



2019

UNIVERSAL REGISTRATION DOCUMENT
ANNUAL REPORT



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(New version of the Reference Document)

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This document is a free translation into English of some contents included in the French Document d'enregistrement universel filed with the AMF (Autorité des marchés financiers, the French financial markets authority) on May 5, 2020.

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MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

What can I say? What can I write on April 22 for shareholders who will, at best, read these considerations on June 16. Everything is happening so fast that what was true yesterday no longer applies today.

The Board of directors approved the financial statements on March 10 in the belief that 2020 would bring a return to profitability. It met again, remotely, six weeks later on April 22 to be informed about substantial losses for this current year.

Today, the world over, movie theaters are closed and the shooting of series and films has stopped.

Globalization, and a balance between shooting for cinema and television seemed to be a good way to balance risk. Today, all production has stopped, wherever you are.

For the last 45 years I have been saying nothing can beat a movie and that shared emotion it can create in a comfortable theater, shut off from outside noise, with high quality sound and vision. It is those people with smiling faces, a tear in their eye, or a look of trepidation or joy, who make movies from *Monsieur Gangster* to *Untouchable* so successful and enviable enough to be shown time and again on TV and streaming platforms, like the 7^e *Compagnie* trilogy. For the first time, in countries where they are still standing, all movie theaters are closed. Today's cinema goers can no longer bring happiness to the TV viewers of tomorrow...

Current circumstances have led to a few more sales from our movie catalog but this will not be enough to cover costs even if some of them, particularly in France, have been reduced.

TV series are paid for on delivery. The availability of some actors, whose schedules were already busy before the crisis, may make a return to shooting very difficult.

Re-opening movie theaters is not as simple as it seems. Once the government has given the go-ahead, they will have to do more than just snap their fingers to find an audience again. There will need to be confidence and also a desire to return to the theaters, which will depend on the program on offer. Although France can be proud that its local production accounts for easily one third of all movie goers, more than half of them go to see American movies. This means that for French movie theaters to return to normal, the United States will have to be virus-free too.

I wish to look beyond 2020 with this dramatic winter in China, anxiety-provoking spring the world over, uncertain summer and complicated winter.

Before, during and after the lockdown, men and women of all ages, in all situations and of all nationalities, with a growing number of screens, are desperate for good stories that are well told, well filmed, well acted and make them laugh, cry or think or offer escapism. If we can give them this and the government clamps down on illegal streaming, our future is secure.

Nicolas SEYDOUX, April 22, 2020.



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

2019 will have been a dreadful year for Gaumont.

We knew that after selling our equity interest in Les Cinémas Pathé Gaumont we would have to consolidate our production and distribution activities and find a balance between cinema and television.

This is proving to be a lengthier and more complex process than we thought but we are working hard to make it happen.

2019 was a very good year for the big screen. For the sixth consecutive year visits to movie theaters exceeded the 200 million mark. More than 213 million people went out to watch films and French films, with a 35% market share, were firm favorites.

Unfortunately Gaumont was not the top provider. Of the 10 films we released only three were truly successful: *J'accuse* directed by Roman Polanski, *La vie scolaire* by Grand Corps Malade and Mehdi Idir and *The Specials* by Eric Toledano and Olivier Nakache.

None of the other film distribution channels, however, performed so well. Regarding distribution abroad, video on demand or television, buyers of our film catalogs are becoming increasingly demanding.

To continue to promote Gaumont's legacy throughout the world, we opened three exhibitions in 2019, two in Mexico – in Mexico City and Morella – and one in Germany, in collaboration with the French Institute in Berlin. These exhibitions were very well received by the public.

Television production on the other hand is growing rapidly in an extremely competitive market.

In Germany, Gaumont produced its first Netflix series, *The Barbarians*, and in the UK, where we have only recently established ourselves, there are many developments underway and season 3 of *Tin Star* for Sky was produced. In France, Gaumont is shooting the *Arsène Lupin* series with Omar Sy for Netflix, in the United States the 5th season of *Narcos* and 4th season of *F is for Family* were delivered to Netflix and a large number of animation deals were closed, the most iconic being Sir Paul McCartney's *High in the Clouds*.

In terms of resale, the series market has changed because the streaming platforms have considerably altered the value chain of the works. Because they are available to subscribers as and when they want them, when the rights become available again the catalogs are less attractive.

2019 was supposed to be a dreadful year we could consign to distant memory.

However, as I write this, France has been locked down for nearly six weeks due to the unprecedented Covid-19 global health crisis. On Saturday March 14, until further notice, the prime minister decided to close all movie theaters in France, along with other public and private places. Then like all industry players Gaumont had to stop all TV and film shoots.

So most of our activities have been at a standstill for six weeks now. Only the catalog films are holding their own with sales continuing. At a time when everyone is home, our catalog is gaining ground, but this won't be enough to take Gaumont into profit this year.

This catastrophic virus has brought much uncertainty, not least our ability to predict when our activities will return to normal. We are not simply waiting to see what happens but we will need help to kick start our business again, even if it is only our insurers covering our shoots for the new enemy, Covid-19.

We are in the business of telling stories and distributing them on different media. We are taking advantage of the current situation to develop projects, and ideas are flowing. The crisis is stimulating creativity and making us more inventive. Human values are again important and new topics will emerge, that is for sure.

We are facing many uncertainties but Gaumont is determined, vigilant and ready for action.

Sidonie DUMAS, April 22, 2020





OVERVIEW OF THE MAIN OPPORTUNITIES AND RISKS

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OUTLOOK AND STRATEGIC DIRECTION

A rapidly-changing market environment and opportunities

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

For global players to continue to gain momentum they must be able to adapt their services to OTT (Over The Top), i.e. literally bypass the telecoms operators, and at the same time purchase works from both local and international producers.

The colossal debt capacity, and thereby investment and technical innovation capacity, of GAFAM (Google, Apple, Facebook, Amazon, Microsoft) and Netflix, to name only a few, and their market shares, is a source of concern not just for us but for governments too.

Alongside these American companies, China is throwing its leaders – BATX (Baidu, Alibaba, Tencent, Xiaomi) – into the ring.

They are delineating the scope of the digital arts and leisure environment by shaping consumer usage: what they want, where they want it and when they want it.

The response of traditional entertainment players to the invasion of these digital giants has led to some historic mergers: AT&T bought Warner Media, Disney bought Century Fox, and NBC-Comcast bought Sky, for instance. In France, Canal + adopted an aggregator strategy and the anticipated launch of Salto by France Télévision, TF1 and M6 is an attempt to compete against the best-known streaming platforms (Netflix, Amazon Prime Video and Disney +) while promoting the creation of local original content.

In these circumstances it is becoming more and more difficult to obtain funding to produce films for movie theaters in France. Although the country has a unique legislative system which marks it apart from its European neighbors, when it comes to investment, the most ambitious high-budget movies are increasingly facing financing difficulties as private and public channels see their investment capacities shrink.

We will have to wait and see whether the Covid-19 epidemic will speed up this change.

Although this seizure of technological and financial power is destabilizing the historic players – primarily movie theaters and the producers of free and paying TV services – it is simultaneously offering growth opportunities for the creators.

A multi-genre local presence based on our core activities: producing and selling

To meet the needs of these new players and usages, Gaumont's strategy will be to strengthen its local presence closest to the creators in France, the US, the UK and Germany.

The main goal will be to bring together talents of today and tomorrow to produce drama works (movies, series, animations) for all our customers and to distribute them directly to the movie theaters or indirectly through TV services and streaming platforms.

Gaumont has a catalog of over one thousand movies and a powerful brand that historically helped tie close links with talents both inside and outside France.

Gaumont believes that its future lies in its ability to adopt an innovative approach to the subjects developed, while continuing to listen to what customers want and respond to the change in the public's consumption habits.

To achieve this, Gaumont has tightened up its organization in France and America and increased its presence in Europe.

In terms of films themselves, in France focus has been set on strengthening ties with talents in order to produce more in-house works, and at the same time fully exploit the creative synergies with the drama production teams.

In America, Germany and France, the audiovisual drama teams are handling a growing number of projects, giving them a firm local footing where necessary but taking advantage of synergies at international level. Gaumont's strategy to offer new purchasers, i.e. the streaming platforms, a plethora of artistic production and to be where they are making the most acquisitions, is increasingly relevant.

This applies particularly to the animation segment which is based in two locations, America and France, where our customers and the technical and creative know-how is to be found.

In this fast-changing environment Gaumont, the world's oldest movie company, is faced with a challenge that is ambitious on both a cultural and social level. To meet this challenge it intends to use its wealth of past experience of all media, both shared and individual, to create programs that will touch hearts, make memories and reinstate social bonds.



IMPACTS OF THE COVID-19 ÉPIDEMIC ON GAUMONT'S ACTIVITY, INCOME AND FINANCIAL RESULTS

Description of the risk and its effects

As in all industries, the businesses in the audiovisual sector are being affected by this unprecedented health crisis. With their work organization and production being upended, they need to strategize in an environment in which some or all of their activities are slowing down or coming to a standstill.

In Gaumont's business segments related to the production and distribution of films and television series, the consequences of the health safety rules and lockdowns are interrupted shootings, costs related to these stoppages, postponed film releases and foreseeable delivery delays for unfinished works. The main risks that production companies need to manage due to project postponements are possible talents unavailability once lockdowns are lifted and cost overruns associated with the resumption of filming and redeployment of teams. Were the delays to last over 2020 yearend, revenue, operating income and to some extent, treasury would be affected up to amounts impossible to measure at this point.

Actions implemented to control and mitigate the effects

Gaumont implemented a business continuity plan to prepare for a gradual resumption of projects or business commitments over time. Tools have been rolled out to enable employees to continue working under proper conditions and to plan meetings or conferences on urgent topics.

Gaumont is making arrangements to continue its trade and sales activities and active project development in anticipation of a possible increase in demand due to shortage of original contents offering. Actions relating to the reorganization of some business areas, contract renegotiation and the relaunch of marketing campaigns are also being considered.



RISK FACTORS

The internal control mechanism put in place is part of a procedure to manage existing risks and to identify, measure and mitigate new risks likely to affect all or part of the Group's business, and their potential impact on the financial statements.

Gaumont reviews these risks and uncertainties when making any organizational changes, during the general revision cycles of its key operating procedures, and whenever particular internal or external events occur or an indicator of the appearance of a new risk is brought to the teams' attention.

The risks described below may affect Gaumont's business and financial position to greater or lesser degrees. Investors are requested to be aware of these prior to making investment decisions.

The major risks to which Gaumont is exposed as part of its current business are broken down into three categories and ranked according to the table below. The risks incurred by the coronavirus pandemic in the first-half of 2020 are discussed separately at the beginning of this section in light of the extraordinary nature of the situation.

RISK CATEGORY	RISK	POTENTIAL EFFECT	PROBABILITY/CHANGE
Industry risk	Market saturation	High	Increase
Industry risk	Continual change of the business model of online streaming platforms	High	Increase
Operating risk	Lack of availability of authors and artists	High	Increase
Operating risk	Risk of damage on the Ambassade building site	High	Low
Risk of disputes	Complexity of the regulations associated with intellectual property rights	High	Low
Industry risk	Change in regulations regarding public grants for the industry	Medium	Increase
Industry risk	Transformation of the audiovisual landscape and consumer habits	Medium	Increase
Operating risk	Financing of investments	Medium	Increase
Operating risk	Business development outside of France	Medium	Increase
Operating risk	Production delays and associated cost overruns	Medium	Stable



Industry risks

Market saturation

Description of the risk and its effects

The audiovisual industry is very competitive and the content offering is continually expanding. In France, more than 700 films are released in movie theaters every year, that is more than two films per day. Globally, the volume of series production, both drama and animated series, is constantly rising.

Confronted with this surge of offerings, broadcasters, main financiers, themselves changing their business model, have the upper hand and are becoming increasingly demanding in the choice of projects and control over production.

To set themselves apart and secure orders, producers are obliged to expand not only their production volume but also financial investments; the development, production and distribution of projects incurring significant costs.

Actions implemented to control and mitigate the effects

Gaumont develops the broadest editorial line possible in such a way as to create a diversified offering that can appeal to a broad audience.

Drawing on its experience in production, Gaumont enacts an ambitious project development policy in each of its business segments, in France, Europe and the United States, and devotes important resources to this policy.

In 2019, investments in projects in development represented a total of €7,220.

Continual change of the business model of online streaming platforms

Description of the risk and its effects

Subscription-based video on demand platforms are proliferating worldwide and investing on a large scale in the purchase of all types of content.

Netflix, a pioneer and leader in this emerging market, developed a model based mainly on an offering of original content, supplementing it with content that can be accessed under license in order to provide subscribers with the most appealing, broadest selection possible.

Confronting the burden of the investments needed to perpetually refresh its original content and with the arrival of new competitors, Netflix regularly adjusts its model. In under 10 years, Netflix shifted from a policy of purchasing rights that was limited to the regions where it operates to a policy of exclusive purchasing, and then zeroed in on a model where it functions as an ordering customer and producers do not retain any rights to the works they make. At the same time, Netflix launched an internal production business, first in the United States in 2018 by purchasing a studio in New Mexico, and then in Europe in 2019 with the opening of a studio in Madrid.

In a market in which the online streaming platforms, due to their investment volume, are now asserting themselves as major financial partners, these successive changes in the model constitute an economic and legal risk for producers, who are required to continually adapt to new working conditions.

While Netflix's competitors are likely to experience similar changes in the coming years, independent producers will probably need to closely reexamine their business model.

Actions implemented to control and mitigate the effects

Amid this endlessly changing environment, Gaumont is expanding its production teams, increasing the number of both film and television projects, and adding to its partners, historical television channels and new actors.

At end-2019, online streaming platforms accounted for 51% of consolidated revenue.

Change in regulations regarding public grants for the industry

Description of the risk and its effects

In most countries, the film and audiovisual industries benefit from favorable tax systems and incentivizing public grants. These grants may take the form of tax credits, reimbursement of certain production or distribution expenses, subsidies, or assistance repayable on the works' proceeds.

In all the countries where Gaumont operates, these tax incentives are widespread. They boost the financing capacity of producers and distributors and help maintain a diversified production activity.

Actions implemented to control and mitigate the effects

Gaumont and its subsidiaries benefit from various financial support for their film and television projects, both inside and outside of France, and this facilitates the financing of works. Nevertheless, Gaumont is careful to give priority to projects that have cost-effective budgets and for which the bulk of the financing is provided by business and financial partners involved in production from the moment the investment decision is made.

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 also participates in all discussions that may take place regarding regulatory changes, particularly through actions carried out with the professional bodies.

Transformation of the audiovisual landscape and consumer habits

Description of the risk and its effects

The audiovisual landscape is witnessing dramatic changes. The proliferation of television channels, the inception of themed channels and then catch-up television, the emergence of connected broadcasting devices and the flourishing of video on demand have altered consumption practices and are forcing traditional networks to drastically rethink their economic model.

Demand for content is now increasingly focused on innovation and immediate availability, and this calls into question the sequenced scheduling of television series and shrinks the market for catalog works. The mushrooming of offerings causes audience dispersion and weakens the impact of advertising campaigns, the main sources of revenue for linear channels. Connected devices and multinational online streaming platforms allow people to consume content from around the world and require adaptation to locally restrictive regulations.



OVERVIEW OF THE MAIN OPPORTUNITIES AND RISKS

RISK FACTORS

These changes simultaneously represent an opportunity and a risk for producers like Gaumont. On the one hand, the market is widening and new purchasers are cropping up, but on the other, competition is intensifying. In addition, broadcasters' demands are heightening and production costs are rising just as the investment capacity of traditional broadcasters is shrinking and protective regulations are being forced to loosen.

As far as distributors are concerned, this is an imposing challenge. Confronted with the race to innovation, dispersed audiences and a reduction in broadcasters' investment capacity, the market for long-term sales of works is contracting, prices are falling and negotiation conditions are stiffening.

Actions implemented to control and mitigate the effects

In all its production activities, Gaumont focuses on continually adapting to changes in demand by positioning itself as a partner of all actors and by investing heavily in new-project development.

As a distributor, Gaumont holds an extensive catalog of feature films in which it invests regularly so as to adapt it to technical standards, and which enables it to supply distributors with a broad, diversified product offering. When it comes to television series, Gaumont continues to expand its catalog while also offering its series-making expertise to video on demand platforms.

Operating risks

Lack of availability of authors and artists

Description of the risk and its effects

The creative process for an audiovisual project starts with an original idea and includes the writing, filming and editing stages until the work is presented to the public. The manufacturing chain for a cinematographic or a television work is lengthy and often complex, involving collaboration among numerous technicians and artists.

Faced with the increase in volume, particularly with the surge of orders from on-demand video platforms, producers are increasingly faced with the lack of availability of authors, actors, graphic designers and other specialized technicians. This situation is forcing producers to resort to often costly measures such as exclusivity contracts or to call on foreign resources. These practices lead to financial risks for producers with no guarantee that projects will be produced, but also legal risks related, for example, to a misunderstanding of the employment and tax regulations applied to foreign residents.

Actions implemented to control and mitigate the effects

In order to guard against the lack of resources, Gaumont resorts occasionally to long exclusivity contracts for leading roles when the budget allows it.

Nevertheless, Gaumont's main strategy remains relying on quality partnerships with talent agencies, and forming and maintaining trustworthy relationships with authors, talents and their agents.

To allow Gaumont to work with participants residing abroad, some subsidiaries have been listed with the principal Anglo-Saxon guilds, and partnerships have been entered into with local companies

specializing in managing authors and performers for production companies. Internal procedures have also been put in place to guarantee the proper administrative management of those particular issues.

Risk of damage on the Ambassade building site

Description of the risk and its effects

For Gaumont, the Ambassade real estate project on the Champs Élysées represents a major challenge from an economic, operational as well as a legal standpoint given its exceptional nature and scale.

Gaumont had to take into account numerous risks of incidents and disputes in terms of this project, for example the damage to neighboring buildings, possible operating losses sustained by adjacent businesses owing to nuisance caused by the project or the risk of accidents for the workers on the site. In addition there are the hazards inherent in any real estate project - construction flaws, faulty work, delays, etc. - and hazards related to commitments made to the lessee.

Actions implemented to control and mitigate the effects

In order to better deal with the risks related to this exceptional project, Gaumont has chosen to delegate the management of the project to widely recognized and established companies in the sector that have adequate resources. Processes involving the monitoring, coordination and validation of decisions and the progress of the project have been put in place with Gaumont's teams.

In terms of security and risk prevention, contractual conditions are imposed on all subcontractors and auditing processes have been established and turned over to a coordinator in security and health protection matters.

Gaumont has also subscribed to insurance policies specific to real estate projects, in particular to cover the civil liability of the project owner and the risks inherent in the project. Moreover, Gaumont has a bank guarantee on the cash advances paid to the general contractor in charge of the project and guarantees from the lessee. These commitments are presented in note 4.3 to the consolidated financial statements.

Financing of investments

Description of the risk and its effects

Developing projects and producing works are costly processes that commit Gaumont and its subsidiaries over several years.

In the case of feature-length films, balancing the funding is generally ensured by the distributor, who rarely breaks even before several years of operation.

In television production, most of the funding contracts call for installments with periodic payments throughout production and beyond the delivery date.

Considering that, to ensure the simultaneous funding of all its activities, Gaumont must quickly mobilize substantial financial resources.

In addition to current operations, Gaumont is involved in major real estate projects requiring heavy investments the returns of which are expected over the long term.



Actions implemented to control and mitigate the effects

To preserve its investment capacity while increasing the number of projects, Gaumont engages in products with variable budgets and diversifies the typology of its productions, alternating among projects produced internally, all-inclusive investments and projects without liquidity advances.

To cover its cash needs, particularly during the production cycle, Gaumont resorts regularly to dedicated bank financing, particularly in the United States, where investments are traditionally quite high.

Within the Finance department, a financing and treasury department ensures that Gaumont always has access to adequate, long-term sources of available cash to enable the business to continue to operate. Cash positions are checked daily and cash flow forecasts are drawn up and reviewed periodically. This department also sets hedging policy to manage the risks inherent in the loans.

The analysis of the financial risks associated with liquidity needs, with changes in interest rates and currency fluctuations is presented in detail in note 7.1 to the consolidated financial statements.

Business development outside of France

Description of the risk and its effects

After developing its television series production business in the United States, Gaumont established a presence in the United Kingdom and Germany two years ago. This phase of development requires massive investments and additional cash needs to develop the series and for fixed establishment fees.

In addition to cash requirements, investments in companies outside the euro zone expose Gaumont to currency fluctuations.

Actions implemented to control and mitigate the effects

Controlling the development expenses of the new activities is ensured by establishing estimated budgets and by controlling the available financing for subsidiaries in development. Financing resources are centralized and cash is supplied monthly based on cash estimates established by the subsidiaries and monitored centrally by the Finance department.

In order to guard against foreign exchange risks related to the development of business abroad, Gaumont has put in place a foreign exchange hedging policy. The analysis of the foreign exchange risk is presented in note 7.1 to the consolidated financial statements. Moreover, in 2018 Gaumont chose to locate part of its financial resources directly in the United States in order to finance its local needs in local currency.

Production delays and associated cost overruns

Description of the risk and its effects

The production business requires Gaumont to face hazards on a permanent basis and to demonstrate a substantial ability to adapt. Numerous events can cause production delays and automatically, an inflation in production costs. In activities where investments are substantial and margins are sometimes uncertain, it is necessary to limit the risks of loss at the outset of the prefinancing phase.

Actions implemented to control and mitigate the effects

Gaumont organizes its production teams around several key specialized positions responsible for ensuring on a permanent basis that projects are carried out smoothly.

Production supervision is handled by a line producer whose role is to monitor the budget of the film, to authorize expenses, to ensure that the filming schedule is respected and to supervise the editing work. The line producer is assisted by a production manager whose role is to ensure that adequate resources are provided for the project and to monitor the execution of the budget. Production controllers are responsible for monitoring the cost 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.

Insurance specific to the production business is subscribed in order to cover in the preparation and production phase the risk of illness or accident affecting the main actors or the director as well as the risk of degradation of the master recording. Completion guarantees can also be subscribed when the context requires it.

Risk of disputes

Complexity of the regulations associated with intellectual property rights

Description of the risk and its effects

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.

Actions implemented to control and mitigate the effects

Management of rights is at the heart of all of Gaumont's activities. In order to ensure respect for regulations at all times and to limit the risk of disputes to the extent possible, lawyers specialized by activity take charge of negotiating and formalizing all contracts for authors as well as production and distribution contracts. The execution of authors' contracts is assigned to teams specializing in calculating royalties or to external partners when justified by the complexity of the contracts.

For monitoring rights and administering sales, Gaumont uses applications for managing and controlling rights in order to guarantee the chain of rights and its catalog.

In the event of a dispute concerning intellectual property rights, Gaumont records provisions to cover its financial risk. These provisions are presented in note 8.1 to the consolidated financial statements.



INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURE

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. 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 is based on the principles and components of the AMF's simplified Reference Framework for small caps and midcaps.

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

When companies are 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 strategies and activities is submitted to the Audit Committee, which delivers an opinion on the work carried out and the general mechanism put in place.

Managing IT risk

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

In particular, Gaumont focuses its IT security policy on protecting its network, safeguarding the company's historical data, filtering email, strengthening protection of workstations, securing telephony and access to the messaging service, deploying new antispam protection, and administering the websites.

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.

Administrators are also responsible for maintaining and upgrading the various tools and applications provided to authorized users. The most important interventions are carried out as part of structured projects, sometimes with the support of specialized consultants.

To train users, Gaumont regularly holds educational sessions for all users on IT security, and every year numerous users undergo training on the tools used to perform their duties.

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

Expenditure workflow and control procedures and fraud risk management

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

BUDGET CONTROL

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

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

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



VALIDATION OF EXPENDITURE

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

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

CONTROL OF PAYMENTS

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.

Gaumont has implemented digital bank signatures in order to align these rules with an IT system that has rights management and is administered by a nonsignatory user who is not involved in managing cash.

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 different 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.



OVERVIEW OF THE MAIN OPPORTUNITIES AND RISKS



CONSOLIDATED FINANCIAL INFORMATION

<u>Consolidated income statement</u>	<u>18</u>	<u>Consolidated statement of cash flows</u>	<u>23</u>
<u>Consolidated statement of comprehensive income</u>	<u>19</u>	<u>Performance and business review</u>	<u>24</u>
<u>Consolidated statement of financial position</u>	<u>20</u>	<u>Notes to the consolidated financial statements</u>	<u>35</u>
<u>Consolidated statement of changes in equity</u>	<u>22</u>	<u>Statutory auditors' report on the consolidated financial statements</u>	<u>87</u>



CONSOLIDATED INCOME STATEMENT

<i>(in thousands of euros)</i>	NOTE	2019	2018
Revenue	3.2	212,137	196,205
Purchases		-1,206	-2,063
Personnel costs	3.3	-33,908	-29,441
Other current operating income and expenses	3.4	-71,397	-49,181
Depreciation, amortization, impairment and provisions		-142,717	-123,369
Current operating income (loss)		-37,091	-7,849
Other non-current operating income and expenses	3.5	107	-24
Operating income (loss)		-36,984	-7,873
Share of net income of associates		-	-387
Operating income after share of net income of associates		-36,984	-8,260
Gross borrowing costs		-7,860	-8,529
Income from cash and cash equivalents		-	38
Net borrowings costs		-7,860	-8,491
Other financial income and expenses	3.6	6,157	8,711
Net income (loss) before tax		-38,687	-8,040
Income tax	9.1	149	-604
NET INCOME		-38,538	-8,644
Share attributable to non-controlling interests		-29	127
Share attributable to the shareholders of the parent company		-38,509	-8,771
Earnings per share attributable to the shareholders of the parent company			
• Average number of shares in circulation	6.1	3,119,876	3,119,876
• <i>In euros per share</i>		-12.34	-2.81
Diluted earnings per share attributable to the shareholders of the parent company			
• Average potential number of shares	6.1	3,119,876	3,133,676
• <i>In euros per share</i>		-12.34	-2.80



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in thousands of euros)</i>	NOTE	2019	2018
Net income		-38,538	-8,644
Translation adjustments of foreign operations		-468	-830
Share in currency adjustments of foreign operations of associates		-	7
Changes in fair value of available-for-sale financial assets		-	-
Changes in fair value of hedging financial instruments	7.2	599	564
Share of changes in fair value of hedging financial instruments of associates		-	-
Income tax on gains and losses recognized directly in equity	9.1	-168	-161
Other elements of comprehensive income that could be reclassified later in net income		-37	-420
Changes in asset revaluation surplus			
Actuarial gains (losses) on defined benefit plans	8.2	-212	80
Share of actuarial gains and losses of associates		-	2
Income tax on gains and losses recognized directly in equity	9.1	53	-52
Other elements of comprehensive income that cannot be reclassified in net income		-159	30
Total of other elements of comprehensive income after taxes		-196	-390
COMPREHENSIVE INCOME FOR THE PERIOD		-38,734	-9,034
Share attributable to non-controlling interests		-29	120
Share attributable to the shareholders of the parent company		-38,705	-9,154



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS <i>(in thousands of euros)</i>	NOTE	12.31.19	12.31.18
Net goodwill	2.4	12,035	12,035
Films and audiovisual rights	4.1	126,401	124,531
Other intangible assets	4.2	182	229
Property, plant and equipment	4.3	72,114	48,588
Investments in associates		-	-
Other financial assets	4.4	179	63,486
Non-current deferred tax assets	9.1	3,881	2,835
Non-current assets		214,792	251,704
Inventories	5.1	358	478
Trade receivables and contract assets	5.2	117,971	98,065
Current income tax assets	5.2	4,990	2,034
Other receivables and current financial assets	5.2	109,068	41,884
Cash and cash equivalents	6.2	85,773	129,831
Current assets		318,160	272,292
TOTAL ASSETS		532,952	523,996



LIABILITIES AND EQUITY <i>(in thousands of euros)</i>	NOTE	12.31.19	12.31.18
Capital		24,959	24,959
Retained earnings and comprehensive income		205,233	247,128
Equity attributable to the shareholders of the parent company		230,192	272,087
Non-controlling interests		-	2,911
Equity	6.1	230,192	274,998
Non-current provisions	8.1	4,519	3,835
Non-current deferred tax liabilities	9.1	3,014	2,383
Non-current borrowings	6.2	120,644	106,245
Other non-current liabilities	5.3	-	6,828
Non-current liabilities		128,177	119,291
Current provisions	8.1	615	1,395
Current borrowings	6.2	12,801	3,530
Trade payables	5.3	21,169	27,311
Current income tax liabilities	5.3	143	19
Other payables	5.3	96,769	64,670
Deferred income and contract liabilities	5.3	43,086	32,782
Current liabilities		174,583	129,707
TOTAL LIABILITIES		532,952	523,996



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY							ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL EQUITY
	NUMBER OF SHARES	CAPITAL	ADDITIONAL PAID-IN CAPITAL ⁽¹⁾	TREASURY SHARES	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME	TOTAL		
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
Net income for the year	-	-	-	-	-38,509	-	-38,509	-29	-38,538
Other comprehensive income	-	-	-	-	-	-196	-196	-	-196
Comprehensive income for the year	-	-	-	-	-38,509	-196	-38,705	-29	-38,734
Capital transactions	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-3,115	-	-3,115	-159	-3,274
Elimination of treasury shares	-	-	-	-	-	-	-	-	-
Other ⁽²⁾	-	-	-	-	-75	-	-75	-2,723	-2,798
As of December 31, 2019	3,119,923	24,959	5,278	-257	181,850	18,362	230,192	-	230,192

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

(2) Mainly the impact of transactions with non-controlling shareholders of GP Archives.



CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in thousands of euros)</i>	NOTE	2019	2018
Operating activities			
Consolidated net income (including non-controlling interests)		-38,538	-8,644
Net allowances for depreciation, amortization, impairment and provisions	4.5	143,322	124,098
Unrealized gains and losses related to changes in fair value	7.2	2,253	2,150
Other calculated income and expenses		-722	-2,235
Gains and losses on disposal of assets		-170	-42
Share of net income of associates		-	387
Cash flow from operating activities after tax and net borrowing costs		106,145	115,714
Net borrowings costs		7,860	8,491
Tax expenses (including deferred tax)	9.1	-149	604
Cash flow from operating activities before tax and net borrowing costs		113,856	124,809
Tax paid		-117	-1,185
Change in working capital requirement related to operating activities	5.5	10,571	-10,189
(A) Net cash flow from operating activities		124,310	113,435
Investment activities			
Proceeds from sales of fixed assets		696	309
Acquisition of fixed assets		-142,751	-99,303
Change in liabilities on investments		-1,624	55,053
Net impact of changes in scope, net of cash acquired		-7,555	-21,772
Change in liabilities and receivables on acquisitions of consolidated securities		-7,248	13,567
(B) Net cash flow from investment activities	4.5	-158,482	-52,146
Financing activities			
Gaumont SA capital increase	6.1	-	11
Dividends paid to Gaumont SA shareholders	6.1	-3,115	-3,115
Repayment of capital to non-controlling shareholders of consolidated companies		-2,279	-
Dividends paid to non-controlling interests in consolidated companies		-159	-99
Change in treasury shares		-	-6
Change in borrowings	6.2	5,415	-5,386
Interest paid on borrowings		-7,484	-7,166
Operating and finance lease payments and related interest		-2,599	-
(C) Net cash flow from financing operations		-10,221	-15,761
(D) Impact of changes in foreign exchange rates		258	483
NET CHANGE IN CASH & CASH EQUIVALENTS: (A) + (B) + (C) + (D)		-44,135	46,011
Cash and cash equivalents at beginning of period		129,831	84,190
Bank overdraft at beginning of period		-72	-442
Cash position at beginning of period		129,759	83,748
Cash and cash equivalents at end of period		85,773	129,831
Bank overdraft at end of period		-149	-72
Cash position at end of period	6.2	85,624	129,759
NET CHANGE IN CASH & CASH EQUIVALENTS		-44,135	46,011

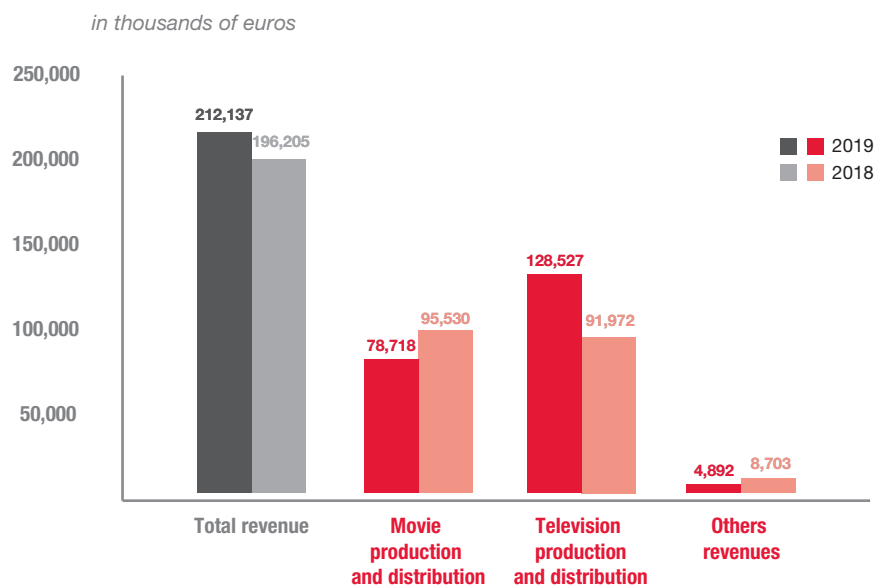


PERFORMANCE AND BUSINESS REVIEW

Consolidated results

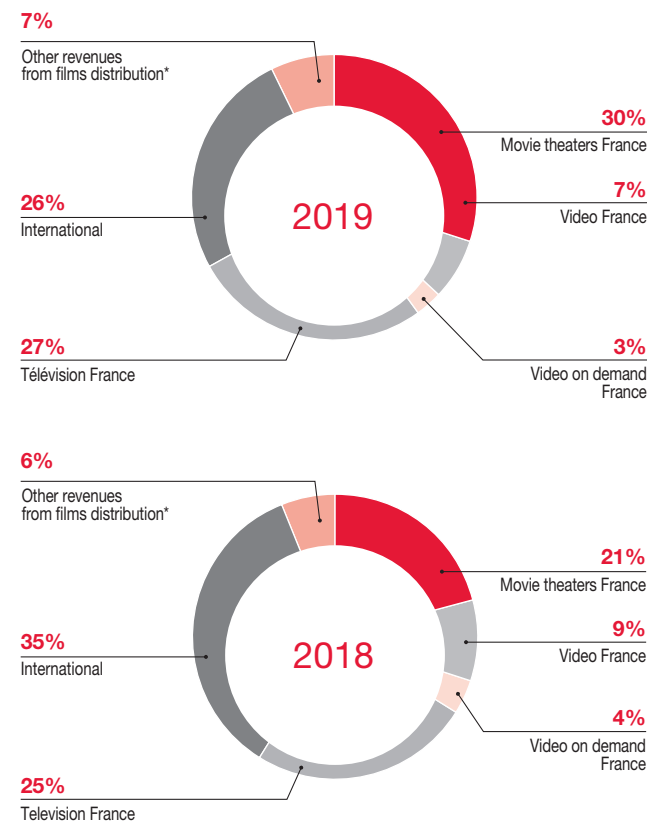
Revenue by business activity

Gaumont's consolidated revenue amounted to k€212,137 in 2019, compared with k€196,205 in 2018. Revenue by business activities breaks down as follows:



Movie production and distribution

Revenue from the cinema production and distribution business amounted to k€78,718 in 2019, compared with k€95,530 in 2018, and breaks down as follows:



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



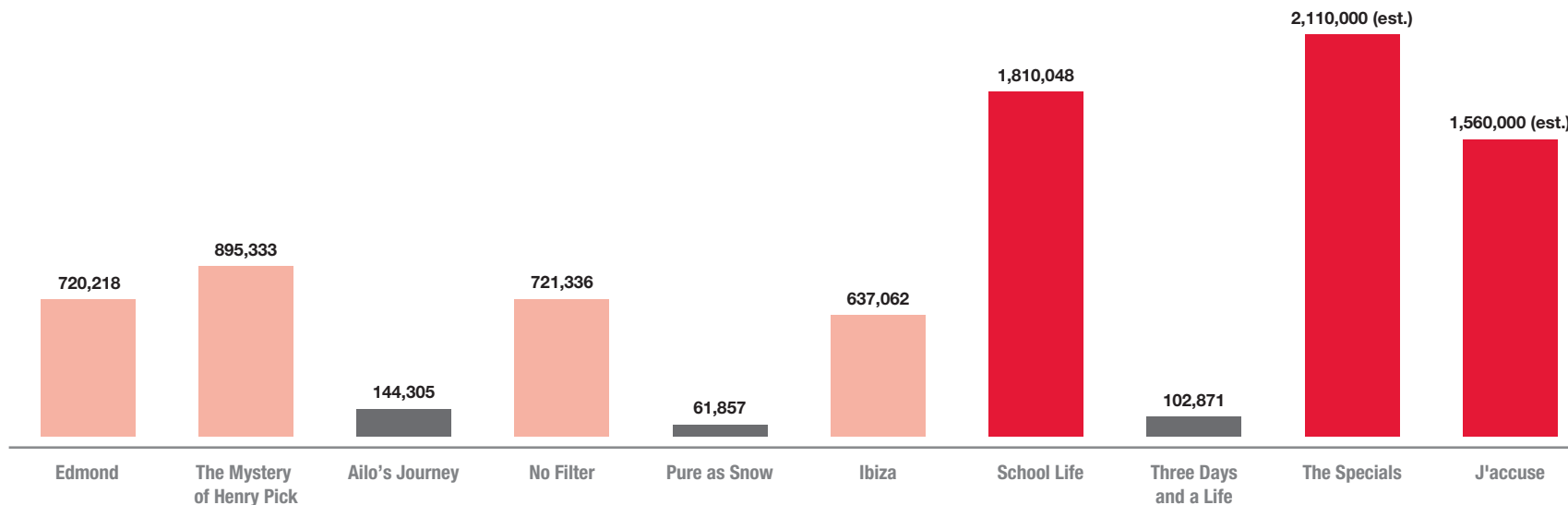
MOVIE THEATER DISTRIBUTION

Revenue from the release of films in movie theaters in France stood at k€23,149 in 2019, versus k€20,444 in 2018.

Ten feature films were released in theaters during 2019:

- *Edmond*, directed by Alexis Michalik, starring Thomas Solivérès, Olivier Gourmet, Mathilde Seigner, Tom Leeb, Lucie Boujenah, Alice de Lencquesaing and Clémentine Célerié, 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 Éric Lavaine, starring Alexandra Lamy, José Garcia, Michaël Youn, Anne Marivin, Michel Vuillermoz, Medi Sadoun and Olivia Côte, released on April 3;
- *Pure as Snow*, directed by Anne Fontaine, starring Lou de Laâge, Isabelle Huppert and Charles Berling, released on April 10;
- *Ibiza*, directed by Arnaud Lemort, starring Christian Clavier and Mathilde Seigner, released on July 3;
- *School Life*, directed by Fabien Marsaud and Mehdi Idir, starring Zita Hanrot, Liam Pierron, Soufiane Guerrab, Moussa Mansaly and Alban Ivanov, released on August 28;
- *Three Days and a Life*, directed by Nicolas Boukhrief, starring Sandrine Bonnaire, Pablo Pauly, Charles Berling and Philippe Torreton, released on September 18;
- *The Specials*, directed by Eric Toledano and Olivier Nakache, starring Vincent Cassel and Reda Kateb, released on October 23;
- *J'accuse*, directed by Roman Polanski, starring Jean Dujardin, Louis Garrel, Emmanuelle Seigner and Grégory Gadebois, released on November 13.

Along with two films released in 2018 which reached the end of their run last year, the ten movies released in theaters in 2018 sold 8.7 million tickets. In 2018, the same number of movies sold 8.4 million tickets. The tickets sold by the films released in 2019 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€8,010 in 2019, compared with k€12,355 in 2018.

Physical video sales in France were down, with less than 1 million units sold in 2019, compared with more than 1.2 million in 2018. Revenue amounted to k€5,623 in 2019, compared with k€8,119 in 2018. This decline is due to the fall in the number of new releases in 2019 and a reduction in average sales per film, in line with the market trend.

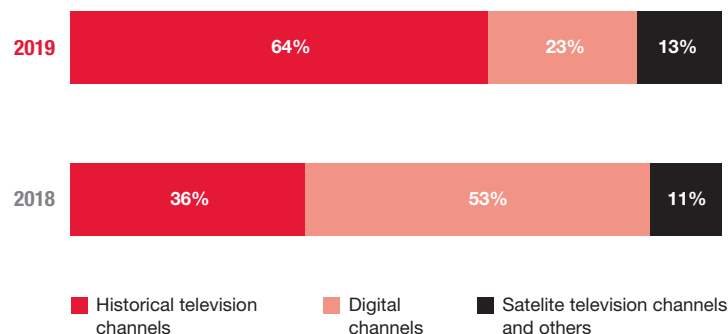
Video on demand sales were down, contributing k€2,387 to revenue in 2019, versus k€4,236 in 2018. In 2018, sales had been driven by *C'est la Vie!* and *Rolling to You*, two titles particularly suited to this distribution channel.

SALES OF TELEVISION BROADCASTING RIGHTS

Sales of broadcasting rights to French television channels amounted to k€21,533 in 2019, compared with k€24,007 in 2018.

First broadcasting rights of movies released in theaters in 2018, including *Rolling to You* and *The Death of Stalin*, contributed k€2,560 to revenue in 2019.

Revenue from back catalog distribution consists of the broadcasting rights to more than 180 films, a figure that remains similar from year to year. The fall in revenue in 2019 is due to a 55% decline in sales to digital channels, which is not offset by the increase in sales to historical television channels. Sales of broadcasting rights between the different categories of television channels breaks down as follows:



INTERNATIONAL SALES OF RIGHTS

Revenue from international film production and distribution stood at k€20,362 in 2019, compared with k€33,272 in 2018. In 2018, revenue included k€10,918 from film production in the United States. There was no new American production in 2019.

In 2019, export sales of first broadcast films were at a similar level to 2018, mainly driven by *The Specials* and *The Emperor of Paris*. The distribution of back catalog films is down from the previous year.

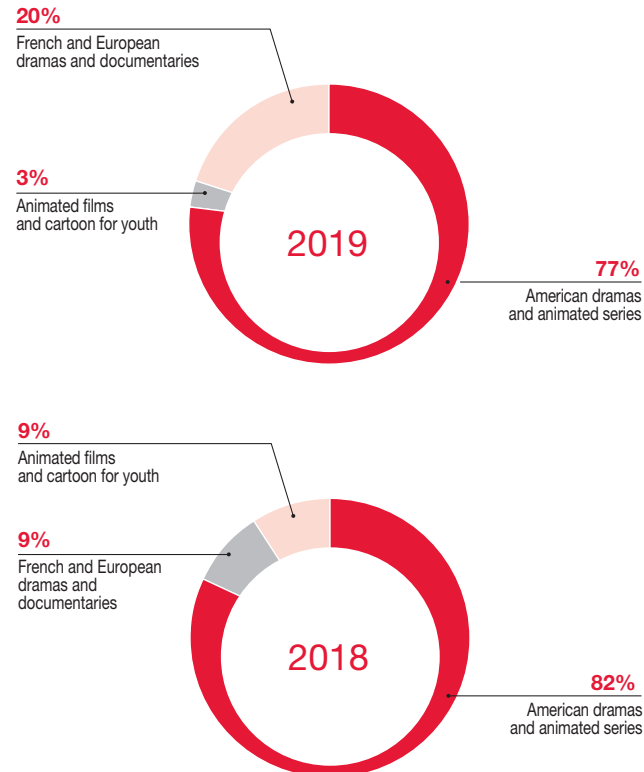
OTHER REVENUES FROM FILMS DISTRIBUTION

Other film distribution revenues totaled k€5,664 in 2019, versus k€5,452 in 2018. These mainly correspond to the distribution of archive images by GP Archives, music publishing, and sales of spin-off products.



Production and distribution of dramas and cartoon series for television

Revenue from the production and sales of television programs totaled k€128,527 in 2019, compared with k€91,972 in 2018, and breaks down as follows:



Sales of American drama and adult animated series generated revenue of k€99,007 in 2019, compared with k€75,394 in 2018.

As in 2018, two series were delivered in 2019:

- the ten-episode fifth season of *Narcos*, to Netflix. Netflix released this on its website in February 2020;
- the ten-episode series *El Presidente*, to Amazon.

Sales of animated films and series for younger audiences generated revenue of k€3,709 in 2019, versus k€8,156 in 2018. Only the 52-episode second season of *Noddy* was delivered to France 5 in 2019, whereas the delivery of the series *Furiki Wheels* in 2018 had been accompanied by the final episodes of *Belle and Sebastian* and *Trulli Tales*.

French, German and British drama and documentaries contributed k€25,811 to revenue in 2019, compared with k€8,422 in 2018.

In 2019, the following programs were delivered:

- the two-episode third season of *The Art of Crime*, to France 2;
- the one-off special *Les Ombres de Lisieux*, to France 3;
- the documentaries *Les Généraux de la République* and *Le grand roman du music-hall*, to Histoire;
- episodes 2 and 3 of the *Julia Durant* collection, *Mörderische Tage* and *Kaltes Blut*, to Sat.1.

In 2019, revenue also includes compensation earned for the production in France of the two series *Arsène Lupin* and *Move*, for Netflix; in Germany, of the series *The Barbarians*, also for Netflix; and in the United Kingdom, of the third season of *Tin Star*, for Sky Atlantic.

Other revenue

Income from trademark royalties paid by Les Cinémas Pathé Gaumont totaled k€2,682 in 2019, against k€6,217 in 2018, following the rebranding of several cinemas in 2018.

Other miscellaneous income remained relatively unchanged at k€2,210 in 2019, compared with k€2,486 in 2018. This relates to various services provided to third parties and income from the real estate business.



Breakdown by business

The share of consolidated income attributable to shareholders of the parent represented a loss of k€38,509 in 2019, versus a loss of k€8,771 in 2018.

Income from production and distribution

Income from production and distribution including direct financing costs but before overheads, stood at k€13,242 in 2019, compared with k€36,417 in 2018. This decline was mainly due to tighter selling conditions for the second cycle of the catalog of feature films, animations and series. Future revenue forecasts have been revised downwards, which, in accordance with accounting standards, leads to an additional amortization expense of assets.

Income before overheads from the production and distribution of feature films amounted to k€13,437 in 2019, versus k€21,128 in 2018. The adjustment to future revenues and residual values resulted in additional amortization of around k€2,300.

Income before overheads from the production and distribution of drama, television documentaries and adult animated series stood at k€606 in 2019, against k€8,806 in 2018. The adjustment to future revenues resulted in additional amortization of k€14,800.

Income before overheads from the production and distribution of animated series for younger audiences equated to a loss of €2,677 in 2019, versus a profit of k€976 in 2018. The adjustment to future revenues resulted in additional amortization of k€3,900.

Income from holding and real estate activities

Income before overheads from holding and real estate activities came to k€1,876 in 2019, compared with k€5,530 in 2018.

Direct and indirect overheads

The overheads of the various operating activities and functional and central services amounted to k€49,123 in 2019, compared with k€43,717 in 2018. Payroll costs account for 68% of these.

The average workforce in 2019 is composed of 235 full-time equivalent workers, and breaks down as follows:

BUSINESS SEGMENT	2019			2018		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Gaumont SA	56	85	141	57	81	138
Feature film production and distribution subsidiaries ⁽¹⁾	9	7	16	8	8	16
Animated films and series production	5	5	10	5	6	11
Television series and drama production	26	33	59	23	21	44
Distribution of cartoon series, animated films and television drama	1	8	9	-	7	7
AVERAGE WORKFORCE	97	138	235	93	123	216
<i>France</i>	<i>72</i>	<i>101</i>	<i>173</i>	<i>76</i>	<i>106</i>	<i>182</i>
<i>Germany</i>	<i>2</i>	<i>6</i>	<i>8</i>	<i>-</i>	<i>1</i>	<i>1</i>
<i>United Kingdom</i>	<i>3</i>	<i>5</i>	<i>8</i>	<i>1</i>	<i>2</i>	<i>3</i>
<i>United States</i>	<i>20</i>	<i>26</i>	<i>46</i>	<i>16</i>	<i>15</i>	<i>31</i>

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

The costs of financing general needs came to k€2,807 in 2019, versus k€763 in 2018. These include borrowing costs of k€3,980 in 2019, excluding interest expense on leases, against k€4,641 in 2018.

Income includes a current income tax expense of k€241 in 2019, compared with k€865 in 2018, and deferred tax income of k€390 in 2019, compared with k€261 in 2018.



Cash flows and financial structure

Cash flows

As of December 31, 2019, Gaumont had k€85,624 in cash, compared with k€129,759 at the beginning of the year, i.e. a negative change of k€44,135.

In 2019, current business activities generated k€124,310 in net positive cash flows, versus k€113,435 in 2018.

Investment activities

Net cash flows allocated to investments amounted to k€158,482 at December 31, 2019, against k€52,146 at December 31, 2018.

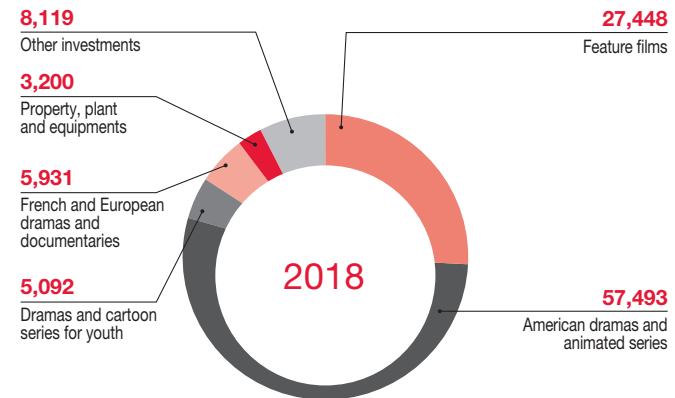
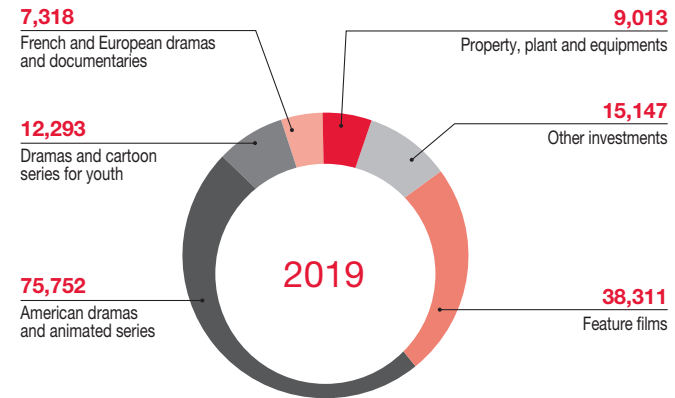
INVESTMENT BREAKDOWN

Over the last two years, investments were as follows:

<i>(in thousands of euros)</i>	2019	2018
Intangible assets	133,699	96,080
Property, plant and equipment	9,013	3,200
Non-controlling financial assets	39	23
Acquisition of shares in consolidated companies	15,083	7,980
TOTAL INVESTMENTS	157,834	107,283

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 non-controlling interests

On June 29, 2019, Gaumont purchased from Pathé all of its shares in GP Archives for k€106 excluding costs.

Company acquisition

On March 22, 2019, Gaumont acquired the company CDG, to which the entire branch of a business had been transferred, comprising producer shares, rights to a share of the proceeds and distribution rights for most of the Roissy Films catalog. The price agreed (excluding transaction costs) was k€7,800, corresponding to the net assets of the acquired company.

Internal restructuring

In July 2019, the companies Gaumont Animation Musiques and Mitzé Editions were wound up without liquidation by the transfer of assets and liabilities to Gaumont Animation and Les Editions la Marguerite, respectively.

In November 2019, the company CDG was also wound up without liquidation by the transfer of assets and liabilities to Gaumont SA.

Financing activities

In 2019, cash flows linked to financing activities included the k€3,115 dividend payment to Gaumont shareholders, the repayment of capital and dividends paid to non-controlling interests of GP Archives for k€2,438, a k€5,415 increase in debt and k€7,484 in interest paid on loans.

From 2019, in accordance with IFRS 16, financing flows also include repayments of lease liabilities, recorded under liabilities in the statement of financial position. These cash flows, which amounted to k€2,599 in 2019, previously consisted of lease payments and were included in cash flows from operating activities.

Equity

Consolidated equity stood at k€230,192 as of December 31, 2019, versus k€274,998 as of December 31, 2018. The decrease in equity is mainly related to net income.

The consolidated financial position stood at k€532,952, versus k€523,996 in the previous year.

Net borrowings

The Group's net borrowings were k€30,362 as of December 31, 2019, versus -k€20,056 as of December 31, 2018. This mainly includes k€85,773 in cash, the Gaumont SA bond for k€60,000 and k€43,589 of self-liquidating production loans based on proceeds from pre-financing and the release of French and American series.

As of December 31, 2019, the Pathé receivable arising from the disposal of Gaumont's stake 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 and Europe, the Group has to take out bank loans to finance its productions and uses the assignment of receivables to fund new projects. These borrowings are guaranteed solely by the rights and receivables attached to the assets financed.

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

Bonds

For its general needs, Gaumont has a bond in the form of a 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 loans totaling k\$164,004 were granted to the subsidiaries of Gaumont Television USA to finance seasons 5 and 6 of *Narcos* and season 4 of *F is for Family*. As of December 31, 2019, there was a cumulative outstanding balance of k\$47,605 and a total available balance of k\$74,156.

In Germany, Gaumont has taken out a loan to finance the production of the series *Neun Tage wach*. The loan is intended to finance the work and all rights and revenues under the contract with the main broadcaster are provided as collateral to the credit institution. As of December 31, 2019, the outstanding loan stood at k€1,615, with an available balance of k€15.



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, 2019, all assigned receivables had been recovered.

In the United States, Gaumont entered into a receivables assignment agreement for a maximum authorized amount of k\$50,000 to finance the development of its new projects. This line of credit is based on the series' operating receivables, with the exception of receivables pledged to production loans. As of December 31, 2019, the debt related to these assigned receivables amounted to k\$6,792, and the unused amount of these loans stood at k\$6,059.

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€4,496 as of December 31, 2019.

Outlook

Future releases and deliveries

Thirteen movies have been released or are scheduled for release in theaters in 2020. Shooting has ended on all these movies, which are either finished or in post-production:

- *Play*, directed by Anthony Marciano, starring Max Boublil and Alice Isaaz;
- *Queens of the Field*, directed by Mohamed Hamidi, starring Kad Merad, Alban Ivanov, Céline Sallette, Sabrina Ouazani and Laure Calamy;
- *#Iamhere*, directed by Éric Lartigau, starring Alain Chabat, Doona Bae and Blanche Gardin;
- *Pappy Sitter*, directed by Philippe Guillard, starring Gérard Lanvin and Olivier Marchal;
- *Tout simplement noir*, directed by Jean-Pascal Zadi and John Wax, starring Jean-Pascal Zadi and Fary;
- *Bronx*, directed by Olivier Marchal, starring Lannick Gautry, Stanislas Merhar, Kaaris, Gérard Lanvin and Jean Reno;
- *Bye Bye Morons*, directed by Albert Dupontel, starring Virginie Efira and Albert Dupontel;
- *Aline, the Voice of Love*, directed by Valérie Lemerrier, starring Valérie Lemerrier, Sylvain Marcel and Danielle Fichaud;
- *Family swap*, directed by Jean-Patrick Benes, starring Franck Dubosc and Alexandra Lamy;
- *Hold me tight*, directed by Mathieu Amalric, starring Vicky Krieps and Arieh Worthalter;
- *Vicky and her Mystery*, directed by Denis Imbert, starring Vincent Elbaz and Marie Gillain;
- *Rosy*, a documentary directed by Marine Barnérias;
- *Lost Illusions*, directed by Xavier Giannoli, starring Benjamin Voisin, Cécile de France, Vincent Lacoste, Xavier Dolan, Jeanne Balibar and Gérard Depardieu.

Thirteen television productions are scheduled for 2020:

- *Arsène Lupin*, for Netflix (currently being shot);
- *The Barbarians*, for Netflix (in post-production);
- *Do, Re & Mi*, for Amazon (in production);
- *F is for Family, season 4*, for Netflix (in post-production);
- *The Art of Crime, season 4*, for France 2 (shooting scheduled for the second quarter of 2020);
- *Move*, for Netflix (currently being shot);
- *Narcos, season 6*, for Netflix (currently being shot);
- *Nine Days Awake*, for Pro 7 (ready to be delivered);
- *Plan B*, for TF1 (shooting scheduled for the second quarter of 2020);
- *Tin Star, season 3*, for Sky Atlantic (in post-production);
- *Totems*, for Amazon (shooting scheduled for the third quarter of 2020);
- *Trial 4*, for Netflix (in post-production);
- *Westwall*, for ZDF (shooting scheduled for the third quarter of 2020).

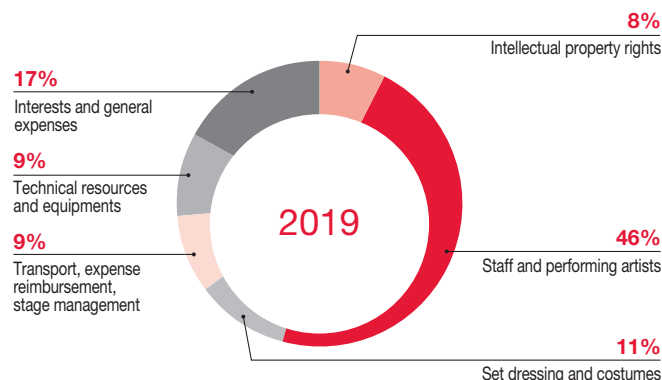


Production costs and coverage rate

Cinema production

BREAKDOWN OF PRODUCTION COSTS

During 2019, Gaumont produced or co-produced 11 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	2019	2018
Technicians	275	133
Artists and Actors	192	23
Extras	1,257	662
TOTAL WORKFORCE	1,724	818
Number of hours ⁽¹⁾ (in thousands)	85	37

(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 FILM PRODUCTION

Investments for films that are due to be released in 2020 amount to approximately k€30,000.

Gaumont has favored lump-sum investments 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.

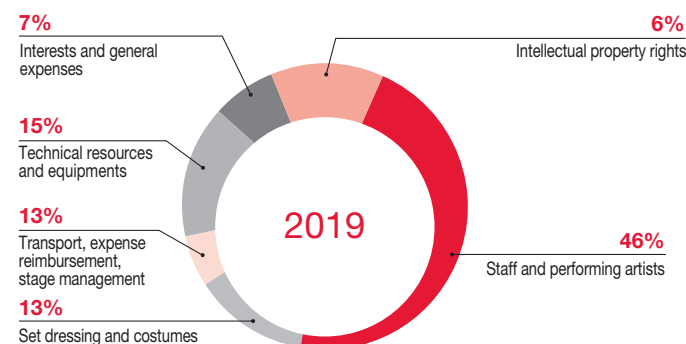
For the films *Bronx* and *Tout simplement noir*, on which Gaumont acted as line producer and which are scheduled to be released in theaters in 2020, the average coverage rate at the production launch date was 47%.

As of December 31, 2019, shooting had ended on all films due to be released in 2020.

European television production

BREAKDOWN OF PRODUCTION COSTS

In 2019, Gaumont and its subsidiaries produced around 24 hours of European television dramas representing a total budget of €32 million. The breakdown of this budget by cost type is as follows:



On average, almost half of the production costs of European television dramas are payments to staff and performing artists.



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

CONTRACT WORKERS BY PROFESSION	2019	2018
Technicians	313	265
Artists and Actors	122	117
Extras	537	495
TOTAL WORKFORCE	972	877
Number of hours ⁽¹⁾ (in thousands)	67	67

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

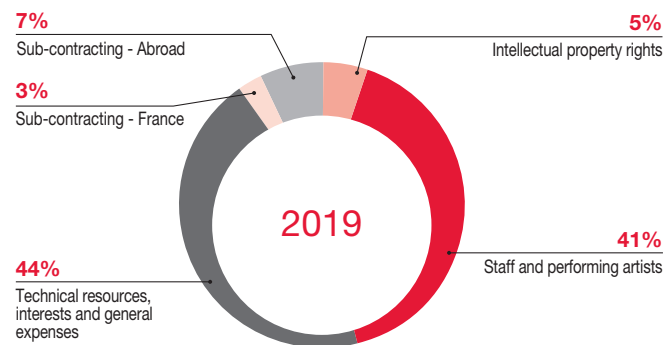
COVERAGE RATE OF EUROPEAN TELEVISION DRAMA PRODUCTION

The total coverage rate for European internal productions scheduled for delivery in 2020 is more than 100% for French television dramas and 95% for German television dramas, as of the date of the decision to go into production.

Animated films and series production

BREAKDOWN OF PRODUCTION COSTS

In terms of its cartoon production, Gaumont produced around 12 hours of cartoon series in 2019, representing an accumulated production budget of €21 million. The breakdown of this budget by cost type is as follows:



On average, 40% to 50% 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	2019	2018
Technicians	497	246
Artists and Actors	89	54
Extras	3	-
TOTAL WORKFORCE	589	300
Number of hours (in thousands)	423	152

(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.

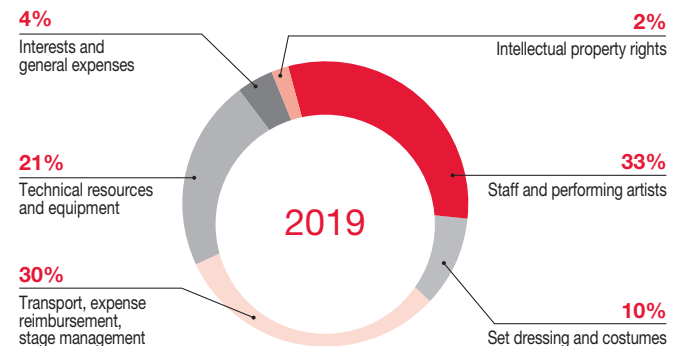
COVERAGE RATE OF CARTOON PRODUCTION

The total coverage rate for cartoon series scheduled for delivery in 2020 is more than 100%, as of the date of the decision to go into production.

American television production

BREAKDOWN OF PRODUCTION COSTS

In 2019, Gaumont and its subsidiaries produced around 14 hours of American dramas representing a total budget of €59 million. The breakdown of this budget by cost type is as follows:





The breakdown of contract workers employed by Gaumont and its subsidiaries for the production of American television dramas is as follows.

CONTRACT WORKERS BY PROFESSION	2019	2018
Technicians	594	1,149
Artists and Actors	251	294
Extras	10,522	5,218
TOTAL WORKFORCE	11,367	6,661
Number of hours (<i>in thousands</i>)	621	597

COVERAGE RATE OF AMERICAN TELEVISION DRAMA PRODUCTION

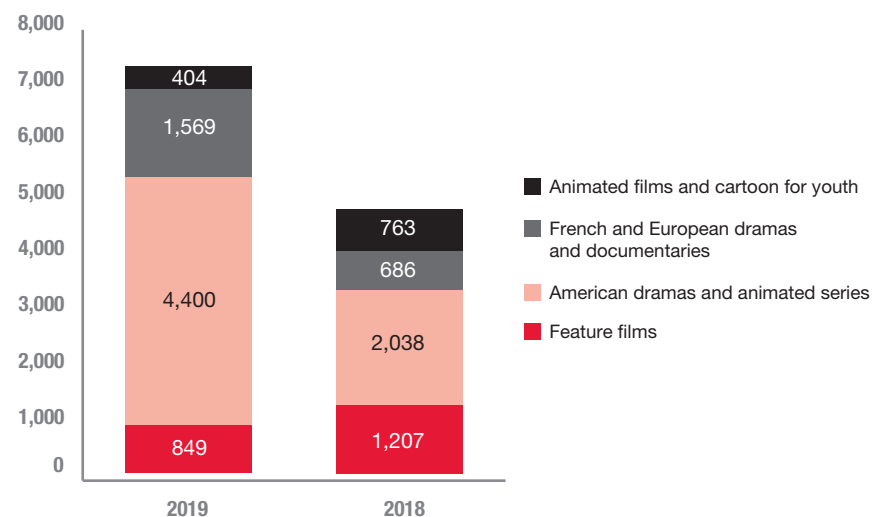
The total coverage rate for American adult animation series and dramas scheduled for delivery in 2020 is more than 100%, as of the date of the decision to go into production.

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 2019, preliminary costs totaled k€7,220, versus k€4,693 in 2018, and were divided up into the different business segments as follows:

in thousands of euros





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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1. Presentation of the consolidated financial statements

1.1. General principles

Pursuant to Regulation (EC) No. 1606/2002 of July 19, 2002, Gaumont's consolidated financial statements for the year ended December 31, 2019 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, 2019 and available from the website: https://ec.europa.eu/info/index_fr.

These accounting principles are consistent with those used when preparing the annual consolidated financial statements for the reporting period ended December 31, 2018, with the exception of the IFRS standards and IFRIC interpretations applicable from January 1, 2019 and standards possibly applied in advance, the details and individual impact of which are described in note 1.3.

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

1.2. Highlights

In 2019, following a general tightening of the operating conditions of catalog works, feature films and television and animation series, and pursuant to the principles described in note 4.1, Gaumont has conducted an in-depth review of the estimates of future proceeds from its audiovisual assets in France and the United States.

This review has led to an acceleration of the amortization of certain assets for a total amount of k€20,969. These impacts are detailed in note 4.1.

1.3. Changes to the IFRS accounting principles

Impact of IFRS standards and IFRIC interpretations applicable from January 1, 2019

IFRS 16 – LEASES

With effect from January 1, 2019, operating leases leads to 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.

Gaumont has chosen to apply the simplified retrospective method as a transitional method for the first-time application of IFRS 16. Comparative periods are not restated and the impact of the first-time application as of January 1, 2019 is recognized as an adjustment to equity.

Gaumont has also decided to apply the simplification measures provided for in the standard. 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.

Right-of-use assets are measured at their value at the inception date, discounted using the incremental borrowing rate as of January 1, 2019, comprised between 1.5% and 5%, and amortized in accordance with IAS 16. Lease liabilities correspond to the amount of future lease payments due over the entire lease term, discounted using the incremental borrowing rate. The impacts of the first-time application of IFRS 16 are presented below and in notes 4.3 and 6.2.

Impact of the first-time application of IFRS 16 on the statement of financial position as of January 1, 2019

	AS OF 01.01.19
Right-of-use assets arising from leased properties ⁽¹⁾	21,951
Amortization of right-of-use assets arising from leased properties ⁽¹⁾	-4,829
Non-current deferred tax assets	127
ASSETS	17,249

(1) including right-of-use assets classified as investment properties.

	AS OF 01.01.19
Equity attributable to the shareholders of the parent company	-358
Lease liabilities	17,607
LIABILITIES	17,249

To make the financial statements easier to understand, assets and liabilities related to leases are presented in the statement of financial position separately from owned assets and borrowings. Lease liabilities are also excluded from financial liabilities, unless otherwise stated.



Impacts of the first-time application of IFRS 16 on net income for the period

	2019
Lease payments	2,964
Amortization	-3,119
Operating income (loss)	-155
Borrowing costs	-66
NET INCOME	-221

Cash outflows for the period under leases amounted to k€2,964 and corresponded to lease payments for the period. Following the application of IFRS 16, these cash flows appear as a reduction in the lease liability for k€2,898 and as interest for the period of k€66.

Reconciliation of the lease liability under IFRS 16 with operating lease commitments published as of December 31, 2018

	AS OF 01.01.2019
Operating lease commitments published as of December 31, 2018	18,399
Exemptions (low-value lease for less than 12 months)	-407
Estimate of the lease term	936
Remeasurement of outstanding amounts payable	1,718
Discounting effect of the IFRS 16 liability	-3,273
Currency translation adjustments	234
Lease liabilities after first-time application of IFRS 16 as of January 1, 2019	17,607

IFRIC 23 - UNCERTAINTY RELATED TO TAX TREATMENT

The interpretation of IFRIC 23 is applicable as of January 1, 2019 and contains provisions related to accounting methods for the recognition of the tax consequences related to the uncertain nature of the tax. This interpretation has no impact on the consolidated financial statements.

Expected impact of texts adopted by the European Union and not yet compulsory as of December 31, 2019

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 of December 31, 2019

STANDARD		APPLICATION DATE ⁽¹⁾	IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GAUMONT GROUP
IFRS 17	Insurance policies	01.01.2021	Not applicable
Amendements to IFRS 3	Business combinations	01.01.2020	No impact
Amendements to IAS 1 and IAS 8	Definition of material	01.01.2020	No impact
Amendements to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform	01.01.2020	No impact

(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.



1.4. 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 corresponding 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 property, plant and equipment 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 statement;
- translation adjustments on a monetary item that is part of a net investment in a foreign entity 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.



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		FC
Gaumont USA Inc.	750 San Vicente Blvd, Suite RW 1000, West Hollywood, CA 90069	United States	100.00	100.00	FC
Cinema production and distribution					
Gaumont Films USA Llc	750 San Vicente Blvd, Suite RW 1000, West Hollywood, CA 90069	United States	100.00	100.00	FC
Gaumont Vidéo SNC	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	384 171 567	100.00	100.00	FC
Gaumont Production SARL	50, avenue des Champs Élysées, 75008 Paris	352 072 904	100.00	100.00	FC
Editions la Marguerite SARL	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	602 024 150	100.00	100.00	FC
Gaumont Musiques SARL	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	494 535 255	100.00	100.00	FC
Production of television dramas and cartoon series					
Gaumont Television USA Llc	750 San Vicente Blvd, Suite RW 1000, West Hollywood, CA 90069	United States	100.00	88.60	FC
Gaumont Télévision SAS	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	340 538 693	100.00	100.00	FC
Gaumont Animation USA Llc	750 San Vicente Blvd, Suite RW 1000, West Hollywood, CA 90069	United States	100.00	100.00	FC
Gaumont Animation SAS	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	411 459 811	100.00	100.00	FC
Gaumont Distribution TV Llc	750 San Vicente Blvd, Suite RW 1000, West Hollywood, CA 90069	United States	100.00	100.00	FC
Gaumont Ltd	13/14 Dean Street, 3 rd Floor, London, W1D 3RS	United Kingdom	100.00	100.00	FC
Gaumont GmbH	Kämmergasse 39-4, Köln 50676	Germany	100.00	100.00	FC
Gaumont Production Télévision SARL	50, avenue des Champs Élysées, 75008 Paris	322 996 257	100.00	100.00	FC
Gaumont Production Animation SARL	49-51, rue Ganneron, 75018 PARIS	825 337 900	100.00	100.00	FC
Narcos Productions Llc	750 San Vicente Blvd, Suite RW 1000, West Hollywood, CA 90069	United States	100.00	88.60	FC
Leodoro Productions Llc	750 San Vicente Blvd, Suite RW 1000, West Hollywood, CA 90069	United States	100.00	88.60	FC
Audiovisual archive management					
GP Archives SAS	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	444 567 218	100.00	100.00	FC

FC: Fully consolidated.



2.3. Changes in scope

Accounting method of 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.

Purchase of minority interests in Gaumont Television USA Llc in 2018

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, 2019, the acquisition resulted in a debt of k\$8,000, which was discounted. This debt is due on February 29, 2020.

Transactions with non-controlling shareholders of Gaumont Pathé Archives

On June 29, 2019, Gaumont repurchased from Pathé all of its shares in Gaumont Pathé Archives for k€136. Following this transaction, Gaumont Pathé Archives was renamed GP Archives.

Before the repurchasement, Gaumont Pathé Archives partially repaid the share capital contributions of its shareholders. A payment of k€2,279 was made to the non-controlling shareholders of the company, representing their share of the nominal amount of the canceled shares.

Acquisition of CDG, which holds rights of most of the Roissy Films catalog

On March 22, 2019, Gaumont acquired the company CDG, to which the entire branch of a business had been transferred, comprising producer shares, rights to a share of the proceeds and distribution rights for most of the Roissy Films catalog. The price agreed (excluding transaction costs) was k€7,800, corresponding to the net assets of the acquired company. No goodwill was posted for this operation.

The price purchase allocation is presented below.

<i>(in thousands of euros)</i>	HISTORICAL VALUE	FAIR VALUE ADJUSTMENT	FAIR VALUE
Films and cinema rights	7,375	-	7,375
Trade accounts receivable and payable	415	-	415
Net deferred tax	-	-	-
Provisions for risks and expenses	-	-	-
Net borrowings	10	-	10
Other miscellaneous assets and liabilities	-	-	-
Net assets of CDG as of March 22, 2019	7,800	-	7,800
Purchase price⁽¹⁾			7,800
PROFIT FROM THE ACQUISITION MADE ON ADVANTAGEOUS TERMS (GOODWILL)			-

(1) Acquisition costs totaling k€192 were recognized in profit or loss.

Internal restructuring

In July 2019, the companies Mitze Editions and Gaumont Animation Musique were wound up without liquidation by the transfer of assets and liabilities to Editions la Marguerite SARL and Gaumont Animation SAS, respectively.

In October 2019, the company CDG SAS, acquired on March 22, 2019, was also wound up without liquidation by the transfer of assets and liabilities to Gaumont SA.



2.4. Goodwill

Goodwill measurement method

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-to-five-year minimum business plan depending on the available data, 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 below 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.

Monitoring of goodwill

Goodwill resulting from business combinations is as follows:

	12.31.19	MOVEMENTS OF THE PERIOD			12.31.18
		+	-	OTHER ⁽¹⁾	
Animation	15,794	-	-	-	15,794
Mitzé Films	856	-	-	-	856
LGM Participations	491	-	-	-	491
Gross value	17,141	-	-	-	17,141
Animation	-4,250	-	-	-	-4,250
Mitzé Films	-856	-	-	-	-856
Accumulated impairment losses	-5,106	-	-	-	-5,106
CARRYING VALUE	12,035	-	-	-	12,035

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

As an exception to the accounting principles, 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 above.



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	
						12.31.19	12.31.18
Animation	Animated films and series production	perpetual	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. The measurement model does not rely on other significant estimates, except for planning forecasts.

As of December 31, 2019, the net carrying value of the Cash-Generating Unit (CGU) is equal to its value in use.

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

PERPETUAL GROWTH RATE	DISCOUNT RATE		
	8.50%	7.50%	6.50%
1.00%	-5,894	-1,961	3,407
1.50%	-4,482	-	6,279
2.00%	-2,857	2,312	9,782

2.5. Seller warranties received

For the acquisition of CDG, Gaumont received a guarantee from the sellers covering disputes and contingent liabilities arising in the period prior to the sale, as well as employee risk, defined as the potential contract termination costs of the employees transferred.

The main guarantee is for a maximum period of 24 months and a maximum amount of k€1,500, except for disputes identified at the acquisition date, which are guaranteed for the total amount of any loss.



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 films and series as well as drama series via its subsidiaries in France, the United States and Europe;

- the group's central real estate management and coordination activities.

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.

Segment information

INCOME STATEMENT

2019	MOVIE PRODUCTION AND DISTRIBUTION	TELEVISION PRODUCTION AND DISTRIBUTION	REAL ESTATE ACTIVITIES AND HOLDING	INDIRECT COSTS AND NON-ALLOCATED	TOTAL
Revenue	78,718	128,527	3,361	1,531	212,137
Operating income from activities excluding overheads	12,683	-2,420	1,876	-	12,139
Overheads	-15,602	-24,641	-598	-9,985	-50,826
Income tax	-204	-26	-11	390	149
NET INCOME	-3,123	-27,087	1,267	-9,595	-38,538

2018	MOVIE PRODUCTION AND DISTRIBUTION	TELEVISION PRODUCTION AND DISTRIBUTION	REAL ESTATE ACTIVITIES AND HOLDING	INDIRECT COSTS AND NON-ALLOCATED	TOTAL
Revenue	95,530	91,972	6,880	1,823	196,205
Operating income from activities excluding overheads	20,457	9,040	5,960	-	35,457
Overheads	-10,064	-15,477	1,283	-19,239	-43,497
Income tax	-59	-26	-	-519	-604
NET INCOME	10,334	-6,463	7,243	-19,758	-8,644



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

12.31.19	MOVIE PRODUCTION AND DISTRIBUTION	TELEVISION PRODUCTION AND DISTRIBUTION	HOLDING ACTIVITIES AND NON-ALLOCATED	TOTAL
Net goodwill	491	11,544	-	12,035
Films and audiovisual rights	83,489	42,912	-	126,401
Other intangible assets	170	12	-	182
Property, plant and equipment	59,283	12,831	-	72,114
Other financial assets	34	119	26	179
Non-current deferred tax assets	-	-	3,881	3,881
Inventories	358	-	-	358
Trade receivables	40,065	77,906	-	117,971
Current income tax assets	4,429	-	561	4,990
Other receivables and current financial assets	91,639	17,429	-	109,068
Cash and cash equivalents	71,277	14,496	-	85,773
TOTAL ASSETS	351,235	177,249	4,468	532,952
Equity	-	-	230,192	230,192
Non-current provisions	4,415	104	-	4,519
Non-current deferred tax liabilities	1,796	1,218	-	3,014
Non-current borrowings	-	42,139	78,505	120,644
Other non-current liabilities	-	-	-	-
Current provisions	615	-	-	615
Current borrowings	-	7,141	5,660	12,801
Trade payables	15,469	5,700	-	21,169
Current income tax liabilities	143	-	-	143
Other payables	53,988	42,781	-	96,769
Deferred income and contract liabilities	19,991	23,095	-	43,086
TOTAL LIABILITIES	96,417	122,178	314,357	532,952
Investments in films and audiovisual rights	38,311	95,363	-	133,674



CONSOLIDATED FINANCIAL INFORMATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12.31.18	CINEMA PRODUCTION	TELEVISION PRODUCTION	HOLDING ACTIVITIES AND NON-ALLOCATED	TOTAL
Net 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
Investments in associates	-	-	-	-
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 borrowings	-	42,302	63,943	106,245
Other non-current liabilities	-	-	6,828	6,828
Current provisions	373	1,022	-	1,395
Current borrowings	-	-	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



Information by region

REVENUE

At December 31, 2019, revenue broken down per region by reference to the company that contributes to it is as follows:

	2019	2018
French companies	94,360	108,528
European companies	17,521	66
American companies	100,256	87,611
TOTAL	212,137	196,205

Revenue below is broken down by clientele commercialization zone:

	2019	2018
France	74,255	79,439
• Europe	33,697	19,818
• Americas	99,342	92,312
• Asia/Russia	3,132	3,570
• Africa/Middle East	1,034	638
• Rest of the world	677	428
International	137,882	116,766
TOTAL	212,137	196,205

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:

	12.31.19				12.31.18			
	FRANCE	EUROPE	AMERICAS	TOTAL	FRANCE	EUROPE	AMERICAS	TOTAL
Net goodwill	12,035	-	-	12,035	12,035	-	-	12,035
Films and audiovisual rights	87,026	1,911	37,464	126,401	87,417	-	37,114	124,531
Other intangible assets	170	12	-	182	213	16	-	229
Property, plant and equipment	59,499	1,777	10,838	72,114	47,394	46	1,148	48,588
Investments in associates	-	-	-	-	-	-	-	-
Other financial assets	156	23	-	179	63,464	22	-	63,486
TOTAL NON-CURRENT ASSETS	158,886	3,723	48,302	210,911	210,523	84	38,262	248,869

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 2019, sales to Netflix accounted for 46% 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 at closing date and the material's compliance has been acknowledged by the customer before Board approval date;
- 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 video, 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 of 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. Fair 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

	2019			2018		
	FRANCE	ABROAD	TOTAL	FRANCE	ABROAD	TOTAL
Movie production and distribution	57,926	20,792	78,718	61,515	34,015	95,530
Movie theater distribution	23,149	64	23,213	20,444	133	20,577
Video publishing and video on demand	8,010	465	8,475	12,355	333	12,688
Television broadcasting rights	21,533	22	21,555	24,007	113	24,120
International sales	-	20,426	20,426	-	21,775	21,775
Other movie distribution income	5,234	430	5,664	4,709	743	5,452
Feature film production	-	-615	-615	-	10,918	10,918
Production and distribution of television series	11,980	116,547	128,527	9,221	82,751	91,972
Distribution of American dramas	1,323	97,684	99,007	512	74,882	75,394
Distribution of French dramas	3,624	318	3,942	6,997	892	7,889
Distribution of European dramas	-	4,039	4,039	-	-	-
Distribution of animated films and series	2,686	1,023	3,709	1,712	6,444	8,156
Drama production	4,347	13,483	17,830	-	533	533
Animated series production	-	-	-	-	-	-
Trademark royalties	2,682	-	2,682	6,217	-	6,217
Other miscellaneous revenue	1,667	543	2,210	2,486	-	2,486
TOTAL	74,255	137,882	212,137	79,439	116,766	196,205

In 2019, movie production and distribution and television series production and distribution accounted for 37% and 61% of consolidated revenue, respectively.

The Group generated 65% of its revenue outside France in 2019, compared with 60% in 2018.

The rent collected as of December 31, 2019, for the rental of part of the Champs Élysées property, was k€135 and is included in other miscellaneous revenue.

The rent collected as of December 31, 2019 for right-of-use assets classified as investment properties stood at k€543 and is also included in other miscellaneous revenue.



3.3. Personnel costs

Breakdown of personnel costs

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

	2019	2018
Salaries	-25,093	-22,169
Social security contributions	-8,321	-6,988
Employee profit-sharing	-22	-88
Pensions and similar benefits	-472	-196
Share based payments expense	-	-
TOTAL	-33,908	-29,441

Average workforce broken down by category

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

	2019	2018
Managers	123	118
Supervisors	50	50
Employees	62	48
TOTAL WORKFORCE	235	216

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:

	2019	2018
Total gross compensation ⁽¹⁾	1,960	1,960
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 statement 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.

Commitments related to employees

Gaumont is engaged toward certain of the american employees within the framework of fixed-term employment contracts. These commitments amounted to k€6,966 as of December 31, 2019, versus k€7,355 as of December 31, 2018.



3.4. Other current operating income and expenses

Other income and expenses by type

	2019	2018
Audiovisual support fund	9,909	12,970
Other subsidies	280	331
Audiovisual and cinema tax credit	6,653	6,080
Distribution costs and other purchases	-12,393	-8,832
Project development	-6,877	-4,813
Inventoried products	-36	140
Subcontracting	-1,177	-1,634
Rentals and rental expenses	-1,743	-2,827
Outside personnel	-1,811	-1,261
Fees	-8,447	-5,729
Advertising, publications and public relations	-2,853	-1,813
Travel and entertainment expenses	-3,167	-2,438
Other external expenses	-4,895	-3,374
Taxes and similar payments	-2,254	-3,060
Foreign exchange gains and losses on operating activities	167	212
Copyrights, royalties and similar	-7,846	-8,482
Shares of co-producers and guaranteed minima	-28,056	-17,934
Income from the sale of operating assets	63	66
Other income and expenses	-6,914	-6,783
NET OTHER CURRENT OPERATING INCOME/EXPENSES	-71,397	-49,181

Public grants

FINANCIAL SUPPORT FOR THE FILM 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€7,109 of financial support for film production, distribution, and exportation and k€2,275 of support for audiovisual production. This item also includes k€525 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 2019, this item included k€341 related to American series, k€3,428 for cinema production and k€2,884 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€360 and include costs for securing the premises, energy costs, taxes and miscellaneous professional fees.

Leases have been analyzed with regard to IFRS 16. Expenses that can be defined as leases have been capitalized in the statement of financial position since January 1, 2019. Residual expenses correspond to contracts excluded from the scope of the standard owing to their duration or the absence of a commitment towards the lessor. The impact of the initial application of IFRS 16 is described in note 1.3.

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

	2019	2018
Proceeds from disposals of assets	110	46
Carrying amount of assets sold or disposed of	-3	-70
Gains from disposals of investments in consolidated companies	-	-
Earn out adjustments	-	-
Impairment losses on goodwill	-	-
Gains on bargain purchases	-	-
TOTAL	107	-24

3.6. Other financial income and expenses

	2019	2018
Income from investments	-	-
Interest expense capitalized	3,518	3,238
Interest from assets and liabilities excluding cash equivalents	2,727	3,372
Discounting effect of liabilities and receivables	-217	307
Proceeds from disposals of non-controlling financial assets	-	-
Accumulated impairment losses and financial provisions	-1	943
Foreign exchange gains and losses	-47	1,773
Changes in fair value	138	-131
Other financial income and expenses	39	-791
NET OTHER FINANCIAL INCOME/EXPENSES	6,157	8,711

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€1,267 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, talents 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 up to the amount of the initial impairment loss where the net recoverable value becomes higher than the net carrying amount.

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 for 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

	12.31.19	MOVEMENTS OF THE PERIOD			12.31.18
		+	-	OTHER ⁽¹⁾	
Films and cinema rights	1,937,142	17,348	-1,865	11,954	1,909,705
Television series, dramas and broadcasting rights	541,560	11,049	-	73,693	456,818
Animated films and series	222,108	-83	-	5,310	216,881
Musical productions and publishing rights	2,942	-	-	-1	2,943
Video games	1,525	-	-	-	1,525
Movies in production	21,721	20,963	-	-4,023	4,781
Television series and dramas in production	10,779	62,984	-	-66,169	13,964
Animated films and series in production	21,275	21,413	-	-5,386	5,248
Gross value	2,759,052	133,674	-1,865	15,378	2,611,865
Films and cinema rights	-1,876,451	-33,666	1,355	-2	-1,844,138
Television series, dramas and broadcasting rights	-529,583	-93,037	-	-6,733	-429,813
Animated films and series	-217,873	-8,500	-	-520	-208,853
Musical productions and publishing rights	-2,915	-21	-	1	-2,895
Video games	-1,525	-	-	-	-1,525
Movies in production	-4,194	-4,194	-	-	-
Television series and dramas in production	-110	-	-	-	-110
Animated films and series in production	-	-	-	-	-
Accumulated amortization and impairment losses	-2,632,651	-139,418	1,355	-7,254	-2,487,334
CARRYING VALUE	126,401	-5,744	-510	8,124	124,531

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

In 2019, following the observation of a general tightening of the distribution conditions for catalog works, review of expected future proceeds from assets led to the recognition of the following additional amortization:

- k€2,300 for films and cinema rights;
- k€14,800 for television series, dramas and broadcasting rights;
- k€3,900 for animated films and series.

As of December 31, 2019, ongoing productions essentially correspond to works that will be delivered in 2020 and 2021, in particular:

- for feature films: *Bronx*, *Tout simplement noir* and *#lamhere*;

- for television series: *Narcos Season 6*, *Trial 4* and *Nine Days Awake*;
- for animated films and series: *Do Re and Mi*, *Stillwater* and *F is for Family Season 4*.

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 2020 have resulted in an impairment loss of k€4,194.

Other changes include k€7,979 in foreign exchange gains and losses on the gross values of American series and k€7,253 on the amortization of these series. They also reflect the inclusion in the scope of the works owned by CDG for k€7,375.



Commitments related to the production and distribution of audiovisual works

	12.31.19	12.31.18
Commitments given	129,724	146,275
Development and production of films and series	112,519	95,896
Fulfilment of order contract	17,205	50,379
Commitments received	186,979	206,822
Purchases of rights and financing of projects and productions	168,495	151,475
Fulfilment of order contract	18,484	55,347

At December 31, 2019, Gaumont and its subsidiaries had committed to invest k€129,724 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€186,979, 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.

	2020	2021	2022 AND BEYOND	TOTAL
Movie production and distribution	19,151	2,105	3,900	25,156
Production and distribution of television series	139,217	4,060	-	143,277
Line production	18,484	-	-	18,484
TOTAL	176,852	6,165	3,900	186,917

4.2. Other intangible assets

	12.31.19	MOVEMENTS OF THE PERIOD			12.31.18
		+	-	OTHER ⁽¹⁾	
Franchises, patents, licenses, brands and software	2,537	25	-	-	2,512
Other intangible assets	-	-	-	-	-
Other intangible assets in progress	-	-	-	-	-
Advances and prepayments to suppliers	-	-	-	-	-
Gross value	2,537	25	-	-	2,512
Franchises, patents, licenses, brands and software	-2,355	-72	-	-	-2,283
Other intangible assets	-	-	-	-	-
Accumulated amortization and impairment losses	-2,355	-72	-	-	-2,283
CARRYING VALUE	182	-47	-	-	229

(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 Collection Gaumont 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.

RIGHT-OF-USE ASSETS ARISING FROM LEASED PROPERTIES

Whenever a rental agreement affects an identifiable asset and Gaumont has the right to obtain future economic benefits and to control its use, the agreement is covered by IFRS 16. The right of use related to this rental contract results in the recognition of an asset representing the right for the lessee to use the underlying property for the duration defined in the agreement.

After the non-cancellable period, the assessment of the duration of the rental must take into account the optional periods in which one can reasonably estimate that they will extend the duration of the lease. In the event of a change in circumstances affecting the reasonable certainty of exercising an option not taken into account when the duration of the rental was determined, the amount of the right of use must be revised.

On the start date of the rental contract, the right of use is measured at its cost and includes:

- the initial value of the rental debt corresponding to the discounted value of the remaining payments owed to the lessor as outlined in note 6.2;
- payments made to or received by the lessor before the start of the contract;
- initial costs corresponding to marginal costs not incurred if the rental contract had not been concluded;
- an estimate of the costs that will have to be paid at the end of the contract.

Gaumont has decided to use the simplification measures called for by the standard and not to restate any rental contracts the underlying asset of which has a value in use below k\$5 or those of which the reasonably certain duration is less than twelve months.

AMORTIZATION OF RIGHT-OF-USE ASSETS ARISING FROM LEASED PROPERTIES

Depreciation is calculated over the expected useful life, using a method consistent with the one applied to the Group's wholly-owned assets. This useful life corresponds to the shortest duration between the remaining period of use of the underlying property and the remaining period of the rental agreement. The amortization method must reflect the pace of use of the future economic benefits of the asset.

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 up to the amount of the initial impairment loss where the net recoverable value becomes higher than the net carrying amount.

PROPERTIES MEASURED IN ACCORDANCE WITH IAS 40

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

IAS 40 – Investment Property applies both to owned property and right-of-use assets, provided these are leased to third parties and generate cash flows largely independently of the other assets. The standard also applies to vacant property held to be leased.



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

	12.31.19	MOVEMENTS OF THE PERIOD			12.31.18
		+	-	OTHER ⁽¹⁾	
Land	10,061	-	-2	-	10,063
Buildings and fittings	25,885	173	-19	16	25,715
Plant, equipment and machinery	1,470	83	-	-	1,387
Other property, plant and equipment	9,343	731	-9	20	8,601
Properties measured in accordance with IAS 40	38,971	3,897	-	-	35,074
Right-of-use assets classified as investment properties	3,496	-	-	3,496	-
Right-of-use assets arising from leased properties	20,896	1,998	-	18,447	451
Property, plant and equipment in progress	4,586	4,129	-	-	457
Gross value	114,708	11,011	-30	21,979	81,748
Land	-	-	-	-	-
Buildings and fittings	-16,226	-1,014	19	-1	-15,230
Plant, equipment and machinery	-1,299	-46	-	-2	-1,251
Other property, plant and equipment	-6,645	-428	8	-1	-6,224
Properties measured in accordance with IAS 40	-10,267	-	-	-	-10,267
Right-of-use assets classified as investment properties	-2,081	-597	10	-1,494	-
Right-of-use assets arising from leased properties	-6,076	-2,560	-	-3,328	-188
Accumulated amortization and impairment losses	-42,594	-4,645	37	-4,826	-33,160
CARRYING VALUE	72,114	6,366	7	17,153	48,588

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

For the first-time application of IFRS 16, Gaumont has capitalized all right-of-use assets. The effects of the first-time application of this standard are presented in note 1.3.

The fair value of property measured in accordance with IFRS 16 is deemed to be equivalent to the carrying amount of the right-of-use asset. The fair value of property owned, leased or held to be leased is periodically measured by an independent valuer.

In 2019, a new lease was agreed and these assets have been assessed as having an average value of €197 million excluding transfer taxes, based on the capitalization of lease payments. This valuation takes into account market conditions and assumes the completion of the construction work.

Operating expenses incurred during the period in respect of right-of-use assets classified as investment properties are not material. Rental income during the period amounted to k€543.

Real estate commitments

	12.31.19	12.31.18
Commitments given	9,980	50
Guarantees	-	-
Real estate investments	9,980	50
Commitments received	71,420	2,369
Guarantees received	5,088	-
Real estate rental contracts	66,332	2,369

As of December 31, 2019, Gaumont benefited from lease commitments under leases agreed totaling k€66,332.

As part of the Ambassade development project, Gaumont has committed to building contracts totaling k€9,980. It has received various guarantees worth a total of k€5,088 from its service providers and from the future tenant.



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 share capital and the unamortized share of purchase costs.

An impairment loss may be recognized if there is an objective indication of negative value change. 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

	12.31.19	MOVEMENTS OF THE PERIOD			12.31.18
		+	-	OTHER ⁽¹⁾	
Investments in non-consolidated entities	3	1	-	-	2
Loans, deposits and bonds and other non-controlling financial assets	176	38	-13	-	151
Receivables and other non-current financial assets	-	-	-	-63,333	63,333
Gross value	179	39	-13	-63,333	63,486
Investments in non-consolidated entities	-	-	-	-	-
Loans, deposits and bonds and other non-controlling financial assets	-	-	-	-	-
Receivables and other non-current financial assets	-	-	-	-	-
Accumulated impairment losses	-	-	-	-	-
CARRYING VALUE	179	39	-13	-63,333	63,486

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

Non-current receivables at the beginning of the period consist of the amount due on the sale of the securities of Les Cinémas Pathé Gaumont. The balance is due by 2020 and is reclassified as current financial assets.

Uninvested cash assigned to the Group's liquidity contract is unavailable and is therefore reported under other non-controlling 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, impairment and provisions of non-current assets

	2019	2018
Intangible assets		
• Reversals of impairment losses	-	5,173
• Amortization expense and impairment losses	-139,490	-127,065
Subtotal	-139,490	-121,892
Property, plant and equipment		
• Reversals of impairment losses	10	14
• Amortization expense and impairment losses	-4,645	-1,672
Subtotal	-4,635	-1,658
Current assets		
• Reversals of impairment losses	1,629	1,790
• Impairment losses	-1,024	-1,061
Subtotal	605	729
Risks and expenses		
• Reversals of provisions	1,369	641
• Increases in provisions	-566	-1,189
Subtotal	803	-548
TOTAL	-142,717	-123,369

In 2019, amortization expense on intangible assets included k€74,838 for amortization of American series, against k€61,277 in 2018.

Change in liabilities and receivables on investments

	12.31.19	CHANGE IN LIABILITIES ON INVESTMENTS	OTHER CHANGES ⁽¹⁾	12.31.18	CHANGE IN LIABILITIES ON INVESTMENTS	OTHER CHANGES ⁽¹⁾	12.31.17
Fixed assets liabilities	12,360	-1,624	84	13,900	-9,443	144	23,199
Liabilities on acquisition of shares	7,098	-7,147	452	13,793	13,567	226	-
Receivables on acquisition and disposal of equity investments	-64,076	-101	-	-63,975	64,496	-	-128,471
TOTAL	-44,618	-8,872	536	-36,282	68,620	370	-105,272

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

Breakdown of acquisitions of fixed assets

	2019	2018
Acquisition of intangible assets	133,699	96,080
Acquisition of tangible assets	9,013	3,200
Acquisition of non-controlling financial assets	39	23
TOTAL	142,751	99,303

Impact of changes in scope

	2019	2018
Price paid	7,936	21,772
Treasury bought	-381	-
IMPACT OF CHANGES IN SCOPE	7,555	21,772



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.

	12.31.19	MOVEMENTS OF THE PERIOD		12.31.18
		+	-	
Semi-manufactured product inventories	104	-	-36	140
Merchandise inventories	1,172	-	-73	1,245
Gross value	1,276	-	-109	1,385
Semi-manufactured product inventories	-62	-62	95	-95
Merchandise inventories	-856	-856	812	-812
Accumulated impairment losses	-918	-918	907	-907
CARRYING VALUE	358	-918	798	478

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 irrecoverable amount is carried out by category of receivables regarding the historical risk associated to each category. The irrecoverable 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.

	12.31.19	12.31.18
Trade receivables	113,634	98,847
Contract assets	4,578	-
Current financial assets	492	494
Advances and prepayments to suppliers	928	556
Payroll receivables	140	87
Tax receivables	15,972	8,028
Subsidies receivables	23,821	26,099
Current income tax assets	4,990	2,034
Current accounts	-	-
Receivables on asset sales	64,076	642
Other receivables	3,329	5,354
Derivatives	188	152
Prepaid expenses	658	1,081
Gross value	232,806	143,374
Trade receivables	-241	-782
Current financial assets	-	-
Current accounts	-	-
Other receivables	-536	-609
Accumulated impairment losses	-777	-1,391
CARRYING VALUE	232,029	141,983
Maturities:		
• less than 1 year	212,224	123,664
• 1 to 5 years	19,805	18,319
• 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 2019. The level of receivables is strongly impacted by the volumes and the schedule of deliveries of new productions.

Contract assets include in particular a receivable for the production of *The Barbarians*. Changes in contract assets are presented in note 5.4.



As of December 31, 2019, tax receivables are mainly representative of VAT to be received and also include k€812 in tax credits for American productions, compared to k€883 as of the end of December 2018.

As of December 31, 2019, receivables on asset disposals include the amount due on the sale of the securities of Les Cinémas Pathé Gaumont. The balance of this receivable is due in 2020 and has been reclassified from non-current. This receivable earns 2% interest.

Change in accumulated impairment losses

	12.31.19	MOVEMENTS OF THE PERIOD			12.31.18
		+	-	OTHER ⁽¹⁾	
Trade receivables	-241	-105	647	-1	-782
Current financial assets	-	-	-	-	-
Current accounts	-	-	-	-	-
Other receivables	-536	-1	75	-1	-609
ACCUMULATED IMPAIRMENT LOSSES	-777	-106	722	-2	-1,391
Impact on current operating income		-106	722	-	
Impact on non-current operating income		-	-	-	
Impact on financial income		-	-	-	

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

5.3. Trade payables and other liabilities

	12.31.19	12.31.18
Tax liabilities	-	-
Current accounts	-	-
Payables on acquisitions	-	6,828
Other payables	-	-
Total other non-current liabilities	-	6,828
Trade payables	10,785	13,925
Liabilities on films and audiovisual rights	10,384	13,386
Advances and deposits received	108	59
Payroll liabilities	6,318	6,070
Tax liabilities	7,462	3,992
Current income tax liabilities	143	19
Current accounts	-	-
Payables on acquisitions	7,098	6,965
Liabilities on other property, plant and equipment and intangible assets	1,976	514
Payables on distribution of works	49,351	33,010
Other payables	24,146	13,094
Derivatives	310	966
Contract liabilities	29,547	22,019
Tax credit to be amortized	6,947	6,254
Deferred public grants	352	-
Deferred income	6,240	4,509
Total other current liabilities	161,167	124,782
TOTAL	161,167	131,610
Maturities:		
• less than 1 year	160,937	124,366
• 1 to 5 years	16	7,027
• more than 5 years	214	217

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.

Other payables includes the debt relating to the commitments to repurchase rights detained by investors in French language feature films produced and distributed by Gaumont. This liability is measured at his fair value as detailed in note 7.2.

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.

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

	EXPIRATION DATE			TOTAL
	2020	2021	2022 AND BEYOND	
Movie production and distribution	11,077	519	501	12,097
Production and distribution of television series	16,989	290	-	17,279
Line production	171	-	-	171
TOTAL	28,237	809	501	29,547

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.

	12.31.19		12.31.18	
	CONTRACT ASSETS	CONTRACT LIABILITIES	CONTRACT ASSETS	CONTRACT LIABILITIES
POSITION AT BEGINNING OF YEAR	-	22,019	-	-
Income recognized for the year included in contract liabilities at the beginning of the year	-	-16,217	-	-
Cash from unrecognized income for the year	-	23,641	-	20,259
Contract progress or alteration	4,562	157	-	1,760
Changes in scope	-	-	-	-
Currency translation adjustments	16	-53	-	-
POSITION AT YEAR-END	4,578	29,547	-	22,019

5.5. Changes in net working capital requirement

	2019	2018
Changes in operating assets	-25,014	-2,032
Changes in operating liabilities	35,237	-8,673
Premiums paid on financial instruments	-	-
Current income tax expense	-241	-865
Tax paid	117	1,185
Pension and similar benefits allowance	472	196
TOTAL	10,571	-10,189



The table below details the change in operating assets constituting the working capital requirement net of impairment (impairment losses on items constituting the working capital requirement are deemed to be disburseable).

	12.31.19	CHANGES IN WORKING CAPITAL REQUIREMENT	OTHER CHANGES ⁽¹⁾	12.31.18	CHANGES IN WORKING CAPITAL REQUIREMENT	OTHER CHANGES ⁽¹⁾	12.31.17
Inventories	358	-120	-	478	-62	-	540
Trade receivables and contract assets	117,971	18,517	1,389	98,065	5,229	1,379	91,457
Current non-controlling financial assets	492	-2	-	494	14	-1	481
Advances and prepayments to suppliers	928	372	-	556	-504	-	1,060
Payroll receivables	140	52	1	87	-53	2	138
Tax receivables	15,972	7,918	26	8,028	-2,334	69	10,293
Subsidies receivables	23,821	-2,278	-	26,099	1,880	-	24,219
Current income tax assets	4,990	2,949	7	2,034	-2,536	16	4,554
Current accounts	-	-	-	-	-	-	-
Other receivables	2,793	-1,969	17	4,745	-17	783	3,979
Prepaid expenses	658	-425	2	1,081	415	3	663
ASSETS CONSTITUTING THE WORKING CAPITAL REQUIREMENT	168,123	25,014	1,442	141,667	2,032	2,251	137,384

(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.

	12.31.19	CHANGES IN WORKING CAPITAL REQUIREMENT	OTHER CHANGES ⁽¹⁾	12.31.18	CHANGES IN WORKING CAPITAL REQUIREMENT	OTHER CHANGES ⁽¹⁾	12.31.17
Trade payables	10,785	-3,179	39	13,925	3,738	-56	10,243
Advances and deposits received	108	49	-	59	-39	-	98
Payroll liabilities	6,318	193	55	6,070	-1,992	50	8,012
Tax liabilities	7,462	3,470	-	3,992	387	-	3,605
Current income tax liabilities	143	124	-	19	19	-	-
Current accounts	-	-	-	-	-482	-	482
Other payables	73,497	24,408	2,985	46,104	-10,386	2,355	54,135
Deferred income and contract liabilities	43,086	10,172	132	32,782	82	376	32,324
LIABILITIES THAT CONSTITUTE THE WORKING CAPITAL REQUIREMENT	141,399	35,237	3,211	102,951	-8,673	2,725	108,899

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



6. Financing

6.1. Equity

Share capital of the parent company

	12.31.19	MOVEMENTS OF THE PERIOD		12.31.18
		+	-	
Number of shares	3,119,923	-	-	3,119,923
Par value	€8	€8	€8	€8
CAPITAL (in euros)	24,959,384	-	-	24,959,384

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:

	2019	2018
Number of shares at January 1	3,119,876	3,119,723
Capital increases relating to the exercise of stock options (<i>prorata temporis</i>)	-	153
Average number of ordinary shares	3,119,876	3,119,876

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, 2019 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)	2019	2018
Dividends paid	3,115,074	3,115,047
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, 2019, are detailed below.

PLAN	INITIAL GRANT		ADJUSTED GRANT		OPTIONS AT END OF PERIOD			
	PRICE	NUMBER	PRICE	NUMBER	CANCELED	SUBSCRIBED	OUTSTANDING	EXERCISABLE
Plan V (February 1996)	€50.31	104,000	€43.77	119,683	47,184	71,347	1,152	1,152
Plan VI (March 1998)	€64.03	168,000	€55.70	193,341	100,164	90,873	2,304	2,304
Plan VIII (February 2005)	€64.00	196,750	€55.79	226,534	103,943	101,896	20,695	20,695
TOTAL		468,750		539,558	251,291	264,116	24,151	24,151

In accordance with regulations relating to the equality of holders, the number of options has been adjusted following the payment of a dividend by drawing on reserves. The changes in outstanding options are presented below. No options were exercised in 2019.

PLAN	GRANT DATE	EXERCISE PERIOD		12.31.19	MOVEMENTS OF THE PERIOD				12.31.18
		START	END		ADJUSTED	GRANTED	CANCELED	SUBSCRIBED	
Plan V	02.15.96	02.15.01	02.14.46	1,152	10	-	-	-	1,142
Plan VI	03.12.98	03.12.03	03.11.48	2,304	20	-	-	-	2,284
Plan VIII	02.28.05	02.28.09	02.27.49	20,695	172	-	-	-	20,523
TOTAL				24,151	202	-	-	-	23,949



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.

	2019	2018
Average number of ordinary shares	3,119,876	3,119,876
Dilutive effect of stock options	13,002	13,800
Average potential number of ordinary shares	3,132,878	3,133,676

Equity attributable to non-controlling interests

In 2019, Gaumont Pathé Archives made a share capital repayment to its shareholders in proportion to their contributions. Non-controlling shareholders were repaid k€2,279 in cash. Following this repayment, Gaumont repurchased the remaining minority interests in its subsidiary. This transaction was treated as a transaction between shareholders and was recognized in equity.

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 shareholders ("buyout commitment") and, conversely, the subsidiary's non-controlling shareholders have made a commitment to sell the Group their full interest ("sale commitment"), the commitments to buy out the share of non-controlling shareholders ("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.

LEASE LIABILITIES

The rental obligation related to the useful right of an asset is stated in borrowings as of the start date of the rental contract. This liability is evaluated based on the discounted value of the remaining payments owed to the lessor. The discount rate corresponds to the implicit rate of the rental contract or, if it cannot be easily identified, to the marginal debt rate of the lessee company of the Group.

The marginal debt rate corresponds to the rate at which the Group company should borrow over a duration equivalent to the duration of the rental contract and with the same guarantees, the sum necessary to obtain an asset of the same value as the cost of the right of use in a similar economic environment.



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			
	12.31.19	+	-	OTHER ⁽¹⁾	CURRENCY TRANSLATION ADJUSTMENTS	FIRST-TIME APPLICATION OF IFRS 16	OTHER ⁽²⁾	12.31.18
Bonds	59,892	-	-	-	-	-	75	59,817
Production loans ⁽³⁾	41,974	28,386	212	-585	162	-	394	13,405
Assignments of receivables	-	18,392	-29,825	-	651	-	-17,954	28,736
Financial contribution from the Caisse des dépôts	4,086	354	-	-	-	-	-	3,732
Other loans and borrowings	373	9	-13	-	4	-	-	373
Non-current debt	106,325	47,141	-29,626	-585	817	-	-17,485	106,063
Bonds	-75	-	-	-	-	-	-	-75
Production loans ⁽³⁾	1,195	1,615	-	-	-3	-	-394	-23
Assignments of receivables	5,946	15,685	-27,672	-	-20	-	18,157	-204
Financial contribution from the Caisse des dépôts	410	-	-267	-	-	-	-	677
Other loans and borrowings	1,601	142	-1,018	-	-	-	-	2,477
Bank overdraft	149	76	-	-	1	-	-	72
Accrued interest	584	-	-	-	1	-	30	553
Current debt	9,810	17,518	-28,957	-	-21	-	17,793	3,477
Lease liabilities - non-current	14,319	-	-	-	-6	15,278	-1,135	182
Lease liabilities - current	2,991	-	-2,531	-	5	2,329	3,135	53
Lease liabilities	17,310	-	-2,531	-	-1	17,607	2,000	235
FINANCIAL LIABILITIES AND LEASE LIABILITIES	133,445	64,659	-61,114	-585	795	17,607	2,308	109,775

(1) Paid loan fees.

(2) Amortization of loan fees, new leases, reclassifications and changes in accrued interest.

(3) 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.



Repayment schedule

	12.31.19	MATURITY DATE		
		< 1 YEAR	1 TO 5 YEARS	> 5 YEARS
Bonds	59,817	-75	59,892	-
Production loans	43,169	1,195	41,974	-
Assignments of receivables	5,946	5,946	-	-
Financial contribution from the Caisse des dépôts	4,496	410	2,180	1,906
Other loans and borrowings	1,974	1,601	59	314
Lease liabilities	17,310	3,409	9,808	4,093
TOTAL⁽¹⁾	132,712	12,486	113,913	6,313

(1) Excluding accrued interest and bank overdraft.

Production loans and receivables assignment agreements are presented according to their contractual maturity. However, since they are repaid using the proceeds from the series, part of the loans will be repaid early.

Breakdown of liabilities by geographic area

	12.31.19	FRANCE	EUROPE	AMERICAS
Bonds	59,817	59,817	-	-
Production loans	43,169	-	1,615	41,554
Assignments of receivables	5,946	-	-	5,946
Financial contribution from the Caisse des dépôts	4,496	4,496	-	-
Other loans and borrowings	1,974	1,800	9	165
Lease liabilities	17,310	5,600	1,435	10,275
TOTAL⁽¹⁾	132,712	71,713	3,059	57,940

(1) Excluding accrued interest and bank overdraft.

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:

	12.31.19	12.31.18
Before hedging instruments	4.97%	4.97%
After hedging instruments	-	-

Average interest rate

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

	2019	2018
Before hedging instruments	4.84%	4.84%
After hedging instruments	-	-



PRODUCTION LOANS

Production loans are self-liquidating loans used to finance the production of American and European television series.

Production loans 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 AT 12.31.19	POSITION AT 12.31.18
Narcos season 5	Narcos Productions Llc	MUFG Union Bank	11.16.18	06.30.21	72,235	-	29,538	15,828
Narcos season 6	Narcos Productions Llc	MUFG Union Bank	12.12.19	06.30.22	76,378	69,516	6,931	-
F is for Family season 4	Leodoro Productions Llc	MUFG Union Bank	01.25.19	09.30.21	15,391	4,640	11,136	-
TOTAL					164,004	74,156	47,605	15,828

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

EFFECTIVE INTEREST RATE

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

	12.31.19	12.31.18
Before hedging instruments	5.90%	4.48%
After hedging instruments	-	-

AVERAGE INTEREST RATE

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

	2019	2018
Before hedging instruments	4.89%	3.11%
After hedging instruments	-	-



Production loans of European television series

(in thousands of euros)

SERIES	RECIPIENT	LENDER	SUBSCRIPTION	MATURITIES	TOTAL AMOUNT AUTHORIZED	REMAINING AMOUNT AVAILABLE	POSITION AT 12.31.19	POSITION AT 12.31.18
Nine Days Awake	Gaumont GmbH	Commerbank AG Berlin	07.30.19	06.30.20	1,630	15	1,615	-
TOTAL					1,630	15	1,615	-

This loan has the following characteristics:

- repayment of each loan takes place via a senior call on pre-financing payments and proceeds from the series financed;
- compensation is fixed at the rate of 1.90%;
- collateral for the loans consists of pledging of the asset financed.

ASSIGNMENTS OF RECEIVABLES

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)

ACTIVITY	STATUS OF ASSIGNED RECEIVABLES				DEBT SITUATION				
	VALUE OF ASSIGNED CONTRACTS	BALANCE OF ASSIGNED RECEIVABLES	BALANCE SHEET BALANCE	OFF BALANCE SHEET COMMITMENTS	AUTHORIZED MAXIMUM AMOUNT	REMAINING AMOUNT AVAILABLE	POSITION AT 12.31.19	POSITION AT 31.12.18	
American television programs	121,497	42,936	32,381	10,555	50,000	6,069	6,792	33,010	
TOTAL	121,497	42,936	32,381	10,555	50,000	6,069	6,792	33,010	

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:

	12.31.19	12.31.18
Before hedging instruments	10.44%	5.23%
After hedging instruments	-	-

The high level of the effective interest rate is related to the fact that the amount of the outstanding borrowings at December 31, 2019 is low compared with the average debt level of the period.

Average interest rate

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

	2019	2018
Before hedging instruments	5.62%	3.26%
After hedging instruments	-	-



FINANCIAL CONTRIBUTION FROM THE CAISSE DES DÉPÔTS ET CONSIGNATIONS FOR THE RESTORATION AND DIGITIZATION OF THE CATALOG

On July 6, 2012, Gaumont signed a financial investment agreement with Caisse des dépôts et consignations to restore and digitize 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 further below.

As of December 31, 2019, the restoration program is completed. The outstanding debt to Caisse des dépôts et consignations stands at k€4,496.

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.

	12.31.19	12.31.18
Cash equivalents	34,012	34,007
Bank accounts and petty cash	51,761	95,824
TOTAL	85,773	129,831

Financing commitments

	12.31.19	12.31.18
Commitments given	70,560	34,361
Assignment of receivables as loan security	9,396	10,654
Guarantees	61,164	23,707
Commitments received	71,428	57,586
Unused credit facility	71,428	57,586

Unused credit facilities consist of:

- k\$74,156 in respect of production loans arranged for US activities;
- k\$6,069 for the receivables assignment agreement entered into by Gaumont USA.

Pledging of assets

In guarantee of the financial contribution from the Caisse des dépôts et consignations for the digitization of films from its catalog, Gaumont pledged the works restored with the help of this funding. As of December 31, 2019, they had a net carrying amount of k€11,842.

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

At December 31, 2019, the pledges made by Gaumont and its subsidiaries had a total net carrying amount of k€61,164.

TYPE OF PLEDGES/MORTGAGES	12.31.19	12.31.18
On intangible assets	28,808	21,236
On property, plant and equipment	-	-
On non-controlling financial assets	-	-
On receivables	31,057	966
On cash accounts	1,300	1,505
TOTAL	61,164	23,707

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

TYPE OF PLEDGES/MORTGAGES	12.31.19	EXPIRATION DATE		
		LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS
On intangible assets	28,808	1,843	15,123	11,842
On property, plant and equipment	-	-	-	-
On non-controlling financial assets	-	-	-	-
On receivables	31,057	-	31,057	-
On cash accounts	1,300	-	1,300	-
TOTAL	61,164	1,843	47,479	11,842



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, 2019, exposure to credit risk was as follows:

	12.31.19	OUTSTANDING	RECEIVABLES OWING						
			FROM 1 TO 30 DAYS	FROM 31 TO 60 DAYS	FROM 61 TO 90 DAYS	FROM 91 TO 180 DAYS	FROM 181 TO 360 DAYS	OVER 360 DAYS	
Trade receivables	90,364	75,858	6,295	6,022	1,142	892	20	135	
Net receivables on movies and series	3,483	3,464	19	-	-	-	-	-	
TOTAL	93,847	79,322	6,314	6,022	1,142	892	20	135	

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, 2019, these ratios were met and stood at 6.06, 0.35 and 3.84 respectively.

Market risks

INTEREST RATE RISK

In France, the Group finances its general requirements by means of external fixed or variable rate loans. As of December 31, 2019, Gaumont's debt in France consisted of a fixed-rate bond for k€60,000 and available cash of k€38,027.

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, 2019, the Group's interest rate exposure was as follows:

	12.31.19	MATURITY SCHEDULE		
		LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS
Fixed-rate financial assets	-	-	-	-
Variable-rate financial assets	85,773	85,773	-	-
Financial assets not exposed	-	-	-	-
Financial assets⁽¹⁾	85,773	85,773	-	-
Fixed-rate financial liabilities	-83,238	-5,359	-71,880	-5,999
Variable-rate financial liabilities	-47,500	-5,526	-41,974	-
Financial liabilities not exposed	-2,707	-2,334	-59	-314
Financial liabilities⁽²⁾	-133,445	-13,219	-113,913	-6,313

(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, 2019, 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⁾	85,773	-	85,773	-
Financial liabilities ⁽²⁾	-133,445	-83,238	-47,500	-2,707
Net position before hedging	-47,672	-83,238	38,273	-2,707
Hedging	-	-	-	-
Net position after hedging	-47,672	-83,238	38,273	-2,707
Sensitivity	383	-	383	-

(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 2019, revenue invoiced in a currency other than that of the company behind the transaction amounted to k€19,944, or 9.4% of total revenue, and breaks down as follows.

(in thousands of euros)	TOTAL	USD	CAD	GBP	CHF	JPY	AUD	EUR ⁽¹⁾	MISCEL- LANEOUS
Revenue	19,944	12,293	356	540	552	265	541	5,285	113

(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, 2019, 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 Mexican peso, the Euro and the Japanese yen against the US dollar.

	CURRENCY	COUNTERPARTY	NOTIONAL AMOUNT (in thousands of currency)	EXPIRATION DATE			FAIR VALUE (in thousands of us dollars)
				LESS THAN 90 DAYS	FROM 90 TO 180 DAYS	FROM 180 TO 360 DAYS	
Forward currency purchases	MXN	USD	570,000	275,000	295,000	-	-128
Forward currency purchases	EUR	USD	1,105	484	371	250	-88
Forward currency purchases	JPY	USD	551,841	101,878	101,878	203,757	144,328
TOTAL							-262

At December 31, 2019, the Group's exposure to operating foreign exchange risk was as follows:

	RISK RELATED TO A CHANGE IN THE EURO VALUE							
	TOTAL (in thousands of euros)	USD/EUR	HUN/EUR	CAD/EUR	GBP/EUR	AUD/EUR	JPY/EUR	AUTRES/EUR
Assets	9,092	4,679	4,156	1	114	37	64	41
Liabilities	-2,256	-700	-1,076	-480	-	-	-	-
Off balance sheet	1,268	1,268	-	-	-	-	-	-
Net position before hedging	8,104	5,247	3,080	-479	114	37	64	41
Hedging	-1,189	-1,189	-	-	-	-	-	-
Net position after hedging	6,915	4,058	3,080	-479	114	37	64	41
Sensitivity	-691	-406	-308	48	-11	-4	-6	-4

An across-the-board 10% decrease in all of the above-mentioned currencies against the euro would have a negative impact of k€691 on the Group's net income.

	RISK RELATED TO A CHANGE IN THE DOLLAR VALUE				
	TOTAL (in thousands of us dollars)	JPY/USD	MXN/USD	CAD/USD	GBP/USD
Assets	327	-	-	69	258
Liabilities	-	-	-	-	-
Off balance sheet	-34,985	-5,191	-29,794	-	-
Net position before hedging	-34,658	-5,191	-29,794	69	258
Hedging	34,985	5,191	29,794	-	-
Net position after hedging	327	-	-	69	258
Sensitivity	-33	-	-	-7	-26

An across-the-board 10% decrease in all of the above-mentioned currencies against the US dollar would have a negative impact of k\$33 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, 2019, Gaumont had forward currency sale contracts in place to hedge against future movements in the dollar and the sterling pound against the euro.

	CURRENCY	COUNTERPARTY	NOTIONAL AMOUNT (in thousands of currency)	EXPIRATION DATE			FAIR VALUE (in thousands of euros)
				LESS THAN 90 DAYS	FROM 90 TO 180 DAYS	FROM 180 TO 360 DAYS	
Forward currency sales	USD	EUR	-29,370	-29,370	-	-	151
Forward currency sales	GBP	EUR	-2,023	-2,023	-	-	-40
TOTAL							111

These instruments are qualified as hedging as of -k\$26,970 and -k£2,023.

At December 31, 2019, 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	52,574	50,186	2,388	391	391
Liabilities	-	-	-	-	-
Off balance sheet	-	-	-	-	-
Net position before hedging	52,574	50,186	2,388	391	391
Hedging	-28,522	-26,144	-2,378	-	-
Net position after hedging	24,052	24,042	10	391	391
Sensitivity	-2,405	-2,404	-1	-39	-39

A 10% decrease in the dollar and the sterling pound against the euro would have a negative impact of k€2,405 on the Group's net income. A 10% decrease in Mexican Peso against the US dollar would have a negative impact of k\$39 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, 2019, the Group's exchange rate exposure from foreign investments was as follows:

(in thousands of euros)	USD/EUR	GBP/EUR
Assets	188,701	2,619
Liabilities	-209,080	-3,918
Off balance sheet	61,409	-
Net position before hedging	41,030	-1,299
Hedging	-	-
Net position after hedging	41,030	-1,299
Sensitivity to a 10% change	-4,103	130

A 10% decrease in the dollar against the euro would have a negative impact of k€4,103 and a 10% decrease in the pound sterling would have a positive impact of k€130 on the Group's equity.



EQUITY RISK

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

At December 31, 2019 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 income statement;
- 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 income statement for the year in which the hedged transaction occurs and affects income statement.

In 2019, 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.

	12.31.19		12.31.18	
	ASSETS	LIABILITIES AND EQUITY	ASSETS	LIABILITIES AND EQUITY
Interest rate derivatives	-	-	-	-
Foreign exchange derivatives	188	310	152	966
TOTAL	188	310	152	966



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

	12.31.19	OTHER COMPREHENSIVE INCOME	NET INCOME	CURRENCY TRANSLATION ADJUSTMENTS	PREMIUMS PAID	12.31.18
Derivative instruments – assets	188	191	-154	-1	-	152
Derivative instruments – liabilities	-310	385	292	-21	-	-966
TOTAL	-122	576	138	-22	-	-814

The ineffective portion recognized in income for the period for these contracts resulted in a k€107 profit.

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

	CURRENCY	COUNTERPARTY	NOTIONAL AMOUNT <i>(in thousands of currency)</i>	EXPIRATION DATE			
				LESS THAN 90 DAYS	FROM 90 TO 180 DAYS	FROM 180 TO 360 DAYS	OVER 360 DAYS
Forward currency purchases	MXN	USD	570,000	275,000	295,000	-	-
Forward currency purchases	EUR	USD	1,105	484	371	250	-
Forward currency purchases	JPY	USD	551,841	101,878	101,878	203,757	144,328
Forward currency sales	USD	EUR	-29,370	-29,370	-	-	-
Forward currency sales	GBP	EUR	-2,023	-2,023	-	-	-

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.

	12.31.19		BREAKDOWN BY CATEGORY OF INSTRUMENTS					HIERARCHICAL LEVEL
	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	
Investments in non-consolidated entities	3	3	-	3	-	-	-	na
Other non-current financial assets	176	176	-	-	176	-	-	na
Other current financial assets	231,183	231,183	-	-	231,183	-	-	na
Derivative instruments – assets	188	188	-	-	-	-	188	2
Cash and cash equivalents	85,773	85,773	85,773	-	-	-	-	1
Financial assets	317,323	317,323	85,773	3	231,359	-	188	
Non-current borrowings	120,644	120,644	-	-	-	120,644	-	na
Other non-current financial liabilities	-	-	-	-	-	-	-	na
Current borrowings	12,801	12,801	-	-	-	12,801	-	na
Other current financial liabilities	117,771	117,771	16,964	-	-	100,807	-	3 / na
Derivative instruments – liabilities	310	310	-	-	-	-	310	2
Financial liabilities	251,526	251,526	16,964	-	-	234,252	310	

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 measurement). These derivatives are designated as hedging instruments.

Other current financial liabilities included a liability of k€16,964 measured at fair value through profit and loss. This liability represents Gaumont's commitment to repurchase, in 2022, 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. 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, 2019, the impact on net income of the discounted fair value of this commitment was -k€2,266.

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



	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 borrowings	106,245	106,245	-	-	-	106,245	-	na
Other non-current borrowings	6,828	6,828	-	-	-	6,828	-	na
Current borrowings	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	



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

	12.31.19	MOVEMENTS OF THE PERIOD				12.31.18
		INCREASES	USES	REVERSALS ⁽¹⁾	OTHER ⁽²⁾	
Provisions for pension and similar benefits	4,519	603	-131	-	212	3,835
Non-current provisions	4,519	603	-131	-	212	3,835
Provisions for legal proceedings relating to intellectual property rights over works	50	-	-50	-	-	100
Provisions for legal proceedings with personnel	258	258	-77	-	-	77
Provisions for commercial legal proceedings	-	-	-	-	-	-
Provisions for other legal proceedings	-	-	-	-	-	-
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	307	308	-1,045	-	23	1,021
Current provisions	615	566	-1,172	-197	23	1,395
TOTAL	5,134	1,169	-1,303	-197	235	5,230
Impact on current operating income		1,169	-1,303	-197	-	
Impact on non-current operating income		-	-	-	-	
Impact on share of net income of associates		-	-	-	-	
Impact on other comprehensive income		-	-	-	235	

(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, 2019, 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, 2019.



In 2019, a tax audit was done on Gaumont the conclusions of which were brought to the attention of the company at end-December. A new dispute was raised regarding the essential points of correction. A provision for expenses was booked for the estimated amount of the remaining financial risk, or k€307.

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:

	12.31.19	12.31.18
Pensions	4,349	3,688
Seniority bonuses	170	147
TOTAL	4,519	3,835

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

	12.31.19	12.31.18
Expected payments in the next ten years		
less than 1 year	376	368
1 to 5 years	407	614
5 to 10 years	1,164	788
AVERAGE DURATION OF THE COMMITMENT (in years)	13.15	13.01



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

	2019			2018		
	PENSIONS	SENIORITY BONUSES	TOTAL	PENSIONS	SENIORITY BONUSES	TOTAL
ACTUARIAL LIABILITY AT THE BEGINNING OF THE YEAR	3,688	147	3,835	3,579	140	3,719
Current service cost	299	15	314	280	14	294
Plan amendment	-	-	-	-	-	-
Benefits paid	-69	-2	-71	-142	-7	-149
Service cost	230	13	243	138	7	145
Discounting effect	61	2	63	51	2	53
Interest expense	61	2	63	51	2	53
Actuarial gains and losses recognized in income	-	8	8	-	-2	-2
Net expense recognized in income	291	23	314	189	7	196
Experience gains/losses	-54	-	-54	-168	-	-168
Changes in demographic assumptions	4	-	4	-	-	-
Changes in financial assumptions	420	-	420	88	-	88
Actuarial gains and losses recognized in comprehensive income	370	-	370	-80	-	-80
Amounts recognized in other comprehensive income	370	-	370	-80	-	-80
Changes in scope	-	-	-	-	-	-
ACTUARIAL LIABILITY AT THE END OF THE YEAR	4,349	170	4,519	3,688	147	3,835

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

	PENSIONS		SENIORITY BONUSES	
	12.31.19	12.31.18	12.31.19	12.31.18
Discount rate	0.65%	1.65%	0.65%	1.65%
Expected return on plan assets	0.00%	0.00%	0.00%	0.00%
Inflation rate	1.70%	1.90%	1.70%	1.90%
Average expected increase in salaries	1.70%	1.90%	1.70%	1.90%

Applying the actuarial assumptions, the expected charge for 2020 breaks down as follows:

	2020		
	PENSIONS	SENIORITY BONUSES	TOTAL
Current service cost	343	17	360
Plan amendment	-	-	-
Service cost	343	17	360
Discounting effect	27	1	28
Interest expense	27	1	28
EXPECTED CHARGE FOR THE PERIOD	370	18	388

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

ASSUMPTIONS	PRESENT VALUE OF LIABILITY			SERVICE COST IN 2020		
	PENSIONS	SENIORITY BONUSES	TOTAL	PENSIONS	SENIORITY BONUSES	TOTAL
Discount rate (Base rate: 0.65%)						
0.65%	845	30	875	66	2	68
1.65%	-517	-18	-535	-82	-4	-86

9. Other information

9.1. 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

	2019	2018
Net income of companies before tax	-38,687	-8,040
Current tax rate applicable to the parent company	28.00%	28.00%
Theoretical tax	10,832	2,251
Reduced tax rate differentials	-	-
Effect of change in rates on temporary differences	-	13
Tax rate differentials between France and abroad	-712	-180
Share of net income of associates	-	-
Permanent differences	-360	-260
Impact of capping deferred tax assets at the amount of deferred tax liabilities	-3,583	-
Long-term gains on disposals of consolidated shares	-61	-26
Change in unrecognized tax loss carryforwards	-7,951	-4,548
Tax consolidation	970	576
Tax credits in operating income ⁽¹⁾	1,062	1,372
Income tax without base and tax credits	-48	198
Effective tax benefit (expense)	149	-604
Effective tax rate	0.39%	-7.51%

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

Breakdown of the tax expense or benefit

	2019	2018
Current income tax	-241	-865
Deferred tax	390	261
TOTAL TAXES	149	-604

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 Musiques SARL, Editions la Marguerite SARL, Gaumont Production Télévision 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€963 for the year.

DEFERRED TAX

The rate used to calculate deferred tax is as follows:

	2019	2018
Standard tax rate for French companies	28.00%	28.00%
Tax rate for companies based in Germany	20.50%	20.50%
Tax rate for companies based in the United Kingdom	19.00%	19.00%
Tax rate for companies based in California, the United States	28.00%	28.00%

The tax rate used for the assessment of deferred tax of French entities factors in the gradual reduction of the income tax rate, whereby the rate of tax on company profits will be lowered from 33.33% to 25%.

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:

	12.31.19	EFFECT ON COMPREHENSIVE INCOME	OTHER CHANGES ⁽¹⁾	12.31.18
Deferred tax assets	3,881	1,013	33	2,835
Deferred tax liabilities	-3,014	-738	107	-2,383
NET DEFERRED TAX	867	275	140	452

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

The origin of the net deferred tax is presented below.

	12.31.19	EFFECT ON COMPREHENSIVE INCOME	OTHER CHANGES ⁽¹⁾	12.31.18
Recognized unused tax losses	7,080	-3,985	25	11,040
Fair value of films	-1,265	311	-	-1,576
Fair value of land and buildings	-5,149	56	-	-5,205
Accelerated amortization of films	1,894	6,864	-86	-4,884
Other temporary differences	-1,693	-2,971	201	1,077
NET DEFERRED TAX	867	275	140	452

(1) Changes in scope, transfers between items, first-time application of IFRS 16 and foreign currency translation adjustments.

Income tax on other comprehensive income

OTHER COMPREHENSIVE INCOME	2019			2018		
	GROSS AMOUNT	TAX EFFECT	CARRYING VALUE	GROSS AMOUNT	TAX EFFECT	CARRYING VALUE
Translation adjustments of foreign operations	-468	-	-468	-830	-	-830
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	-
Changes in fair value of hedging financial instruments	599	-168	431	564	-161	403
Changes in asset revaluation surplus	-	-	-	-	-	-
Actuarial gains (losses) on defined benefit plans	-212	53	-159	80	-52	28
Share in other comprehensive income of associates	-	-	-	9	-	9
TOTAL	-81	-115	-196	-177	-213	-390

At December 31, 2019, 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€69,444.

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, 2019, recognized consolidated tax losses were k€23,983, compared with k€39,874 at the end of 2018.

A total of k€1,186 in individual tax loss carryforwards related to reporting periods prior to tax consolidation were also recognized at December 31, 2019 for companies in the scope of tax consolidation. At December 31, 2019 net deferred tax assets of European and French companies outside the scope of tax consolidation stood at k€4,288.

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, 2019, the losses recognized for the American companies are nil. They were at k\$2,244 at the end of 2018.



9.2. Statutory auditors' fees

The fees of the statutory auditors and members of their network paid by the Group in 2018 and 2019 are as follows:

	TOTAL				ADVOLIS				EY			
	2019		2018		2019		2018		2019		2018	
	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Auditing												
Certification and review of separate and consolidated financial statements												
• Issuer	236		230		87		81		149		149	
• Consolidated subsidiaries	216		151		-		-		216		151	
Related services												
• Issuer	-		-		-		-		-		-	
• Consolidated subsidiaries	-		-		-		-		-		-	
TOTAL	452	100%	381	100%	87	100%	81	100%	365	100%	300	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.

9.3. Subsequent events

As of the reporting date, Gaumont is in ongoing negotiations for the purchase of the remaining non-controlling interests held by the minority shareholder of the company Gaumont Television USA Llc.

As of the reporting date, the Covid-19 epidemic is in an acceleration phase in Europe and the United States. The effects of this epidemic on Gaumont's business are uncertain and hard to quantify. Assuming a restriction on activities, the impacts on the activity associated with the production

and distribution of cinematographic films would be related essentially to scheduling delays in that all the films programmed for release in 2020 are completed. The impacts on the production and distribution of television series would essentially be related to delivery delays owing to the probable rescheduling of filming. Were the delays to last over 2020 year end, revenue, operating income and to some extent, treasury would be affected up to amounts impossible to measure at this point.



STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2019

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, 2019. These financial statements were approved by the Board of Directors on March 10, 2020 on the basis of information available on that date in a changing context in terms of the Covid-19 health crisis.

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, 2019 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, 2019 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 conclusion, we draw your attention to note 1.3 of the consolidated financial statements, "Changes to the IFRS accounting principles" which presents the impacts of IFRS 16 "Leases", the application of which has been compulsory since January 1, 2019.

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, approved under the aforementioned conditions, 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	<p>Feature films and animations, as well as audiovisual series produced or distributed by your group are fixed assets whose net amount totals €126.5 million in the consolidated financial statements of your group at December 31, 2019.</p> <p>Your group believes that the most appropriate way to reflect the progressive consumption of economic benefits linked to films and audiovisual rights is to account for a cost-unit based amortization, defined as the ratio of net proceeds acquired in the year to total net proceeds.</p> <p>Estimates of future economic benefits correspond to the expected revenue in the different distribution channels (over-the-air TV broadcasting, video on demand, sales abroad, etc.) minus any charges applicable according to the contractual provisions specific to each film, taking into account a variety of parameters.</p> <p>Moreover, a residual value is attached to films that have great public success when presented in movie theaters and that also present a major commercial potential beyond a ten-year horizon.</p> <p>Consequently, the estimates of future economic benefits, that are subject to regular updates, influence the valuation of the films and audiovisual rights. This is why we have considered these estimates as a key point of our audit.</p>
Our response	<p>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:</p> <ul style="list-style-type: none">• assessing the consistency of the estimates from information provided by the finance department and with respect to the history of the estimates, and performing sensitivity analyses;• testing the compliance and proper implementation of the rule for calculating amortization;• verifying, on a test basis, the details of calculations of estimates of future economic benefits of films and series;• assessing the relevance of the information provided in the notes.

Recognition of revenue

Risk identified	<p>As mentioned in note 3.2 to the consolidated financial statements, your Group's revenue is primarily generated by the licences and distribution royalties.</p> <p>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.</p> <p>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 the audit.</p>
Our response	<p>Our work consisted in:</p> <ul style="list-style-type: none">• documenting our understanding of the process of revenue recognition;• analyzing the contractual clauses over a sample of contracts, in particular the most significant new contracts in the period and the special transactions, 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;• testing the correct attachment of the revenue to the period on a sample of sales recognized on the previous and following period of the closing;• examining 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 verifications

We have also performed the specific verifications of the disclosures pertaining to the Group, given in the Board of Directors' management report on March 10, 2020, as required by French laws and regulations and in accordance with professional standards applicable in France. In terms of events having occurred and information known subsequent to the reporting date related to the Covid-19 crisis, management has informed us that they will be communicated to the general meeting called to approve the financial statements.

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 of the Gaumont company 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, 2019, the firm ADVOLIS was in its 15th year of uninterrupted engagement and the firm ERNST & YOUNG et Autres in its 9th year.

Previously, the firm ERNST & 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 the company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the company or to cease operations.

Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of directors.

Statutory auditors' responsibilities for the audit of the consolidated financial statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in article L. 823-10-1 of the French Commercial code (Code de commerce), our statutory audit does not include assurance on the viability of the company or the quality of management of the affairs of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;



CONSOLIDATED FINANCIAL INFORMATION

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in article 6 of regulation (EU) 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. 822-14 of the French Commercial code (Code de commerce) and in the French Code of ethics (Code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris and Paris-La Défense, April 10, 2020

The statutory auditors

ADVOLIS

Hugues de Noray

ERNST & YOUNG et Autres

Christine Vitrac



INFORMATION ON CORPORATE OFFICERS

Operating Board members **92**

Compensation of Corporate officers **100**



OPERATING BOARD MEMBERS

Offices and functions held by the directors

NICOLAS SEYDOUX

Born on July 16, 1939

French national

Number of Gaumont shares held at December 31, 2019: 526

Voting rights at December 31, 2019: 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 of the *Compagnie internationale pour l'informatique* (CII) in Paris (1967-1970), Financial Analyst at Morgan Stanley & Co. Inc. in New York (1970-1971) and Morgan & Cie International SA in Paris (1971-1974). Gaumont Group: Vice-Chairman-CEO (1974), Chairman-CEO (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) (end December 2018)
 - **Chairman** of Gaumont Distribution Inc. (United States) (end December 2018)
-



SIDONIE DUMAS

Born on April 28, 1967

French national

Number of Gaumont shares held at December 31, 2019: 1,165

Voting rights at December 31, 2019: 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 Hunnebellé), *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 includes more than 1,000 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 the second largest French blockbuster of all time.

Gaumont has received numerous other awards for films such as *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, exceeding the one million ticket mark in France in 2019, such as *School Life*, directed by Fabien Marsaud (alias Grand Corps Malade) and Mehdi Idir, *The Specials* directed by Eric Toledano and Olivier Nakache and finally *J'accuse* directed by Roman Polanski.

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 nine 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 sixth season.

Gaumont, through Sidonie Dumas and her teams 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

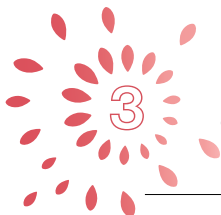
- **Legal representative of Gaumont, Manager** of Gaumont Vidéo SNC
- **Chairwoman** of Gaumont Télévision SAS and Gaumont Animation SAS
- **Chairwoman and Member of the Management committee** of GP Archives SAS
- **Board member and Chairwoman** of Gaumont USA Inc. (United States)
- **Board member and 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 Musiques SARL, Gaumont Production SARL, Gaumont Production Animation SARL and Gaumont Production Télévision 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 Neufilze OBC 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)
- **Chairwoman** of the *Bureau de liaison des industries cinématographiques* (BLIC) (from January 2020)

Functions and offices ceased within the last five years

- **Board member** of Havas SA (end April 2019)
- **Chairwoman** of Mitzé Films SAS (end May 2018) and of CDG SAS (March through September 2019)
- **Manager** of Prestations et Services SARL (end May 2016), DD Catalogue SARL (end May 2018), Fidelity Films SARL (end May 2018), Nouvelles Editions de Films (end May 2018), Gaumont Animation Musique SARL (end July 2019) and Mitzé Editions SARL (end July 2019)
- **Chairwoman** of the *Bureau de liaison des industries cinématographiques* (BLIC) (from January 2017 to January 2018)
- **Vice-Chairwoman** of Gaumont Inc. (United States) (end December 2018) and Gaumont Distribution Inc. (United States) (end 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)



INFORMATION ON CORPORATE OFFICERS

OPERATING BOARD MEMBERS

ANTOINE GALLIMARD

Born on April 19, 1947

French national

Number of Gaumont shares held at December 31, 2019: 400

Voting rights at December 31, 2019: 800

Business address

5, rue Gaston Gallimard

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 Editions 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



FÉLICITÉ HERZOG

Born on April 23, 1968

French national

Number of Gaumont shares held at December 31, 2019: 10

Voting rights at December 31, 2019: 20

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). From 2013 to 2019, 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 September 2019, Strategy and Innovation Director at Vivendi group. 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 2021 financial statements.
- **Member of the Audit committee**

Other functions and offices held in the Group

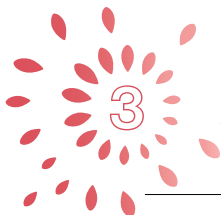
- None

Other functions and offices held outside the Group

- **Chairwoman and CEO** of Apremont Conseil SAS
- **Board member** of Friends of the Paris Museum of Modern Art
- **Strategy and Innovation Director** at Vivendi group (since September 2019).

Functions and offices ceased within the last five years

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

**MICHEL SEYDOUX**

Born September 11, 1947

French national

Number of Gaumont shares held at December 31, 2019: 580

Voting rights at December 31, 2019: 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 Camera One. Former Chairman of Air Littoral Holding and Losc Lille football club (2002-2017). Since July 2002, Member of the Management board of Pathé SAS.

Producer or co-producer of many films such as *F as in Fairbanks*, directed by Maurice Dugowson (1976), *Don Giovanni*, directed by Joseph Losey (1979), *Hôtel de France*, directed by Patrice Chéreau (1987), *Cyrano de Bergerac*, directed by Jean-Paul Rappeneau (1990), *Urga*, directed by Nikita Mikhalkov (1991), *Prospero's book*, 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), *Six portraits XL*, directed by Alain Cavalier (2017) and *Living and Knowing You're Alive*, directed by Alain Cavalier (2019).

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, and Socle SAS
- **Member of the Management board** of Pathé SAS
- **Manager** of Camera One SARL, F.M.S. SNC, La Serdinière SARL and Camera One Musique SARL (since September 2019)
- **Managing Partner** of Liberté 25 Citadelle SC

Functions and offices ceased within the last five years

- **Chairman** of Les Cabrettes SAS (end June 2019)
- **Manager** of JSI SC (end March 2018)
- **Member of the Management committee** of Gaya Rive Gauche SAS (end June 2017)
- **Chairman of the Board of directors** of Socle SA (end February 2017 following change to SAS) and of LOSC Lille SA (end January 2017)
- **Member of the Supervisory board** of Grand Lille TV SAS (end February 2017)
- **Manager** of the SCI du Domaine de Luchin SC (end January 2017)
- **Board member** of Financière Bon SA (November 2015) and of Groupement de Luchin GIE (end January 2017)



PÉNÉLOPE SEYDOUX

Born on May 25, 1966

French national

Number of Gaumont shares held at December 31, 2019: 530

Voting rights at December 31, 2019: 1,060

Business address

Chemin de Haute Brise 1A

1012 Lausanne

Switzerland

Family ties with another Board member

Daughter of Nicolas Seydoux, Chairman of the Board of directors, sister of Sidonie Dumas, Vice-Chairwoman of the Board of directors and Chief Executive Officer and niece of Michel Seydoux, Board member.

Functions and offices held in Gaumont SA

- **Board member**
Term of appointment ends at the General meeting called to approve the 2019 financial statements.

- **Member of the Audit committee**

Other functions and offices held in the Group

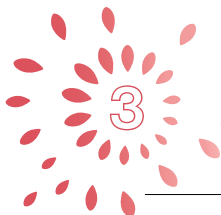
- None

Other functions and offices held outside the Group

- **Manager** of La Fermière SARL (Switzerland)

Functions and offices ceased within the last five years

- None
-

**MARC TESSIER**

Born on July 21, 1946

French national

Number of Gaumont shares held at December 31, 2019: 123

Voting rights at December 31, 2019: 246

Business address

10, rue de l'Arche

92400 Courbevoie

France

Biography

Graduate of the *École Polytechnique* and *École Nationale d'Administration* (ENA). Inspector of Finances (1971), Seminar Director at the *Institut d'Études 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, 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

- **Vice-Chairman** of the *Fondation de France* (end December 2019)
- **Board member** of Ediradio SAS (RTL) (end October 2017)
- **Board member** of Netgem SA (end January 2017)



JEAN TODT

Born on February 25, 1946

French national

Number of Gaumont shares held at December 31, 2019: 500

Voting rights at December 31, 2019: 1,000

Business address

2, rue des Granges

1204 Geneva

Switzerland

Biography

Former student of the EDC Paris Business School.

Rally co-driver (1966-1981). Peugeot: Founder of Peugeot Talbot Sport (1982), Director of sports activities at PSA Peugeot Citroën group (1990). Ferrari (Fiat group company): Head of motor sport management at Ferrari (1993-2008), Responsible for all Ferrari-Maserati group sports activities (2001), Chief Executive Officer of Ferrari SpA and Group CEO (2004-2008), Advisor to the Ferrari Chairman (2008-2009). *Fédération Internationale de l'Automobile* (FIA): Chairman (since 2009). 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)
- **Founder member and Vice-Chairman** of the *Institut du cerveau et de la moelle épinière* (ICM)
- **Member of the Board of directors** of the FIA Foundation for the Automobile and Society
- **Chairman of the Board of directors** of the SUU Foundation
- **Member of the Board of directors** of the International Peace Institute (IPI)
- **Member of the Public Affairs and Social Development through Sport Committee** of the CIO
- **Board member** of the Ban Ki-moon Centre for Global Citizens
- **Member of the Board of directors** of Groupe Lucien Barrière SAS and Edmond de Rothschild SA

Functions and offices ceased within the last five years

- **Chairman** of eSafety Aware (FIA) (until 2018)
 - **Member of the Board of Directors** of the *Société des Amis du Musée d'Art Moderne de la Ville de Paris*
 - **Member of the Advisory board** of Sotheby's International (end 2018) and Hangar Bicocca (Italy) (end 2014)
-



COMPENSATION OF CORPORATE OFFICERS

Comprehensive report on 2019 compensation of corporate officers

2019 compensation of corporate officers and equity ratios

The table below shows the total compensation and benefits of any kind, broken down by fixed, variable and exceptional components, paid to the corporate officers in 2019, or granted for fiscal year 2019. The total compensation and benefits of all types paid or allocated to the Chairman of the Board of directors and the Chief Executive Officer for 2019 are in line with the principles and criteria approved by the General meeting of May 7, 2019 by a vote on the 8th and 9th resolutions and are part of the Company's long-term development strategy.

<i>(in euros)</i>	TITLE	COMPENSATION ⁽¹⁾	AMOUNTS PAID IN 2019	PERCENTAGE OF THE FIXED AND VARIABLE COMPENSATION	MAXIMUM AMOUNTS ALLOCATED FOR 2019	PERCENTAGE OF THE FIXED AND VARIABLE COMPENSATION
Nicolas Seydoux	Chairman of the Board of directors	Fixed compensation	750,000	100%	750,000	100%
	Chairman of the Appointments and compensation committee	Variable compensation ⁽²⁾	-	-	-	-
	TOTAL		750,000		750,000	
Sidonie Dumas	Chief Executive Officer	Fixed compensation	750,000	100%	750,000	100%
	Board member	Variable compensation ⁽²⁾	-	-	-	-
	TOTAL		750,000		750,000	
Antoine Gallimard	Board member	Fixed compensation	35,000	48.8%	40,000	50.6%
	Member of the Appointments and compensation committee	Variable compensation	36,667	51.2%	39,091	49.4%
Félicité Herzog	Board member	Fixed compensation	35,000	48.8%	40,000	50.6%
	Member of the Audit committee	Variable compensation	36,667	51.2%	39,091	49.4%
Michel Seydoux	Board member	Fixed compensation	35,000	53.8%	40,000	50.6%
	Member of the Appointments and compensation committee	Variable compensation	30,000	46.2%	39,091	49.4%
Pénélope Seydoux	Board member	Fixed compensation	35,000	53.8%	40,000	55.7%
	Member of the Audit committee	Variable compensation	30,000	46.2%	31,818	44.3%
Marc Tessier	Board member	Fixed compensation	35,000	42.8%	40,000	44.9%
	Chairman of the Audit committee	Variable compensation	46,667	57.2%	49,091	55.1%
Jean Todt	Board member	Fixed compensation	35,000	56.7%	40,000	64.7%
		Variable compensation	26,667	43.3%	21,818	35.3%
Thierry Dassault	Non-voting member	Fixed compensation	15,000	-	-	-
		Variable compensation	-	-	-	-
Bertrand Siguier	Non-voting member	Fixed compensation	15,000	-	-	-
		Variable compensation	13,333	-	-	-
	TOTAL		460,000		460,000	

(1) Before social and tax deductions.

(2) The basis for calculating the variable compensation is comprised of the consolidated net income Group share, after income tax, excluding exceptional items. As the company did not make any profit, no variable compensation was granted to corporate officers for 2019.



As a reminder, the terms of appointment of non-voting Board members ended on May 16, 2018. The percentage paid to them in 2019 equated to the compensation allocated for 2018. The latter are not corporate officers.

The compensation allocated by the Board of directors to Board members for 2019 is subject to a provision over the period and paid the following year.

	COMPENSATION OF THE CHAIRMAN OF THE BOARD OF DIRECTORS	COMPENSATION OF THE CHIEF EXECUTIVE OFFICER	AVERAGE EMPLOYEE COMPENSATION	MEDIAN EMPLOYEE COMPENSATION
2019	750,000	750,000	54,415	41,234
Ratio 1	13.78	13.78		
Ratio 2	18.19	18.19		

Ratio 1 - Level of compensation of each executive officer and the average full-time equivalent compensation paid to company employees other than corporate officers.

Ratio 2 - Level of compensation of each executive officer and the median full-time equivalent compensation paid to company employees other than corporate officers.

	2019	2018	2017	2016	2015
Compensation of the Chairman of the Board of directors	750,000	750,000	914,449	879,382	889,940
Ratio 1	13.78	14.34	16.30	16.77	17.43
Ratio 2	18.19	18.75	22.02	21.13	22.34
Compensation of the Chief Executive Officer	750,000	750,000	918,597	869,382	979,909
Ratio 1	13.78	14.34	16.38	16.58	19.19
Ratio 2	18.19	18.75	22.12	20.89	24.60
Compensation of Board members ⁽¹⁾	460,000	460,000	460,000	460,000	460,000
Ratio 1	8.45	8.79	8.20	8.77	9.01
Ratio 2	11.16	11.50	11.08	11.05	11.55
Average employee compensation	54,415	52,312	56,088	52,431	51,055
Median employee compensation	41,234	40,000	41,523	41,625	39,838
NET INCOME OF GAUMONT SA	-30,222,852	8,065,410	295,823,029	7,258,179	9,778,138

Ratio 1 - Level of compensation of each of the executive officers and Board members and the average full-time equivalent compensation paid to company employees other than corporate officers.

Ratio 2 - Level of compensation of each of the executive officers and Board members and the median full-time equivalent compensation paid to company employees other than corporate officers.

(1) This amount stands before partial waiver of their compensation for 2019, up to two third of the maximum amount allocated by the GM of April, 25, 2013.

Cumulative employment contract and corporate office

The Chairman and the Chief Executive Officer have not held both an employment contract and corporate office since 2008.

Termination benefits - Supplementary Pension Plan

As of December 31, 2019 corporate officers did not benefit from any supplementary pension plan or specific termination of office cover. Corporate officers did not benefit from any golden hello or golden handshake.



INFORMATION ON CORPORATE OFFICERS

COMPENSATION OF CORPORATE OFFICERS

	TITLE	TERM OF APPOINTMENT STARTED TERM OF APPOINTMENT ENDS	EMPLOYMENT CONTRACT	SUPPLEMENTARY PENSION PLAN	TERMINATION OF OFFICE PAYMENTS OR BENEFITS	NON-COMPLETE CLAUSE PAYMENT
Nicolas Seydoux	Chairman of the Board of directors	05.06.10 GM 2020	no	no	no	no
Sidonie Dumas	Chief Executive Officer	05.06.10 permanent	no	no	no	no

Grant and exercise of stock options plans in favor of the executive corporate officers

The conditions of the allocation of stock options of the plans put in place by the Board are compliant with recommendation No. 18 of the Middenext code against the excessive concentration of stock options on managers and against allocating options to executive corporate officers when they leave.

The conditions for the exercise and final allocation of options do not include performance conditions after the date of initial allocation, and for all beneficiaries whether they are managers, corporate officers or other employees. As the exercise and allocation for managers is carried out according to conditions identical as those for other employees, the exercise and final allocation of these options are not subject to future performance conditions.

During 2019, no share purchase or subscription options were granted to corporate officers of Gaumont SA or any of its subsidiaries.

As a reminder, 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.

During 2019, Ms. 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.

Board members' compensation

The compensation allocated to Board members was set by the General meeting of April 25, 2013 at €460,000 for fiscal year 2013 and subsequent years, until decided otherwise by the meeting.

The terms and conditions of compensation allocation are approved by the Board of directors.

At its meeting on May 16, 2017 the Board of directors decided to allocate compensation to non-voting Board members under the same terms and conditions as that of conventional Board members.

At its meeting of May 7, 2019, the Board of directors, upon the Appointments and compensation committee's proposal, resolved to continue to allocate to its members €460,000, applying the same principles that was approved by the Board of directors at its meeting of November 9, 2017:

- €240,000 distributed equally among all Board members excluding the Chairman of the Board of directors and the Chief Executive Officer;

- €160,000 distributed to members according to their actual attendance at Board meetings;
- €20,000 for committee chairpersons based on their responsibility, i.e. €20,000 allocated to the Chairman of the Audit committee;
- €40,000 distributed equally among the members of the Appointments and compensation committee and the Audit committee (excluding the chairpersons).

At the Board of directors meeting on April 22, 2020, upon the Appointments and compensation committee's proposal, considering the results of the 2019 financial year and in solidarity with the company, the Board members have decided to waive up to two-thirds of their compensation which would be paid to them for the 2019 fiscal year.

The compensation which is allocated by the Board of directors to its members once the General meeting has approved the financial statements is booked over the period and paid the following year.

Other

No compensation was paid to corporate officers by the controlled or controlling companies within the meaning of Article L. 233-16 of the French Commercial code.

Shareholder approval

This comprehensive report on the compensation and benefits of any kind paid in 2019, or granted for 2019, to all Gaumont corporate officers will be put to vote at the General meeting of shareholders on June 16, 2020.

SIXTH RESOLUTION

Approval of the information on the compensation of corporate officers set out in paragraph I of Article L. 225-37-3 of the French Commercial code.

The General meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General meetings, in accordance with Article L. 225-100 II of the French Commercial code, having read the Board of directors' report provided for by Article L. 225-37 of the Commercial code, approves the information set out in paragraph I of Article L. 225-37-3 of said code.

If this resolution is not approved, compensation payments to Board members will be suspended.



Components of compensation and benefits of any kind paid in 2019 or allocated for 2019 to executive officers

Components of executive officers compensation in 2019

The table below shows the fixed, variable and exceptional components of the total compensation and benefits of all types paid in 2019, or allocated for 2019, to the Chairman of the Board of directors and the Chief Executive Officer, based on the principles and criteria approved by the General meeting of May 7, 2019 by a vote on the 8th and 9th resolutions.

<i>(in euros)</i>	TITLE	COMPENSATION ⁽¹⁾	AMOUNTS PAID IN 2019	AMOUNTS ALLOCATED FOR 2019
Nicolas Seydoux	Chairman of the Board of directors	Fixed compensation	750,000	750,000
		Variable compensation ⁽²⁾	-	-
		TOTAL	750,000	750,000
Sidonie Dumas	Chief Executive Officer	Fixed compensation	750,000	750,000
		Exceptional premium	-	-
		Variable compensation ⁽²⁾	-	-
		Allocation of stock options	-	-
		TOTAL	750,000	750,000

(1) Before social and tax deductions.

(2) The basis for calculating the variable compensation is comprised of the consolidated net income Group share, after income tax, excluding exceptional items.

No other compensation components or benefits of any type were paid during 2019, or allocated for the same period, to Mr. Nicolas Seydoux or Ms. Sidonie Dumas.

Shareholder approval

These components of compensation and benefits paid in 2019 or allocated for 2019 to executive officers will be put to vote at the General meeting of shareholders on June 16, 2020.

SEVENTH RESOLUTION

Approval of the fixed, variable and special components comprising the total compensation and benefits paid in 2019 or allocated for 2019 to the Chairman of the Board of directors

The General meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, in accordance with article L.225-100 III of the French Commercial code, and having read the Board of director's report provided for by article L. 225-37 of the French Commercial code, approves the fixed, variable and special components comprising the total compensation and benefits of any kind presented in the abovementioned report and paid in 2019 or allocated for 2019 to the Chairman of the Board of directors.

EIGHTH RESOLUTION

Approval of the fixed, variable and special components comprising the total compensation and benefits paid in 2019 or allocated for 2019 to the Chief Executive

The General meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, in accordance with article L.225-100 III of the French Commercial code, and having read the Board of director's report provided for by article L. 225-37 of the French Commercial code, approves the fixed, variable and special components comprising the total compensation and benefits of any kind presented in the abovementioned report and paid in 2019 or allocated for 2019 to the Chief Executive Officer.

The vote on these two resolutions conditions the payment of variable and special compensation components allocated to the Chairman of the Board of directors and the Chief Executive Officer for the 2019 financial year (in this case, no such compensation was allocated to them in 2019).



INFORMATION ON CORPORATE OFFICERS



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SHAREHOLDERS

Shareholders holding over 5% of voting rights and treasury shares

Change in shareholding over the last three years

SHARE-HOLDERS	12.31.19				12.31.18				12.31.17			
	BREAKDOWN OF CAPITAL		BREAKDOWN OF VOTING RIGHTS		BREAKDOWN OF CAPITAL		BREAKDOWN OF VOTING RIGHTS		BREAKDOWN OF CAPITAL		BREAKDOWN OF VOTING RIGHTS	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Ciné Par ⁽¹⁾	2,798,628	89.70	5,563,256	94.27	2,798,628	89.70	5,563,256	94.27	2,798,628	89.71	5,528,030	94.24
Public	316,446	10.14	338,229	5.73	316,446	10.14	338,229	5.73	316,410	10.14	338,101	5.76
Shares held by Gaumont SA	4,849	0.16	-	-	4,849	0.16	-	-	4,685	0.15	-	-
TOTAL	3,119,923	100.00	5,901,485	100.00	3,119,923	100.00	5,901,485	100.00	3,119,723	100.00	5,866,131	100.00

(1) Since October 2, 2017, Ms. Sidonie Dumas has control of Ciné Par, up to that time held by Mr. Nicolas Seydoux

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, 2019, the number of registered shareholders was 82.

At December 31, 2019, 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 non-controlling 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

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, 2019 and up to 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. The initial contributions of k€300 were supplemented by an additional k€100 in November 2010.

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.

At December 31, 2019, resources allocated to this contract included 4,649 treasury shares and k€16 in cash.

In addition, at December 31, 2019, Gaumont held 200 registered treasury shares.

In 2019, Gaumont carried out the following transactions in its own shares:

	2019	2018
Number of shares purchased	-	200
Average purchase price	-	€56.26
Number of shares sold	-	36
Average sale price	-	€48.67
Trading fees	-	-
Number of shares held on December 31	4,849	4,849
Value of shares held on December 31	€257,519	€257,519
Percentage of capital held on December 31	0.16%	0.16%
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, 2019.

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

To Gaumont's knowledge, no trading in shares of the company was carried out by Gaumont's executive officers in 2019.

Employee shareholders

To Gaumont's knowledge, none of its employees held shares at December 31, 2019.

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:

YEARS	NUMBER OF SHARES PAID ⁽¹⁾	DIVIDENDS PAID FOR THE PERIOD (in euros)		
		NETET	TAX ASSET	TOTAL
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
2018	3,115,074	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, 2019.

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, 2019.



As of December 31, 2019, 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	88.62%
Percentage of voting rights covered by the shareholders' agreement on the signature date of that agreement	93.65%
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, 2019.

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 regarding 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

Change in Gaumont SA share capital

At December 31, 2019, 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 5,901,457 voting rights attached to shares, including 2,781,534 shares with double voting rights.

Gaumont had not issued any securities other than equity securities.

Potential capital

At December 31, 2019, 24,151 shares could potentially be issued upon the exercise of stock options granted to employees of Gaumont and other affiliated companies.

All 24,151 exercisable options received an exercise price lower than the average listed price for the period and showed a dilutive effect equivalent to 13,002 shares as of December 31, 2019.

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

	2019	2018
Average number of shares	3,119,876	3,119,876
Consolidated net income attributable to owners of the parent <i>(in thousands of euros)</i>	-38,509	-8,771
Net income per share <i>(in euros)</i>	-12.34	-2.81
Number of stock options with a dilutive impact	13,002	13,800
Average potential number of shares	3,132,878	3,133,676
Diluted net income per share <i>(in euros)</i>	-12.29	-2.80
Percentage of dilution <i>(in%)</i>	0.42	0.44



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, 2019. 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)	€43.77	€55.70	€55.79
Total number of options granted	104,000	168,000	196,750
Total adjusted number of options granted	119,683	193,341	226,534
Aggregate number of options canceled at 12.31.19	47,184	100,164	103,943
Aggregate number of options exercised at 12.31.19	71,347	90,873	101,896
NUMBER OF SHARES OUTSTANDING AT 12.31.19	1,152	2,304	20,695
Including number of options that corporate officers may subscribe to			
• Sidonie Dumas	-	-	20,695
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 2019, no share purchase or subscription options were granted to employees of Gaumont SA or of its subsidiaries. At January 1, 2019, 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 for capital transactions

	CURRENT AUTHORIZATIONS				AUTHORIZATIONS PROPOSED AT THE GM OF MAY 7, 2020		
	GM DATE (RESOLUTION NO.)	TERM (EXPIRY DATE)	MAXIMUM AMOUNT OR MAXIMUM CEILING	USE OF THE AUTHORIZATION IN 2018	RESOLUTION NO.	TERM	MAXIMUM AMOUNT OF MAXIMUM CEILING
Increase in share capital⁽¹⁾							
By issuing shares, securities or marketable securities with shareholder pre-emption rights	GM of 05.07.19 (13)	26 months (07.06.21)	k€15,000	Not used			
By capitalization of reserves, profits or premiums	GM of 05.03.18 (12)	26 months (07.02.20)	k€15,000	Not used	(19)	26 months	k€15,000
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	(20)	26 months	200,000 shares
Company's purchase of its own shares							
Company's purchase of its own shares ⁽²⁾	GM of 05.07.19 (10)	18 months (11.06.20)	k€23,399	Not used	(10)	18 months	k€23,399
Reduction of share capital by cancellation of treasury shares	GM of 05.07.19 (12)	18 months (11.06.20)	10% of share capital as of the date of the GM	Not used	(18)	18 months	10% of the share capital as of the date 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⁾	Not 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 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;
- 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 through the issue of shares, securities or marketable securities, was renewed by the General meeting of May 7, 2019 for a term of 26 months.

It will be proposed to the General Meeting of June 16, 2020 that the Board of directors be granted a 26-month delegation of authority to increase the capital by capitalization of reserves, profits or premiums.

Capital increase reserved for employees who are members of the Company savings plan

In application of Article L. 225-129-6 of the French Commercial code, it will be proposed to the General meeting of June 16, 2020 that it grant, 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 7, 2019 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€23,399 and for a maximum authorized unit price of €75.

In accordance with the legislative and regulatory provisions in force, this authorization was granted to the Board of directors to:

- stimulate trading in or the liquidity of the shares via an investment service provider through a liquidity agreement in accordance with the code of ethics of the AMAFI (French Financial Markets Association) recognized by the AMF (*Autorité des marchés financiers* – the French financial markets authority);
- holding and using the shares at a later date in payment or exchange within external growth transactions as permitted by the AMF;
- grant shares to employees and/or corporate officers (under the conditions and according to the terms set forth by law), particularly under a stock option plan, free share awards, or corporate savings plan;
- grant shares to holders of securities convertible to the Company's capital when they exercise the rights attached to those securities, in accordance with regulations in effect;
- the potential cancellation of shares acquired.

As this authorization will expire on November 6, 2020, it will be proposed to the General meeting on June 16, 2020 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, 2019, 24,151 shares could potentially be issued upon the exercise of stock options granted to employees of Gaumont and other affiliated companies.



SHARE CAPITAL AND SHAREHOLDERS



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FINANCIAL DISCLOSURE TIMETABLE

Publication of the financial statements

March 10: 2019 full-year results

September 10: 2020 half-year results

General meeting of shareholders

June 16: Combined Ordinary and Extraordinary General meeting called to approve the financial statements for the year ended December 31, 2019



PERSONS RESPONSIBLE FOR INFORMATION

Person responsible for the Universal 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 Universal 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.

Neuilly-sur-Seine, May 5, 2020

Sidonie Dumas
Chief Executive Officer



Persons responsible for auditing

Statutory auditors

Advolis

- Member of the *Compagnie régionale de Paris*
- Address: 38, avenue de l'Opéra 75002 Paris
- Represented by Hugues de Noray
- First appointment: General meeting of May 2, 2005, taking over from KPMG, formerly RSM Salustro Reydel.

Ernst & Young et Autres

- Member of the *Compagnie régionale de Versailles*
- Address: 1-2, place des Saisons 92400 Courbevoie - Paris-La Défense 1
- Represented by Christine Vitrac
- First appointment: General meeting of May 3, 2011, taking over from Ernst & Young Audit.

Person responsible for financial information

Sami Tritar

Chief Financial Officer

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