net income of associates	10.2	-387	8,241
Operating income after share of net income of associates		**-8,260**	**133,067**
Gross borrowing costs		-8,529	-7,444
Income from cash and cash equivalents		38	9
Net borrowings costs		**-8,491**	**-7,435**
Other financial incomes and expenses	3.6	8,711	-620
Net income (loss) before tax		**-8,040**	**125,012**
Income tax	10.1	-604	-2,046
NET INCOME		**-8,644**	**122,966**
Share attributable to non-controlling interests		127	-78
Share attributable to the shareholders of the parent company		-8,771	123,044
Earnings per share attributable to the shareholders of the parent company			
• Average number of shares in circulation	6.1	3,119,876	3,788,735
• *In euros per share*		*-2.81*	*32.48*
Diluted earnings per share attributable to the shareholders of the parent company			
• Average potential number of shares	6.1	3,133,676	3,797,013
• *In euros per share*		*-2.80*	*32.41*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	NOTE	2018	2017
Net income		**-8,644**	**122,966**
Translation adjustments of foreign operations		-830	454
Share in currency adjustments of foreign operations of associates		7	-60
Changes in fair value of available-for-sale financial assets		-	-
Changes in fair value of hedging financial instruments	7.2	564	-1,965
Share of changes in fair value of hedging financial instruments of associates		-	-
Income tax on gains and losses recognized directly in equity	10.1	-161	589
Other elements of comprehensive income that could be reclassified later in net income		**-420**	**-982**
Changes in asset revaluation surplus			-
Actuarial gains (losses) on defined benefit plans	8.2	80	304
Share of actuarial gains and losses of associates		2	-
Income tax on gains and losses recognized directly in equity	10.1	-52	-101
Other elements of comprehensive income that cannot be reclassified in net income		**30**	**203**
Total of other elements of comprehensive income after taxes		**-390**	**-779**
COMPREHENSIVE INCOME FOR THE YEAR		**-9,034**	**122,187**
Share attributable to non-controlling interests		120	-70
Share attributable to the shareholders of the parent company		-9,154	122,257

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)	NOTE	12.31.18	12.31.17
Goodwill	2.4	12,035	12,035
Films and audiovisual rights	4.1	124,531	147,398
Other intangible assets	4.2	229	323
Property, plant and equipment	4.3	48,588	47,086
Investments in associates	10.2	-	379
Other financial assets	4.4	63,486	126,830
Non-current deferred tax assets	10.1	2,835	2,604
Non-current assets		**251,704**	**336,655**
Inventories	5.1	478	540
Trade receivables and contract assets	5.2	98,065	91,457
Current income tax assets	5.2	2,034	4,554
Other receivables and current financial assets	5.2	41,884	42,684
Cash and cash equivalents	6.2	129,831	84,190
Current assets		**272,292**	**223,425**
TOTAL ASSETS		**523,996**	**560,080**

LIABILITIES AND EQUITY *(in thousands of euros)*	NOTE	12.31.18	12.31.17
Capital		24,959	24,958
Retained earnings and comprehensive income		247,128	280,170
Equity attributable to the shareholders of the parent company		**272,087**	**305,128**
Non-controlling interests		**2,911**	**2,890**
Equity	**6.1**	**274,998**	**308,018**
Non-current provisions	8.1	3,835	3,719
Non-current deferred tax liabilities	10.1	2,383	2,293
Non-current financial liabilities	6.2	106,245	107,669
Other non-current liabilities	5.3	6,828	370
Non-current liabilities		**119,291**	**114,051**
Current provisions	8.1	1,395	818
Current financial liabilities	6.2	3,530	4,201
Trade payables	5.3	27,311	33,388
Current income tax liabilities	5.3	19	-
Other payables	5.3	64,670	67,280
Deferred income and contract liabilities	5.3	32,782	32,324
Current liabilities		**129,707**	**138,011**
TOTAL LIABILITIES		**523,996**	**560,080**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHANGES IN EQUITY *(in thousands of euros)*	ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY: NUMBER OF SHARES	CAPITAL	ADDITIONAL PAID-IN CAPITAL[1]	TREASURY SHARES	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME	TOTAL	ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL EQUITY
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	-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[2]	-	-	-	-	-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**
Net income for the year	-	-	-	-	-8,771	-	-8,771	127	-8,644
Other comprehensive income	-	-	-	-	-	-383	-383	-7	-390
Comprehensive income for the year	**-**	**-**	**-**	**-**	**-8,771**	**-383**	**-9,154**	**120**	**-9,034**
Capital transactions	200	1	10	-	-	-	11	-	11
Share-based payments	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-3,115	-	-3,115	-99	-3,214
Elimination of treasury shares	-	-	-	-9	3	-	-6	-	-6
Other[2]	-	-	-	-	-20,777	-	-20,777	-	-20,777
As of December 31, 2018	**3,119,923**	**24,959**	**5,278**	**-257**	**223,549**	**18,558**	**272,087**	**2,911**	**274,998**

(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.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	NOTE	2018	2017
Operating activities			
Consolidated net income (including non-controlling interests)		-8,644	122,966
Net allowances for depreciation, amortization, impairment and provisions	4.5	124,098	108,703
Impairment of goodwill	2.4	-	-
Gain on a bargain purchase	2.3	-	-
Unrealized gains and losses related to changes in fair value	7.2	2,150	1,939
Expenses and income related to stock options and similar		-	-
Other calculated income and expenses		-2,235	2,303
Gains and losses on disposal of assets		-42	-145,866
Share of net income of associates	10.2	387	-8,241
Dividends received from associates		-	-
Cash flow from operating activities after tax and net borrowing costs		**115,714**	**81,804**
Net borrowings costs		8,491	7,435
Tax expenses (including deferred tax)	10.1	604	2,046
Cash flow from operating activities before tax and net borrowing costs		**124,809**	**91,285**
Tax paid		-1,185	-157
Change in working capital requirement related to operating activities	5.5	-10,189	31,771
(A) Net cash flow from operating activities		**113,435**	**122,899**
Investment activities			
Proceeds from sales of fixed assets		309	380,069
Acquisition of fixed assets		-99,303	-113,407
Change in liabilities on investments		55,053	-118,138
Net impact of changes in scope, net of cash acquired		-21,772	-
Change in liabilities on acquisitions of consolidated securities		13,567	-
(B) Net cash flow from investment activities	**4.5**	**-52,146**	**148,524**
Financing activities			
Gaumont SA capital increase	6.1	11	-90,294
Dividends paid to Gaumont SA shareholders	6.1	-3,115	-3,115
Dividends paid to non-controlling interests in consolidated companies		-99	-
Change in treasury shares		-6	60
Change in borrowings	6.2	-5,386	-94,930
Interest paid		-7,166	-6,696
(C) Net cash flow from financing operations		**-15,761**	**-194,975**
(D) Impact of changes in foreign exchange rates		**483**	**-787**
NET CHANGE IN CASH & CASH EQUIVALENTS: (A) + (B) + (C) + (D)		**46,011**	**75,661**
Cash and cash equivalents at beginning of period		84,190	8,693
Bank overdraft at beginning of period		-442	-606
Cash position at beginning of period		**83,748**	**8,087**
Cash and cash equivalents at end of period		129,831	84,190
Bank overdraft at end of period		-72	-442
Cash position at end of period	**6.2**	**129,759**	**83,748**
NET CHANGE IN CASH & CASH EQUIVALENTS		**46,011**	**75,661**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Presentation of the consolidated financial statements

1.1. General principles

Pursuant to Regulation (EC) No. 1606/2002 of July 19, 1606, Gaumont's consolidated financial statements for the year ended December 31, 2018 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, 2018 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, 2017, with the exception of the IFRS standards and IFRIC interpretations applicable from January 1, 2018 and standards possibly applied in advance, the details and individual impact of which are described in note 1.2.

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.

1.2. Changes to the IFRS accounting principles

Impact of IFRS standards and IFRIC interpretations applicable from January 1, 2018

IFRS 15 – Revenue from contracts with customers

In accordance with IFRS 15, Gaumont reviewed the accounting principles it applied to revenue from contracts with customers and concluded that the timing and methods of recognition of the revenue, were in line with the IFRS 15 principles, with the exception of pre-sales of feature films which will now be included in the revenue as of the start date of the license period.

As permitted by the transitional provisions of IFRS 15, Gaumont opted for modified retrospective application. The comparative accounts for the previous financial year are presented according to the previous accounting principles and the impact of application of IFRS 15 over the period, leads to a k€4,640 decrease of revenues and a correlative k€3,599 adjustment of amortization i.e. a k€1,042 net impact over half year net income. Impacts are described in detail in notes 3.2 and 5.3.

The presentation of assets and liabilities linked to contracts with customers has also been revised pursuant to IFRS 15.

IFRS 9 – Financial instruments

In accordance with IFRS 9, Gaumont reviewed its borrowings to comply with paragraph IFRS 9.B5.4.6.

It was concluded that the successive re-negotiations did not have a material impact on the effective interest rate of the revolving credit.

Gaumont also analyzed its trade receivables to comply with the IFRS 9 credit risk assessment model and concluded that the recommended statistical approach did not require any material adjustments of the accumulated impairment losses in the financial statement assets.

None of the other IFRS 9 requirements induces changes on the 2018 consolidated financial statements.

The other standards and interpretations which apply from January 1, 2018 have no impact on the 2018 consolidated financial statements.

Expected impact of texts adopted by the European Union and not yet compulsory as at December 31, 2018

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

IFRS 16 – Leases

The expected impacts of the standard are presented in note 9.3.

Gaumont does not expect any material impact from the application of other standards or interpretations adopted and not yet compulsory.

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, 2018

STANDARD		DATE OF APPLICATION(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

(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.

1.3. 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 ceases 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.

Presentation of earnings

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. Scope of consolidation

2.1. Accounting principles and methods relating to the scope of consolidation

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.

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 2.4 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.

2.2. Main companies included in the scope of consolidation

NAME AND LEGAL FORM	REGISTERED OFFICE	SIREN	% INTEREST	% CONTROL	CONSOLIDATION METHOD
Holding					
Gaumont SA	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	562 018 002	100.00		F.C.
Gaumont USA Inc.	750 San Vincente Blvd, Suite RW 1000, West Hollywood, CA 90069	United States	100.00	100.00	F.C.
Cinema production and distribution					
Gaumont Films USA Llc	750 San Vincente Blvd, Suite RW 1000, West Hollywood, CA 90069	United States	100.00	100.00	F.C.
Gaumont Vidéo SNC	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	384 171 567	100.00	100.00	F.C.
Gaumont Production SARL	50, avenue des Champs-Élysées, 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 (previously Légende 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.
Production of television dramas and cartoon series					
Gaumont Television USA Llc	750 San Vincente Blvd, Suite RW 1000, West Hollywood, CA 90069	United States	100.00	88.60	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 Vincente Blvd, Suite RW 1000, 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 Vincente Blvd, Suite RW 1000, West Hollywood, CA 90069	United States	100.00	100.00	F.C.
Gaumont Ltd	13/14 Dean Street, 3rd Floor, London, W1D 3RS	United Kingdom	100.00	100.00	F.C.
Gaumont GmbH	Kämmergasse 39-4, Köln 50676	Germany	100.00	100.00	F.C.
Gaumont Production Télévision SARL	50, avenue des Champs-Élysées, 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.
Narcos Productions Llc	750 San Vincente Blvd, Suite RW 1000, West Hollywood, CA 90069	United States	100.00	88.60	F.C.
Leodoro Productions Llc	750 San Vincente Blvd, Suite RW 1000, West Hollywood, CA 90069	United States	100.00	88.60	F.C.
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.

2.3. Changes in scope

Purchase of minority interests in Gaumont Television USA Llc

On February 21, 2018, Gaumont USA Inc. acquired an additional 15% share in Gaumont Television USA Llc for k$24,000, payable in three annual installments. This acquisition was treated as a transaction between shareholders according to IFRS 3 and was posted as an equity reduction for the period. The acquisition costs for this transaction were not material.

As of December 31, 2018, the acquisition resulted in a debt of k$16,000, which was discounted.

Changes to the scope of consolidation

Company acquisition

On February 14, 2018, Gaumont bought DD Catalogue, established on December 21, 2017 through the partial contribution of assets comprising producer shares and rights to a share of proceeds of Gérard Depardieu in about 60 films, including *Ruby & Quentin*, *The Best Job in the World* and *The Fugitives* for a price, excluding costs, of k€1,277, which equates to the net assets of the company acquired. No goodwill was posted for this acquisition.

Internal restructuring

In June 2018, Mitzé Films, Nouvelles Editions de Films, Fideline Films and DD Catalogue were wound up without liquidation by the transfer of assets and liabilities to Gaumont SA.

In December 2018, Gaumont Inc. and its subsidiary Gaumont Distribution Inc., based in New York and 100% owned by Gaumont SA, were merged into Gaumont USA Inc., a wholly owned subsidiary of Gaumont SA. Prior to the merger, Gaumont Inc. disposed of its equity interest in Lincoln Cinema Associates Llc, which was previously equity-accounted.

Disposals

A loss of k€431 was recorded on the sale of the 31.95% equity in Lincoln Cinema Associates.

In July 2018, Gaumont sold its 20% stake in La Boétie Films. A deconsolidation profit of k€44 was posted for the period.

2.4. Monitoring of goodwill

Goodwill resulting from business combinations is as follows:

	12.31.18	MOVEMENTS OF THE PERIOD +	-	OTHER[1]	12.31.17
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.

As an exception to the accounting principles set out in note 2.1, the goodwill relating to Gaumont Animation includes acquisition costs, in accordance with IFRS 3 applicable prior to December 31, 2009.

Goodwill is tested for impairment at each reporting date, in accordance with the provisions of IAS 36 and under the assumptions described in note 2.1.

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 12.31.18	CARRYING VALUE 12.31.17
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. Going concern uses assumptions for futur production volumes, the cost and financing structure of which is equivalent to the one historically obvserved.

As of December 31, 2018, the net carrying value of the Cash-Generating Unit (CGU) is lower than its value in use.

The sensitivity of value in use to changes in the principal assumptions is presented below, being set forth that these changes would not result in bringing the value in use of the CGU at a lower level than its net book value.

	DISCOUNT RATE		
PERPETUAL GROWTH RATE	8.50%	7.50%	6.50%
1.00%	-9,300	-3,232	5,054
1.50%	-6,950	-	9,741
2.00%	-4,246	3,809	15,455

2.5. Seller warranties received

As of December 31, 2018, Gaumont no longer held guarantees from sellers on the liabilities of companies acquired.

3. Transactions of the period

3.1. Operating segments

Definition of operating segments

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

- movie production and distribution, Gaumont's historic activity in France which has now been extended to the United States;
- production and distribution of animated feature films and cartoons as well as drama series via its subsidiaries in France, the United States and Europe.

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 measurement methods for figures by operating segment are in line with the principles and policies used to prepare the consolidated financial statements.

In the first half of 2017, Gaumont also had a movie theater operations activity through its stake in Les Cinémas Pathé Gaumont. The Group ceased this activity on May 16, 2017.

Segment information

INCOME STATEMENT

2018	MOVIE PRODUCTION AND DISTRIBUTION	TELEVISION PRODUCTION AND DISTRIBUTION	HOLDING ACTIVITIES AND NON-ALLOCATED	TOTAL
Revenue	**95,530**	**91,972**	**8,703**	**196,205**
Operating income from activities excluding overheads(1)	20,457	9,040	5,960	35,457
Overheads	-10,300	-14,178	-19,239	-43,717
Operating income after share of net income of associates	**10,157**	**-5,138**	**-13,279**	**-8,260**
Net borrowings costs	-5	-4,294	-4,192	-8,491
Other financial incomes and expenses	241	2,995	5,475	8,711
Income tax	-59	-26	-519	-604
NET INCOME	**10,334**	**-6,463**	**-12,515**	**-8,644**

(1) After share of net income of associates.

2017	MOVIE PRODUCTION AND DISTRIBUTION	TELEVISION PRODUCTION AND DISTRIBUTION	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 borrowings costs	-	-3,032	-	-4,403	-7,435
Other financial incomes 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.

Consolidated statement of financial position

12.31.18	MOVIE PRODUCTION AND DISTRIBUTION	TELEVISION PRODUCTION AND DISTRIBUTION	HOLDING ACTIVITIES AND NON-ALLOCATED	TOTAL
Goodwill	491	11,544	-	12,035
Films and audiovisual rights	70,396	54,135	-	124,531
Other intangible assets	213	16	-	229
Property, plant and equipment	47,343	1,245	-	48,588
Other financial assets	34	119	63,333	63,486
Non-current deferred tax assets	-	-	2,835	2,835
Inventories	478	-	-	478
Trade receivables	37,854	60,211	-	98,065
Current income tax assets	1,560	474	-	2,034
Other receivables and current financial assets	30,880	11,004	-	41,884
Cash and cash equivalents	117,638	12,193	-	129,831
TOTAL ASSETS	**306,887**	**150,941**	**66,168**	**523,996**
Equity	-	-	274,998	274,998
Non-current provisions	3,680	155	-	3,835
Non-current deferred tax liabilities	1,521	862	-	2,383
Non-current financial liabilities	-	42,302	63,943	106,245
Other non-current liabilities	-	-	6,828	6,828
Current provisions	373	1,022	-	1,395
Current financial liabilities	-	-	3,530	3,530
Trade payables	18,937	8,374	-	27,311
Current income tax liabilities	19	-	-	19
Other payables	37,975	26,695	-	64,670
Deferred income and contract liabilities	19,221	13,561	-	32,782
TOTAL LIABILITIES	**81,726**	**92,971**	**349,299**	**523,996**
Investments in films and audiovisual rights	27,448	68,516	-	95,964

12.31.17	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	**97,600**	**84,895**	**-**	**377,585**	**560,080**
Investments in films and audiovisual rights	47,479	63,967	-	-	111,446

Information by region

Revenue

At December 31, 2018, revenue broken down per region by reference to the company that contributes to it is as follows:

	2018	2017
French companies	108,528	109,774
European companies	66	-
American companies	87,611	67,275
TOTAL	**196,205**	**177,049**

Revenue below is broken down by clientele commercialization zone:

	2018	2017
France	**79,439**	**75,415**
• Europe	19,818	20,582
• Americas	92,312	75,142
• Asia/Russia	3,570	3,513
• Africa/Middle East	638	1,368
• Rest of the world	428	1,029
International	**116,766**	**101,634**
TOTAL	**196,205**	**177,049**

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:

	12.31.18				12.31.17		
	FRANCE	EUROPE	AMERICAS	TOTAL	FRANCE	AMERICAS	TOTAL
Goodwill	12,035	-	-	12,035	12,035	-	12,035
Films and audiovisual rights	87,417	-	37,114	124,531	109,139	38,259	147,398
Other intangible assets	213	16	-	229	323	-	323
Property, plant and equipment	47,394	46	1,148	48,588	46,746	340	47,086
Investments in associates	-	-	-	-	-44	423	379
Other financial assets	63,464	22	-	63,486	126,830	-	126,830
TOTAL NON-CURRENT ASSETS	**210,523**	**84**	**38,262**	**248,869**	**295,029**	**39,022**	**334,051**

Information about the Group's major customers

The Group's top ten customers together accounted for 72% of the Group's consolidated revenue. The breakdown between customers varies significantly from one year to the next.

In 2018, sales to Netflix accounted for 44.3% of consolidated revenue. No other single customer contributed more than 10% of the Group's consolidated revenue.

3.2. Revenue

Recognition of revenue

From January 1, 2018, revenue is recognized in accordance to IFRS 15. According to this standard, revenue is recognized separately depending on the nature of Gaumont's performance obligations and the rate at which they are satisfied. Where a contract contains several performance obligations, each performance obligation is analyzed separately. Three types of revenue are identified as components of Gaumont's revenue: license sales, royalties and service provision.

Revenue recognized in the income statement is representative of the transactions carried out by Gaumont on its own behalf. When Gaumont acts as agent, the sale proceeds are recognized in the statement of financial position as a liability to the principal and Gaumont's revenue consists solely of the commission received as consideration for the service.

Licensing agreements

Sales of broadcasting or distribution rights attached to Gaumont's works based on a lump sum or a guaranteed minimum are analyzed under IFRS 15 as licensing agreements giving rise to a right to use the works as they exist at the date of the sale. This revenue is recognized once Gaumont's performance obligations are satisfied and control over the use of the rights is effectively transferred to the customer, i.e. when all of the following events have occurred:

- the agreement 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 *i.e.* delivery has been made and the material's compliance has been acknowledged;
- the customer has unrestricted use of the rights acquired.

Where a contract provides for multiple deliveries or where the sale relates to several separate works (or episodes), the price is allocated between the works and the revenues are recognized separately for each work.

Royalties

The royalties Gaumont earns from the exploitation of its works by third parties particularly in theaters or on vidéo, as well as the producer's share of proceeds, are recognized when the sale is effectively completed, in accordance with the exception envisaged by IFRS 15.B63 for proportional income derived from intellectual property licenses. These royalties are recognized on receipt of the royalty statements issued by the distributor or the producer in charge or royalties management. Royalties are recognized net of distribution fees that may be imputed to Gaumont and for video sales, net 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.

Service provision

Where Gaumont is commissioned to produce a work by a broadcaster and retains no intellectual property rights attached to that work, the service rendered gives rise to revenue recognition on a percentage of completion basis, provided that there is an enforceable right to payment for the service already performed and control over the work is gradually transferred to the customer.

When Gaumont acts as agent, the service is considered to be performed over the term of the contract. The commission is recognized as the sales are made.

Determination of the transaction price

The transaction price is determined by reference to the consideration expected from the contract, whether cash or non-cash. Variable items are also included from the outset in the transaction price, except for royalties, which are recognized according to the principles described above. Faire value of the transaction is considered equal to the agreed consideration, unless the agreement includes a financing component.

When the contract provides for payment terms similar to financing granted to the purchaser, the transaction price takes this component into account if it is material. The revenue 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.

Revenue for the period

	2018			2017		
	FRANCE	ABROAD	TOTAL	FRANCE	ABROAD	TOTAL
Movie production and distribution	**61,515**	**23,097**	**84,612**	**65,505**	**31,432**	**96,937**
Movie theater distribution	20,444	133	20,577	30,690	-	30,690
Video publishing and video on demand	12,355	333	12,688	11,599	231	11,830
Television broadcasting rights	24,007	113	24,120	18,634	-	18,634
International sales	-	21,775	21,775	-	30,652	30,652
Other movie distribution income	4,709	743	5,452	4,582	549	5,131
Production and distribution of television series	**9,221**	**82,218**	**91,439**	**4,403**	**70,202**	**74,605**
American series	512	74,882	75,394	490	67,317	67,807
French dramas	6,997	892	7,889	2,541	1,049	3,590
French cartoon series	1,712	6,444	8,156	1,372	1,836	3,208
Line production	**-**	**11,451**	**11,451**	**5,507**	**-**	**5,507**
Feature films	-	10,918	10,918	-	-	-
Television dramas	-	533	533	-	-	-
Trademark royalties	**6,217**	**-**	**6,217**	**3,623**	**-**	**3,623**
Other miscellaneous revenue	**2,486**	**-**	**2,486**	**1,884**	**-**	**1,884**
TOTAL	**79,439**	**116,766**	**196,205**	**75,415**	**101,634**	**177,049**

In 2018, movie production and distribution and television series production and distribution accounted for 49% and 47% of consolidated revenue, respectively.

The Group generated 60% of its revenue outside France in 2018, compared with 57% in 2017.

The rent collected as of December 31, 2018, for the rental of part of the Champs Élysées property, was k€620 and is included in other miscellaneous revenue.

In 2018, the impact of the application of IFRS 15 on revenue led to the cancellation of pre-sales on movies released in theaters during the period for k€4,230 and the restatement of pre-sales of television series for k€410. If IFRS 15 had not been applied, 2018 revenue would have been as follows:

	2018			2017		
	FRANCE	ABROAD	TOTAL	FRANCE	ABROAD	TOTAL
Movie production and distribution	**65,745**	**23,097**	**88,842**	**65,505**	**31,432**	**96,937**
Movie theater distribution	20,444	133	20,577	30,690	-	30,690
Video publishing and video on demand	12,355	333	12,688	11,599	231	11,830
Television broadcasting rights	28,237	113	28,350	18,634	-	18,634
International sales	-	21,775	21,775	-	30,652	30,652
Other movie distribution income	4,709	743	5,452	4,582	549	5,131
Production and distribution of television series	**9,631**	**82,218**	**91,849**	**4,403**	**70,202**	**74,605**
American series	512	74,882	75,394	490	67,317	67,807
French dramas	7,407	892	8,299	2,541	1,049	3,590
French cartoon series	1,712	6,444	8,156	1,372	1,836	3,208
Line production	**-**	**11,451**	**11,451**	**5,507**	**-**	**5,507**
Feature films	-	10,918	10,918	-	-	-
Television dramas	-	533	533	-	-	-
Trademark royalties	**6,217**	**-**	**6,217**	**3,623**	**-**	**3,623**
Other miscellaneous revenue	**2,486**	**-**	**2,486**	**1,884**	**-**	**1,884**
TOTAL	**84,079**	**116,766**	**200,845**	**75,415**	**101,634**	**177,049**

3.3. Personnel costs

Breakdown of personnel costs

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

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. In 2018, k€225 in accrued income for the Employment competitiveness tax credit was recognized against social security contributions, compared to k€363 in 2017.

	2018	2017
Salaries	-22,169	-22,640
Social security contributions	-6,988	-7,846
Employee profit-sharing	-88	-293
Pensions and similar benefits	-196	-155
Share based payments expense	-	-
TOTAL	**-29,441**	**-30,934**

Average workforce broken down by category

The table below gives the workforce of the companies consolidated using the full consolidation method:

	2018	2017
Managers	118	121
Supervisors	50	46
Employees	48	52
TOTAL WORKFORCE	**216**	**219**

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:

	2018	2017
Total gross compensation(1)	1,960	1,360
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.

3.4. Other current operating income and expenses

Other income and expenses by type

	2018	2017
Audiovisual support fund	12,970	12,124
Other subsidies	331	169
Audiovisual and cinema tax credit	6,080	3,508
Distribution costs and other purchases	-8,832	-11,365
Project development	-4,813	-4,737
Inventoried products	140	-
Subcontracting	-1,634	-2,121
Rentals and rental expenses	-2,827	-2,568
Outside personnel	-1,261	-1,358
Fees	-5,729	-6,794
Advertising, publications and public relations	-1,813	-1,975
Travel and entertainment expenses	-2,438	-2,662
Other external expenses	-3,374	-2,507
Taxes and similar payments	-3,060	-3,412
Foreign exchange gains and losses on operating activities	212	-718
Copyrights, royalties and similar	-8,482	-7,418
Shares of co-producers and guaranteed minima	-17,934	-29,024
Income from the sale of operating assets	66	37
Other income and expenses	-6,783	5,615
NET OTHER CURRENT OPERATING INCOME/EXPENSES	**-49,181**	**-55,206**

Public grants

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 film production, distribution, exportation and video publishing is recognized in tandem with the revenue of the 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 as the series and dramas that generate the support are broadcast.

The automatic financial support includes k€6,905 of financial support for film production, distribution, and exportation and k€5,590 of support for audiovisual production. This item also includes k€438 of grants for digitization of works.

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.

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 in income, 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 prorata basis of the accumulated amortization of the film which it helped finance.

In 2018, this item included k€1,718 related to American series, *versus* k€1,356 in 2017, k€925 for cinema production and k€3,436 for French television production. The amount of tax credits recognized on a deferred basis is posted to liabilities in the statement of financial position.

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.

Operating expenses

The operating costs incurred by the investment properties over the period were k€169 and include costs for securing the premises, energy costs, taxes and miscellaneous professional fees.

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.

3.5. Other non-current operating income and expenses

	2018	2017
Proceeds from disposals of assets	46	5
Carrying value of assets sold or disposed of	-70	-302
Gains from disposals of investments in consolidated companies	-	143,884
Earn out adjustments	-	-
Impairment losses on goodwill	-	-
Gains on bargain purchases	-	-
TOTAL	**-24**	**143,587**

Non-current income for 2017 includes the proceeds from the disposal of the stake in Les Cinémas Pathé Gaumont for k€143,884, net of fees.

3.6. Other financial income and expenses

	2018	2017
Income from investments	-	-
Interest expense capitalized	3,238	2,068
Interest from assets and liabilities excluding cash equivalents	3,372	3,529
Discounting effect of liabilities and receivables	307	-188
Proceeds from disposals of financial assets	-	-3
Accumulated impairment losses and financial provisions	943	3
Foreign exchange gains and losses	1,773	-4,521
Changes in fair value	-131	-1,511
Other financial incomes and expenses	-791	3
NET OTHER FINANCIAL INCOME/EXPENSES	**8,711**	**-620**

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 for the period also includes k€1,607 in accrued interest on the receivable with Pathé resulting from the disposal of shares of Les Cinémas Pathé Gaumont, for which payment is deferred.

The foreign exchange gains and losses are essentially linked to Gaumont's exposure to changes in the American dollar related to the financing of the American activities.

4. Long-term assets and investments

4.1. Films and audiovisual rights

Principles of recognition of audiovisual rights

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.

Impairment of assets

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 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).

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 rights

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.

Change in audiovisual rights

		MOVEMENTS OF THE PERIOD			
	12.31.18	+	-	OTHER[1]	12.31.17
Films and cinema rights	1,909,705	22,698	-178	11,491	1,875,694
Television series, dramas and broadcasting rights	456,818	39,969	-95	39,521	377,423
Animated films and series	216,881	5,600	-	24,783	186,498
Musical productions and publishing rights	2,943	1	-	-1	2,943
Video games	1,525	-	-	-	1,525
Movies in production	4,781	4,749	-	-10,448	10,480
Television series and dramas in production	13,964	17,745	-	-22,025	18,244
Animated films and series in production	5,248	5,202	-	-23,610	23,656
Gross value	**2,611,865**	**95,964**	**-273**	**19,711**	**2,496,463**
Films and cinema rights	-1,844,138	-37,173	43	273	-1,807,281
Television series, dramas and broadcasting rights	-429,813	-61,376	95	-15,832	-352,700
Animated films and series	-208,853	-28,391	-	-1,036	-179,426
Musical productions and publishing rights	-2,895	-17	-	1	-2,879
Video games	-1,525	-	-	-	-1,525
Television series and dramas in production	-110	-	-	-1	-109
Animated films and series in production	-	-	5,145	-	-5,145
Accumulated amortization and impairment losses	**-2,487,334**	**-126,957**	**5,283**	**-16,595**	**-2,349,065**
CARRYING VALUE	**124,531**	**-30,993**	**5,010**	**3,116**	**147,398**

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

As of December 31, 2018, ongoing productions essentially correspond to works that will be delivered in 2019 and 2020, in particular:

- for feature films: *The Mystery of Henri Pick*, *No Filter*, *Ibiza* and *Trois Jours et Une Vie*;
- for television series: *Narcos Season 5* and *Murder in Lisieux*;
- for animated films and series: *Do Re and Mi* and *Noddy Season 2*.

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 2019 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.

4.2. Other intangible assets

	12.31.18	MOVEMENTS OF THE PERIOD +	MOVEMENTS OF THE PERIOD -	MOVEMENTS OF THE PERIOD OTHER(1)	12.31.17
Franchises, patents, licenses, brands and software	2,512	116	-14	33	2,377
Other intangible assets	-	-	-	-	-
Other intangible assets in progress	-	-	-	-	-
Advances and prepayments to suppliers	-	-	-	-31	31
Gross value	**2,512**	**116**	**-14**	**2**	**2,408**
Franchises, patents, licenses, brands and software	-2,283	-108	14	-104	-2,085
Other intangible assets	-	-	-	-	-
Accumulated amortization and impairment losses	**-2,283**	**-108**	**14**	**-104**	**-2,085**
CARRYING VALUE	**229**	**8**	**-**	**-102**	**323**

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

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

4.3. Property, plant and equipment

Principles and methods of measurement of 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.

Impairment of assets

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 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).

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.

Change in property, plant and equipment

		MOVEMENTS OF THE PERIOD			
	12.31.18	+	-	OTHER[(1)]	12.31.17
Land	10,063	-	-	-	10,063
Buildings and fittings	25,715	692	-33	30	25,026
Plant, equipment and machinery	1,387	6	-12	-	1,393
Other property, plant and equipment	8,601	579	-212	11	8,223
Properties measured in accordance with IAS 40	35,074	1,513	-	-	33,561
Property, plant and equipment held under finance lease	451	-	-	-	451
Property, plant and equipment in progress	457	410	-	-1	48
Gross value	**81,748**	**3,200**	**-257**	**40**	**78,765**
Land	-	-	-	-	-
Buildings and fittings	-15,230	-849	28	-6	-14,403
Plant, equipment and machinery	-1,251	-48	12	1	-1,216
Other property, plant and equipment	-6,224	-491	146	-3	-5,876
Properties measured in accordance with IAS 40	-10,267	-247	14	-1	-10,033
Property, plant and equipment held under finance lease	-188	-37	-	-	-151
Accumulated amortization and impairment losses	**-33,160**	**-1,672**	**200**	**-9**	**-31,679**
CARRYING VALUE	**48,588**	**1,528**	**-57**	**31**	**47,086**

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

Gaumont is currently restructuring and renovating its property on the Champs-Élysées in Paris with a view to its future lease. 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 of the renovation works, part of the building was under temporary lease until July 2018. The leasing revenue corresponding to this operation is presented in note 3.2.

A breakdown of lease commitments and discounted future cash flows from property, plant and equipment held under finance lease is shown in note 9.3.

4.4. Other financial assets

Measurement of non-current 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 are analyzed as being available for sale and are therefore recognized at their fair value. 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. Changes in fair value are recognized directly in equity.

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.

Loans to associates, other loans, deposits and guarantees

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.

Change in non-current financial assets

		Movements of the period			
	12.31.18	+	-	Other[1]	12.31.17
Investments in non consolidated entities	2	-	-	-	2
Loans, deposits and bonds and other financial assets	151	23	-34	1	161
Receivables and other non-current financial assets	63,333	-	-63,334	-	126,667
Gross value	**63,486**	**23**	**-63,368**	**1**	**126,830**
Investments in non consolidated entities	-	-	-	-	-
Loans, deposits and bonds and other financial assets	-	-	-	-	-
Receivables and other non-current financial assets	-	-	-	-	-
Accumulated impairment losses	**-**	**-**	**-**	**-**	**-**
CARRYING VALUE	**63,486**	**23**	**-63,368**	**1**	**126,830**

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

Non-current receivables consist of the amount due on the sale of the securities of Les Cinémas Pathé Gaumont. In April 2018, Pathé made an early payment of the first installment originally due in June 2019. The balance is due by 2020. This receivable earns 2% interest.

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.

4.5. Impact of investments on the statement of cash flows

Analysis of net allowance to depreciation, amortization, provisions and impairment of non-current assets

	2018	2017
Intangible assets		
• Reversals of impairment losses	5,173	83
• Amortization expense and impairment losses	-127,065	-106,533
Subtotal	**-121,892**	**-106,450**
Property, plant and equipment		
• Reversals of impairment losses	14	-
• Amortization expense and impairment losses	-1,672	-2,423
Subtotal	**-1,658**	**-2,423**
Financial assets		
• Reversals of impairment losses	-	3
• impairment losses	-	-
Subtotal	**-**	**3**
Risks and expenses		
• Reversals of provisions	641	418
• increases in provisions	-1,189	-251
Subtotal	**-548**	**167**
TOTAL	**-124,098**	**-108,703**

In 2018, amortization expense on intangible assets included k€61,277 for amortization of American series, against k€49,563 in 2017.

Breakdown of acquisitions of fixed assets

	NOTE	2018	2017
Acquisition of intangible assets		96,080	111,465
Acquisition of tangible assets		3,200	1,874
Acquisition of financial assets		23	68
TOTAL		**99,303**	**113,407**

Impact of changes in scope

	2018	2017
Price paid	21,772	-
Treasury bought	-	-
IMPACT OF CHANGES IN SCOPE	**21,772**	**-**

Change in liabilities and receivables on investments

	12.31.18	CHANGE IN LIABILITIES ON INVESTMENTS	OTHER CHANGES[1]	12.31.17	CHANGE IN LIABILITIES ON INVESTMENTS	OTHER CHANGES[1]	12.31.16
Fixed assets liabilities	13,900	-9,443	144	23,199	10,333	-280	13,146
Liabilities on acquisition of shares	13,793	13,567	226	-	-	-	-
Receivables on sales of shares	-63,975	64,496	-	-128,471	-128,471	-	-
TOTAL	**-36,282**	**68,620**	**370**	**-105,272**	**-118,138**	**-280**	**13,146**

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

5. Current assets and liabilities

5.1. 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.

	12.31.18	MOVEMENTS OF THE PERIOD +	MOVEMENTS OF THE PERIOD -	12.31.17
Semi-manufactured product inventories	140	11	-	129
Merchandise inventories	1,245	-	-402	1,647
Gross value	**1,385**	**11**	**-402**	**1,776**
Semi-manufactured product inventories	-95	-95	90	-90
Merchandise inventories	-812	-812	1,146	-1,146
Accumulated impairment losses	**-907**	**-907**	**1,236**	**-1,236**
CARRYING VALUE	**478**	**-896**	**834**	**540**

5.2. Trade receivables and other current assets

Measurement of receivables and other current assets

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.

According to IFRS 9, the estimate of irrecouvrable amount is carried out by category of receivables regarding the historical risk associated to each category. The irrecouvrable part of receivables are subject to an impairment.

According to IFRS 15, contract assets represent the consideration expected by Gaumont in exchange for services rendered, for which payment is not yet due and is contingent on special conditions other than the payment terms alone.

When payment is conditional only on the passage of time, the expected consideration is recognized as a receivable.

	12.31.18	12.31.17
Trade receivables	98,847	92,213
Contract assets	-	-
Current financial assets	494	1,424
Advances and prepayments to suppliers	556	1,060
Payroll receivables	87	138
Tax receivables	8,028	10,293
Subsidies receivables	26,099	24,219
Current income tax assets	2,034	4,554
Current accounts	-	-
Receivables on asset sales	642	1,804
Other receivables	5,354	5,014
Derivatives	152	47
Prepaid expenses	1,081	663
Gross value	**143,374**	**141,429**
Trade receivables	-782	-756
Current financial assets	-	-943
Current accounts	-	-
Other receivables	-609	-1,035
Accumulated impairment losses	**-1,391**	**-2,734**
CARRYING VALUE	**141,983**	**138,695**
Maturities:		
• less than 1 year	123,664	138,176
• 1 to 5 years	18,319	14,360
• 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 2018. The level of receivables is strongly impacted by the volumes and the schedule of deliveries of new productions.

As of December 31, 2018, tax receivables included k€883 in tax credits for American productions, compared to k€1,245 as of the end of December 2017.

Breakdown of accumulated impairment losses

	12.31.18	MOVEMENTS OF THE PERIOD +	-	OTHER[1]	12.31.17
Trade receivables	-782	-154	128	-	-756
Current financial assets	-	-	943	-	-943
Current accounts	-	-	-	-	-
Other receivables	-609	-	426	-	-1,035
IMPAIRMENTS	**-1,391**	**-154**	**1,497**	**-**	**-2,734**
Impact on current operating income		-154	554	-	
Impact on non-current operating income		-	-	-	
Impact on financial income		-	943	-	

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

5.3. Trade payables and other liabilities

	12.31.18	12.31.17
Tax liabilities	-	-
Current accounts	-	370
Payables on acquisitions	6,828	-
Other payables	-	-
Total other non-current liabilities	**6,828**	**370**
Trade payables	13,925	10,243
Liabilities on films and audiovisual rights	13,386	23,145
Advances and deposits received	59	98
Payroll liabilities	6,070	8,012
Tax liabilities	3,992	3,605
Current income tax liabilities	19	-
Current accounts	-	112
Payables on acquisitions	6,965	-
Liabilities on other property, plant and equipment and intangible assets	514	54
Payables on distribution of works	33,010	44,695
Other payables	13,094	9,440
Derivatives	966	1,264
Contract liabilities	22,019	-
Tax credit to be amortized	6,254	9,014
Deferred income	4,509	23,310
Total other current liabilities	**124,782**	**132,992**
TOTAL	**131,610**	**133,362**
Maturities:		
• less than 1 year	124,366	132,992
• 1 to 5 years	7,027	148
• more than 5 years	217	222

Trade payables include payables relating to film distribution campaigns. They are closely linked to the theater release schedule.

Fixed asset liabilities include Gaumont's investments in films and series and are directly linked to the production cycle of the works.

According to IFRS 15, contract liabilities represent the consideration that Gaumont receives from contracts with customers for which performance obligations are unsatisfied at the end of the period. Contract liabilities include pre-sales received as production progresses, in the case of the financing of television series, and pre-sales on feature films for which the rights are not yet available due to the media release schedule.

Under the previous accounting principles, these amounts were included in deferred income. With the simplified retrospective transitional method, the figures are not restated at the beginning of the period.

Future revenues from contracts with customers will be recognized according to the following schedule.

	EXPIRATION DATE			
	2019	2020	2021 AND BEYOND	TOTAL
Movie production and distribution	10,339	2,043	239	12,621
Production and distribution of television series	6,831	431	376	7,638
Line production	1,760	-	-	1,760
TOTAL	**18,930**	**2,474**	**615**	**22,019**

Expiration date is representative of the rights opening period or, in the case of line production recognized upon completion, of the expected production schedule.

5.4. Change in contract assets and liabilities

Details of changes in contract assets and liabilities are presented in the table below.

	12.31.18	
	CONTRACT ASSETS	CONTRACT LIABILITIES
POSITION AT BEGINNING OF YEAR	**-**	**-**
Income recognized for the year included in contract liabilities at the beginning of the year	-	-
Cash from unrecognized income for the year	-	20,259
Reclassification of contract assets to trade receivables	-	-
Reclassification between contract assets and contract liabilities	-	-
Contract progress or alteration	-	1,760
Changes in scope	-	-
Other	-	-
POSITION AT YEAR-END	**-**	**22,019**

5.5. Changes in net working capital requirement

	2018	2017
Changes in operating assets	-2,032	11,526
Changes in operating liabilities	-8,673	21,457
Premiums paid on financial instruments	-	-
Current income tax expense	-865	-1,524
Tax paid	1,185	157
Pension and similar benefits allowance	196	155
TOTAL	**-10,189**	**31,771**

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 disbursable).

	12.31.18	CHANGES IN WORKING CAPITAL REQUIREMENT	OTHER CHANGES(1)	12.31.17	CHANGES IN WORKING CAPITAL REQUIREMENT	OTHER CHANGES(1)	12.31.16
Inventories	478	-62	-	540	-38	-	578
Trade receivables and contract assets	98,065	5,229	1,379	91,457	-9,328	-6,625	107,410
Current financial assets	494	14	-1	481	63	47	371
Advances and prepayments to suppliers	556	-504	-	1,060	251	-	809
Payroll receivables	87	-53	2	138	91	-	47
Tax receivables	8,028	-2,334	69	10,293	-9,070	-1,124	20,487
Subsidies receivables	26,099	1,880	-	24,219	4,704	-	19,515
Current income tax assets	2,034	-2,536	16	4,554	304	-40	4,290
Current accounts	-	-	-	-	-1	-	1
Other receivables	4,745	-17	783	3,979	1,692	-47	2,334
Prepaid expenses	1,081	415	3	663	-194	-9	866
ASSETS CONSTITUTING THE WORKING CAPITAL REQUIREMENT	**141,667**	**2,032**	**2,251**	**137,384**	**-11,526**	**-7,798**	**156,708**

(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.

	12.31.18	CHANGES IN WORKING CAPITAL REQUIREMENT	OTHER CHANGES(1)	12.31.17	CHANGES IN WORKING CAPITAL REQUIREMENT	OTHER CHANGES(1)	12.31.16
Trade payables	13,925	3,738	-56	10,243	773	-57	9,527
Advances and deposits received	59	-39	-	98	-219	-	317
Payroll liabilities	6,070	-1,992	50	8,012	1,166	-95	6,941
Tax liabilities	3,992	387	-	3,605	-270	-	3,875
Current income tax liabilities	19	19	-	-	-2	-	2
Current accounts	-	-482	-	482	-112	-	594
Other payables	46,104	-10,386	2,355	54,135	20,261	-341	34,215
Deferred income and contract liabilities	32,782	82	376	32,324	-140	-745	33,209
LIABILITIES THAT CONSTITUTE THE WORKING CAPITAL REQUIREMENT	**102,951**	**-8,673**	**2,725**	**108,899**	**21,457**	**-1,238**	**88,680**

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

6. Financing

6.1. Equity

Share capital of the parent company

	12.31.18	MOVEMENTS OF THE PERIOD +	MOVEMENTS OF THE PERIOD -	12.31.17
Number of shares	3,119,923	200	-	3,119,723
Par value	€8	€8	€8	€8
CAPITAL *(in euros)*	**24,959,384**	**1,600**	**-**	**24,957,784**

Average number of shares in circulation

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 is as follow:

	2018	2017
Number of shares at January 1	3,119,723	4,280,269
Capital increases relating to the exercise of stock options *(prorata temporis)*	153	-491,534
Average number of ordinary shares	3,119,876	3,788,735

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.

At December 31, 2018 Gaumont held 4,649 treasury shares traded under the liquidity contract and 200 registered shares for a total purchase value of k€257.

Dividends

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

(in euros)	2018	2017
Dividends paid	3,115,047	3,114,575
Dividends per share	1.00	1.00

Stock options

Stock options were awarded to some executive officers and employees of the Group, except for the Chairman of the Board of directors. These options give rise, when being exercised, to new shares being issued by a capital increase.

All these plans are equity-settled.

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. 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.

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

Outstanding option plans as per December 31, 2018, are detailed below.

	INITIAL GRANT		ADJUSTED GRANT		OPTIONS AT END OF PERIOD			
PLAN	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**

No change occurred in 2018.

Potential capital

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.

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.

	2018	2017
Average number of ordinary shares	3,119,876	3,788,735
Dilutive effect of stock options	13,800	8,278
Average potential number of ordinary shares	3,133,676	3,797,013

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.

6.2. Net borrowings

Principles of measurement of borrowings

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.

Change in borrowings

		MOVEMENTS OF THE PERIOD WITH AN IMPACT ON THE CASH POSITION			MOVEMENTS OF THE PERIOD WITHOUT AN IMPACT ON THE CASH POSITION			
	12.31.18	+	-	OTHER(1)	CURRENCY TRANSLATION ADJUSTMENTS	CHANGES IN SCOPE	OTHER(1)	12.31.17
Revolving credit facility	-	-	-	-	-	-	1,149	-1,149
Bonds	59,742	-	-	-	-	-	75	59,667
Finance lease debt	235	-	-49	-	-	-	-	284
Production loans(2)	13,382	52,185	-58,485	-523	716	-	257	19,232
Assignments of receivables	28,532	40,576	-38,534	-	1,237	-	192	25,061
Financial contribution from the Caisse des dépôts	4,409	692	-753	-	-	-	-	4,470
Other loans	915	-	-535	-	-	-	-	1,450
Advances repayable on distribution proceeds	1,774	140	-4	-	-	-	-	1,638
Deposits received	161	157	-253	-	4	-	-	253
Bank overdraft	72	-	-373	-	3	-	-	442
Accrued interest	553	-	-	-	4	-	27	522
TOTAL	**109,775**	**93,750**	**-98,986**	**-523**	**1,964**	**-**	**1,700**	**111,870**
Maturities:								
• less than 1 year	3,530							4,201
• 1 to 5 years	88,861							92,521
• more than 5 years	17,384							15,148

(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 initially contracted on November 5, 2014 was terminated in advance in the first half-year of 2018. The deferred balance of the corresponding loan issue costs was reversed over the period.

Bond

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	in fine – no premium	
Guarantees	None	
Covenants	3 covenants to be respected every 6 months	

The bond has three covenants, which are specified in note 7.1.

Effective interest rate

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

	12.31.18	12.31.17
Before hedging	4.97%	4.97%
After hedging	-	-

Average interest rate

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

	2018	2017
Before hedging	4.84%	4.82%
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.

(in thousands of US dollars)

SERIES	RECIPIENT[1]	LENDER	SUBSCRIPTION	MATURITIES	TOTAL AMOUNT AUTHORIZED	REMAINING AMOUNT AVAILABLE	POSITION AS OF 12.31.18	POSITION AS OF 12.31.17
F is for Family season 3	Leodoro Productions Llc	MUFG Union Bank	09.13.2017	05.31.2018	15,348	-	-	7,641
Narcos season 4	Narcos Productions Llc	MUFG Union Bank	11.09.2017	06.30.2020	57,192	-	-	15,905
Narcos season 5	Narcos Productions Llc	MUFG Union Bank	11.16.2018	06.30.2021	72,235	57,085	15,828	-
TOTAL					**144,775**	**57,085**	**15,828**	**23,546**

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

The loans associated with season 4 of the Narcos series, season 3 of the F is For Family series were fully repaid in 2018.

Effective interest rate

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

	12.31.18	12.31.17
Before hedging	3.11%	3.16%
After hedging	-	-

Average interest rate

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

	2018	2017
Before hedging	3.73%	4.85%
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. The balance of the receivables assigned under the Dailly Act was repaid early in May 2018.

In the United States, Gaumont 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 finance production.

The interest is variable and Libor-based.

The detail of this credit facility is presented below.

(in thousands of US dollars)	STATUS OF ASSIGNED RECEIVABLES				DEBT SITUATION			
ACTIVITY	VALUE OF ASSIGNED CONTRACTS	BALANCE OF ASSIGNED RECEIVABLES	BALANCE SHEET BALANCE	OFF-BALANCE SHEET COMMITMENTS	AUTHORIZED MAXIMUM AMOUNT	REMAINING AMOUNT AVAILABLE	POSITION AS OF 12.31.18	POSITION AS OF 12.31.17
Fiction USA	179,929	69,818	57,619	12,199	50,000	8,851	33,010	29,392
TOTAL	**179,929**	**69,818**	**57,619**	**12,199**	**50,000**	**8,851**	**33,010**	**29,392**

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.

Effective interest rate

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

	12.31.18	12.31.17
Before hedging	2.76%	2.98%
After hedging	-	-

Average interest rate

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

	2018	2017
Before hedging	2.91%	3.43%
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 9.2.

At December 31, 2018, outstanding debt to *Caisse des dépôts et consignations* amounted to k€4,409.

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.

	12.31.18	12.31.17
Cash equivalents	34,007	4,003
Bank accounts and petty cash	95,824	80,187
TOTAL	**129,831**	**84,190**

7. Financial risks and hedging

7.1. 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, 2018, exposure to credit risk was as follows:

			RECEIVABLES OWING					
	12.31.18	OUTSTANDING	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	77,721	67,273	2,682	3,495	371	1,779	1,978	143
Net receivables on movies and series	5,886	5,886	-	-	-	-	-	-
TOTAL	**83,607**	**73,159**	**2,682**	**3,495**	**371**	**1,779**	**1,978**	**143**

Liquidity risk

The k€60,000 bond, whose key features are described in note 6.2, comes 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 2.75 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, 2018, given that Gaumont had a positive cash position, thus the R1 and R3 ratios are not applicable. The R2 ratio amount to 0.23.

Market risks

Interest rate risk

In France, the Group finances its general requirements by means of external fixed or variable rate loans. French productions are financed either by drawing on the credit facility, or by assigning receivables in accordance with the Dailly Law. As of December 31, 2018, Gaumont's debt in France consisted of a fixed-rate bond for k€60,000 and available cash of k€116,794.

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 6.2.

As of December 31, 2018, the Group's interest rate exposure was as follows:

		MATURITY SCHEDULE		
	12.31.18	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS
Fixed-rate financial assets	-	-	-	-
Variable-rate financial assets	129,831	129,831	-	-
Financial assets not exposed	-	-	-	-
Financial assets(1)	**129,831**	**129,831**	**-**	**-**
Fixed-rate financial liabilities	-64,386	-655	-46,669	-17,061
Variable-rate financial liabilities	-42,539	-398	-42,141	-
Financial liabilities not exposed	-2,850	-2,477	-51	-323
Financial liabilities(2)	**-109,775**	**-3,530**	**-88,861**	**-17,384**

(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, 2018, Gaumont had no running interest rate derivatives.

The net exposure to interest rate risk is as follows:

	TOTAL	FIXED RATE	VARIABLE RATE	NOT EXPOSED
Financial assets(1)	129,831	-	129,831	-
Financial liabilities(2)	-109,775	-64,386	-42,539	-2,850
Net position before hedging	**20,056**	**-64,386**	**87,292**	**-2,850**
Hedging	-	-	-	-
Net position after hedging	**20,056**	**-64,386**	**87,292**	**-2,850**
Sensitivity	873	-	873	-

(1) Cash and cash equivalents.
(2) Borrowings.

As Gaumont's exposure to interest rate risk is reversed due to the cash surplus, sensitivity to this risk represents an opportunity cost.

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 2018, revenue invoiced in a currency other than that of the company behind the transaction amounted to k€23,831, or 12.1% of total revenue, and breaks down as follows.

(in thousands of euros)	TOTAL	USD	CAD	GBP	CHF	JPY	AUD	EUR[1]	MISCELLANEOUS
Revenue	23,831	16,555	195	130	192	4,675	114	1,830	140

(1) Revenue generated by entities outside the euro zone.

Gaumont examines on a case-by-case basis the necessity and feasibility of currency hedging for this risk, taking into account the unit transaction amount.

As of December 31, 2018, 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)*
				-90 DAYS	FROM 90 TO 180 DAYS	FROM 180 TO 360 DAYS	OVER 360 DAYS	
Forward currency purchases	CAD	USD	5,000	-	-	-	5,000	-140
Forward currency purchases	MXN	USD	418,000	228,000	190,000	-	-	-837
Forward currency purchases	EUR	USD	3,618	413	623	1,477	1,105	-129
TOTAL								**-1,106**

At December 31, 2018, the Group's exposure to operating foreign exchange risk was as follows:

	TOTAL *(in thousands of euros)*	RISK RELATED TO A CHANGE IN THE EURO VALUE					
		USD/EUR	AUD/EUR	JPY/EUR	CAD/EUR	ILS/EUR	AUTRES/EUR
Assets	5,445	5,131	119	21	109	52	13
Liabilities	-82	-72	-	-	-10	-	-
Off balance sheet	-79	-79	-	-	-	-	-
Net position before hedging	**5,284**	**4,980**	**119**	**21**	**99**	**52**	**13**
Hedging	-3,618	-3,618	-	-	-	-	-
Net position after hedging	**1,666**	**1,362**	**119**	**21**	**99**	**52**	**13**
Sensitivity	-166	-136	-12	-2	-10	-5	-1

An across-the-board 10% decrease in all of the above-mentioned currencies against the euro would have a negative impact of k€166 on the Group's net income.

	RISK RELATED TO A CHANGE IN THE DOLLAR VALUE			
	TOTAL *(in thousands of dollars)*	CAD/USD	MXN/USD	GBP/USD
Assets	1,052	312	738	2
Liabilities	-	-	-	-
Off balance sheet	-24,700	-	-24,700	-
Net position before hedging	**-23,648**	**312**	**-23,962**	**2**
Hedging	25,607	3,816	21,791	-
Net position after hedging	**1,959**	**4,128**	**-2,171**	**2**
Sensitivity	-196	-413	217	-

An across-the-board 10% decrease in all of the above-mentioned currencies against the US dollar would have a negative impact of k$196 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, 2018, Gaumont had forward currency sale contracts in place to hedge against future movements in the dollar against the euro.

	CURRENCY	COUNTERPARTY	NOTIONAL AMOUNT *(in thousands of currency)*	EXPIRATION DATE -90 DAYS	FROM 90 TO 180 DAYS	FROM 180 TO 360 DAYS	OVER 360 DAYS	FAIR VALUE *(in thousands of euros)*
Forward currency sales	USD	EUR	-19,720	-19,720	-	-	-	152
TOTAL								**152**

At December 31, 2018, 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	40,303	39,495	808	238	238
Liabilities	-	-	-	-	-
Off balance sheet	-	-	-	-	-
Net position before hedging	**40,303**	**39,495**	**808**	**238**	**238**
Hedging	-19,720	-19,720	-	-	-
Net position after hedging	**20,583**	**19,775**	**808**	**238**	**238**
Sensitivity	-2,059	-1,978	-81	-24	-24

A 10% decrease in the dollar and the sterling pound against the euro would have a negative impact of k€2,059 on the Group's net income. A 10% decrease in Mexican Peso against the US dollar would have a negative impact of k$24 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, 2018, the Group's exchange rate exposure from foreign investments was as follows:

(in thousands of euros)	USD/EUR	GBP/EUR
Assets	144,261	251
Liabilities	-178,134	-885
Off balance sheet	30,615	-
Net position before hedging	**-3,258**	**-634**
Hedging	-	-
Net position after hedging	**-3,258**	**-634**
Sensitivity to a 10% change	326	63

A 10% decrease in the dollar against the euro would have a positive impact of k€326 and a 10% decrease in the pound sterling would have a positive impact ok k€63 on the Group's equity.

Equity risk

Gaumont and its subsidiaries are not engaged in speculative stock market operations.

At December 31, 2018 Gaumont held 4,649 treasury shares traded under the liquidity contract and 200 registered shares for a total amount of k€257.

The risk of impairment of treasury shares related to volatility in the Gaumont share price remains marginal in view of the amounts invested.

7.2. Financial instruments

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. 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

IFRS standards 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.

In 2018, the Group used foreign exchange derivatives to hedge its exposure to fluctuations in the value of the dollar.

Derivatives included in the statement of financial position at their fair value at the reporting date are reported below.

	12.31.18		12.31.17	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Interest rate derivatives	-	-	-	-
Foreign exchange derivatives	152	966	47	1,264
TOTAL	**152**	**966**	**47**	**1,264**

Changes in the fair value of derivatives recorded in net income or other comprehensive income are presented as follow:

	12.31.18	OTHER COMPREHENSIVE INCOME	NET INCOME	CURRENCY TRANSLATION ADJUSTMENTS	PREMIUMS PAID	12.31.17
Derivative instruments – assets	152	263	-160	2	-	47
Derivative instruments – liabilities	-966	319	29	-50	-	-1,264
TOTAL	**-814**	**582**	**-131**	**-48**	**-**	**-1,217**

The ineffective portion recognized in income for the period for these contracts resulted in a k$147 loss.

Derivatives designated as hedging instruments against the Group's foreign exchange exposure have the following characteristics:

				EXPIRATION DATE			
	CURRENCY	COUNTERPARTY	NOTIONAL AMOUNT *(in thousands of currency)*	-90 DAYS	FROM 90 TO 180 DAYS	FROM 180 TO 360 DAYS	OVER 360 DAYS
Forward currency purchases	CAD	USD	5,000	-	-	-	5,000
Forward currency purchases	MXN	USD	418,000	228,000	190,000	-	-
Forward currency purchases	EUR	USD	3,618	413	623	1,477	1,105
Forward currency sales	USD	EUR	-19,720	-19,720	-	-	-

Financial instruments by category and fair value hierarchy

IFRS standards allocates financial assets 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 standards 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.

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.

	12.31.18		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	63,484	63,484	-	-	63,484	-	-	na
Other current financial assets	140,750	140,750	-	-	140,750	-	-	na
Derivative instruments – assets	152	152	-	-	-	-	152	2
Cash and cash equivalents	129,831	129,831	129,831	-	-	-	-	1
Financial assets	**334,219**	**334,219**	**129,831**	**2**	**204,234**	**-**	**152**	
Non-current financial liabilities	106,245	106,245	-	-	-	106,245	-	na
Other non-current financial liabilities	6,828	6,828	-	-	-	6,828	-	na
Current financial liabilities	3,530	3,530	-	-	-	3,530	-	na
Other current financial liabilities	91,034	91,034	10,185	-	-	80,849	-	3/na
Derivative instruments – liabilities	966	966	-	-	-	-	966	2
Financial liabilities	**208,603**	**208,603**	**10,185**	**-**	**-**	**197,452**	**966**	

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€10,185 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, 2018, the impact on net income of the discounted fair value of this commitment was k€-3,160.

No transfers in fair value hierarchy took place during the period.

	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	-	na
Derivative instruments – liabilities	1,264	1,264	-	-	-	-	1,264	2
Financial liabilities	**212,908**	**212,908**	**6,664**	**-**	**-**	**204,980**	**1,264**	

8. 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.

8.1. Change in current and non-current provisions

		MOVEMENTS OF THE PERIOD				
	12.31.18	INCREASES	USES	REVERSALS(1)	OTHER(2)	12.31.17
Provisions for pension and similar benefits	3,835	345	-149	-	-80	3,719
Non-current provisions	**3,835**	**345**	**-149**	**-**	**-80**	**3,719**
Provisions for legal proceedings relating to intellectual property rights over works	100	-	-70	-190	-	360
Provisions for legal proceedings with personnel	77	-	-46	-	-	123
Provisions for commercial legal proceedings	-	-	-	-	-	-
Provisions for other legal proceedings	-	-	-335	-	-	335
Provisions for risks on investments in associates	-	-	-	-	-	-
Provisions for risks on creative works	-	-	-	-	-	-
Other provisions for miscellaneous risks	-	-	-	-	-	-
Provisions for property-related expenses	197	197	-	-	-	-
Provisions for personnel costs	-	-	-	-	-	-
Provisions for income taxes	-	-	-	-	-	-
Provisions for other costs	1,021	992	-	-	29	-
Current provisions	**1,395**	**1,189**	**-451**	**-190**	**29**	**818**
TOTAL	**5,230**	**1,534**	**-600**	**-190**	**-51**	**4,537**
Impact on current operating income		1,534	-600	-190		
Impact on non-current operating income		-	-	-	-	
Impact on share of net income of associates		-	-	-	-	
Impact on other comprehensive income		-	-	-	-51	

(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, 2018, 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, 2018.

8.2. Employee benefits

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

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.

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.

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.

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

	12.31.18	12.31.17
Pensions	3,688	3,579
Seniority bonuses	147	140
TOTAL	**3,835**	**3,719**

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

	12.31.18	12.31.17
Expected payments in the next ten years		
less than 1 year	368	397
1 to 5 years	614	778
5 to 10 years	788	789
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.

	2018			2017		
	PENSIONS	SENIORITY BONUSES	TOTAL	PENSIONS	SENIORITY BONUSES	TOTAL
ACTUARIAL LIABILITY AT THE BEGINNING OF THE YEAR	**3,579**	**140**	**3,719**	**3,726**	**142**	**3,868**
Current service cost	280	14	294	275	15	290
Plan amendments	-	-	-	15	-	15
Benefits paid	-142	-7	-149	-177	-1	-178
Service cost	**138**	**7**	**145**	**113**	**14**	**127**
Discounting effect	51	2	53	44	2	46
Interest expense	**51**	**2**	**53**	**44**	**2**	**46**
Actuarial gains/losses recognized in income	**-**	**-2**	**-2**	**-**	**-18**	**-18**
Net expense recognized in income	**189**	**7**	**196**	**157**	**-2**	**155**
Experience gains/losses	-168	-	-168	-173	-	-173
Changes in demographic assumptions	-	-	-	-	-	-
Changes in financial assumptions	88	-	88	-131	-	-131
Actuarial gains/losses recognized in comprehensive income	**-80**	**-**	**-80**	**-304**	**-**	**-304**
Amounts recognized in other comprehensive income	**-80**	**-**	**-80**	**-304**	**-**	**-304**
Changes in scope	-	-	-	-	-	-
ACTUARIAL LIABILITY AT THE END OF THE YEAR	**3,688**	**147**	**3,835**	**3,579**	**140**	**3,719**

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

	PENSIONS		SENIORITY BONUSES	
	12.31.18	12.31.17	12.31.18	12.31.17
Discount rate	1.65%	1.50%	1.65%	1.50%
Expected return on plan assets	0.00%	0.00%	0.00%	0.00%
Inflation rate	1.90%	1.50%	1.90%	1.50%
Average expected increase in salaries	1.90%	1.50%	1.90%	1.50%

Applying the actuarial assumptions, the expected charge for 2019 breaks down as follows:

	2019		
	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.

	PRESENT VALUE OF LIABILITY			SERVICE COST IN 2019		
ASSUMPTIONS	PENSIONS	SENIORITY BONUSES	TOTAL	PENSIONS	SENIORITY BONUSES	TOTAL
Discount rate *(Base rate: 1.65%)*						
0.65%	710	19	729	25	1	26
2.65%	-266	-15	-281	-78	-3	-81

9. Financial commitments

9.1. Commitments related to ordinary business activities

	12.31.18	12.31.17
Commitments given	**153,680**	**85,644**
Assignment of receivables as loan security	10,654	
Guarantees	-	-
Other commitments given:		
• Contracts to research and develop film projects	79	200
• Production of films and project development	146,196	81,149
• Real estate commitments	50	-
• Commitments to employees	7,355	4,295
Commitments received	**266,777**	**221,383**
Unused credit facility	57,586	125,866
Other commitments received:		
• Purchases of rights and financing of films and series	206,795	95,042
• Contracts to research and develop film projects	27	-
• Real estate rental contracts	2,369	475

Unused credit facilities consist of:

- k$57,085 in respect of production loans arranged for US activities;
- k$8,851 for the receivables assignment agreement entered into by Gaumont USA.

At December 31, 2018, Gaumont and its subsidiaries had committed to invest k€146, 275 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€206,822, in addition to the amounts reported in receivables.

The revenue backlog from contracts with customers is presented below.

For license sales, expiration date corresponds to the rights opening date. For line production recognized upon completion, it is representative of the expected production schedule.

	EXPIRATION DATE			
	2019	2020	2021 AND BEYOND	TOTAL
Movie production and distribution	15,016	8,073	3,036	26,125
Production and distribution of television series	90,372	33,729	-	124,101
Line production	31,271	24,077	-	55,348
TOTAL	**136,659**	**65,879**	**3,036**	**205,574**

9.2. 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, 2018, this concerned 237 films from Gaumont's catalog. They represent a carrying value of k€10,740.

The Group pledged all of the assets financed in guarantee of the production loans taken out by Gaumont Television USA subsidiaries.

At December 31, 2018, the pledges made by Gaumont and its subsidiaries had a total net carrying amount of k€23,707.

TYPE OF PLEDGES/MORTGAGES	12.31.18	12.31.17
On intangible assets	21,236	25,988
On property, plant and equipment	-	-
On financial assets	-	-
On receivables	966	2,003
On cash accounts	1,505	3,383
TOTAL	**23,707**	**31,374**

These pledges expire at the same date as the associated loans.

TYPE OF PLEDGES/MORTGAGES	12.31.18	EXPIRATION DATE		
		LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS
On intangible assets	21,236	-	10,496	10,740
On property, plant and equipment	-	-	-	-
On financial assets	-	-	-	-
On receivables	966	-	966	-
On cash accounts	1,505	-	1,505	-
TOTAL	**23,707**	**-**	**12,967**	**10,740**

9.3. Leases

Lease commitments

CONTRACTUAL OBLIGATIONS	12.31.18	PAYMENTS DUE BY PERIOD		
		LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS
Operating leases	18,399	2,401	10,931	5,067
Finance leases	276	69	207	-
TOTAL	**18,675**	**2,470**	**11,138**	**5,067**

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. In return of these obligations, Gaumont have received real estate rental commitments for k$2,713.

At December 31, 2018, the present value of future payments in respect of finance leases totaled k€231.

Impact of the application of IFRS 16 on the financial position as at December 31, 2018

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. The lease term for measurement of the right of use corresponds to the non-cancelable period plus, where applicable, renewal options that are reasonably certain to be exercised.

For the initial application of IFRS 16, the Group decided to apply the simplification measures provided for by the standard under the modified retrospective method. Leases with an underlying asset with a value in use of less than k$5 and leases with a term of less than one year are not restated.

According to the estimated impact on the financial position at December 31, 2018, the net value of the right of use to be recognized is around €15.5 million and the discounted lease commitment presented in liabilities is €16 million. The impact on reserves would not be significant.

9.4. Other commitments

Mortgage commitments

The Group has no mortgage over its assets.

Complex commitments

The Group had not entered into any complex commitments as at December 31, 2018.

10. Other information

10.1. Income tax and other taxes

Principles and methods of recognition of duties and 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.

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.

Reconciliation of recorded tax and theoretical tax

	2018	2017
Net income of companies before tax	-8,040	125,012
Current tax rate applicable to the parent company	28.00%	33.33%
Theoretical tax	**2,251**	**-41,671**
Reduced tax rate differentials	-	-
Effect of change in rates on temporary differences	13	-40
Tax rate differentials between France and abroad	-180	-43
Share of net income of associates	-	2,747
Permanent differences	-260	-143
Long-term gains on disposals of consolidated shares	-26	37,084
Change in unrecognized tax loss carryforwards	-4,548	-2,262
Tax consolidation	576	1,061
Tax credits in operating income[1]	1,372	838
Income tax without base and tax credits	198	383
Effective tax benefit (expense)	**-604**	**-2,046**
Effective tax rate	-7.51%	1.64%

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

Breakdown of the tax expense or benefit

	2018	2017
Current income tax	-865	-1,524
Deferred tax	261	-522
TOTAL TAXES	**-604**	**-2,046**

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, Mitzé Editions SARL and Gaumont Production Animation 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€576 for the year.

Deferred tax

The rate used to calculate deferred tax is as follows:

	2018	2017
Standard tax rate for French companies	28.00%	33.33%
Tax rate for companies based in Germany	20.50%	20.50%
Tax rate for companies based in the United Kingdom	19.00%	20.00%
Tax rate for companies based in The United States	28.00%	28.00%

The tax rate used for the assessment of deferred tax of French entities at December 31, 2018, 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:

	12.31.18	EFFECT ON COMPREHENSIVE INCOME	OTHER CHANGES(1)	12.31.17
Deferred tax assets	2,835	1,225	-994	2,604
Deferred tax liabilities	-2,383	-1,177	1,087	-2,293
NET DEFERRED TAX	**452**	**48**	**93**	**311**

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

The origin of the net deferred tax is presented below.

	12.31.18	EFFECT ON COMPREHENSIVE INCOME	OTHER CHANGES(1)	12.31.17
Recognized unused tax losses	11,040	-6,442	81	17,401
Fair value of films	-1,576	653	329	-2,558
Fair value of land and buildings	-5,205	97	-	-5,302
Accelerated amortization of films	-4,884	996	82	-5,962
Other temporary differences	1,077	4,744	-399	-3,268
NET DEFERRED TAX	**452**	**48**	**93**	**311**

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

At December 31, 2018, 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€69,505.

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, 2018, recognized consolidated tax losses were k€39,874, compared with k€48,370 at the end of 2017.

A total of k€1,194 in individual tax loss carryforwards related to reporting periods prior to tax consolidation were also recognized at December 31, 2018 for companies in the scope of tax consolidation.

At December 31, 2018, net deferred tax assets of European companies and French companies outside the scope of tax consolidation stood at k€1,464.

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, 2018, the losses recognized for the American companies total k$2, 244, compared with k$16,610 at the end of 2017.

Income tax on other comprehensive income

OTHER COMPREHENSIVE INCOME	2018 GROSS AMOUNT	2018 TAX EFFECT	2018 CARRYING VALUE	2017 GROSS AMOUNT	2017 TAX EFFECT	2017 CARRYING VALUE
Translation adjustments of foreign operations	-830	-	-830	454	-	454
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	-
Changes in fair value of hedging financial instruments	564	-161	403	-1,965	589	-1,376
Changes in asset revaluation surplus	-	-	-	-	-	-
Actuarial gains (losses) on defined benefit plans	80	-52	28	304	-101	203
Share in other comprehensive income of associates	9	-	9	-60	-	-60
TOTAL	**-177**	**-213**	**-390**	**-1,267**	**488**	**-779**

10.2. Investments in associates

Investments in associates

COMPANY	12.31.18	12.31.17
Lincoln Cinema Associates (USA)	-	423
La Boétie Films (e.g. LGM)	-	-44
Gross value	-	**379**
Accumulated impairment losses	-	-
CARRYING VALUE	**-**	**379**

In 2018, Gaumont disposed of its equity interests in Lincoln Cinéma Associates (in the United States) and La Boétie Films SAS (in France).

Share of net income of associates

COMPANY	2018	2017
Les Cinémas Pathé Gaumont	-	8,361
Lincoln Cinema Associates (USA)	-431	-28
La Boétie Films (e.g. LGM)	44	-92
SHARE OF NET INCOME OF ASSOCIATES	**-387**	**8,241**

Les Cinémas Pathé Gaumont 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.

In 2018, the share of net income of equity-accounted companies represents the net income from deconsolidation of those associates.

10.3. Statutory auditors' fees

The fees of the statutory auditors and members of their network paid by the Group in 2017 and 2018 are as follows:

	TOTAL				ADVOLIS				EY			
	2018		2017		2018		2017		2018		2017	
	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	Amount	%	AMOUNT	%
Auditing												
Certification and review of separate and consolidated financial statements												
• Issuer	230		225		81		82		149		143	
• Consolidated subsidiaries	151		159		-		7		151		152	
Related services												
• Issuer	-		8				8				-	
• Consolidated subsidiaries	-		-				-				-	
TOTAL	**381**	**100%**	**392**	**100%**	**81**	**100%**	**97**	**100%**	**300**	**100%**	**295**	**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.

10.4. Subsequent events

No significant events occurred between the year-end and the approval of the financial statements by Gaumont's Board of directors.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2018

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, 2018.

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 our opinion

Audit principles

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, 2018 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.

Observation

Without qualifying our opinion, we draw your attention to the matter set out in notes 1.2 "Presentation of the consolidated financial statements" and 3.2 "Revenue" to the consolidated financial statements regarding the impacts of the application of the standard IFRS 15 "Revenue from contracts with customers" from January 1, 2018.

Justification of our assessment - Key audit points

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. We do not provide a separate opinion on specific items of the consolidated financial statements.

Assessment of the value of films and audiovisual rights (note 4.1 to the consolidated financial statements)

Risk identified	Notes 2.6 and 3.2 to the consolidated financial statements Feature films and animations, as well as audiovisual series produced or distributed by the Gaumont group are fixed assets whose net amount totals €124.5 million in the consolidated financial statements of the Gaumont group at December 31, 2018. 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. 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. 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. Consequently, the estimates of future economic benefits, that are subject to regular updates, influence the valuation of the films and audiovisual rights. This is why we have considered these estimates as a key point of our audit.
Our response	Our audit approach is intended to verify that the use of these estimates does not lead to a situation of over-or underestimation of the net carrying amount of the films and audiovisual rights. Our work consisted in: • 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; • verifying, on a test basis, the details of calculations of estimates of future economic benefits of films/series; • assessing the relevance of the information provided in the notes.

Recognition of revenue

Risk identified	As mentioned in note 3.2 to the consolidated financial statements, the Group's revenue is primarily generated by the licences and distribution royalties. The diversity of the distribution channels, the rights opening 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. We have therefore considered compliance with the criteria for the recognition of revenue from license and royalties, except for revenue from the release in theaters, as a key point of our audit.
Our response	Our work consisted in: • 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, and assessing the criteria used for the recognition of revenue from those contracts; • testing, using a sampling method, the reality and completeness of the revenue recognized with reference to the contracts or external documents, and the recovery of trade receivables; • analyzing the evolution of revenue compared with the previous year-end; • test the correct attachment of the revenue to the period on a sample of sales recognized on the previous and following period of the closing; • examinate the reconciliation of auxiliary accounts with the overall balance; • verifying manual book entries, using a sample of them; • assessing the relevance of the information provided in the notes particularly in regard with IFRS 15.

Specific verification

We have also performed the specific verifications of the disclosures pertaining to the Group, as required by French laws and regulations and in accordance with professional standards applicable in France.

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 have been appointed statutory auditors de la société Gaumont by your General meeting of May 2, 2005 for the firm ADVOLIS and May 3, 2011 for the firm ERNST & YOUNG et Autres.

At December 31, 2018, the firm ADVOLIS was in its 14th year of uninterrupted engagement and the firm ERNST & YOUNG et Autres in its 8th year. Previously, the firm ERNSY & YOUNG Audit was statutory auditors since 1988.

Responsibilities of management and persons 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 ability of de la société 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 la société or to cease operations.

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;
- 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) No. 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 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, April 2, 2019

The statutory auditors

ADVOLIS	ERNST & YOUNG et Autres
Hugues de Noray	Christine Vitrac

3 INFORMATION ON CORPORATE OFFICERS

OPERATING BOARD MEMBERS

Missions and duties exercised in all companies during the year ended by each corporate officer

Nicolas Seydoux

Born on July 16, 1939

French national

Number of Gaumont shares held at December 31, 2018: 526

Voting rights at December 31, 2018: 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 Pathé Gaumont 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 2018)
- **Chairman** of Gaumont Distribution Inc. (United States) (until December 2018)
- **Chairman** of the Forum d'Avignon association (until October 2014)

Sidonie Dumas

Born on April 28, 1967

French national

Number of Gaumont shares held at December 31, 2018: 1,165

Voting rights at December 31, 2018: 2,330

Business address

30 avenue Charles de Gaulle

92200 Neuilly-sur-Seine

France

Biography

After studying law, Sidonie Dumas swiftly embarked on a career in movies alongside Luc Besson.

In 2010, she was appointed Chief Executive Officer of Gaumont. The company, which celebrated its 120th anniversary in 2015, is the oldest film production company in the world.

From *Don Giovanni* (Joseph Losey) to *Monsieur Gangster* (Georges Lautner), not to mention *Fantomas* (André Hunnebelle), *The Dinner Game* (Francis Veber), *The Fifth Element* (Luc Besson), and countless other blockbusters, the company has been entertaining millions of viewers worldwide for decades.

Since her arrival at the helm of Gaumont, Sidonie Dumas has carried on the legacy preservation policy by systematically restoring films from the catalog, which now includes more that 1,200 titles.

Pursuing the eclectic editorial line that defines the Gaumont brand, Sidonie Dumas has produced numerous box-office hits, including *Untouchable*, directed by Olivier Nakache and Eric Toledano and starring Omar Sy, winner of the César Award for Best Actor in 2012. It has alone brought together over 50 million viewers worldwide, becoming not only Gaumont's biggest hit, but also becoming the second largest French blockbuster of all time.

Gaumont has received numerous other awards for its films, including *Me Myself and Mum*, directed by Guillaume Gallienne in 2015, or more recently *See You Up There*, directed by Albert Dupontel, which won five César Awards, including Best Director for Albert Dupontel.

Today, Sidonie Dumas continues to produce box-office hits such as *C'est la Vie !,* directed by Eric Toledano and Olivier Nakache, and *Rolling to You,* directed by Franck Dubosc.

She has also enjoyed international success with *Ballerina*, directed by Eric Summer and Eric Warin. This Franco-Canadian animated film sold 1.8 million tickets in France and generated $65 million at the global box office.

For the past eight years Sidonie Dumas has been overseeing Gaumont's return to television production, creating subsidiaries in the United States, Germany and the United Kingdom.

Under her watch, the company has gained widespread international recognition for the hit series *Narcos*, currently in its fifth season.

Through Gaumont and its teams, Sidonie Dumas strives to develop an art form for which it has always been and still is one of the most ardent promoters.

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 SA

- **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 and Gaumont Animation SAS
- **Chairwoman and Member of the Management committee** of Gaumont Pathé Archives SAS
- **Board member and Chairwoman** of Gaumont USA Inc. (United States)
- **Board member and Chief Executive Officer** of Gaumont Television USA Llc. (United States)
- **Director and Chief Executive Officer** of Gaumont Ltd (United Kingdom)
- **Chief Executive Officer** of Gaumont Animation USA Llc. (United States), Gaumont Films USA Llc. (United States) and Gaumont Distribution TV Llc. (United States)
- **Manager** of Editions La Marguerite SARL, Gaumont Animation Musique SARL, Gaumont Musiques SARL, Gaumont Production SARL, Gaumont Production Animation SARL, Gaumont Production Télévision SARL and Mitzé Editions SARL

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 Neuflize OBC SA
- **Board member** of Havas SA
- **Board member** of the Forum des Images association
- **Representative of Gaumont, Member of the Board of Trustees** of the Academy Museum of Motion Pictures (United States) (since October 2018)

Functions and offices ceased within the last five years

- **Chairwoman** of Mitzé Films SAS (until May 2018)
- **Manager** of Prestations et Services SARL (until May 2016), DD Catalogue SARL (from February to May 2018), Fideline Films SARL (until May 2018) and Nouvelles Editions de Films (until May 2018)
- **Chairwoman** of the Bureau de liaison des industries cinématographiques (BLIC) (from January 2017 to January 2018)
- **Chairwoman** of Gaumont Inc. (United States) (until December 2018) and Gaumont Distribution Inc. (United States) (until December 2018)
- **Permanent representative of Gaumont, Member of the Management committee** of Les Cinémas Gaumont Pathé SAS (until May 2017)
- **Chairwoman of the Board** of directors of Gaumont Animation SA (until May 2015)

Antoine Gallimard

Born on 19, 1947

French national

Number of Gaumont shares held at December 31, 2018: 400

Voting rights at December 31, 2018: 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.

Chief Executive Officer of Éditions Gallimard (1981), and since 1988, Chairman and Chief Executive Officer.

Chairman of the Syndicat national de l'édition (2010-2012) and since 2012, Vice-Chairman.

Since 2012, Chairman of the association of "Petits Champions de la Lecture", set up by 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, 2018: 10

Voting rights at December 31, 2018: 10

Business address

1 rue Euler

75008 Paris

France

Biography

Manager and director of companies in Paris. Graduate of the Paris Institut d'études politiques (IEP, 1991) and has an MBA from INSEAD (June 2000). She began her career at Lazard Frères in Paris (1992) and New York (1993), before moving to JP Morgan in London (1996) and then Apax Ventures & Co, a London-based investment fund (1997). Partner at Madison Dearborn Partners (2000). Head of M&A at the Publicis Group in Paris (2002-2006). Head of development at the Areva group (2007) and then Deputy Chief Executive Officer of Technicatome, a subsidiary of Areva (2009-2013).

Since 2013, Chairwoman of Apremont Conseil, a strategy and M&A consultancy. From 2015 to 2018, Member of the Board of directors of Telecom Italia and its Risk control committee. Since 2018, Member of the Board of directors of the Paris Museum of modern art and of the scientific committee of Dialogues franco-italiens pour l'Europe.

Author of two novels, *Un Héros* (Éd. Grasset, 2012) and *Gratis* (Éd. Gallimard, 2015), and one essay, *La France Retrouvée* (Éd. 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**

Other functions and offices held in the Group

None

Other functions and offices held outside the Group

- **Chairwoman and CEO** of Apremont Conseil SAS
- **Director** of Friends of the Paris Museum of modern art

Functions and offices ceased within the last five years

- **Member of the Board of directors** of Telecom Italia SpA (until 2018)
- **Member of the Risk and control committee** of Telecom Italia SpA (until 2018)

Michel Seydoux

Born September 11, 1947

French national

Number of Gaumont shares held at December 31, 2018: 580

Voting rights at December 31, 2018: 1,160

Business address

19 rue de la Trémoille

75008 Paris

France

Biography

Assistant to the Chairman of the Central Organization for Camps and Youth Activities (OCCAJ) (1968-1970). Since 1971, founder and Manager of the company Caméra One. Former Chairman of Air Littoral Holding. Chairman of Losc Lille football club (2002-2017).

Since July 2002, Member of the Management board of Pathé SAS

Producer or co-producer of numerous films, including: *F as in Fairbanks*, directed by Maurice Dugowson (1976), *Don Giovanni,* directed by Joseph Losey (1979), *Hotel de France,* directed by Patrice Chéreau (1987), *Cyrano de Bergerac*, directed by Jean-Paul Rappeneau (1990), *Urga,* directed by Nikita Mikhalkov (1991), *Prospero's Books*, directed by Peter Greenaway (1991), *Toxic Affair*, directed by Philomène Esposito (1993), *Smoking* and *No Smoking,* directed by Alain Resnais (1993), *Anna: from Six till Eighteen* and *Burnt by the Sun*, directed by Nikita Mikhalkov (1994), *Same Old Song,* directed by Alain Resnais (1997), *The Barber of Siberia,* directed by Nikita Mikhalkov (1999), *Rene,* directed by Alain Cavalier (2002), *The Filmmaker,* directed by Alain Cavalier (2005), *Ambitious,* directed by Catherine Corsini (2006), *Leaving,* directed by Catherine Corsini (2008), *Irene*, directed by Alain Cavalier (2008), *Pater*, directed by Alain Cavalier (2011), *The Dance of Reality*, directed by Alejandro Jodorowsky (2013), *Le Paradis*, directed by Alain Cavalier (2014), *Le Caravage*, directed by Alain Cavalier (2015), *The Sense of Wonder,* directed by Eric Besnard (2015), *With Open Arms,* directed by Philippe de Chauveron (2016), and *Six Portraits XL* directed by Alain Cavalier (2017).

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 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

- **Chairman** of MSI SAS, Citadelle Invest SAS, Les Cabrettes SAS and Socle SAS
- **Member of the Management board** of Pathé SAS
- **Manager** of Camera One SARL, FMS SNC and La Serdinière SARL
- **Managing Partner** of Liberté 25 Citadelle SC

Functions and offices ceased within the last five years

- **Manager** of JSI SC (until March 2018)
- **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)
- **Representative of MSI SAS, Managing Partner** of MSEB et Cie SNC (until December 2014)

Pénélope Seydoux

Born on May 25, 1966

French national

Number of Gaumont shares held at December 31, 2018: 530

Voting rights at December 31, 2018: 1060

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, 2018: 123

Voting rights at December 31, 2018: 217

Business address

10 rue de l'Arche

92400 Courbevoie

France

Biography

Graduate of the École Polythechnique and École Nationale d'Administration (ENA). Inspector of Finances (1971), Seminar Director at the Institut d'Etudes Politiques (IEP) Paris (1972-1974), then Mission Head at the Department for External Economic Relations (DREE) (1976-1978). Deputy to the General director of energy and raw materials at the Ministry for Industry (1978-1979) then Deputy Director of the Cabinet to André Giraud (Minister of Industry) (1980-1981). Chief Financial Officer of Havas (1982-1983), before becoming Chief Executive Officer (1983-1987). Chief Executive Officer of Canal+ (1984-1986), and later Advisor to the Chairman of Canal+ (1987-1989). Chief Executive Officer of the Company for the study and exploitation of satellite television (SEETS) (1987-1989), before becoming Chief Executive Officer of Canal+ International (1989-1993), and then Chief Executive Officer and Head of development at Canal+ (1993-1995). Chief Executive Officer of the National Center for Cinematography (CNC) (1995-1999). Chairman of the Audiovisual and Telecommunications Institute in Europe (IDATE) (1998-2000). Chairman of France Télévisions then of France Télévisions group (1999-2005).

Since January 2006, various roles in Netgem SA's electronic media subsidiaries (Netgem Media Services, Glowria and Videofutur). Since November 2016, Advisor to the Chairman of Vitis, a 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, Fondation de France SAS, Aquaboulevard SAS and the group Antenne Réunion
- **Non-voting Board member** on the Board of directors of Groupe Rousselet SAS (ex-G7) 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) and the association Idate (until 2014)

Jean Todt

Born on February 25, 1946

French national

Number of Gaumont shares held at December 31, 2018: 500

Voting rights at December 31, 2018: 1,000

Business address

2 rue des Granges

1204 Geneva

Switzerland

Biography

Rally co-driver (1966-1981). Head of motor racing for Peugeot (1982) and founder of Peugeot Talbot Sport. Head of sport at PSA Peugeot-Citroën (1990). Ferrari (Fiat group company): Head of motor sport management at Ferrari and Maserati (1993), Member of the Board of directors (2001), Chief Executive Officer (2004), then Deputy board member (2006). President of the Fédération internationale de l'automobile (FIA) (2009-2017). Since 2015, Special Envoy for Road Safety of the United Nations Secretary-General.

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)
- **Member of the Board of Trustees** of the FIA Foundation for the Automobile and Society
- **Member of the Board** of the Ban Ki-moon Centre for Global Citizens (since 2018)
- **Vice-Chairman** of the Institut du cerveau et de la moelle épinière (ICM)
- **Member of the Board of directors** of Groupe Lucien Barrière SAS and Edmond de Rothschild SA (formerly Compagnie financière Saint-Honoré)

Functions and offices ceased within the last five years

- **Chairman** of eSafety Aware (FIA) (until 2018)
- **Chairman of the Board of directors** of the SUU Foundation (until 2018)
- **Member of the Board of directors o**f the Société des Amis du Musée d'Art Moderne de la Ville de Paris and of the International Peace Institute (IPI) (until 2018)
- **Member of the Advisory board** of Sotheby's International (until 2018)
- **Member of the Advisory board** of Hangar Bicocca (Italy) (until 2014)

Missions and duties exercised in all companies during the year ended by each non-voting Board member

Thierry Dassault

Born on March 26, 1957

French national

Number of Gaumont shares held at December 31, 2018: 0

Voting rights at December 31, 2018: 0

Business address

9 rond-point des Champs-Élysées – Marcel Dassault

75008 Paris

France

Biography

Head of civil equipment for the company Electronique Serge Dassault in Brazil (1979-1981), Chief Executive Officer of an alarm systems company (1982-1984), Associate producer and Director of advertising and institutional films at Claude Delon Productions (1985-1993). Chairman of Dassault Multimédia (1994-2006). Since 2004, Chairman of IDnomic.

At the end of 2006, founder of TDH, a company specializing in investments in emerging technologies and niche sectors.

Deputy CEO of Groupe Industriel Marcel Dassault (GIMD) and 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.

Member of YouScribe's Strategy committee.

Chairman of the 58th National Session of the Institute of Higher National Defense Studies (IHEDN) and Colonel in the French Air Force Reserve.

Vice-Chairman of Fondation du Rein and 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** until May 16, 2018

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
- **Board member** of Dassault Médias SA (formerly Socpresse), Dassault Belgique Aviation SA (Belgium), Société du Figaro SAS, Artcurial SA and Gstaad Palace SA
- **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 (until May 2017)
- **Member of the Supervisory board** of Bluwan SA (until October 2015)
- **Non-voting Board member** of 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, 2018: 45

Voting rights at December 31, 2018: 90

Business address

191 rue de l'Université

75007 Paris

France

Biography

Graduate of the Paris Institut d'Etudes Politiques (IEP) and bachelor's in law. Financial analyst at Neuflize Bank, Schlumberger and Mallet (NSM) (1967-1969). Head of Advertising at Publicis-Conseil (1970), Head of Group (1971-1972), then Group Director (1973-1974). Deputy Director and International Coordinator of the Publicis-Intermarco-Farner Group (1975-1979). Chief Executive Officer of the McCormick Publicis agency in London (1980-1982). Director of Publicis-Conseil (1982-1988). Vice-Chairman of Publicis FCB Communication, later Publicis Communication (1988-2008). Member of the Publicis Group's Executive Board (1999-2008). Since 2008, Manager of Bertrand Siguier et Associés.

Family ties with another Board member

None

Functions and offices held in Gaumont SA

- **Non-voting Board member** until May 16, 2018

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), Beacon Communications K.K. (Japan), Publicis Yorum (Turkey), Publicis Bold (Turkey) and Publicis Zone (Turkey)

Functions and offices ceased within the last five years

- **Board member and Member of the Audit committee** of Gaumont (until May 2017)
- **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:

			2018		2017	
(in euros)	TITLE	COMPENSATION[1]	AMOUNTS PAID[2][3]	POSTED AMOUNTS	AMOUNTS PAID[2]	POSTED AMOUNTS
Nicolas Seydoux	Chairman of the Board of directors	Fixed compensation	750,000	750,000	450,000	450,000
		Variable compensation[4]	-	-	412,684	-
		Directors' fees	-	-	51,765	-
	TOTAL		**750,000**	**750,000**	**914,449**	**450,000**
Sidonie Dumas	Chief Executive Officer	Fixed compensation	750,000	750,000	450,000	450,000
		Exceptional premium	-	-	-	-
		Variable compensation[4]	-	-	412,684	-
		Allocation of stock options	-	-	-	-
	Board member, Vice Chairwoman	Directors' fees	-	-	41,765	-
	TOTAL		**750,000**	**750,000**	**904,449**	**450,000**

(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 2018 are submitted to the vote of the General meeting of shareholders of May 7, 2019.
(4) The basis for calculating the variable compensation is comprised of the consolidated net income Group share, after income tax, excluding exceptional items.

Detailed information on the granting, exercise and exercisable balances of stock option plans for managing corporate officers is presented in the report of the Board of directors on stock option plans and in the section on changes in the share capital of Gaumont SA.

Managing corporate officers do not receive any free shares or performance shares.

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	2018 AMOUNTS PAID(1)	2018 POSTED AMOUNTS	2017 AMOUNTS PAID(1)	2017 POSTED AMOUNTS
Antoine Gallimard	Board member	Directors' fees	62,857	60,000	51,765	62,857
Félicité Herzog	Board member	Directors' fees	62,857	60,000	35,882	62,857
Michel Seydoux	Board member	Directors' fees	62,857	60,000	51,765	62,857
Pénélope Seydoux	Board member	Directors' fees	58,285	60,000	48,824	58,286
Marc Tessier	Board member	Directors' fees	72,857	70,000	51,765	72,857
Jean Todt	Board member	Directors' fees	48,285	50,000	38,824	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.

The total amount of directors' fees granted in 2018 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	2018 AMOUNTS PAID(1)	2018 POSTED AMOUNTS	2017 AMOUNTS PAID(1)	2017 POSTED AMOUNTS
Thierry Dassault	Non-voting Board member(2)	Directors' fees	43,714	50,000	35,882	43,714
Bertrand Siguier	Non-voting Board member(2)	Directors' fees	48,285	50,000	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.
(2) Thierry Dassault and Bertrand Siguier were appointed non-voting Board members on May 16, 2017. Their term of office expired on May 16, 2018.

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 Middlenext 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 2018, no share purchase or subscription options were granted to executive corporate officers of Gaumont SA or any of its subsidiaries.

During 2018, Sidonie Dumas did not exercise any options.

Free and performance share grant programs

The Group shall not grant any free shares or performance shares in favor of the corporate officers.

4

SHARE CAPITAL AND SHAREHOLDERS

SHAREHOLDERS

Shareholders holding over 5% of voting rights and treasury shares

Change in shareholding over the last three years

	12.31.18				12.31.17				12.31.16			
	BREAKDOWN OF CAPITAL		BREAKDOWN OF VOTING RIGHTS		BREAKDOWN OF CAPITAL		BREAKDOWN OF VOTING RIGHTS		BREAKDOWN OF CAPITAL		BREAKDOWN OF VOTING RIGHTS	
SHAREHOLDERS	*Number*	*%*	*Number*	*%*	*Number*	*%*	*Number*	*%*	*Number*	*%*	*Number*	*%*
Ciné Par[(1)]	2,798,628	89.70	5,563,256	94.27	2,798,628	89.71	5,528,030	94.24	2,764,628	64.59	5,288,800	70.84
First Eagle Investment Management LLC (USA)[(2)]	-	-	-	-	-	-	-	-	508,037	11.87	508,037	6.81
Bolloré[(2)]	-	-	-	-	-	-	-	-	408,852	9.55	817,704	10.95
Groupe Industriel Marcel Dassault[(2)]	-	-	-	-	-	-	-	-	232,670	5.44	465,340	6.23
Public	316,446	10.14	338,229	5.73	316,410	10.14	338,101	5.76	360,878	8.43	385,469	5.16
Shares held by Gaumont SA	4,849	0.16	-	-	4,685	0.15	-	-	5,204	0.12	-	-
TOTAL	**3,119,923**	**100.00**	**5,901,485**	**100.00**	**3,119,723**	**100.00**	**5,866,131**	**100.00**	**4,280,269**	**100.00**	**7,465,350**	**100.00**

(1) Since October 2, 2017, Ms. Sidonie Dumas has control of Ciné Par, up to that time held by Mr. Nicolas Seydoux
(2) Shares tendered on July 5 and 6, 2017 to the OPRA (public share buyback offer) of Gaumont approved by the Combined General Meeting 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, 2018, the number of registered shareholders was 77.

At December 31, 2018, Gaumont held 4,849 treasury shares: including 4,649 shares with a par value of €8 under its liquidity contract and 200 registered shares, representing a total investment of k€257. These shares constituted 0.16% 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

As part of the public share buyback offer (OPRA) initiated by Gaumont concerning 1,657,313 of its own shares approved by the General meeting on May 16, 2017:

- on July 5, 2017, the company Bolloré tendered the 408,852 Gaumont shares registered in its name;
- on July 6, 2017, the fund managed by First Eagle Investment Management tendered the 503,091 Gaumont shares registered in its name as well as its bearer shares;
- on July 6, 2017, the Groupe Industriel Marcel Dassault tendered the 232,670 Gaumont 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, through the company Ciné Par which she acquired control of on the same date.

On June 22, 2018, Ciné Par received double voting rights for the 35,226 Gaumont shares registered in its name since June 2015.

Breaching of shareholding thresholds

In letters dated January 13, 2016, Ciné Par disclosed to the AMF and to Gaumont that it exceeded the legal threshold of two thirds 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 notice dated 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 buyback 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.

To Gaumont's knowledge, no thresholds were crossed in 2018 or at the date of this report.

Trading in Gaumont's own shares

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, 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.

At December 31, 2018, resources allocated to this contract included 4,649 treasury shares and k€16 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.

In addition, at December 31, 2018, Gaumont held 200 registered shares.

In 2018, Gaumont carried out the following transactions in its own shares:

	2018	2017
Number of shares purchased	200	1,042
Average purchase price	€56.26	€56.29
Number of shares sold	36	1,561
Average sale price	€138.38	€46.15
Trading fees	-	-
Number of shares held on December 31	4,849	4,685
Value of shares held on December 31	€257,519	€248,019
Percentage of capital held on December 31	0.16%	0.15%
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 capital and 0.13% of the company's voting rights as of December 31, 2018.

Trading in the company's shares by executive officers and directors

No trading in shares of the company was carried out by Gaumont's executive officers in 2018.

Employee shareholders

To Gaumont's knowledge, none of its employees held shares at December 31, 2018.

To Gaumont's knowledge, there is 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:

		DIVIDENDS PAID FOR THE PERIOD *(in euros)*		
YEARS	NUMBER OF SHARES PAID[1]	NET	TAX ASSET	TOTAL
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
2017	3,115,047	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 share capital and 94.27% of the voting rights at December 31, 2018.

At the date of this report, the presence of independent members on the company's Board of directors (four out of the eight Board members) and the fact that certain decisions are submitted to the Board of directors for prior approval, ensure that the control of the company is lawfully exercised. 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 and representing 88.61% of the share capital and 93.69% of the voting rights of the company at December 31, 2018.

As of December 31, 2018, 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
Contractual term of the agreement	October 2, 2017 to October 2, 2019
Terms of renewal	-
Percentage of the share capital covered by the shareholders' agreement at the signature date of that agreement	88.61%
Percentage of voting rights covered by the shareholders' agreement on the signature date of that agreement	93.69%
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, no Gaumont shares were pledged as collateral as of December 31, 2018.

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 bylaws do not place any conditions or restrictions on such transactions.

Gaumont agreements with a specific change of control clause

To Gaumont's knowledge, the material agreements that are amended or that terminate in the event of a 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 bond for a total of k€60,000, maturing on November 14, 2021 and November 14, 2024;
- memorandum of investment reached with Entourage Pictures, for the financing of French-language films produced or co-produced by Gaumont, signed on July 19, 2016 with a completion date of January 6, 2017, for a period of five years.

INFORMATION ON SHARE CAPITAL

Changes in Gaumont SA's share capital other the last three years

At December 31, 2018, the share capital of Gaumont was €24,959,384. It is comprised of 3,119,923 shares, each with a par value of €8, all fully paid up and of the same category.

In all, there were 5,901,485 voting rights attached to shares, including 2,781,562 shares with double voting rights.

Gaumont had not issued any securities other than equity securities.

Potential capital

At December 31, 2018, 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 13,800 shares as of December 31, 2018.

The following table shows the effects on capital and earnings per share of exercising all the options that are dilutive.

	2018	2017
Average number of shares	3,119,876	3,788,735
Consolidated net income attributable to owners of the parent *(in thousands of euros)*	-8,771	123,044
Net income per share *(in euros)*	**-2.81**	**32.48**
Number of stock options with a dilutive impact	13,800	8,278
Average potential number of shares	3,133,676	3,797,013
Diluted net income per share *(in euros)*	**-2.80**	**32.41**
Percentage of dilution *(in %)*	0.44	0.22

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 receive 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, 2018. 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 12.31.18	46,792	99,333	103,080
Aggregate number of options exercised at 12.31.18	70,755	90,119	101,050
NUMBER OF OPTIONS OUTSTANDING AS 12.31.18	**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).

Number of options held by top ten employees of the company granted the largest number of options

Table 9 of the AMF recommendation No. 2014-14

During 2018, no share purchase or subscription options were granted to employees of Gaumont SA or of its subsidiaries. At January 1, 2018, the ten employees who received the highest number of options no longer held any exercisable stock options.

Delegations of authority granted by the General meeting to the Board of directors to carry out capital transactions

	CURRENT AUTHORIZATIONS				AUTHORIZATIONS PROPOSED TO THE GM OF MAY 7, 2019		
	GM DATE (RESOLUTION NO.)	TERM (EXPIRY DATE)	MAXIMUM AMOUNT OR MAXIMUM CEILING	USE OF THE AUTHORIZATION IN 2018	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	(13)	26 months	k€15,000
By capitalization of reserves, profits or premiums	GM of 03.05.18 (12)	26 months (07.02.20)	k€15,000	Not used			
Reserved to employees of the Group, members of the company savings plan	GM of 05.03.18 (13)	26 months (07.02.20)	200,000 shares	Not used			
Company's purchase of its own shares							
Company's purchase of its own shares[2]	GM of 05.03.18 (9)	18 months (11.02.19)	k€23,398	Used	(10)	18 months	k€23,399
Reduction of share capital by cancellation of treasury shares	GM of 05.03.18 (10)	18 months (11.02.19)	10% of the share capital on the day of the GM	Not used	(12)	18 months	10% of the share capital on the day of the GM
Stock option plans							
Grant of share subscription and/or purchase options[3]	GM of 05.03.18 (11)	38 months (07.02.21)	Legal limit[4]	Used			

(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) For 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 exiting 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 capitalization of reserves, profits or premiums was renewed by the General meeting of May 3, 2018 for a term of 26 months.

At the General meeting of May 7, 2019, a proposal will be made to grant the Board of directors, for a term of 26 months, authority to increase the capital by issuing shares, securities or marketable securities.

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, the General meeting on May 3, 2018 granted, for term of 26 months, 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 3, 2018 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€23,398 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;
- 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 on November 2, 2019, it will be proposed to the General meeting on May 7, 2019 to renew it for a term of 18 months, within the limit of k€23,399, for a maximum price of €75 per share.

Grant of share subscription or purchase options

The General meeting on May 3, 2018 renewed, for a term of 38 months, the authorization given to the Board of directors by the General meeting on May 5, 2015 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.

At December 31, 2018, 23,949 shares could potentially be issued upon the exercise of stock options granted to employees of Gaumont and other affiliated companies.

5 ADDITIONAL INFORMATION

2019 FINANCIAL DISCLOSURE TIMETABLE

Publication of the financial statements

February 21: 2018 full-year results
September 11: 2019 half-year results

General meeting of shareholders

May 7: Combined Ordinary and Extraordinary General meeting called to approve the financial statements for the year ended December 31, 2018

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.

The consolidated financial statements for the year ended December 31, 2018, as presented in this Registration document, were the subject of a statutory auditors' report on pages 90 to 93, which contains the following observation: "Without qualifying our opinion, we draw your attention to the matter set out in notes 1.2 "Presentation of the consolidated financial statements" and 3.2 "Revenue" to the consolidated financial statements regarding the impacts of the application of the standard IFRS 15 "Revenue from contracts with customers" from January 1, 2018."

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 12, 2019

Sidonie Dumas
Chief Executive Officer

Persons responsible for auditing

Statutory auditors

Advolis	Ernst & Young et Autres
• Member of the Compagnie régionale de Paris • Address: 38 avenue de l'Opéra 75002 Paris	• Member of the Compagnie régionale de Versailles • Address: 1-2 place des Saisons 92400 Courbevoie - Paris-La Défense 1
• Represented by Hugues de Noray	• Represented by Christine Vitrac
• First appointment: General meeting of May 2, 2005, taking over from KPMG, formerly RSM Salustro Reydel.	• First appointment: General meeting of May 3, 2011, taking over from Ernst & Young Audit.

Person responsible for financial information

Sami Tritar

Chief Financial Officer

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