

2016
REGISTRATION DOCUMENT
ANNUAL REPORT








Gaumont
born with cinema



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This document is a free translation into English of some contents included in the French *Document de référence* filed with the AMF (*Autorité des marchés financiers*, the French financial markets authority) under the number D.17-0324 on April 5, 2017.

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Message from the Chairman of the Board of Directors

French cinema has proven to be exceptionally resilient in 2016. While tourism and theater were strongly impacted by the terrorist attacks and the fear that they generated, movie theaters have continued to draw in the crowds with nearly 213 million admissions, making this the second best year this century.

Rights holders have won trials resulting in the closure of some illegal sites, causing an unprecedented drop of one million in the number of web users viewing illegal content. Yet illegal downloads remain a major concern for the sector. Some of the presidential candidates have also expressed their awareness of this issue.

2017 is a pivotal year for Gaumont. Gaumont has made the strategic decision to sell its ownership interest in Les Cinémas Gaumont Pathé to Pathé.

Gaumont has owned movie theaters since 1908 when the Gaumont Théâtre opened. Two years later the legendary Gaumont Palace followed, which until its closure was the largest cinema in the world. Gaumont has worked closely with Pathé over the past few decades to develop Gaumont cinemas.

The original agreements date back to 1966. They paved the way for the founding of GIE Gaumont Pathé in 1970, which was responsible for the scheduling of both networks. Twelve years later, out of a total of 4,700 cinemas in France, GIE Gaumont Pathé managed schedules of nearly 700 movie theaters, more than 200 of which belong to Gaumont.

GIE Gaumont Pathé was dissolved in 1983 following the voting in of a Law for this specific purpose.

Jérôme Seydoux took over Pathé in 1990, and after Jack Lang refused to approve a merger of the two networks, six theaters changed hands between the two companies.

The two networks finally merged in 2001 to create EuroPalaces, later renamed Les Cinémas Gaumont Pathé.

Les Cinémas Gaumont Pathé is now one of the leading movie theater operators in Europe, with more than 100 locations housing over 1,000 screens. In 2016 they hosted more than 67 million moviegoers in France, Belgium, Switzerland and the Netherlands.

Since 2009, Les Cinémas Gaumont Pathé has paid Gaumont a yearly dividend of between €6 and €10 million, together with trademark royalties of between €3 and €4 million since 2011. Gaumont is therefore a pleased shareholder.

However, Gaumont's ambitions extend beyond merely generating a satisfactory income.

For the past five years, Gaumont has made major investments in audiovisual production, with some compelling results. This policy requires support and development.

After having studied the various proposals, some dating back seven years, Gaumont received a €380 million purchase offer from Pathé for its ownership interest. As this price was a fair assessment of the value of Les Cinémas Gaumont Pathé, Gaumont decided to accept it.

As Gaumont does not have short-term use of all this liquidity, the Board of directors decided to offer willing non-controlling shareholders the option to repurchase their shares at €75 per share.

These shareholder, that I would like to thank for their loyalty, particularly those long-standing with Gaumont, may then benefit from a comforting bonus in relation to the stock-exchange price and get access to some liquidity.

Nicolas SEYDOUX, March 11, 2017



Message from the Chief Executive Officer

Gaumont has adapted to a permanently changing audiovisual landscape, which has seen something of a revolution, primarily through its entry into television production six years ago. This is now one of Gaumont's major ventures, both in France and the United States.

Season 2 of *Narcos* was a resounding success on Netflix, the online on-demand video platform with 90 million subscribers worldwide (1.5 million in France). Filming for season 3 is underway in Colombia, with filming of season 4 scheduled for 2018.

In 2016, French audiences shunned American series in favor of French productions. Most French channels have adopted an extremely proactive strategy towards French dramas. *The Frozen Dead*, filmed during the winter of 2016 and shown on M6 at the beginning of 2017, was a resounding success with the public, with its TV debut attracting 4.8 million viewers. French audiences undeniably have an appetite for homegrown productions.

2016 has also been a year of discovery and intensive development for drama, while 2017 hails the launch of a number of new French-language and international series.

2017 will also be a key year for cartoon production with *Belle and Sebastian* on M6, the on-going production of *Noddy* with Dreamworks and France 5, as well as some major developments in the pipeline.

2016 saw cinema thriving against all the odds, in what proved to be a vintage year for movie theater admissions with 213 million tickets sold.

Moana is the only film which sold more than 5 million tickets this year, followed by *Zootopia* with 4.8 million, *Rogue One: A Star Wars Story* with 4.7 million, *Les Tuches 2 – le rêve américain* with 4.6 million, *Fantastic Beasts and Where to Find Them* with 3.9 million, and *The Revenant* with 3.8 million. In such a complex and fast-paced world, cinema continues to attract audiences seeking to escape everyday life.

Gaumont films have contributed to this impressive success: *Monsieur Chocolat*, *Pattaya*, *Brice from Nice* and *Ballerina* achieved almost 2 million admissions each, while *The Visitors: Bastille Day* exceeded this figure.

At Gaumont we attach great importance to our film catalog and we digitize it to ensure that it is widely available. Up to date technologies and efficient content management ensure that our catalog films perform well every year. We have also seen a sharp rise in sales of our remake rights. Gaumont's legacy has also traveled worldwide through the "Gaumont: 120 Years of Cinema" exhibition, which has toured countries such as Singapore, Myanmar and even the Sultanate of Brunei. The exhibition is set to end its Asian tour in Thailand and China, and then return to Europe before moving to other shores in 2018.

Gaumont Pathé Archives took part in over 900 projects in 2016, and contributed to exhibitions such as the Picasso exhibition at MuCEM in Marseille.

In addition to our back catalog, sales of our recent films have also increased considerably in comparison with last year, against the backdrop of a fickle and volatile international market. Worldwide revenue in 2016 stood at €30.3 million, with 65% covered by new films and 35% by catalog films. Takings for recent films include €10 million for *Ballerina*, €6.7 million for Nicolas Winding Refn's *The Neon Demon* and €2.8 million for *Monsieur Chocolat*.



Gaumont's video revenue remains stable in a market which has seen an overall 15% decline, based on the success of new releases, particularly *The Visitors: Bastille Day* which sold 120,000 units.

The video on demand rental and sale markets have remained more or less stable, while subscription video on demand has recorded a significant rise, primarily due to Netflix. Gaumont has gained 3 top-40 titles: *Pattaya* with 200,000 paid transactions, *The Visitors: Bastille Day* with 165,000 paid transactions and *Up For Love* with 130,000 paid transactions.

As for 2017 we hope for success for our comedies as it is now set to be the highest-performing film genre.

Our 2017 release schedule is no different to previous years in its eclectic range of film genres and talent, and includes: Fabien Marsaud (*Grand Corps Malade*) and Mehdi Idir, Noémie Saglio, Noémie Lvovsky, Reem Kherici, Volker Schlöndorff, Armando Iannucci, Valérie Lemerrier, Yann Gozlan, Tonny Datis, Albert Dupontel, Olivier Nakache and Eric Toledano, Guillaume Gallienne, Mathieu Amalric and, to finish the year, Alain Chabat.

2017 will also mark a turning point for Gaumont following our decision to sell our ownership interest in Les Cinémas Gaumont Pathé to Pathé. This is a new era in our history which will allow us to give further focus to the promotion of both film and television talent.

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

Sidonie DUMAS, March 23, 2017





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Activities and consolidated results of Gaumont

Key figures

	2016		2015		change
	in thousands of euros	as a % of revenue	in thousands of euros	as a % of revenue	
Revenue	188,725	100%	217,004	100%	-13%
Operating income from cinema and television production and distribution ⁽¹⁾	41,699	22%	36,007	17%	16%
Operating income from movie theater operations ⁽¹⁾	23,776	13%	23,796	11%	0%
Operating income after share of net income of associates	23,206	12%	21,358	10%	9%
Consolidated net income	18,985	10%	17,905	8%	6%
Investments in cinema production	31,008	16%	47,938	22%	-35%
Investments in television production	63,236	34%	102,679	47%	-38%

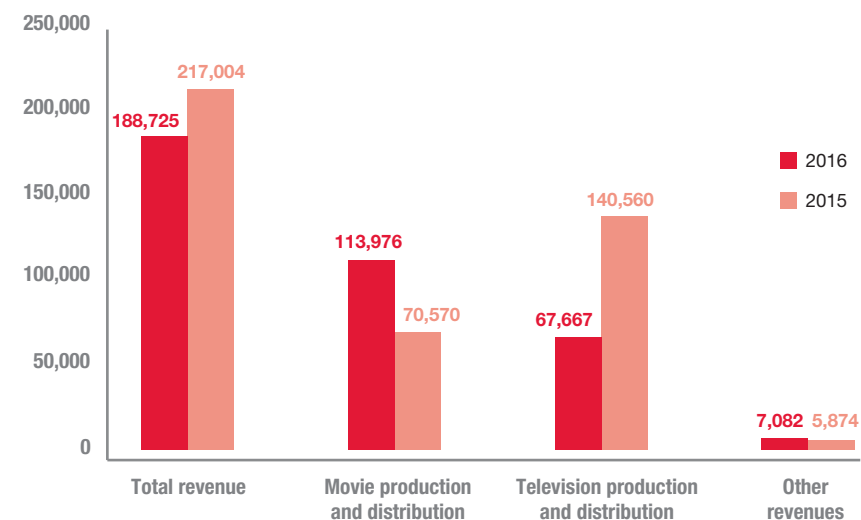
(1) After share of net income of associates, excluding overheads.

Consolidated results

Revenue by business activity

Gaumont's consolidated revenue amounted to k€188,725 in 2016, compared with k€217,004 in 2015.

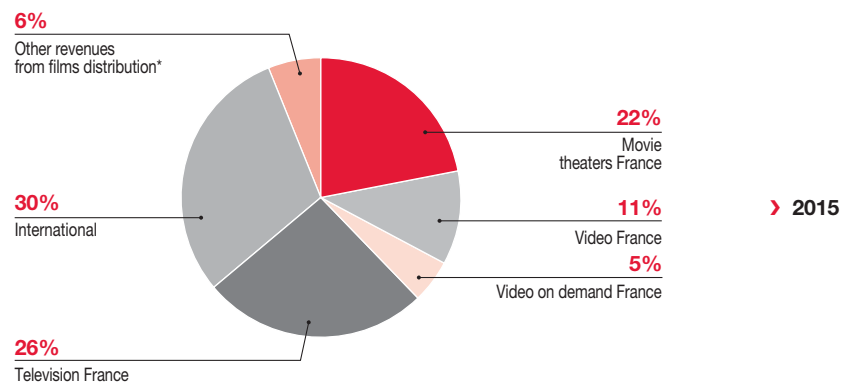
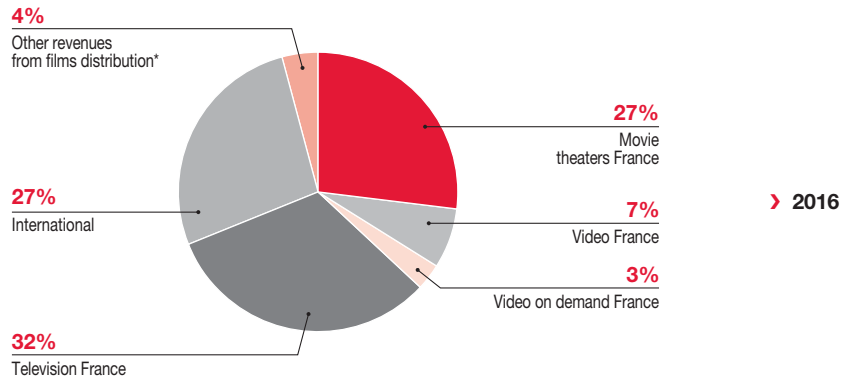
Revenue by business activities breaks down as follows:





Movie production and distribution

Revenue from the cinema production business amounted to k€113,976 in 2016, compared with k€70,570 in 2015, and breaks down as follows:



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

Movie theater distribution

Revenue from the release of films in movie theaters in France stood at k€30,888 as of December 31, 2016, versus k€15,614 as of December 31, 2015.

Fifteen feature films were released in 2016:

- *The Boy and the Beast*, an animated feature film directed by Mamoru Hosoda, released on January 13;
- *Monsieur Chocolat*, directed by Roschdy Zem, starring Omar Sy, James Thierrée and Olivier Gourmet, released on February 3;
- *Pattaya*, directed by Franck Gastambide, starring Ramzy Bedia, Franck Gastambide and Gad Elmaleh, released on February 24;
- *The Visitors: Bastille Day*, directed by Jean-Marie Poiré, starring Jean Reno, Christian Clavier, Franck Dubosc and Karin Viard, released on April 6;
- *Sophie's Misfortunes*, directed by Christophe Honoré, starring Muriel Robin, Anaïs Demoustier and Caroline Grant, released on April 20;
- *Up For Love*, directed by Laurent Tirard, starring Jean Dujardin and Virginie Efira, released on May 4;
- *Vicky Banjo*, directed by Denis Imbert, starring Victoria Bedos, François Berléand and Chantal Lauby, released on June 8;
- *The Neon Demon*, directed by Nicolas Winding Refn, starring Keanu Reeves, Elle Fanning and Jena Malone, released on June 8;
- *Owl You Need Is Love*, directed by Ramzy Bedia, with Ramzy Bedia and Elodie Bouchez, released on July 6;
- *Odd Job*, directed by Pascal Chaumeil, starring Romain Duris, Michel Blanc and Alice Belaïdi, released on August 31;
- *A Journey Through French Cinema*, directed by Bertrand Tavernier, released on October 12;
- *Brice from Nice*, directed by James Huth, starring Jean Dujardin, Clovis Cornillac and Bruno Salomone, released on October 19;
- *Ares*, directed by Jean-Patrick Benes, starring Ola Rapace, Micha Lescot and Héléne Fillières, released on November 23;
- *Ballerina*, an animated film directed by Eric Summer and Eric Warin, released on December 14;
- *Heartstrings*, directed by Michel Boujenah, starring Charles Berling and Pascal Elbé, released on December 28.

Gaumont's fifteen released movies resulted in more than 12 million tickets sold.

In 2016, four movies accounted for almost two million tickets: *The Visitors: Bastille Day* with 2.2 million tickets, *Pattaya*, *Monsieur Chocolat* and *Brice from Nice* with 1.9 million tickets each. Released in late 2016, *Ballerina* achieved 1.8 million tickets sold for its distribution as a whole, including 1.3 million in 2016.



MANAGEMENT REPORT

Activities and consolidated results of Gaumont

Video publishing and video on demand

Revenue from video and video on demand distribution in France amounted to k€10,968 in 2016, compared with k€11,197 in 2015.

Physical video sales in France declined to k€7,687 in 2016, versus k€8,045 in 2015. They were driven by sales of new releases, with 15 recent movies published in 2016 versus 11 in 2015. Sales of Gaumont catalog films declined by more than 20%, similar to the market that lost nearly 16% in value over the year. Physical video sales represented 1.2 million units sold.

Video on demand sales amounted to k€3,281 in 2016, versus k€3,152 in 2015. The portion of sales of new releases remained stable at 75% of revenue.

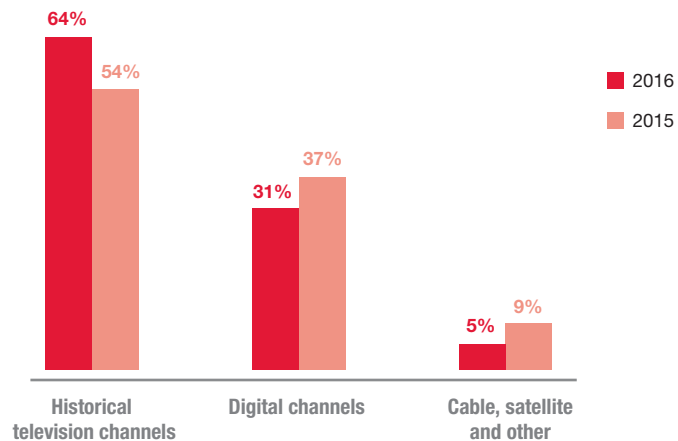
Sales of television broadcasting rights

Revenue from sales of broadcasting rights to French television channels amounted to k€37,057 in 2016, compared with k€18,483 in 2015.

Pre-sales of new releases to television channels reached k€12,311 in 2016 for *The Visitors: Bastille Day*, *Odd Job*, and *Heartstrings*. In 2015, as Gaumont had prioritized lump-sum contributions for its productions, no pre-sales of new films to television channels were recognized.

Catalog title sales to historical television channels have increased. Sales to digital channels remain stable. Nearly 200 titles were sold during the year, including *Untouchable*, *Delusions of Grandeur*, *Palais Royal!* and *A Widow at Last*.

Sales by type of channel break down as follows:



International sales of rights

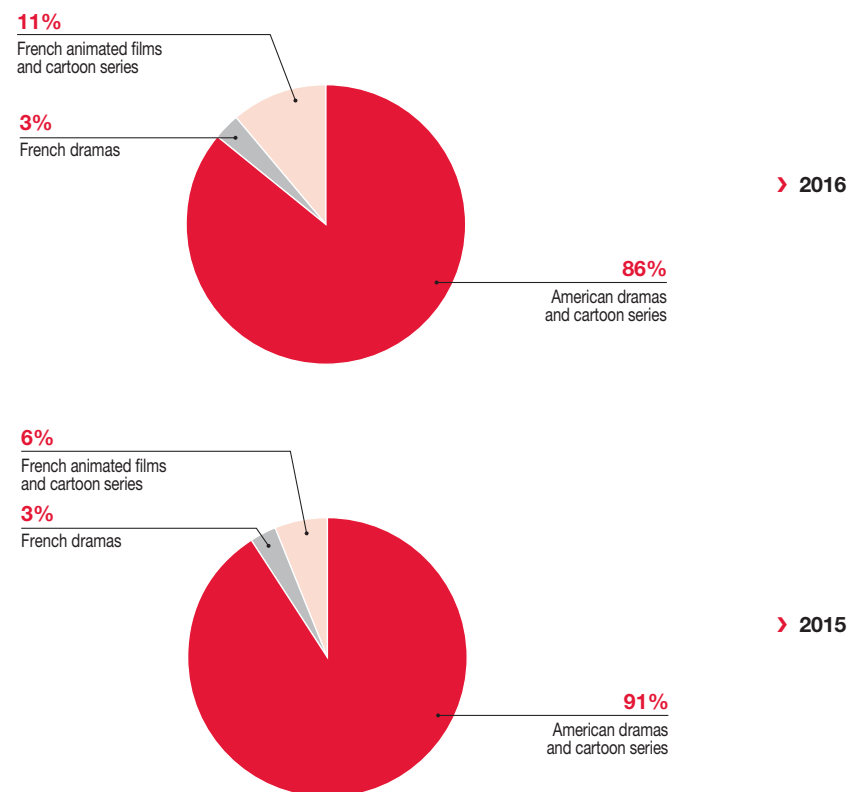
International sales of rights reached k€30,268 in 2016, versus k€21,251 in 2015. In 2016, the main contributors are *Ballerina* which has sold over ten million tickets abroad, *The Neon Demon*, *Monsieur Chocolat* and *Up For Love*. In addition, catalog title sales remained stable in 2016.

Other revenue from film distribution

Other revenues amounted to k€4,795 in 2016, versus k€4,025 in 2015. They mainly correspond to the distribution of archive images by Gaumont Pathé Archives, music publishing, and sales of spin-off products.

Production and distribution of dramas and cartoon series for television

Revenue from the production of television programs totaled k€67,667 in 2016, compared to k€140,560 in 2015, and breaks down as follows:





Sales of American drama and cartoon series accounted for k€57,862 as of December 31, 2016, versus k€127,670 as of December 31, 2015.

In 2016, a single series was delivered compared to four in the previous year:

- the second season of the ten-episode series of *Narcos*, to Netflix. This series, directed by José Padilha, starring Wagner Moura and Pedro Pascal, has been available on the operator's online video-on-demand platform since September 2, 2016.

Sales of French drama and cartoon series accounted for k€9,805 as of December 31, 2016, versus k€12,890 as of December 31, 2015.

In 2016, the following programs were delivered:

- the six-episode series *The Frozen Dead*, to M6. Directed by Laurent Herbiet, starring Charles Berling, Julia Piaton and Pascal Gregory. It was broadcast starting January 10, 2017 and was rewarded Best Series at the La Rochelle TV drama festival;
- the first two episodes of *The Art of Crime*, a six-episode French drama, to France 2. Directed by Charlotte Brandström, starring Nicolas Gob, Eléonore Gosset-Bernheim and Philippe Duclos. It will be broadcast in 2017;
- *Atomic Puppet*, a 52-episode cartoon series, to France 4. This series started airing on March 13, 2016;
- the 52-episode animation series *Noddy*, delivered to France 5. This series started airing on April 2, 2016.

Trademark royalties and other income

Income from trademark royalties paid by Les Cinémas Gaumont Pathé totaled k€3,781 in 2016, against k€3,675 in 2015.

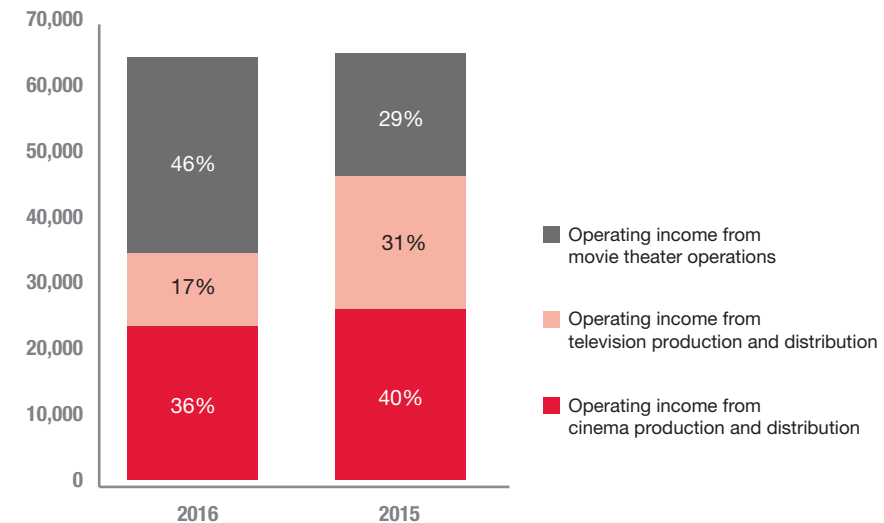
Other miscellaneous income came to k€3,301 in 2016, compared to k€2,199 in 2015, and included income from real estate lease agreements and miscellaneous services provided to third parties.

Operating income after share of net income of associates

Operating income after share of net income of associates represented a profit of k€23,206 in 2016, versus k€21,358 in 2015, and includes:

- operating income from cinema and television production and distribution activities;
- operating income from movie theater operations;
- overheads of the various operating activities and functional services, including non-current income and expenses linked to asset disposals, which came to k€42,269 in 2016 versus k€38,445 in 2015.

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





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Activities and consolidated results of Gaumont

Operating income from cinema and television production and distribution

Operating income from cinema and television production and distribution after share of net income of associates, excluding overheads, amounted to k€41,699 in 2016, *versus* k€36,007 in 2015, and includes:

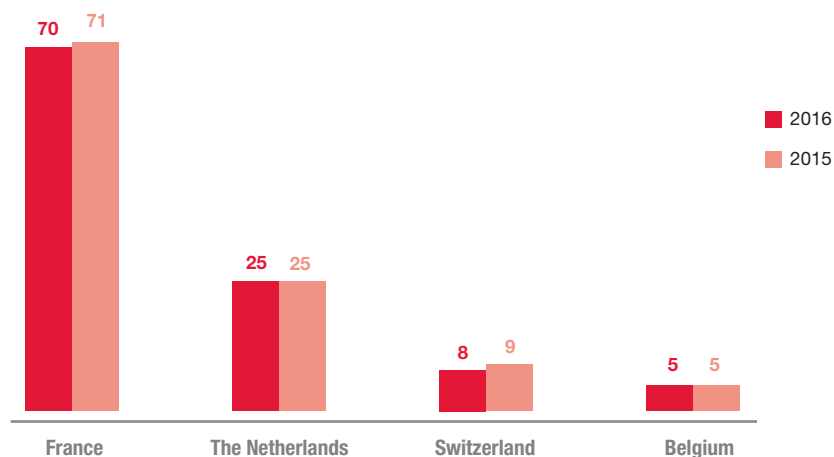
- the share of income attributed to feature films for k€30,281 in 2016, *versus* k€17,529 in 2015, including the share of net income of the Légende group and LGM;
- the share of income attributed to television cartoon and drama series for k€11,418 in 2016, *versus* k€18,478 in 2015, including k€9,334 in 2016 for American series and k€2,084 for French productions.

Operating income from movie theater operations

Operating income from movie theater operations, after share of net income of associates amounts, to k€23,776 in 2016, *versus* k€23,796 in 2015, and includes:

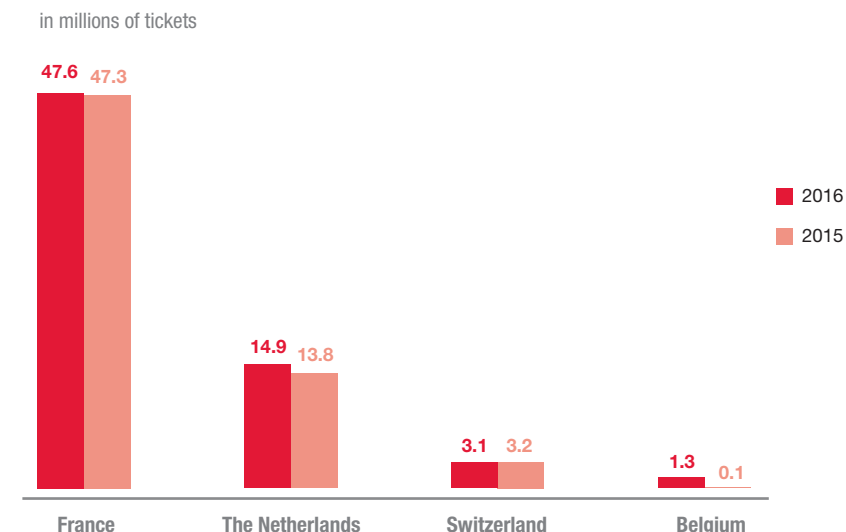
- income from trademark royalties paid by Les Cinémas Gaumont Pathé for k€3,781 in 2016, against k€3,675 in 2015;
- the share of net income of associates for k€19,985 in 2016, against k€20,121 in 2015. This share mainly includes the income of Les Cinémas Gaumont Pathé, 34% owned, which amounted to k€19,870 in 2016, *versus* k€20,024 in 2015.

Les Cinémas Gaumont Pathé operates a total of 108 movie theaters representing over 1,000 screens as of the end of December 2016, in four countries, breaking down as follows:



Consolidated revenue for Les Cinémas Gaumont Pathé totaled k€743,059 in 2016, compared with k€709,858 in 2015.

Les Cinémas Gaumont Pathé sold 66.9 million tickets in 2016, a 4% increase compared with 2015 :



Operating income of Les Cinémas Gaumont Pathé totaled k€102,914 in 2016, compared with k€99,998 in 2015.

Net financial expenses amounted to k€11,531 in 2016, *versus* k€9,393 in 2015.

Non-recurring income in 2016 amounted to a profit of k€1,095, compared with a k€1,112 loss in 2015.

Consolidated net income, group share, came to k€59,981 in 2016, *versus* k€55,599 in 2015. The share of net income attributable to Gaumont, after IFRS adjustments, reached k€19,870 in 2016, compared with k€20,024 in 2015.

Investments by Les Cinémas Gaumont Pathé amounted to k€143,000 in 2016, *versus* k€170,165 in 2015.

Group net borrowings amounted to k€393,000 at December 31, 2016, *versus* k€362,608 at December 31, 2015.

As of December 31, 2016, equity of Les Cinémas Gaumont Pathé group totaled k€603,886, *versus* k€572,271 at December 31, 2015, with a balance sheet total of k€1,336,371 at December 31, 2016, compared with k€1,272,316 at December 31, 2015.



Net income

In 2016, net income stood at k€18,985, compared with k€17,905 in 2015, and includes:

- operating income after share of net income of associates;
- the cost of debt of k€8,482 in 2016, *versus* k€9,474 in 2015;
- other net financial income of k€3,146, which mainly includes financial expenses incorporated into the costs of films and series until the release date, and k€1,217 in foreign exchange gains mainly related to favorable changes in the dollar over the year;
- a tax benefit of k€1,115, mainly consisting of a deferred tax income of k€1,333 and tax on dividends of k€128.

The share of net income attributable to minority shareholders was k€41 in 2016, *versus* k€88 in 2015.

The share of net income attributable to the Group totaled k€18,944 in 2016, *versus* k€17,817 in 2015.

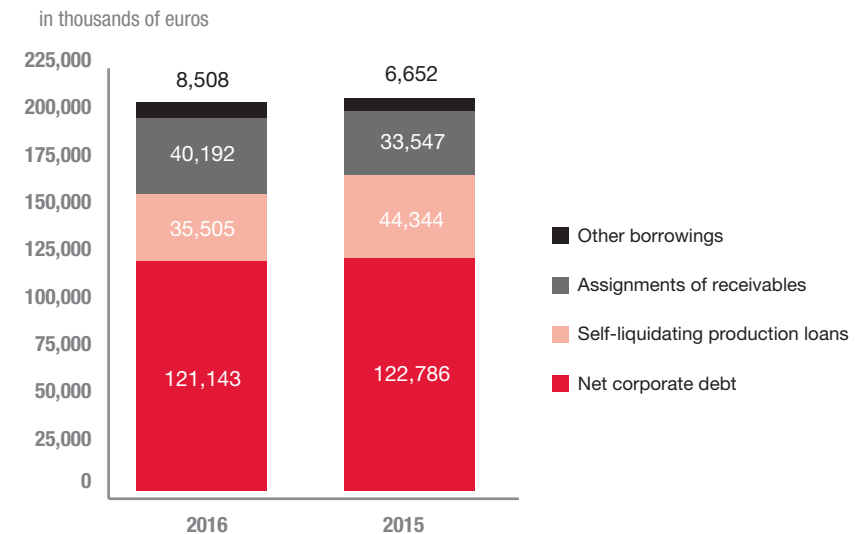
Financial structure and cash flows

As of December 31, 2016, equity totaled k€280,272, compared with k€272,043 as of December 31, 2015, for a consolidated financial position of k€603,734, compared with k€595,995 the previous year.

Net borrowings

Group net borrowings amounted to k€205,348 as of December 31, 2016, *versus* k€207,329 as of December 31, 2015.

A breakdown of these borrowings by financing category is presented below.



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

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

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

Bonds and syndicated loans

To finance the Group's general needs, at December 31, 2016, Gaumont has the following resources:

- a five-year revolving credit facility signed on November 5, 2014 and revised July 26, 2016, for a maximum amount of k€125,000 maturing on November 15, 2021, without guarantees, but with three financial covenants to be met every semester;
- a bond in the form of a two-part listed Euro Private Placement (EuroPP) totaling k€60,000, maturing on November 15, 2021 and November 15, 2024, and with an annual coupon of 4.75% and 5.125%, respectively. This bond features the same covenants as the revolving credit facility.



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Activities and consolidated results of Gaumont

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

At December 31, 2016, the unused amount of the revolving credit facility stood at k€59,000.

Self-liquidating production loans

Ten production loans have been taken out since 2012 to finance American series. These loans were granted to production companies, subsidiaries of Gaumont Television USA, by American credit institutions specialized in financing production companies. They are exclusively allocated to financing the series concerned and are guaranteed until the amount borrowed, interest and related charges are recovered, by pledging the assets financed and all of the pre-sales, tax credit and sales contracts of these works, with no further guarantee given. The loans include a completion guarantee contract signed with a company specialized in audiovisual production.

Loans related to season 2 of the series *Narcos* and season 3 of the series *Hemlock Grove* were fully repaid in 2016.

The three loans were granted to Gaumont Television USA subsidiaries for an overall amount of k\$108,420, and represented a cumulative outstanding balance of k\$43,314 as of December 31, 2016, k\$13,479 of which payable in 2017.

The loans taken out to finance season 3 of *Narcos* and season 2 of *F is For Family*, which is currently in production, had an undrawn balance of k\$30,625 as of December 31, 2016.

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

Assignments of receivables

In order to finance French productions, the Group made use of the assignment of receivables under the Dailly Law. Assignments within the framework of these contracts are generally linked to pre-financing the production, such as pre-sales to the main broadcaster, contributions of co-producers, or funds for supporting the audiovisual industry. As of December 31, 2016, the debt related to these assigned receivables amounted to k€6,354, and the unused amount of these loans stood at k\$3,993.

In June 2015, in the United States, Gaumont Television USA entered into a receivables assignment agreement for a maximum authorized amount of k\$50,000 to finance the development of its new projects. This line of credit is based on the series' operating receivables, with the exception of receivables pledged to production loans. As of December 31, 2016, the debt related to these assigned receivables amounted to k\$35,669, and the unused amount of these loans stood at k\$3,298.

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

Other borrowings

Other borrowings included, in particular, debt to the *Caisse des dépôts et consignations* in respect of its investment in the back catalog restoration and digitization program, which totaled k€3,898 as of December 31, 2016.

Cash flows

In 2016, the Group's business activities generated k€131,847 in net cash flows, versus k€142,001 in 2015.

Net cash flows from investment activities amounted to k€113,685 in 2016, compared with k€150,334 in 2015.

In terms of financing activities, the year 2016 shows a k€4,269 dividend payout, a decrease in debt of k€8,819 and k€7,290 in interest payments on loans.

As of December 31, 2016 the Group had k€8,087 in cash, compared with k€9,938 at the beginning of the year, i.e. a negative change of k€1,851.

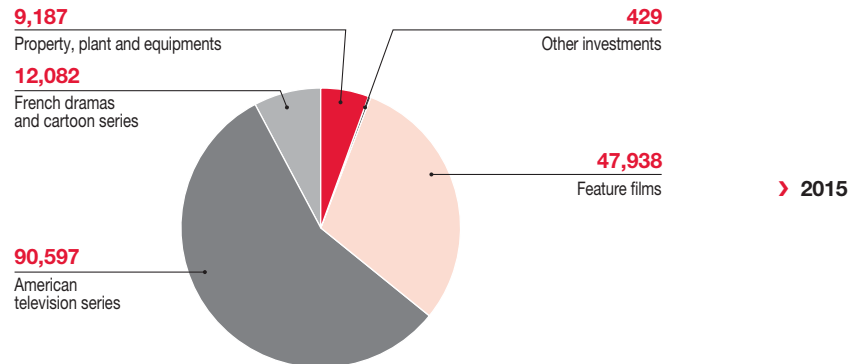
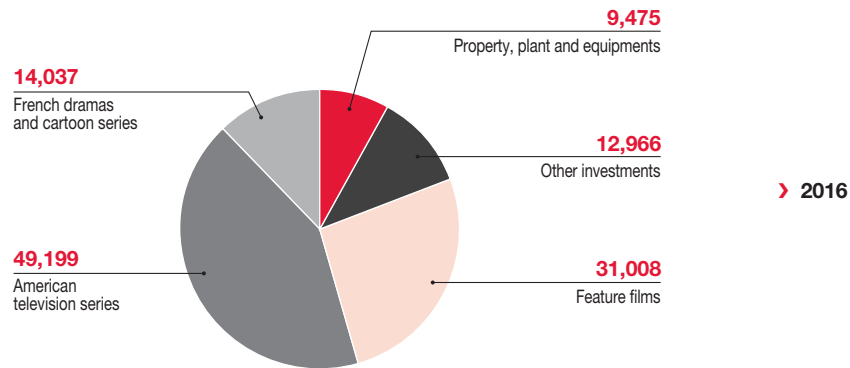
Investments

Over the last two years, investments were as follows:

<i>(in thousands of euros)</i>	2016	2015
Intangible assets	94,418	150,784
Property, plant and equipment	9,475	9,187
Financial assets	32	12
Acquisition of shares in consolidated companies	12,760	250
TOTAL INVESTMENTS	116,685	160,233



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.



In 2016, other investments include mainly acquisitions of securities for k€5,500 for the repurchase of 50% of the shares of Légende SAS and k\$8,000 for the 5% increase in Gaumont's stake in Gaumont Television USA Llc.

Investments in property plant and equipment include k€7,311 of costs committed as part of the restructuring project and renovation of the real estate located on Avenue des Champs-Élysées in Paris following the decision made by Les Cinémas Gaumont Pathé to end the operation of the Gaumont Ambassade theater, the historical occupant of the building. The project envisaged by Gaumont plans for the full restructuring of the premises prior to re-leasing in 2019.

Pre-sales and coverage rates

Cinema production

3 of the 15 films produced or co-produced by Gaumont and released in 2016, *The Visitors: Bastille Day*, *Odd Job*, and *Heartstrings*, were financed as executive producer in charge of line production. They were covered by pre-sales contracts for television broadcasting rights for k€12,240 and benefited from an overall coverage rate of 89%.

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

French television production

The Group produced and delivered four programs in 2016. The total coverage rate exceeded 100%.

American television production

The Group produced and delivered an American series in 2016, the second season of *Narcos*. The coverage rate of this work exceeded 100%.



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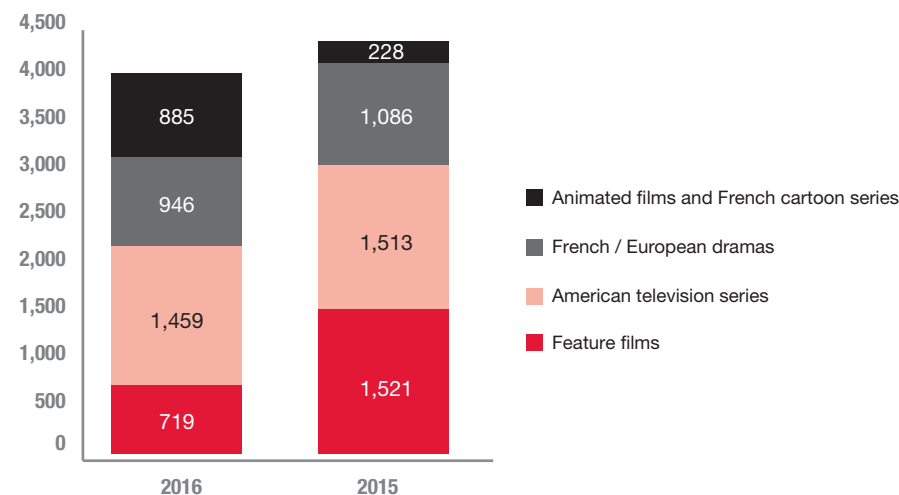
Activities and consolidated results of Gaumont

Preliminary costs

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

For 2016, preliminary costs totaled k€4,009, versus k€4,348 in 2015, and were divided up into the different business segments as follows:

in thousands of euros



2017 outlook

Fifteen feature films are scheduled for release in 2017:

- *A Bag of Marbles*, directed by Christian Duguay, starring Patrick Bruel, Elsa Zylberstein, Christian Clavier and Kev Adams. Released on January 18, 2017, the film has generated 1.2 million ticket sales over six weeks;
- *Step by Step*, directed by Grand Corps Malade and Mehdi Idir, starring Pablo Pauly and Soufiane Guerrab;
- *Return to Montauk*, directed by Volker Schlöndorff, starring Nina Hoss, Stellan Skarsgard and Niels Arestrup;

- *Baby Bump(s)*, directed by Noémie Saglio, starring Juliette Binoche, Camille Cottin and Lambert Wilson;
- *Wedding Unplanned*, directed by Reem Kherici, starring Reem Kherici, Nicolas Duvauchelle, Julia Piaton, Sylvie Testud and Chantal Lauby;
- *The Death of Stalin*, directed by Armando Lannucci, starring Jeffrey Tambor, Steve Buscemi and Olga Kurylenko;
- *50 is the New 30*, directed by Valérie Lemerrier, starring Valérie Lemerrier, Patrick Timsit and Denis Podalydès;
- *Burn Out*, directed by Yann Gozlan, starring François Civil;
- *The Mansion*, directed by Tony T. Datis, starring Kemar, Jérôme Niel and Natoo;
- *Tomorrow and Thereafter*, directed by Noémie Lvovsky, starring Noémie Lvovsky, Mathieu Amalric and Lucie Saint-Jean;
- *C'est la vie !*, directed by Olivier Nakache et Eric Toledano, starring Jean-Pierre Bacri and Jean-Paul Rouve;
- *See You up There*, directed by Albert Dupontel, starring Albert Dupontel, Laurent Lafitte, Niels Arestrup and Emilie Dequenne;
- *Bright Weakness*, directed by Guillaume Gallienne, starring Adeline d'Hermey, Vanessa Paradis, Eric Ruf and Xavier Beauvois;
- *Barbara*, directed by Mathieu Amalric, starring Mathieu Amalric and Jeanne Balibar;
- *Christmas and Co*, directed by Alain Chabat, starring Alain Chabat, Audrey Tautou and Pio Marmai.

Investments for films that are expected to be released in 2017 amount to k€42,400. Gaumont has favored lump-sum investments for 13 of the 15 films, thus limiting its risk of exposure to the contingencies of time and surplus production costs. At December 31, 2016, all films were completed, except for *Christmas and Co* that is planned to be filmed in February 2017.

Seven television series will be delivered in 2017:

- *Narcos*, season 3, a ten-episode American drama directed by Eric Newman and José Padilha, starring Pedro Pascal and Michaël Stahl-David, to Netflix;
- *F is for Family* season 2, an American ten-episode cartoon series, to Netflix;
- the last four episodes of *The Art of Crime*, a six-episode French drama, to France 2;
- *Descent* (temporary title), a six-episode French series, to Canal+;
- *Trulli Tales*, a 52-episode cartoon series, to Disney;
- *Belle and Sebastian*, a 52-episode cartoon series, to M6;
- the first episodes of *Furry Wheels*, a 52-episode cartoon series, to France 3.

Investments in television production total k€79,600, including nearly 70% for the American series. The rate of completion of all programs is 43% at December 31, 2016.



Change of scope

Main Gaumont group companies

Cinema production and distribution			Television production and distribution		
	12/31/16	12/31/15		12/31/16	12/31/15
Gaumont SA			Gaumont Télévision SAS	100.00%	100.00%
Gaumont Vidéo SNC	100.00%	100.00%	Gaumont Television USA Llc	73.60%	68.60%
Gaumont Films USA Llc	100.00%		Gaumont Animation SAS	100.00%	100.00%
Mitzé Films SAS (ex. Légende SAS)	100.00%	50.00%	Gaumont Animation USA Llc	100.00%	
Nouvelles Editions de Films SARL	100.00%	100.00%	Gaumont Television UK Ltd	100.00%	100.00%
Fideline Films SARL	100.00%	100.00%	Gaumont Distribution TV Llc	100.00%	
Gaumont Musiques SARL	100.00%	100.00%	Gaumont Animation Musique SARL	100.00%	100.00%
Editions la Marguerite SARL	100.00%	100.00%	Gaumont Production Télévision SARL	100.00%	100.00%
Gaumont Production SARL	100.00%	100.00%	Gaumont TV Inc.	100.00%	100.00%
Gaumont Inc.	100.00%	100.00%			
LGM SAS	20.00%	20.00%			

Movie theater operations			Audiovisual archive images distribution		
	12/31/16	12/31/15		12/31/16	12/31/15
Les Cinémas Gaumont Pathé SAS	34.00%	34.00%	Gaumont Pathé Archives SAS	57.50%	57.50%
Lincoln Cinema Associates	31.95%	31.95%			

On March 14, 2016 Gaumont created the company Gaumont Animation USA Llc, a company specializing in film and cartoon series production in the United States.

On May 9, 2016, Gaumont SA acquired an additional 50% of the shares of Légende SAS, a production company in which the Group formerly held a 50% stake for an amount of k\$5,500. At the end of the transaction, Gaumont held 100% of the shares of the company and 100% of the shares of its subsidiary Légende Editions SARL. These companies were renamed Mitzé Films SAS and Mitzé Editions SARL, respectively, in June 2016.

On July 13, 2016, Gaumont created the company Gaumont Films USA Llc, in order to develop a feature film business in English.

On July 29, 2016, Gaumont USA Inc., a wholly-owned subsidiary of Gaumont SA, acquired an additional 5% share in the company Gaumont Television USA Llc for k\$8,000, bringing Gaumont's holding rate in the American drama production company to 73.60%.

On November 21, 2016, Gaumont created the company Gaumont Distribution TV Llc, for the American and international distribution of television catalog titles of Gaumont and its subsidiaries.



Risk factors

Investors are requested to be aware of the risk factors set out below, prior to making investment decisions. Gaumont conducted a review of the risks to which it is likely to be exposed, which, were they to materialize, could have a significant negative impact on its business, financial position or results. Gaumont believes that there are no other significant risks, apart from those presented hereafter.

Risks inherent to the film and television industry

Risks common to all audiovisual industries

Influence of political and economic events on public expectations

As a leisure activity, the film and television industries are highly dependent on the preoccupations and the expectations of the public at large. The political and economic environment, as outside events, have an influence on the public expectations and may thus have more or less significant repercussions on the activity of Gaumont and its subsidiaries.

The potential impacts on the business concern both consumer behavior and expectations in terms of content. Concerning consumer behavior, even if the most marking events occasionally influence the sector, the effects are rarely long-term. As an illustration, one can consider the record attendance in movie theaters in France in 2016, that occurred in spite of public concerns related to the risks of terrorist attacks since the tragic events of 2015 or the effects of electoral periods on television audiences.

Concerning content, political and economic events can have a significant impact on public expectations. Certain themes, therefore, may be considered as inappropriate following a dramatic event and may lead to the deprogramming of a film or a program whereas, inversely, a very mediatized event can create a fashion phenomenon surrounding a work that highlights a particular economic situation. These elements can have an immediate impact on the commercial potential of the works concerned.

To mitigate these risks, Gaumont and its subsidiaries are committed to offering the public diversified content and try to make it available to all through a very large number of types of media.

Risks related to obtaining operating visas and censorship

Operation of feature films

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

Releasing a film in movie theaters requires an operating permit, issued by the Minister of Culture to the film distributor. The regulations governing the granting of this operating visa state that this administrative

authorization can only be refused for reasons pertaining to “child and youth protection or respect for human dignity”. This is why obtaining the visa is determined by an opinion from the Film classification commission.

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

In China, the largest export market of French films in 2016, the local distribution of films is regulated by quota systems that restrict the distribution of foreign works so that local productions can benefit. These protectionist systems are usually combined with strict censorship commissions regarding scenes of sex and violence or even political and social scenes.

Operation of television productions

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

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

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

In order to limit the risks related to obtaining the operating visa, Gaumont and its subsidiaries endeavor to produce and distribute films and series that are accessible to all audiences.

Pirating

Pirating is a practice that severely jeopardizes the creation and broadcasting of movies and programs. According to a recent study conducted by the ALPA in collaboration with Médiamétrie and the CNC, 13 million Internet users visited a website dedicated to audiovisual counterfeiting in 2016, that is 27% of internet users. This number is down by 8% due to actions carried out in 2016. While P2P (Peer to Peer) has sharply declined over the past few years, DDL (Direct download) and streaming have increased considerably. Digitizing movies also makes it easier to create, transmit and share high-quality unauthorized copies. According to another study conducted by the firm EY, in 2016 piracy was the cause of €1.35 billion in lost revenue, affecting the motion picture and audiovisual industry and Government budgets.

In order to combat this phenomenon, France is equipped with an independent public authority, the Hadopi (*Haute autorité pour la diffusion des œuvres et la protection des droits sur Internet* – an institution for protecting intellectual property rights on the internet). The different areas of intervention and assignments



of the Hadopi are defined in the French Code of intellectual property, and notably aim at protecting works from the violation of their respective rights as part of the “calibrated response”.

Nevertheless, the dilution of the calibrated response system confirmed by the decree of July 8, 2013, removing the possibility of blocking Internet access in the case of illegal downloading, jeopardizes this protective system.

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

Gaumont also supports new laws that reinforce anti-piracy efforts. The Ministry for Culture has created an online advertising best practices charter signed by advertisers, advertising professionals and rights holders, as well as an online payment means best practice monitoring committee. These two initiatives aim to financially drain pirating sites. The “Liberty of Creation, Architecture and Property” law of July 7, 2016, also allowed for strengthening of the CNC’s anti-piracy role. Other legislative actions such as forcing platforms to install automated piracy recognition systems have not yet been implemented.

Additionally, as a preventative measure, Gaumont strictly supervises the conditions around manufacture, promotion and release of its works in order to limit the risk of fraudulent copies. In particular, Gaumont makes sure to include upstream protection, for security and traceability of the copies, by “marking” or placing “footprints” on the works, in close cooperation with the laboratories, auditoriums and inventory companies with whom it works.

Gaumont’s productions are declared with TMG, a technical platform commissioned by ALPA to detect fraud. The ALPA then supplies the Hadopi with data pertaining to illegal connections allowing it to proceed with the “calibrated response”.

Gaumont also monitors online public communication networks, enabling it to detect the unauthorized presence of a movie and limit the risk of pirating, particularly when a film is released in theaters, in video on demand and, more generally, whenever it is disseminated, regardless of the medium.

Lastly, contracts with video on demand operators, television channels and agreements for international sales of rights also include a specific clause under which the third-party company undertakes to comply with Gaumont’s video protection systems.

Risks specific to the film industry

Movie production

Competition

The motion picture production industry is a highly competitive market, where the success of films with the public has a significant impact on results.

Gaumont cannot guarantee the commercial success of the films it produces, co-produces and distributes. In fact, even though artistic and technical qualities are essential, the success of a film depends on other factors which are difficult to evaluate and quantify, such as the public’s awareness of the subject

broached, the popularity of the actors when the film is released, the number of films available during a given period, the appeal of competing films, and even the weather.

Gaumont celebrated its 120th anniversary in 2015. For over a century, the company has been operating in this competitive market and considers that its experience and know-how enable it to continue its policy of developing a diverse range of feature films. Furthermore, Gaumont always seeks to partner with experienced professionals, therefore ensuring quality productions for a demanding audience, which needs to be seduced at the right time.

In order to increase its chances of success, Gaumont is working on permanently enhancing and diversifying its productions. This improvement starts with artistic diversification, by multiplying the genres and subjects broached, or by discovering and supporting new talents.

The importance of television channels in financing feature films

French regulations set forth an obligation for free and pay television channels to contribute financially to original French-language film production, by dedicating a percentage of their revenue to the pre-sale of broadcasting rights or to investments as a co-producer. In exchange for these investments, the television channels receive exclusive first broadcasting rights.

Consequently, television channels represent an important source of funding for movie production and, on average, contribute approximately a third of a movie’s budget, divided between pre-sales and co-production contributions. The reduction in time slots for films in the program schedule, especially on historical television channels, could further complicate the financing of new films. The increase in cinema-themed channels and digital television partly offsets the decline in the volume of movies purchased by historical television channels, with, however, a reduction in the average price of the sales of broadcasting rights.

Systems of financial assistance for production

The French support fund system

The French film and broadcasting industry is governed by complex regulations, the implementation of which is overseen by the CNC. Significant benefits flow to film and audiovisual companies from this French regulatory system, and to a lesser extent from the European system.

Film financing is largely made up of private funding from private producers or television channels, broadcasting rights pre-sales and lastly, selective grants. Among those grants are the support funds for film and television activities, managed by the CNC.

Financial support for motion picture production is essentially financed by a special tax levied on the price of movie tickets. The income from this levy is then redistributed to film producers, distributors, video publishers and movie theater operators in order to encourage them to invest in new films or to modernize their movie theaters. Gaumont benefits from these measures, particularly from the CNC’s automatic support fund system for its production, French and foreign distribution and video publishing activities. The accounting methods for this assistance and the amounts recognized in income for the period are presented, respectively, in notes 2.17 and 4.3 to the consolidated financial statements.

Tax credit systems

For the production of films, Gaumont benefits from tax incentives whose purpose is to maintain and encourage the local production of feature films.



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Risk factors

The eligibility criteria for these forms of assistance usually include the obligation to commit a defined proportion of production costs in the country granting the tax credit. Other conditions, generally related to the characteristics of the work and the nationality of the applicant or the persons intervening in the production may also be required.

These tax incentives are widely used, in France and abroad, and play a considerable role in the producer's capacity for financing. Weakening them would therefore have significant impacts on the activity of Gaumont and its financial partners. However it is important to note that the recent political decisions are more part of an effort to make tax incentives even more attractive, than to question them, with a review of tax credit in 2016 (raising the rate to 30% and increasing the upper limit to €30 million).

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

Movie distribution

Importance of regulations on the chronology of film releases by the different medias

In France, film distribution must follow the media chronology, which designates the succession of windows for showing a movie, starting from its release in theaters, in accordance with the Decree of July 9, 2009: by video and video on demand (after four months), then by pay television channels (after ten months if there's an industry-level agreement, or twelve months in other cases), followed by free television (after twenty-two or twenty-eight months if the pay channels have an industry-level agreement, or twenty-four or thirty months in other cases), then by subscription video on demand (after thirty-six months), and lastly by free video on demand (after forty-eight months).

The success of a work is defined on the duration of its release. The sequence of the different releases and their timing influences their success, because all these media, even though they represent various sources of revenue, are also competitive between themselves. Any change to the media chronology would impact revenue and results of Gaumont and its subsidiaries.

Gaumont closely follows and takes part in current discussions on media chronology in order to ensure that foreseen modifications will not compromise the overall balance of the market.

Technological renewal

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

The digital revolution and the convergence between traditional content and digital technologies have substantially changed how films are produced and distributed in movie theaters and in other media: television, video, video on demand.

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

Gaumont was one of the first French distributors to offer its movies in digital format, regardless of the print format provided to movie theaters. Currently, all new films released by Gaumont in theaters are available in digital format.

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

With a film catalog of more than 1,000 titles, Gaumont is mindful of these developments and took measures early on to protect its business. Since 2009, Gaumont has put in place digitization and restoration programs for over 400 films in its catalog. However, the new technology race and the speed of change in standards may require significant new investments.

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

Risks specific to the television industry

Production of television programs

Competition

French dramas

In France, television production operations are very dependant on the broadcasters, which are relatively few and highly concentrated. The number of series produced by television channels is constantly increasing, and television series play a major primetime role today. However, faced with the profusion of American series and light entertainment dominating television schedules, French series sometimes struggle to find their audience.

Within this competitive context, Gaumont is developing its television production by keeping its operating costs under control and by optimizing the use of its overheads. The involvement of French companies in co-producing international series also contributes to this approach.

American dramas

In the United States, in a highly competitive market, Gaumont Television USA aims to develop American series projects with a strong international potential and has chosen a straight-to-series production and delivery model rather than pilots, thereby optimizing general expenses and development costs associated with this activity.

Gaumont and its subsidiaries have decided to develop a diversified production of television dramas, in France and abroad, and are permanently seeking to gain a foothold in new markets, in North America, Europe and the rest of the world.

Cartoon production

The cartoon market is a very dynamic market that caters to children and young adults first and foremost. This industry is very competitive as the offering is wide and broadcasting times are limited.

An increasing number of animated feature films are available within the audiovisual landscape. They tend to be scheduled in theaters during school vacations or close to Christmas, in order to increase the chances for the movies to stand out. The number of these periods being limited, several films targeting young audiences are released at the same time and share movie theater attendance levels.



On television, cartoon series are usually broadcast in the morning, Wednesdays or the weekend, and during school breaks. Only children-themed channels offer broadcasting in all time slots. This limitation makes cartoons a highly seasonal business activity which limits producers in determining their program delivery schedule.

Gaumont Animation produces cartoon series for television and for video distribution and feature films for cinema. In order to stand out from its competitors, Gaumont Animation opts for productions based on classic children's characters, adaptations of works under license, and it supplements its offering with series that have more international range.

Systems of financial assistance for production

Writing and production assistance in France

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

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

Tax credits

In France, the United States, Canada as well as in many other foreign countries, television program producers can benefit from tax credits when they incur production costs in the country concerned. These tax advantages are obtained on condition of eligibility of expenses and significantly help the producers.

Gaumont and its subsidiaries regularly benefit from this financing and their weakening could impact the Group's ability to maintain a high production level. However, it is important to note that the recent political decisions are more part of an effort to create tax incentives for appeal rather than a means to penalize, with a review of audiovisual tax credit in 2016 (raising the rate to 25% and increase of the upper limit per minute). The accounting method for these tax credits and the amounts recognized in income for the period are set out, respectively, in notes 2.17 and 4.3 to the consolidated financial statements.

Distribution of television programs

Television channel pre-purchasing requirement in France

The financing of television productions (dramas, series and documentaries) relies essentially on the television channels that order television programs from producers, from whom they acquire the rights from the beginning of the project. In France and abroad, these orders lead to financing agreements, sometimes starting in the development phase.

In France, the television channels are legally obligated to invest a percentage of their resources in television dramas, which contributes to maintaining a market for French television works.

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

Risks related to the transformation of the world audiovisual landscape

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

The increase in the number of television channels, the appearance of thematic channels, and the transformation of broadcasting channels constitute a threat to the hegemony of the historical channels throughout the world. Moreover, the emergence of new transnational players, in particular on-demand video platforms such as Netflix or Amazon obligates the television channels to revise their programming strategy in order to keep their audiences and their advertising revenues.

These transformations, although they are an opportunity in terms of sales potential, considerably alter the economic model of the television program distributors. In France, these structural changes are also apparent in the decline of purchases of French dramas and documentaries to the benefit of light entertainment (games, varieties, reality shows) and American series.

Faced with this situation, Gaumont has chosen to act both on the content offered, by diversifying its activities and developing drama and cartoon production in the English language for a more international scope, and by entering into partnerships with new market players.

Risks associated with the operations of Gaumont and its subsidiaries

Risks associated with financing productions

Risks pertaining to the ability to finance film production volume

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

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

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



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Risk factors

Risks related to television production financing

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

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

Hedging of risks linked to financing

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

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

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

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

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

Risks related to controlling production costs

Production delays and feature film production budget overruns

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

- when acting as executive producer or co-producer, the producer (alone or with the co-executive producer) bears the risks related to increased production costs and financial charges, and is the

sole beneficiary of any savings achieved. In order to limit the risk of increased costs as a result of production delays, the production budget includes a specific line for contingencies, usually set at 10% of production costs. Insurance policies are also taken out to cover certain financial hazards;

- when acting as a non-executive co-producer, the producer's risk is limited to its financial contribution, the overruns being the executive producer's responsibility.

Production delays and budget overruns of television dramas and cartoon series

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

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

Hedging of risks linked to production costs

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

For its television productions, Gaumont Television organizes to continually monitor and control the production through the line producer, and systematically signs a completion guarantee for its American productions.

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

Risks associated with intellectual property rights

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

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

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



When Gaumont is not the executive producer of a film, it is co-producer and/or distributor and is exposed to the risk of non-validity of the chain of rights. In order to reduce this risk, Gaumont ensures the chain of rights is respected by demanding the delivery of the contracts when it acts as a co-producer or distributor. Gaumont insists on all of the contracts being provided to it no later than before the release of the film, and analyzes them thoroughly. In the event of a dispute, Gaumont also has the right to take legal action against its co-contractor. Conversely, when Gaumont is the executive producer and transfers the distribution rights to third parties, it guarantees the latter against recourse.

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

Commercial and employment litigation risks

In addition to intellectual property risks, the motion picture industry may be exposed to other specific legal risks.

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

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

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

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

Financial risks

Credit and counterparty risks

Risk of customer default

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

Risks of dependency on customers

In 2016, the top ten customers accounted for 60.5% of consolidated revenue.

Trade receivables	Consolidated revenue	
	<i>in thousands of euros</i>	<i>in %</i>
1. Netflix	48,206	25.5%
2. TF1 group	16,735	8.9%
3. Les Cinémas Gaumont Pathé group	11,346	6.0%
4. Canal+ group	10,806	5.7%
5. France Télévisions group	6,830	3.6%
6. M6 group	5,564	3.0%
7. Amazon	5,489	2.9%
8. UGC group	3,273	1.7%
9. CGR group	3,081	1.6%
10. Dreamworks	2,901	1.5%
TOTAL	114,231	60.5%
CONSOLIDATED REVENUE	188,725	100.00%

Other dependency risks

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

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

Liquidity risk

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

Gaumont regularly conducts a special review of its liquidity risk and believes that it has adequate resources to honor its commitments and guarantee the continuity of its business.

The financial structure and cash flows are presented on pages 15-16 of this Registration Document.

Market risks

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



Corporate social responsibility

Social data

Gaumont's social and cultural footprint in France and abroad

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

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

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

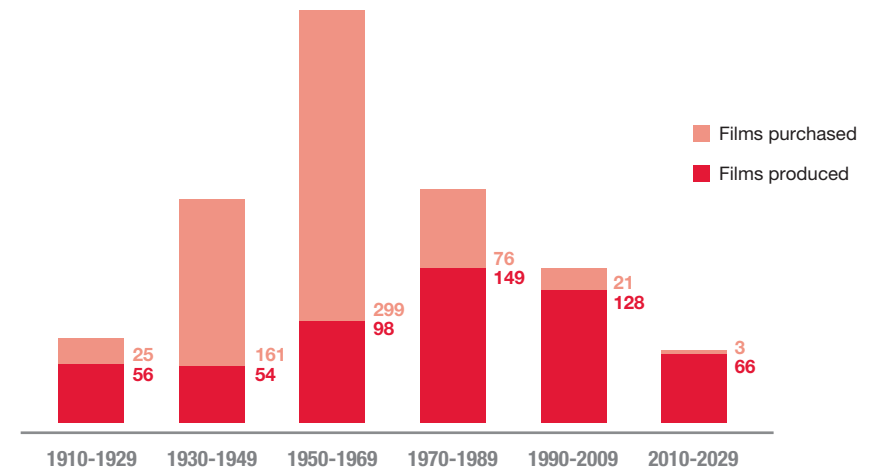
In 1975, Mr. Nicolas Seydoux took over the company and gave it new momentum. He committed to an ambitious production policy and expanded Gaumont's business activities internationally. With Daniel Toscan du Plantier, Chief Executive Officer, he led a European production policy matching up big popular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

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

An important portfolio of movies

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

Breakdown of Gaumont catalog feature films by period



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

In order to share this part of history with as many people as possible, the Gaumont Museum is open to the public on Heritage Days. 240 visitors attended this event in 2016.

Additionally, a portion of the Gaumont museum collections presented in 2015 with the "120 years of cinema, Gaumont from the beginning of cinema" exhibit at Centquatre, 104 rue d'Aubervilliers, Paris 19th, was showcased throughout the world, for example in Singapore and Myanmar.

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



Gaumont Pathé Archives regularly contributes to the production of documentaries such as *Charles Pathé et Léon Gaumont – Premiers géants du cinéma*, a documentary retracing the lives of two film pioneers, broadcast in 2016 on the Arte television channel.

Cinema, promoter of French culture abroad

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

Today, French film making is strong in its own territory with a market share of approximately 35% in 2016, which is the highest share in Europe after Russia. It is regularly the second largest exporter of movies after the United States, with two-thirds of French films being exported to at least one foreign country.

In 2016, this represented:

- 540 films were released in foreign theaters;
- 30 million tickets were sold throughout the world for French films, including 2.6 million tickets for Gaumont films with two films in the top 10, *Up For Love* with 700,000 tickets sold and *Monsieur Chocolat* with 600,000;
- 230 million in proceeds from foreign countries.

Sources: *Ecran Total*, January 16, 2017, "Le cinéma français recule dans le monde" ("French cinema recedes").

Gaumont distributes its film catalog in over 70 territories worldwide and close to 407 feature films were sold abroad in 2016.

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

An active process for development and diversification of international activities

Since the end of the 2000's, Gaumont has added television drama production to its historic movie production and distribution business. After the 2008 purchase of Alphanim, one of the largest French animation production studios, Gaumont created two drama production companies in 2010: Gaumont Télévision in France and Gaumont International Television in Los Angeles. Gaumont currently continues its strategy to extend its production activities in America in particular through the creation, in 2016, of two companies in Los Angeles: Gaumont Films USA et Gaumont Animation USA.

These companies have been very successful since their creation, in particular with the series *Hannibal* broadcast in 150 countries, the series *Narcos* (2 seasons and 2 others ordered) distributed by Netflix in 190 countries and *Calimero* (104 episodes).

Relationships with stakeholders

Stakeholders

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

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

Conditions of dialogue with stakeholders

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

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

For their broadcasting and publishing activities, Gaumont and its subsidiaries are represented in different branches of the audiovisual industry. For film, Mr. Nicolas Seydoux is director of the *Fédération nationale des distributeurs de films* (FNDF) that includes 58 French feature film distribution companies. For video publishing and commercialization of video on demand, the director of Gaumont Vidéo is a member of the board of the *Syndicat de l'édition vidéo numérique* (SEVN). For the film export business, Gaumont



is a member of the *Association des exportateurs de films* (ADEF), which unites almost all French feature film exporters. The ADEF works closely with UniFrance Films at designing and carrying out operations abroad in order to ensure the presence of French cinema and the exporters in the main festivals and international markets.

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

- UniFrance that brings together approximately 600 members, feature film and short film producers, exporters, directors, actors, writers and artistic agents. This organization is responsible for promoting French cinema throughout the world. It supports French movies in international markets, from their sale to their release, and organizes special events dedicated to French film;
- the Independent Film and Television Alliance (IFTA), an international organization that is over 30 years old, and brings together close to 125 major film and television program production and distribution companies from around the world, spread out over more than 20 countries. The IFTA is known in particular for organizing one of the largest film markets in the world, the American Film Market (AFM) in Los Angeles, bringing together more than 8,000 companies from more than 80 countries each year;
- the Cinémathèque française, of which Mrs. Sidonie Dumas is administrator, and the Cinémathèque de Toulouse. The mission of these organizations is the preservation, restoration, and promotion of film heritage. With more than 40,000 films, and thousands of documents and articles related to film, the Cinémathèque française is one of the world's largest databases of information on the seventh art.

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

Support, partnerships or sponsorships

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

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

Gaumont is also a partner of the *Centre des monuments nationaux*. Within the context of exhibitions, Gaumont has renewed its support and graciously provides items from its collections such as costumes, decorations, posters, photos and operating equipment since 2010.

In addition, Gaumont regularly acts as an exhibition partner, as with the following events that took place in 2016:

- “The Fashion World of Jean-Paul Gaultier” exhibition, which ended its world tour in August 2016, and to which Gaumont loaned the original costume drawings for Luc Besson's film *The Fifth Element*;
- the “Coluche” exhibition presented at the Paris Hôtel de Ville from October 5, 2016 to January 14, 2017;
- “Guerres secrètes” at the Musée des Invalides in Paris from October 12, 2016 to January 29, 2017 to which Gaumont loaned costumes;
- the traveling exhibition “Le train du cinéma” in partnership with the SNCF and the Île-de-France Transport Union (STIF) in which two RER D train cars were fully decorated by posters, photos and replicas tracing the history of Gaumont;
- the “Lumière ! l'invenzione del cinematografo” exhibition in Bologna in Italy from June 25, 2016 to January 30, 2017.

Lastly, Gaumont regularly contributes to books and exhibition brochures on cinema such as, in 2016:

- the catalog of the “Apollinaire” exhibition that took place at the Musée de l'Orangerie from April 6, 2016 to July 18, 2016 in Paris;
- *Le cinéma d'animation en 100 films* by Xavier Kawa – Topor and Philippe Moins at Editions Capricci;
- *Marcello Mastroianni* a work by Jean Antoine Gili, at Editions de La Martinière;
- the illustration for re-publishing of the book by Alexandre Dumas *La dame aux camélias* published by Editions Hatier;
- *Le style Bardot* a work by Henry-Jean Servat at Editions Flammarion.



Territorial, economic and labor impact of the business

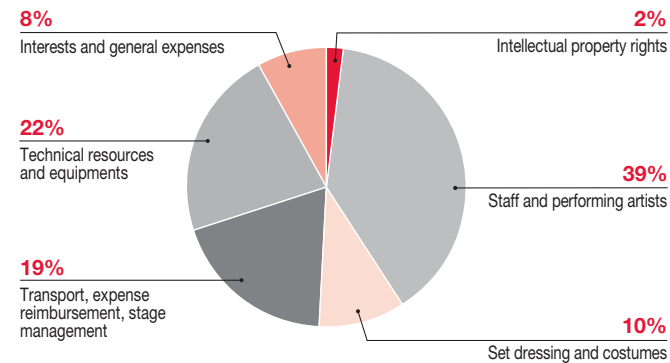
Gaumont's economic imprint

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

In 2016, French film production represented approximately 257 feature films with a total investment budget of €1.3 billion, *i.e.* an average budget of €5.2 million per movie⁽¹⁾.

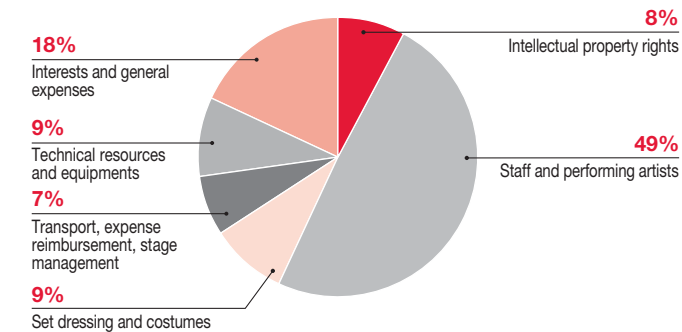
Gaumont produces approximately ten films per year, and the budgets are in general higher than average. In 2016, Gaumont produced or co-produced 12 movies (excluding animation), which will be released in 2017 and 2018, representing a total production budget of roughly €102 million, *i.e.* 4.7% of French national production in volume and 7.6% in value. Among these 12 movies, 9 were fully shot in France and 11 fully shot in the European Union.

Breakdown of cinema production expenses by type

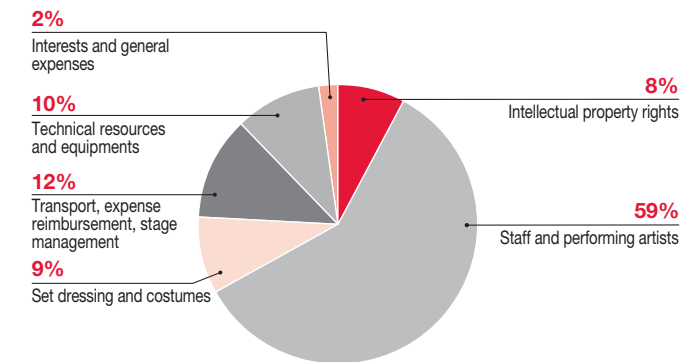


Within the context of its television productions, in 2016, Gaumont produced approximately 7 hours of French dramas and 11 hours of American dramas, representing an accumulated production budget of €11 million for French series and \$53 million for American series. Filming was conducted in France, the United States and Colombia.

Breakdown of American television production expenses by type⁽²⁾



Breakdown of French television series and drama production expenses by type



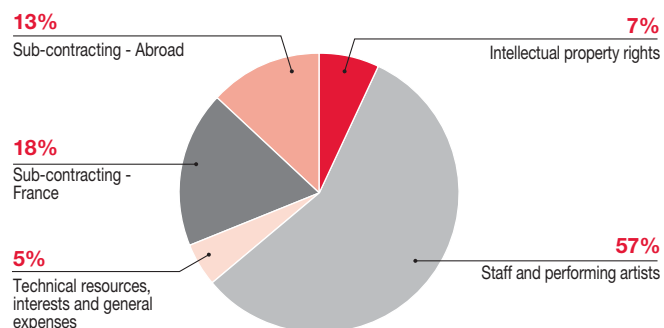
Lastly, in terms of French cartoon production, Gaumont produced around 19 hours of cartoon series in 2016, representing an accumulated production budget of €9 million.

(1) Estimates based on figures extrapolated from the FICAM.

(2) Including cartoon series



Breakdown of French cartoon production expenses by type



As a whole, production budgets in 2016 amounted to €184 million, with nearly 47% being used to compensate the authors, actors, artists and technicians involved in the productions.

Impact of the business in terms of employing contract workers

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

In 2016, Gaumont and its subsidiaries directly employed 1,854 contract workers for a total of approximately 470,000 hours. Furthermore, in executive productions where it was not line producer, Gaumont contributed to the employment of some 7,866 people, in France and the United States, representing roughly 800,000 working hours, approximately 530,000 of which were spent working on the production of American series (partial data for 1 series out of 2 produced).

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

Business segment	2016					2015				
	Number of contract workers by profession				Volume of hours ⁽¹⁾ (in thousands)	Number of contract workers by profession				Volume of hours ⁽¹⁾ (in thousands)
	Technicians	Artists & Actors	Extras	TOTAL		Technicians	Artists & Actors	Extras	TOTAL	
Feature film production ⁽²⁾	1,010	333	1,853	3,196	268	1,903	1,130	6,306	9,339	580
Animated films and series production	403	34	-	437	217	284	20	-	304	161
Television series and drama production ⁽³⁾	1,327	369	4,391	6,087	781	5,836	596	1,088	7,520	612
TOTAL	2,740	736	6,244	9,720	1,266	8,023	1,746	7,394	17,163	1,353
France	1,680	475	2,336	4,491	561	2,217	1,158	6,306	9,681	746
United States	1,060	261	3,908	5,229	705	5,806	588	1,088	7,482	607

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

(2) Partial data for 1 film out of 7 produced in 2016 as executive producer and for 1 film out of 9 produced in 2015.

(3) Partial data for 1 series out of 4 produced in 2016 and for 1 series out of 3 produced in 2015.



As a distributor, Gaumont also employs contract workers during promotional events, tours and festivals. In 2016, 14 people were employed for these purposes totaling 340 hours.

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

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

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

Sub-contracting and supplier relations

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

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

Given the critical nature of this link in the value chain, over time, Gaumont has developed close relationships with the company Eclair, the leading film development laboratory in France, whose expertise is based on over a century of experience serving the 7th Art. Two Gaumont employees are permanently integrated within the Eclair teams to coordinate different actions, along with Gaumont's technical services.

For the video distribution of its movies, Gaumont collaborated with Paramount Home Entertainment until early 2016. Following Paramount Home Entertainment's announcement to close down its operations in France, Gaumont chose to enter into partnership with Twentieth Century Fox for the video distribution of its movies. Twentieth Century Fox is currently in charge of marketing, stocking, logistics and physical delivery of video products (DVD, Blu-ray) with large retailers and big distribution brands. Gaumont initiated this collaboration due to the complementarity of the Twentieth Century Fox catalog, consisting mainly of English-language films for the general public, with the Gaumont catalog, consisting of French films, mostly comedies, and the quality of the sales force of Twentieth Century Fox in France. The marketing and advertising plan, product placement actions and commercial operations are discussed between the Twentieth Century Fox teams and Gaumont's video teams.

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

Fair practice

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

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

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

Management of authors' contracts

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

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

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

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

At the end of 2016, more than 2,300 author contracts were active and subject to internal management. In addition, in 2016, 52 contracts concerning 36 different authors and 50 different works were subject to copyright renewal.

Transparency in compensation to rights holders

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



Gaumont is constantly striving to maintain quality service with regard to accountability, without waiting on new legislation.

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

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

Every year, nearly 3,000 copyright statements are prepared by this team to comply with recommendations on transparency⁽¹⁾ between producers, distributors, authors and other beneficiaries. Approximately half of the copyright statements give rise to compensation.

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

Gaumont, player in combating pirating

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

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

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

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

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

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

Human rights

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

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

Consumer protection, health and safety

Protection of minors

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

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

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

Access for hearing or vision-impaired audiences

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

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

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

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



Social data

Employment

Breakdown of workforce

Salaried employees

As of December 31, 2016, Gaumont and its subsidiaries have 220 employees, excluding contract workers.

The average workforce in 2016 totaled 218 full-time equivalent workers, and breaks down as follows:

Business segment	2016			2015		
	Men	Women	Total	Men	Women	Total
Gaumont SA	55	97	152	50	90	140
Feature film production and distribution subsidiaries ⁽¹⁾	8	9	17	8	10	18
Animated films and series production	7	6	13	7	6	13
Television series and drama production	22	11	33	21	13	34
Distribution of television programs	1	2	3	-	-	-
AVERAGE WORKFORCE	93	125	218	86	119	205
France	77	113	190	73	109	182
United Kingdom	1	2	3	-	-	-
United States	15	10	25	13	10	23

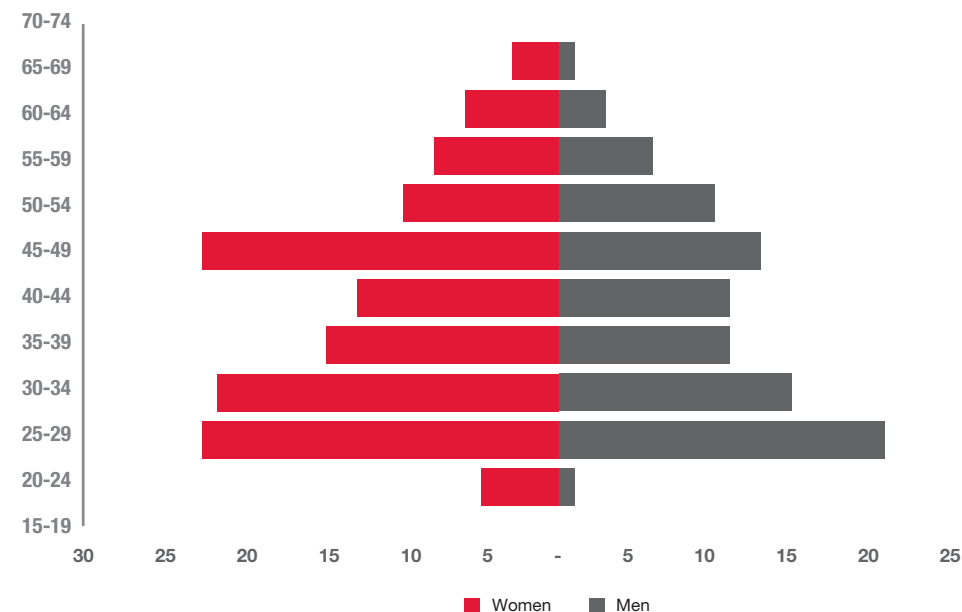
(1) Archive images management companies are included in this scope.

The workforce is growing, essentially due to the development of television program production and distribution in France and the United States. Open-ended contracts accounted for 96% of the average total workforce

Overall, the workforce was made up of 57% women and 43% men.

The average age of employees present at December 31, 2016 was 40 for women and 40 for men.

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



Hiring of interns

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

In 2016, 65 paid interns worked with the Group. They accounted for around 4,697 work days, or 18 full-time equivalents.

Furthermore, Gaumont actively participates in the actions of the French educational system designed to introduce pupils to the world of work. Each year, numerous middle school students spend time with the company as part of their "discovery" internship. In 2016, 42 students spent one to two weeks with the Group for individual internships.

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



Hires and layoffs

The average length of service is down slightly compared with 2015, at ten years for women and eight years for men.

Changes that affected the permanent workforce in 2016 were as follows:

	Men	Women	TOTAL
Hires	13	16	29
Transfer from contract worker to permanent employee	-	2	2
Resignations	-	2	2
Layoffs & Contractual terminations	7	8	15
Retirement	-	2	2

The permanent workforce increased by 3.4% between January 1 and December 31, 2016, which corresponds to the employment of an additional seven people. This growth is essentially linked to the increase in French and American television production and distribution.

Gaumont and its subsidiaries employed on average 9 people under fixed-term contracts in 2016, compared with 25 in 2015. 24 new fixed-term contracts were signed during the period. Among these contracts, 7 were linked to temporary professional events and, in particular, the Cannes Festival. Moreover, 2 fixed-term contracts were converted into permanent contracts in 2016.

Salaries

Overall gross compensation

The overall amount of gross compensation paid in 2016 by Gaumont and its fully consolidated subsidiaries amounted to k€18,866, compared with k€16,309 in 2015, *i.e.* a 16% increase. The average annual salary came to k€86 in 2016, *versus* k€78 in 2015.

Incentive bonuses and company savings plan

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

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

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

In 2016, the overall amount of incentive bonuses paid totaled k€549, representing an average of k€3 per employee. The employer contribution on the amounts invested totaled k€136. The incentive bonus amount due in respect of 2016 earnings and accounted for as of December 31, 2016 totaled k€528.

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

Apart from the voluntary monthly payments, each member may make at least two exceptional payments per year on the dates of his or her choice. Gaumont Pathé Archives makes an additional employer contribution to the voluntary payments of employees, which is capped at €1,829.39 per employee. In 2016, 13 employees joined this plan. Payments under the savings plan amounted to k€14, and employer contributions paid by the company totaled k€22.

Employee profit sharing

UES employees also receive, in accordance with the law, a profit-sharing benefit calculated in accordance with legislation currently in effect. In 2016, UES companies paid employees a total of k€59, plus a k€13 employer contribution on the amount invested. For 2016, the special reserve for profit-sharing recognized in the financial statements amounted to k€32.

Allocation of stock options

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

Details of the stock option plans still in effect as of December 31, 2016 are provided on pages 116 to 118 of this Registration Document.

Organization of working time

Corporate agreements pertaining to the organization of work time

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

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

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

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

Part-time workforce

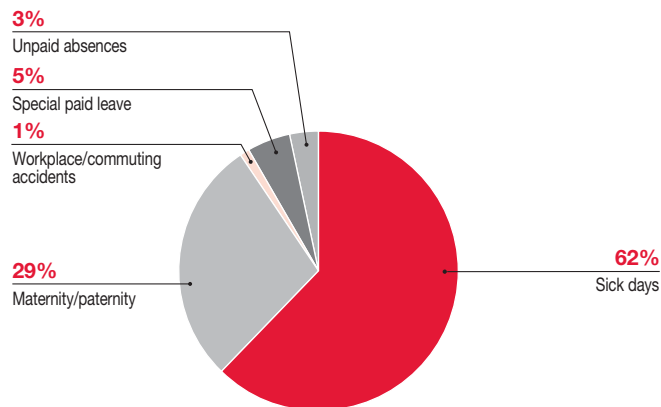
The part-time workforce is made up of 6 men and 8 women, corresponding to 7 full-time employees, *i.e.* 3% of the Group's average workforce.



Absenteeism

Gaumont and its subsidiaries have a generally low level of absenteeism among employees. In 2016, the Group's employees accumulated 1,179 days absent, excluding annual leave and rest days related to the reduction of working hours, *i.e.* a rate of absenteeism⁽¹⁾ of 2%.

A breakdown by type of absence is shown below.



Social relations

Organization of social dialogue

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

Gaumont and its subsidiaries had 12 employee representatives in 2016, *versus* 11 in 2015. Three employee representatives, members of the works council, are affiliated with union organizations.

In 2016, 16 meetings were held with the different works councils or employee representatives, for all entities combined.

Summary of collective agreements

In 2016, an amendment to the incentive bonus agreement was signed, whose purpose was to bring it into compliance with Law no. 2015-990 of August 6, 2015.

(1) $(\text{Number of days absent (excluding paid leave)} \times 7 \text{ hours}/1,820)/\text{average workforce}$.

Health and safety at work

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

Every two years, employees who have a workplace first-aid qualification follow a refresher course in order to maintain their knowledge. Every year, new employees are trained in relation to this qualification whose goal is to be able to provide first aid to any victims of a workplace accident or illness while working, as well as being a player in prevention in the company. In 2016, 18 employees participated in training concerning health and safety at work.

The number of workplace accidents is traditionally low. In 2016, two commuting accidents were recorded, the same as in 2015. These accidents led to less than ten days of work stoppage.

The Group recorded no cases of occupational illness in 2016.

Training

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

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

In 2016, 78 employees received training, representing 36% of the average workforce. 950 hours of training were delivered, representing an average of 12 hours per employee.

31 employees having worked for the company for more than ten years took training courses. They received a total of 262 hours of professional training.

Equal opportunity

Gender equality

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

Category	Men	Women	Total
Managers	54	70	124
Supervisors	18	28	46
Employees	21	27	48
TOTAL	93	125	218
<i>as a % of the whole</i>	<i>43%</i>	<i>57%</i>	

Overall, Gaumont and its subsidiaries employ 57% women and 43% men.



This gender ratio can be observed at all hierarchical levels and is reflected in the most recent hires:

- executive staff is made up of 56% women and 44% men;
- the Management committee, chaired by the Chief Executive Officer, which meets each week in the presence of the Chairman of the Board of directors, comprises 14 members who are employed by the company. The Board is made up of 7 women and 7 men;
- of the employees who have been with the Group for less than two years, 49% are men and 51% are women.

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

Employment and integration of disabled workers

Gaumont and its subsidiaries wish to participate in integrating disabled workers and make efforts to encourage their employment. Nonetheless, in 2016, disabled workers accounted for less than 1% of the average workforce.

Non-discrimination

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

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

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

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

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

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

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

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

Working hours are strictly regulated.

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

Gaumont or its subsidiaries directly employed 15 children under 16 years of age for feature film and television series productions in 2016, for a total of 1,016 hours of work. In addition, 32 children were employed by partner line producers for filming where Gaumont assumed the role of executive co-producer.



Environmental data

Gaumont and its subsidiaries' on-going business activities are essentially administrative and commercial in nature. In order to conduct its business, Gaumont and its French subsidiaries are located at three sites in Paris, one of which expanded in 2015 due to its growth. Gaumont Television USA is located at a site in Los Angeles, and Gaumont Inc. has a small office space in New York (less than 100 m²). Gaumont owns its head office in Neuilly-sur-Seine, two commercial buildings on the Champs-Élysées in Paris and a group of apartments located in the Paris area.

For its cinema production business, Gaumont is responsible for decisions pertaining only to production when it acts as executive producer, or for co-productions, when it is responsible for filming (primary executive producer). For the last few years, Gaumont has mostly acted as co-producer and is therefore not directly responsible for decisions relating to productions that could have an impact on the environment. In 2016, out of 257 feature films produced in France, Gaumont was involved in the production of 12 films, 1 of which as primary executive producer.

For television program productions (drama and cartoons), Gaumont's subsidiaries act almost exclusively as sole executive producer, and are thus responsible for the environmental impact of their productions. However, the Group's output remains extremely limited: Gaumont Animation and Gaumont Télévision together produced 26 hours of television programs as executive producer, out of approximately 800 hours of drama and 300 hours of cartoon programs produced in France each year. In the United States, in 2016, Gaumont Television USA produced approximately 11 hours of programs, in other words, the equivalent of a 13-episode series, in a market which, every year, counts almost a hundred renewed series and the same number of pilots of original series ordered.

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

General policy

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

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

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

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

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

Pollution and waste management

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

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

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

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

Sustainable use of resources

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

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

As part of its video publishing activity, Gaumont Vidéo produced approximately 2.2 million DVDs and Blu-rays in 2016. The manufacturing, storage and management of media at end-of-life are entirely subcontracted to specialized companies.

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



Change in climate and biodiversity

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

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

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

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

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

Methodological approach

Scope of responsibility

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

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

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

Data collection

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

Indicators

The indicators reported are used consistently from one period to another. Where necessary, clarification on the definition applicable to the indicator is provided in a note. The data in this report is for 2016, unless otherwise indicated.



CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated statement of financial position

Assets*(in thousands of euros)*

	Note	12.31.16	12.31.15
Goodwill	3.1	12,035	12,035
Films and audiovisual rights	3.2	147,536	159,444
Other intangible assets	3.3	553	655
Property, plant and equipment	3.4	47,995	40,144
Investments in associates	3.5	226,069	220,060
Other financial assets	3.6	172	179
Non-current deferred tax assets	4.8	2,236	1,458
Non-current assets		436,596	433,975
Inventories	3.7	578	599
Trade receivables	3.8	107,410	107,242
Current tax assets	3.8	4,290	1,766
Other receivables and current financial assets	3.8	46,167	42,257
Cash and cash equivalents	3.9	8,693	10,156
Current assets		167,138	162,020
TOTAL ASSETS		603,734	595,995



Liabilities and equity <i>(in thousands of euros)</i>	Note	12.31.16	12.31.15
Capital		34,242	34,208
Retained earnings and comprehensive income		243,070	234,853
Equity attributable to the shareholders of the parent company		277,312	269,061
Non-controlling interests		2,960	2,982
Equity	3.10	280,272	272,043
Non-current provisions	3.11	3,868	3,164
Non-current deferred tax liabilities	4.8	2,678	3,484
Non-current financial liabilities	3.12	192,003	167,564
Other non-current liabilities	3.13	482	594
Non-current liabilities		199,031	174,806
Current provisions	3.11	985	1,161
Current financial liabilities	3.12	22,038	49,921
Trade payables	3.13	22,482	25,158
Current tax liabilities	3.13	2	9
Other payables	3.13	78,924	72,897
Current liabilities		124,431	149,146
TOTAL LIABILITIES		603,734	595,995



Consolidated income statement

<i>(in thousands of euros)</i>	Note	2016	2015
Revenue	4.1	188,725	217,004
Purchases		-2,003	-1,708
Personnel costs	4.2	-34,701	-29,976
Other current operating income and expenses	4.3	-33,987	-25,977
Impairment, depreciation, amortization and provisions	4.4	-114,832	-157,234
Current operating income (loss)		3,202	2,109
Other non-current operating income and expenses	4.5	-870	-5
Operating income (loss)		2,332	2,104
Share of net income of associates	4.7	20,874	19,254
Operating income after share of net income of associates		23,206	21,358
Gross borrowing costs		-8,482	-9,475
Income from cash and cash equivalents		-	1
Net borrowing costs		-8,482	-9,474
Other financial income and expenses	4.6	3,146	7,519
Net income (loss) before tax		17,870	19,403
Income tax	4.8	1,115	-1,498
NET INCOME		18,985	17,905
Share attributable to non-controlling interests		41	88
Share attributable to the shareholders of the parent company		18,944	17,817
Earnings per share attributable to the shareholders of the parent company			
• Average number of shares in circulation	4.9	4,276,808	4,272,994
• <i>In euros per share</i>		4.43	4.17
Diluted earnings per share attributable to the shareholders of the parent company			
• Average potential number of shares	4.9	4,279,566	4,274,334
• <i>In euros per share</i>		4.43	4.17



Consolidated statement of comprehensive income

<i>(in thousands of euros)</i>	Note	2016	2015
Net income		18,985	17,905
Translation adjustments of foreign operations		-124	742
Share in currency adjustments of foreign operations of associates		405	1,125
Changes in fair value of available-for-sale financial assets		-	-
Changes in fair value of hedging financial instruments	6.5	1,195	1,163
Share of changes in fair value of hedging financial instruments of associates		48	887
Income tax on gains and losses recognized directly in equity	4.8	-472	-435
Other elements of comprehensive income that could be reclassified later in net income		1,052	3,482
Changes in asset revaluation surplus		-	-
Actuarial gains and losses on defined benefit plans	3.11	-463	83
Share of actuarial gains and losses of associates		-162	85
Income tax on gains and losses recognized directly in equity	4.8	154	-28
Other elements of comprehensive income that cannot be reclassified in net income		-471	140
Total of other elements of comprehensive income after taxes		581	3,622
COMPREHENSIVE INCOME FOR THE YEAR		19,566	21,527
Share attributable to non-controlling interests		22	90
Share attributable to the shareholders of the parent company		19,544	21,437



CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of changes in equity

Consolidated statement of changes in equity

Changes in equity <i>(in thousands of euros)</i>	Attributable to the shareholders of the parent company						Total	Attributable to non-controlling interests	Total equity
	Number of shares	Capital	Additional paid in capital ⁽¹⁾	Treasury shares	Retained earnings	Other comprehensive income			
AS OF DECEMBER 31, 2014	4,272,530	34,180	27,771	-252	174,514	15,508	251,721	2,892	254,613
Net income for the year	-	-	-	-	17,817	-	17,817	88	17,905
Other comprehensive income	-	-	-	-	-	3,620	3,620	2	3,622
Comprehensive income for the year	-	-	-	-	17,817	3,620	21,437	90	21,527
Capital transactions	3,428	28	119	-	-	-	147	-	147
Share-based payments	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-4,267	-	-4,267	-	-4,267
Elimination of treasury shares	-	-	-	-55	78	-	23	-	23
Other	-	-	-	-	-	-	-	-	-
AS OF DECEMBER 31, 2015	4,275,958	34,208	27,890	-307	188,142	19,128	269,061	2,982	272,043
Net income for the year	-	-	-	-	18,944	-	18,944	41	18,985
Other comprehensive income	-	-	-	-	-	600	600	-19	581
Comprehensive income for the year	-	-	-	-	18,944	600	19,544	22	19,566
Capital transactions	4,311	34	147	-	-	-	181	-	181
Share-based payments	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-4,269	-	-4,269	-44	-4,313
Elimination of treasury shares	-	-	-	46	-1	-	45	-	45
Other ⁽²⁾	-	-	-	-	-7,250	-	-7,250	-	-7,250
AS OF DECEMBER 31, 2016	4,280,269	34,242	28,037	-261	195,566	19,728	277,312	2,960	280,272

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

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



Consolidated statement of cash flows

<i>(in thousands of euros)</i>	Note	2016	2015
Operating activities			
Consolidated net income (including non-controlling interests)		18,985	17,905
Net allowances for depreciation, amortization, impairment and provisions	5.1	114,032	157,019
Impairment of goodwill	3.1	856	-
Gain on a bargain purchase	1.2	-	-
Unrealized gains and losses related to changes in fair value	6.5	634	-986
Expenses and income related to stock options and similar		-	-
Other calculated income and expenses		-720	-3,073
Gains and losses on disposal of assets		1,069	450
Share of net income of associates	4.7	-20,874	-19,254
Dividends received from associates	5.2	10,519	8,971
Cash flow from operating activities after tax and net borrowing costs		124,501	161,032
Net borrowing costs		8,482	9,474
Tax expenses (including deferred tax)	4.8	-1,115	1,498
Cash flow from operating activities before tax and net borrowing costs		131,868	172,004
Tax paid		660	-312
Change in working capital requirement related to operating activities	5.3	-681	-29,691
(A) Net cash flow from operating activities		131,847	142,001
Investment activities			
Proceeds from sales of fixed assets		14	12
Acquisition of fixed assets	5.4	-103,925	-159,983
Change in liabilities on investments	5.5	-438	9,887
Net impact of changes in scope, net of cash acquired	5.6	-9,336	-250
(B) Net cash flow from investment activities		-113,685	-150,334
Financing activities			
Gaumont SA capital increase	3.10	181	147
Dividends paid to Gaumont SA shareholders	3.10	-4,269	-4,267
Dividends paid to non-controlling interests in consolidated companies		-44	-
Change in treasury shares		45	23
Change in borrowings	3.12	-8,819	2,249
Interest paid		-7,290	-8,140
(C) Net cash flow from financing operations		-20,196	-9,988
(D) Impact of changes in foreign exchange rates		183	781
NET CHANGE IN CASH & CASH EQUIVALENTS: (A) + (B) + (C) + (D)		-1,851	-17,540
Cash and cash equivalents at beginning of period		10,156	27,520
Bank overdraft at beginning of period		-218	-42
Cash position at beginning of period		9,938	27,478
Cash and cash equivalents at end of period	3.9	8,693	10,156
Bank overdraft at end of period	3.12	-606	-218
Cash position at end of period		8,087	9,938
NET CHANGE IN CASH & CASH EQUIVALENTS		-1,851	-17,540



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1. The Gaumont group

1.1. Group's businesses

The Gaumont group is specialized in the production and distribution of movies, a business it has conducted since 1895, and for the last few years has developed a television program production business. These programs primarily include American series, French series, and cartoon series.

In addition, having combined its movie theater activities with those of Pathé in early 2001, Gaumont holds a 34% interest in Les Cinémas Gaumont Pathé, a large movie theater network established in France, Switzerland, the Netherlands and Belgium.

1.2. Scope of consolidation

Change in scope of consolidation

Acquisitions of the balance of the shares and takeover of the company Légende SAS

On May 9, 2016, Gaumont SA acquired an additional share of 50% of the shares of the production company Légende SAS, in which the Group previously held a 50% interest, and took control of this subsidiary, in application of the criteria defined by IFRS 10.

Prior to Gaumont taking control, Légende SAS underwent a restructuring and assignment transaction for a part of its assets and liabilities, with the exception of the film catalog. This transaction enables Gaumont to enhance its film catalog of several works having marked French cinema for these past twenty years, including *La Vie en Rose*, *Coco*, *99 Francs* and *Case départ*.

The purchase of shares from historic shareholders of Légende SAS resulted in the payment of a purchase price of k€5,500 excluding of acquisition costs, and the recognition of goodwill of k€863. This goodwill was impaired in full at June 30, 2016, insofar as it is representative of the additional cost paid to the assignors in consideration for Gaumont's withdrawal from previous transactions with contingencies.

The fair value of assets and liabilities of Légende SAS on the purchase date and the final purchase price allocation is specified below:

<i>(in thousands of euros)</i>	Share of the net equity	IFRS historical value	Fair value adjustment	Fair value
Films and cinema rights		732	4,839	5,571
Receivables and payables		734	381	1,115
Net deferred tax		579	-	579
Provisions for risks and expenses		-	-	-
Net borrowings		2,024	-	2,024
Other miscellaneous assets and liabilities		-	-	-
Net assets as at May 9, 2016		4,069	5,220	9,289
Counterparty transferred to obtain control ⁽¹⁾	50%			5,500
Fair value of previously held interests	50%			4,645
Non-controlling interests	-			-
Goodwill				-856

(1) Acquisition costs recognized in net income amounted to k€21.

The adjustments made since the presentation of a provisional allocation in the half-year financial report affected the fair value assessment of the operating receivables.

At the end of April 2016, prior to the acquisition and in agreement with Gaumont, Légende conducted transfer transactions concerning its development and cinema production activities, the results of which are included in the share of net income of associates for the period, which was k€1,908.



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The carrying amount of the investments in associates held by Gaumont immediately before the purchase date was k€5,467. The reassessment of these shares at the fair value on the purchase date resulted in posting a capital loss of k€829, included in the share of net income of associates.

Following the takeover, the company Légende SAS and its fully-owned subsidiary Légende Editions were fully consolidated as of May 9, 2016. These companies were renamed, respectively, Mitzé Films and Mitzé Editions in the beginning of June 2016. The contribution of these two companies to the turnover and consolidated net income for 2016, excluding goodwill impairment, is not significant.

If the purchase transaction had taken place upon the opening of the period under similar circumstances of assignment of prior assets, the contribution from the entities purchased to the turnover and to the Gaumont consolidated result would have been, like in the present case, not significant.

Repurchase of non-controlling interests in Gaumont Television USA Llc

On July 29, 2016, Gaumont USA Inc. purchased an additional share of 5% of Gaumont Television USA Llc for k\$8,000. This purchase is analyzed as a transaction between shareholders with respect to IFRS 3, and was posted as a reduction of the equity for the period. The acquisition costs related to this transaction are insignificant.

Development of the American activities by the creation of three new entities

Within the international development of its activities, Gaumont created in Los Angeles:

- on March 14, 2016, Gaumont Animation USA Llc, a company dedicated to animated films and series production;
- on July 13, 2016, Gaumont Films USA Llc, a company dedicated to the production of feature films in English;
- on November 21, 2016, Gaumont Distribution TV Llc, for the American and international distribution of television catalog titles of Gaumont and its subsidiaries.


Main consolidated companies

Company and legal form	Registered office	Siren	% interest	% control	Consolidation method
Parent company					
Gaumont SA	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	562018002	100.00		F.C.
Movie production and distribution					
Gaumont Films USA Llc	750 San Vincente Blvd, Suite 1550, West Hollywood, CA 90069	United States	100.00	100.00	F.C.
LGM SAS	53, rue du Faubourg Poissonnière, 75009 Paris	814155461	20.00	20.00	E.A.
Mitzé Films SAS (formerly Légende SAS)	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	449912609	100.00	100.00	F.C.
Gaumont Vidéo SNC	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	384171567	100.00	100.00	F.C.
Fideline Films SARL	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	308240480	100.00	100.00	F.C.
Nouvelles Editions de Films SARL	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	562054817	100.00	100.00	F.C.
Gaumont Production SARL	5, rue du Colisée, 75008 Paris	352072904	100.00	100.00	F.C.
Editions la Marguerite SARL	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	602024150	100.00	100.00	F.C.
Mitzé Editions SARL (formerly Légende Editions SARL)	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	500977129	100.00	100.00	F.C.
Gaumont Musiques SARL	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	494535255	100.00	100.00	F.C.
Gaumont Inc.	520 West 43rd Street, New York, NY 10036	United States	100.00	100.00	F.C.
Production of television dramas and cartoon series					
Gaumont Television USA Llc	750 San Vincente Blvd, Suite 1550, West Hollywood, CA 90069	United States	100.00	73.60	F.C.
Gaumont Télévision SAS	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	340538693	100.00	100.00	F.C.
Gaumont Animation USA Llc	750 San Vincente Blvd, Suite 1550, West Hollywood, CA 90069	United States	100.00	100.00	F.C.
Gaumont Animation SAS	142, rue de Charonne, 75011 Paris	411459811	100.00	100.00	F.C.
Gaumont Distribution Television Llc	750 San Vincente Blvd, Suite 1550, West Hollywood, CA 90069	United States	100.00	100.00	F.C.
Gaumont Television UK Ltd	131-135 Temple Chambers, 3-7 Temple Avenue, London EC4Y 0HP	United Kingdom	100.00	100.00	F.C.
Gaumont Production Télévision SARL	5, rue du Colisée, 75008 Paris	322996257	100.00	100.00	F.C.
Gaumont Animation Musique SARL	142, rue de Charonne, 75011 Paris	433438769	100.00	100.00	F.C.
Ouroboros Productions Llc	750 San Vincente Blvd, Suite 1550, West Hollywood, CA 90069	United States	100.00	73.60	F.C.
Chiswick Productions Llc	750 San Vincente Blvd, Suite 1550, West Hollywood, CA 90069	United States	100.00	73.60	F.C.
Narcos Productions Llc	750 San Vincente Blvd, Suite 1550, West Hollywood, CA 90069	United States	100.00	73.60	F.C.
Leodoro Productions Llc	750 San Vincente Blvd, Suite 1550, West Hollywood, CA 90069	United States	100.00	73.60	F.C.
Movie theater operations					
Les Cinémas Gaumont Pathé SAS	2, rue Lamennais, 75008 Paris	392962304	34.00	34.00	E.A.
Lincoln Cinema Associates	1886 Broadway, New York, NY 10023	United States	31.95	31.95	E.A.
Audiovisual archive management					
Gaumont Pathé Archives SAS	30, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine	444567218	57.50	57.50	F.C.

F.C.: Fully consolidated. E.A.: Equity-accounted.



2. Accounting principles and methods

2.1. General principles

Pursuant to Regulation (EC) No. 1606/2002 of July 19, 2002, Gaumont's consolidated financial statements for the year ended December 31, 2016 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, 2016 and available from the website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

These accounting principles are consistent with those used when preparing the annual consolidated financial statements for the reporting period ended December 31, 2015, with the exception of the IFRS standards and IFRIC interpretations applicable from January 1, 2016 and standards possibly applied in advance, the details and individual impact of which are described in note 2.2.

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

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

2.2. Changes to the IFRS accounting principles

Impact of IFRS standards and IFRIC interpretations applicable from January 1, 2016

Amendment to IAS 38 – Clarification of acceptable methods of depreciation and amortization

Gaumont conducted a review of the principles set forth in IAS 38 and concluded that the method currently used to amortize films and audiovisual rights, based on revenue made from their distribution, remains justified since there is a strong correlation between income received and consumption of economic benefits related to movies and programs distributed. The accounting principles and methods were accordingly revised and are described in note 2.6.

Other standards and amendments applicable to Gaumont

Standard		Effective date ⁽¹⁾	Impact on the consolidated financial statements of the Gaumont group
Amendments to IAS 1	Disclosure initiative	01/01/2016	No significant impact on the consolidated financial statements
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations	01/01/2016	No impact on the consolidated financial statements
Amendments to IAS 19	Defined benefit plans: employee contributions	02/01/2015	No impact on the consolidated financial statements
Annual improvements	2010-2012 cycles	02/01/2015	No impact on the consolidated financial statements
Annual improvements	2012-2014 cycles	01/01/2016	No impact on the consolidated financial statements

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



Expected impact of texts adopted by the European Union and not yet compulsory as at December 31, 2016

IFRS 15 – Revenue from contracts with customers

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

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

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

IFRS 9 – Financial instruments

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

Consequences for the Group of standards, amendments and interpretations published by the IASB but not yet adopted by the European Union as at December 31, 2016

Standard		Effective date ⁽¹⁾	Impact on the consolidated financial statements of the Gaumont group
IFRS 14	Regulatory deferral accounts	01/01/2016	Not applicable
IFRS 16	Leases	01/01/2019	The expected impacts of the standard are presented in note 6.3
Amendments to IAS 7	Disclosure initiative – Statement of cash flows	01/01/2017	No significant impact on the consolidated financial statements
Amendments to IFRS 15	Clarifications to IFRS 15	01/01/2018	No significant impact on the consolidated financial statements
Amendments to IAS 12	Recognition of deferred tax assets for unrealized losses	01/01/2017	Not applicable
Amendments to IFRS 2	Classification and measurement of share-based payment transactions	01/01/2016	Not applicable
Amendments to IFRS 4	Applying IFRS 9 with IFRS 4	01/01/2018	Not applicable
Amendments to IAS 40	Transfers of investment property	01/01/2018	No impact on the consolidated financial statements
Annual improvements	2014-2016 cycle	01/01/2017 01/01/2018	No impact on the consolidated financial statements
IFRIC 22	Foreign currency transactions and advance considerations	01/01/2018	No significant impact on the consolidated financial statements

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

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



2.3. Consolidation methods

Controlled entities

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

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

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

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

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

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

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

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

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

Associates and joint ventures

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

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

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

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

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

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

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

2.4. Business combinations

Recognizing business combinations

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

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

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

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



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

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

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

Goodwill measurement

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

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

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

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

For its past acquisitions, the Group has defined each entity acquired as a cash-generating unit.

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

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

In the case of movie theater operating companies, the Group applies a method that is in line with industry practice, which consists of determining the fair value less costs to sell, based on a multiple of standard EBITDA less net debt. This method is used, with the agreement of Gaumont's banking partners, to measure the value of assets linked to this line of business, when assessing compliance with its financial covenants.

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

Impairment losses on goodwill are irreversible.

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

2.5. Measurement and presentation of the consolidated financial statements

Basis of preparation of consolidated financial statements

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

Use of estimates

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

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

Foreign currency translation

Financial statements of foreign subsidiaries

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

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



Foreign currency transactions

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

- transactions denominated in foreign currencies are translated into local currency at the exchange rate on the date of the transaction;
- monetary items in the statement of financial position are remeasured at the closing rate at each reporting date and the relevant translation adjustments are recognized in income;
- translation adjustments on a monetary item that is part of a net investment in a foreign operation are recognized in other comprehensive income and reclassified in net income on disposal of the net investment.

Structure of the consolidated statement of financial position

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

The breakdown is as follows:

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

2.6. Intangible assets

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

Preliminary costs

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

Evaluation of films and audiovisual rights

Films and audiovisual rights include:

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

The 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, crucial to its commercial potential.

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

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

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

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



Ongoing productions

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

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

Other intangible assets

Musical rights are amortized by type:

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

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

2.7. Property, plant and equipment

Measurement of property, plant and equipment

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

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

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

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

Accumulated amortization of property, plant and equipment

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

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

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

Fixed assets	Component	Amortization method	Amortization period
Property	Structural works	Straight-line	40 years
Property	Facade	Straight-line	30 years
Property	Roofing and exterior fixtures and fittings	Straight-line	20 to 25 years
Property	Plant and equipment	Straight-line	10 to 15 years
Property	Interior fixtures and fittings	Straight-line	5 to 10 years
Movable property	Passenger vehicles	Straight-line	4 years
Movable property	Furniture and equipment	Straight-line	3 to 5 years

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

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

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



Property, plant and equipment held under finance lease

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

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

When due, minimum lease payments are broken down between the financial cost and the reduction of the outstanding liability.

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

Investment properties

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

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

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

2.8. Impairment of assets

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

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

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

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

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

2.9. Inventories

Inventories are assessed at the lower of the purchase cost of the inventory or the net recoverable value.

An impairment loss is recognized at the reporting date if the market value becomes less than the carrying amount.

2.10. Financial assets and liabilities

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

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

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

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

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



Measurement of financial assets

Investments in non-consolidated companies

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

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

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

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

Receivables from non consolidated entities, other loans, deposits and bonds

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

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

Trade receivables and other receivables

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

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

Cash and cash equivalents

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

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

Measurement of financial liabilities

Loans and borrowings

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

Soficas

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

Sale and buyout commitments

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

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

Derivatives and hedging operations

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

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

Non-hedging derivatives

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

Hedging derivatives

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

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



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

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

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

2.11. Equity instruments

Stock options

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

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

Treasury shares

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

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

2.12. Provisions and contingent liabilities

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

2.13. Employee benefits

Provisions for post employment benefits

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

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

- rights under agreements measured in relation to the length of service accrued by the various categories of personnel;
- an assumption of the retirement date varying based on the employees' job category and date of birth, in order to take into account the regulations in force;
- an estimated turnover rate based on past experience;
- wages and salaries, including employer's social security contributions, measured at the prevailing rates;
- an annual rate of salary increase;
- mortality based on statistical tables;
- discount rate reviewed at each reporting date, based on long-term corporate bonds ("Euro zone AA rated corporate bonds +10 years").

In accordance with IAS 19:

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

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

Seniority bonuses

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



2.14. Income tax and other taxes

Obligating event for levy recognition

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

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

Deferred tax

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

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

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

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

Contributions based on the added value of companies

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

2.15. Operating segments

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

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

- feature film production and distribution, which includes the various distribution phases of movies: distribution in movie theaters, sales to television channels, on video and video on demand, both in France and internationally;
- production and distribution of animated feature films and cartoon and drama series via its subsidiaries Gaumont Animation, Gaumont Télévision and Gaumont Television USA in the United States;
- operation of movie theaters via its interest in Les Cinémas Gaumont Pathé.

2.16. Revenue

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

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

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

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

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

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

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



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

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

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

2.17. Government grants and assistance

Financial support for the cinema industry and the audiovisual industry

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

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

Other subsidies

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

Tax credits linked to current operations

Audiovisual and cinema tax credit

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

Employment competitiveness tax credit

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

2.18. Operating income (loss)

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

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

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

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

2.19. Earnings per share

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

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

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

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



3. Notes to the consolidated statement of financial position

3.1. Goodwill

	12.31.16	Movements of the period			12.31.15
		+	-	Other ⁽¹⁾	
Gaumont Animation	15,794	-	-	-	15,794
Mitzé Films (formerly Légende SAS)	856	856	-	-	-
LGM Participations	491	-	-	-	491
Gross value	17,141	856	-	-	16,285
Gaumont Animation	-4,250	-	-	-	-4,250
Mitzé Films (formerly Légende SAS)	-856	-856	-	-	-
Accumulated impairment losses	-5,106	-856	-	-	-4,250
CARRYING VALUE	12,035	-	-	-	12,035

(1) Changes in percentage interest, write offs.

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

	CGU category	Projection period	Discount rate	Perpetual growth rate	Other key assumptions	Carrying value	
						12.31.16	12.31.15
Gaumont Animation	Animated films and cartoon series production	indefinite	7.5%	1.5%	Two-year budget ⁽¹⁾ and going concern	11,544	11,544

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

As of December 31, 2016, the net carrying value of the Cash-Generating Unit (CGU) is equivalent to its value in use. An adverse change in one or more key assumptions would entail the recognition of an additional impairment loss for the asset concerned.

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

Perpetual growth rate	Discount rate		
	8.50%	7.50%	6.50%
1.00%	-2,970	-1,163	943
1.50%	-1,406	-	3,139
2.00%	418	2,855	5,775



3.2. Films and audiovisual rights

	12.31.16	Movements of the period			12.31.15
		+	-	Other ⁽¹⁾	
Films and cinema rights	1,829,334	23,218	-7	141,453	1,664,670
Television series, dramas and broadcasting rights	374,147	685	-	52,568	320,894
Animated films and series	176,895	2,228	-	6,070	168,597
Musical productions	2,943	84	-	36	2,823
Video games	1,525	-	-	-	1,525
Movies in production	8,062	7,706	-	-35,076	35,432
Television series and dramas in production	20,150	46,048	-364	-41,017	15,483
Animated films and series in production	16,615	14,275	-696	-5,553	8,589
Gross value	2,429,671	94,244	-1,067	118,481	2,218,013
Films and cinema rights	-1,761,745	-56,021	70	-100,806	-1,604,988
Television series, dramas and broadcasting rights	-348,507	-49,107	-	-10,249	-289,151
Animated films and series	-167,347	-8,165	560	-173	-159,569
Musical productions	-2,862	-3	-	-36	-2,823
Video games	-1,525	-	-	-	-1,525
Television series and dramas in production	-149	-	364	-	-513
Animated films and series in production	-	-	-	-	-
Accumulated amortization and impairment losses	-2,282,135	-113,296	994	-111,264	-2,058,569
CARRYING VALUE	147,536	-19,052	-73	7,217	159,444

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

As of December 31, 2016, ongoing productions essentially correspond to works that will be delivered in 2017 and 2018, in particular:

- for feature films: *A Bag of Marbles*, *Step by Step*, *Wedding Unplanned* and *See You up There*;
- for television series: *Narcos* season 3 and *The Art of Crime*;
- for animated films and series: *F is for Family* season 2, *Furry Wheels* and *Belle and Sebastian*.

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 2017 have not resulted in any impairment losses.

The other movements for the period include gross value and accumulated amortization of the film catalog of the company Mitzé Films (formerly Légende SAS), whose fair value was k€5,571 on the acquisition date.

3.3. Other intangible assets

	12.31.16	Movements of the period			12.31.15
		+	-	Other ⁽¹⁾	
Franchises, patents, licenses, brands and software	3,671	136	-43	23	3,555
Other intangible assets	-	-	-	-166	166
Other intangible assets in progress	-	-	-	-	-
Advances and prepayments to suppliers	31	38	-	-19	12
Gross value	3,702	174	-43	-162	3,733
Franchises, patents, licenses, brands and software	-3,149	-212	43	-3	-2,977
Other intangible assets	-	-	-	101	-101
Accumulated depreciation and impairment losses	-3,149	-212	43	98	-3,078
CARRYING VALUE	553	-38	-	-64	655

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



3.4. Property, plant and equipment

	12.31.16	Movements of the period			12.31.15
		+	-	Other ⁽¹⁾	
Land	10,063	-	-	-10,833	20,896
Buildings and fittings	23,478	583	-524	-14,738	38,157
Plant, equipment and machinery	1,374	16	-	-932	2,290
Other property, plant and equipment	8,581	610	-272	1,280	6,963
Investment properties	32,707	7,311	-	25,396	-
Property, plant and equipment held under finance lease	451	-	-	-	451
Property, plant and equipment in progress	955	955	-	-27	27
Gross value	77,609	9,475	-796	146	68,784
Land	-	-	-	310	-310
Buildings and fittings	-13,545	-896	510	8,575	-21,734
Plant, equipment and machinery	-1,143	-69	-	817	-1,891
Other property, plant and equipment	-5,694	-565	270	-769	-4,630
Investment properties	-9,119	-118	-	-9,001	-
Property, plant and equipment held under finance lease	-113	-38	-	-	-75
Accumulated depreciation and impairment losses	-29,614	-1,686	780	-68	-28,640
CARRYING VALUE	47,995	7,789	-16	78	40,144

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

In late July 2016, following the decision made by Les Cinémas Gaumont Pathé to end the operation of the Gaumont Ambassade theater, the long-time occupant of a building held by Gaumont, the property concerned located on the Avenue des Champs-Élysées in Paris was re-qualified as an investment property. The net carrying amount for the property on the date of qualification as an investment property was k€16,395.

Gaumont foresees a restructuring and renovation of the property for rental purposes at a later date. Pending obtaining the administrative authorizations and the startup of the renovation works, a part of the surface area was re-leased under a temporary lease. The leasing revenue corresponding to this operation are presented in note 4.1.

Investments for the period in investment properties correspond to expenses associated with the restructuring of the property. These expenses are comprised of assets in progress as at December 31, 2016 and will be depreciated as of the startup of the renovated property, estimated for the beginning of 2019.

As at December 31, 2016, the administrative situation and the progress on the restructuring and renovation operations for the property do not make it possible to reliably assess the future treasury flows that may be drawn from the re-leasing of the building after the restructuring. These uncertainties make it impossible to reliably assess the fair value of the investment property upon the closing of the year.

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

3.5. Investments in associates

Company	% interest	12.31.16	12.31.15
Les Cinémas Gaumont Pathé	34.00%	225,510	215,862
Lincoln Cinema Associates (USA)	31.95%	511	368
Légende	50.00%	-	3,580
LGM	20.00%	48	250
Gross value		226,069	220,060
Accumulated impairment losses		-	-
CARRYING VALUE		226,069	220,060

On December 31, 2016, the company Légende SAS, renamed Mitzé Films, was fully consolidated following the takeover of Gaumont SA on May 9, 2016.

Summarized financial information of associates

	Les Cinémas Gaumont Pathé	Lincoln Cinema Associates (USA)	LGM
Non-current assets	1,113,472	1,193	5,043
Current assets	151,711	428	2,640
Total assets	1,265,183	1,621	7,683
Equity attributable to the shareholders of the parent company	485,144	1,577	-1,040
Non-controlling interests	27,800	-	-
Non-current liabilities	405,713	-	6,126
Current liabilities	346,526	44	2,597
Total equity and liabilities	1,265,183	1,621	7,683
Revenue	743,059	4,512	203
Net income	63,121	393	614



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

Interests held by the Group in the associates

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

	Les Cinémas Gaumont Pathé	Lincoln Cinema Associates (USA)	LGM
Equity of the associate	485,144	1,577	-1,040
% interest	34.00%	31.95%	20.00%
Share attributable to the shareholders of the parent company	164,949	504	-208
Adjustments on share – elimination of intercompany gains/losses	-1,591	7	-
Fair value of assets and liabilities, net value	47,328	-	-
Goodwill, net value	14,824	-	256
INVESTMENTS IN ASSOCIATES	225,510	511	48

Transactions with associates

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

	12.31.16	12.31.15
Trade receivables	2,423	2,496
Other receivables	-	50
Non-current liabilities	482	594
Trade payables	-	116
Liabilities on property, plant and equipment and intangible assets	-	20
Other payables	112	993
Revenue and other current income	11,324	8,430
Other current expenses	-	1,114

3.6. Other financial assets

	12.31.16	Movements of the period			12.31.15
		+	-	Other ⁽¹⁾	
Investments in non consolidated entities	2	-	-	-	2
Loans, deposits and bonds and other financial assets	173	32	-7	-32	180
Gross value	175	32	-7	-32	182
Investments in non consolidated entities	-	-	-	-	-
Loans, deposits and bonds and other financial assets	-3	-	-	-	-3
Accumulated impairment losses	-3	-	-	-	-3
CARRYING VALUE	172	32	-7	-32	179

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

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

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

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

Impairment testing of financial assets revealed no unrealized losses.

3.7. Inventories

	12.31.16	Movements of the period		12.31.15
		+	-	
Semi-manufactured product inventories	96	-	-	96
Merchandise inventories	1,312	-	-180	1,492
Gross value	1,408	-	-180	1,588
Semi-manufactured product inventories	-51	-51	46	-46
Merchandise inventories	-779	-779	943	-943
Accumulated impairment losses	-830	-830	989	-989
CARRYING VALUE	578	-830	809	599



3.8. Trade receivables and other current assets

	12.31.16	12.31.15
Trade receivables	108,948	107,471
Current financial assets	1,314	1,230
Advances and prepayments to suppliers	809	605
Payroll receivables	47	116
Tax receivables	20,487	18,655
Subsidies receivable	19,515	18,055
Current income tax assets	4,290	1,766
Current accounts	1	49
Other receivables	3,369	2,011
Derivatives	1,737	1,933
Prepaid expenses	866	1,032
Gross value	161,383	152,923
Trade receivables	-1,538	-229
Current financial assets	-943	-343
Current accounts	-	-
Other receivables	-1,035	-1,086
Accumulated impairment losses	-3,516	-1,658
CARRYING VALUE	157,867	151,265
Maturities:		
• less than 1 year	138,176	120,929
• 1 to 5 years	19,691	30,336
• 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, as well as to films released in late 2016. The level of receivables is strongly impacted by the volumes and the schedule of deliveries of American series.

As of December 31, 2016, tax receivables included k€14,548 in tax credits for American productions, compared to k€14,029 as of the end of December 2015.

Breakdown of accumulated impairment losses

	12.31.16	Movements of the period			12.31.15
		+	-	Other ⁽¹⁾	
Trade receivables	-1,538	-1,023	14	-300	-229
Current financial assets	-943	-600	-	-	-343
Current accounts	-	-	-	-	-
Other receivables	-1,035	-	50	1	-1,086
ACCUMULATED IMPAIRMENT LOSSES	-3,516	-1,623	64	-299	-1,658
Impact on current operating income		-1,023	64	-	
Impact on non-current operating income		-	-	-	
Impact on financial income		-600	-	-	

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

3.9. Cash and cash equivalents

	12.31.16	12.31.15
Cash equivalents	-	-
Bank accounts and petty cash	8,693	10,156
TOTAL	8,693	10,156



3.10. Equity

Share capital of the parent company

As of December 31, 2016, Gaumont SA's share capital consisted of 4,280,269 shares (including treasury shares) with a par value of €8.

The 4,311 share increase over the period was due to the exercise of stock options. The final capital increase to be carried out was submitted to the Board of directors for validation on February 28, 2017.

	12.31.16	Movements of the period ⁽¹⁾		12.31.15
		+	-	
Number of shares	4,280,269	4,311	-	4,275,958
Par value	€8	€8	-	€8
CAPITAL (in euros)	34,242,152	34,488	-	34,207,664

(1) Subject to approval by the Board of directors on February 28, 2017 of the 4,311 share capital increase due to stock options exercised in 2016.

Treasury shares

At December 31, 2016, Gaumont SA held 5,204 of its own shares, purchased under its liquidity contract. These shares were recognized against equity.

Dividends

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

(in euros)	2016	2015
Dividends paid	4,268,621	4,267,078
Dividends per share	1.00	1.00

Stock options

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

No new stock option plans were established in 2016.

The Combined ordinary and extraordinary general meeting of Gaumont SA on May 3, 2016 approved a dividend of €1.00 per share paid on May 11, 2016, by drawing on the company's income.

Outstanding option plans as per December 31, 2016, are detailed below.

Plan	Initial grant		Adjusted grant		Options at end of period			
	Price	Number	Price	Number	Canceled	Subscribed	Outstanding	Exercisable
Plan V (February 1996)	€50.31	104,000	€44.14	118,689	46,792	67,442	4,455	4,455
Plan VI (March 1998)	€64.03	168,000	€56.17	191,736	99,333	82,120	10,283	10,283
Plan VII (April 2002)	€48.00	165,000	€42.11	188,527	124,228	50,811	13,488	13,488
Plan VIII (February 2005)	€64.00	196,750	€56.26	224,653	103,080	2,284	119,289	119,289
TOTAL		633,750		723,605	373,433	202,657	147,515	147,515



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

Plan	Grant date	Option exercise period		12.31.16	Movements of the period				12.31.15
		start	end		Adjusted	Granted	Canceled	Subscribed	
Plan V	02.15.96	02.15.01	02.14.46	4,455	-	-	-	-	4,455
Plan VI	03.12.98	03.12.03	03.11.48	10,283	-	-	-	-	10,283
Plan VII	04.09.02	04.09.06	04.08.46	13,488	-	-	-	-4,311	17,799
Plan VIII	02.28.05	02.28.09	02.27.49	119,289	-	-	-1,432	-	120,721
TOTAL				147,515	-	-	-1,432	-4,311	153,258

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

Equity attributable to non-controlling interests

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

Financial instruments issued by Gaumont Television USA

Following changes in the organization of Gaumont Television USA Llc governance, the qualification of financial instruments held by the American partner of Gaumont was revised with respect to IAS 32 and IFRS 10. As of June 30, 2016, the interest held by this partner in the American subsidiary are reported in non-controlling interests.

Taking into account the conditions for distribution of the results of Gaumont Television USA Llc set forth by the company's llc agreement, the non-controlling interests had zero value as at December 31, 2016.



3.11. Current and non-current provisions

	12.31.16	Movements of the period				12.31.15
		Increases	Uses	Reversals ⁽¹⁾	Other ⁽²⁾	
Provisions for pension and similar benefits	3,868	315	-74	-	463	3,164
Non-current provisions	3,868	315	-74	-	463	3,164
Provisions for legal proceedings relating to intellectual property rights over works	180	60	-50	-120	-	290
Provisions for legal proceedings with personnel	103	-	-157	-	-	260
Provisions for commercial legal proceedings	-	-	-	-	-	-
Provisions for other legal proceedings	570	6	-	-	-	564
Provisions for risks on investments in associates	-	-	-	-	-	-
Provisions for risks on creative works	-	-	-	-	-	-
Other provisions for miscellaneous risks	5	-	-	-41	-1	47
Provisions for property-related expenses	-	-	-	-	-	-
Provisions for personnel costs	127	127	-	-	-	-
Provisions for income taxes	-	-	-	-	-	-
Provisions for other costs	-	-	-	-	-	-
Current provisions	985	193	-207	-161	-1	1,161
TOTAL	4,853	508	-281	-161	462	4,325
Impact on current operating income		508	-281	-161	-	
Impact on non-current operating income		-	-	-	-	
Impact on share of net income of associates		-	-	-	-	
Impact on other comprehensive income		-	-	-	463	

(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 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, 2016, 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, 2016.



Provisions for pension and similar benefits

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

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

	12.31.16	12.31.15
Pensions	3,726	3,045
Seniority bonuses	142	119
TOTAL	3,868	3,164

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

	12.31.16	12.31.15
Expected payments in the next ten years		
less than 1 year	466	338
1 to 5 years	712	549
5 to 10 years	885	901
Average duration of the commitment (in years)	12.50	12.25

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

	2016			2015		
	Pensions	Seniority bonuses	Total	Pensions	Seniority bonuses	Total
ACTUARIAL LIABILITY AT THE BEGINNING OF THE YEAR	3,045	119	3,164	2,952	127	3,079
Current service cost	224	12	236	213	11	224
Plan amendments	-	-	-	-	-	-
Benefits paid	-66	-8	-74	-93	-11	-104
Service cost	158	4	162	120	-	120
Discounting effect	60	3	63	56	2	58
Interest expense	60	3	63	56	2	58
Actuarial gains/losses recognized in income	-	16	16	-	-10	-10
Net expense recognized in income	218	23	241	176	-8	168
Experience gains/losses	97	-	97	-49	-	-49
Changes in demographic assumptions	6	-	6	3	-	3
Changes in financial assumptions	360	-	360	-37	-	-37
Actuarial gains/losses recognized in comprehensive income	463	-	463	-83	-	-83
Amounts recognized in other comprehensive income	463	-	463	-83	-	-83
Changes in scope	-	-	-	-	-	-
ACTUARIAL LIABILITY AT THE END OF THE YEAR	3,726	142	3,868	3,045	119	3,164



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

	Pensions		Seniority bonuses	
	12.31.16	12.31.15	12.31.16	12.31.15
Discount rate	1.25%	2.10%	1.25%	2.10%
Expected return on plan assets	0.00%	0.00%	0.00%	0.00%
Inflation rate	1.50%	1.50%	1.50%	1.50%
Average expected increase in salaries	1.50%	1.50%	1.50%	1.50%

Applying the actuarial assumptions, the expected charge for 2017 breaks down as follows:

	2017		
	Pensions	Seniority bonuses	Total
Current service cost	275	14	289
Plan amendment	-	-	-
Service cost	275	14	289
Discounting effect	44	2	46
Interest expense	44	2	46
EXPECTED CHARGE FOR THE PERIOD	319	16	335

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	Change in present value of liability			Change in service costs in 2017		
	Pensions	Seniority bonuses	Total	Pensions	Seniority bonuses	Total
Discount rate (Base rate: 1.25%)						
0.25%	4,236	160	4,396	332	17	349
2.25%	3,308	127	3,435	231	12	243

3.12. Borrowings

	12.31.16	Movements of the period			12.31.15
		+	-	Other ⁽¹⁾	
Revolving credit facility	64,688	-	-4,000	-153	68,841
Bonds	59,592	-	-	75	59,517
Finance lease debt	330	-	-43	-	373
Production loans ⁽²⁾	40,700	50,223	-59,087	1,054	48,510
Assignments of receivables	40,192	62,020	-56,785	1,408	33,549
Financial contribution from the Caisse des dépôts	3,898	597	-411	-	3,712
Other loans	1,476	750	-1,303	1,200	829
Advances repayable on distribution proceeds	1,656	166	-7	200	1,297
Deposits received	292	175	-	-	117
Bank overdraft	606	396	-375	367	218
Accrued interest	611	530	-446	5	522
TOTAL	214,041	114,857	-122,457	4,156	217,485
Maturities:					
• less than 1 year	22,038				49,921
• 1 to 5 years	173,320				104,074
• more than 5 years	18,683				63,490

(1) Changes in scope and amortization of borrowing costs, translation adjustments.

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



Credit facility

On November 5, 2014, Gaumont signed a revolving credit facility for k€80,000, maturing on November 4, 2019. This credit facility was signed with a banking pool made up of BNP Paribas, Crédit Agricole, Neufilize OBC and Banque Palatine. In July 2016, the conditions of the revolving credit line were renegotiated to increase the maximum amount to k€125,000 and delay the expiration to November 15, 2021.

As at December 31, 2016, the revolving credit facility has the following characteristics:

- the maximum amount is k€125,000, annually depreciable by k€5,600 as of January 2019;
- interest is variable rate, Euribor-based;
- the loan is tied to financial covenants that must be met half-yearly, see note 6.4.

At December 31, 2016, k€66,000 of the credit facility had been used and it was hedged by k€5,000. This left Gaumont with confirmed drawing rights of k€59,000.

Effective interest rate

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

	12.31.16	12.31.15
Before hedging	2.34%	2.33%
After hedging	2.41%	2.46%

Average interest rate

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

	2016	2015
Before hedging	2.15%	2.09%
After hedging	2.29%	2.90%

Bond

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

	Part 1	Part 2
Listing market	Euronext Paris	
ISIN	FR0012303170	FR0012303188
Par value	k€45,000	k€15,000
Maturity	7 years	10 years
Expiration date	November 14, 2021	November 14, 2024
Annual coupon	4.75%	5.125%
Payment of the coupon	annually in arrears	
Repayment	<i>in fine</i> – no premium	
Guarantees	None	
Covenants	3 covenants to be respected every 6 months	

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

Effective interest rate

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

	12.31.16	12.31.15
Before hedging	4.97%	4.97%
After hedging	-	-

Average interest rate

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

	2016	2015
Before hedging	4.84%	4.83%
After hedging	-	-



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Production loans

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

These loans have the following characteristics:

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

- interest is variable rate, Libor-based;

- collateral for the loans consists of pledging of assets financed.

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

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

(in thousands of US dollars)

Series	Recipient ⁽¹⁾	Lender	Subscription	Maturities	Total amount authorized	Remaining amount available	Position at 12.31.16	Position at 12.31.15
<i>Hemlock Grove</i> season 3	Ouroboros Productions 3 Llc	MUFG Union Bank	12.03.14	03.01.17	40,600	-	-	17,323
<i>Hannibal</i> season 3	Chiswick Productions Llc	MUFG Union Bank	10.10.14	04.10.17	44,758	-	13,479	18,090
<i>Narcos</i> season 2	Narcos 2 Productions Llc	MUFG Union Bank	09.09.15	07.30.17	47,760	-	-	18,077
<i>Narcos</i> season 3	Narcos Productions Llc	MUFG Union Bank	10.22.16	02.01.19	49,640	27,289	20,651	-
<i>F is for Family</i> season 2	Leodoro Productions Llc	MUFG Union Bank	05.31.16	12.14.18	14,022	3,336	9,184	-
TOTAL					196,780	30,625	43,314	53,490

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

Loans related to season 2 of the series *Narcos* and season 3 of the series *Hemlock Grove* were fully repaid in 2016.

The loan related to season 3 of the series *Hannibal* was renegotiated in 2016 to delay its expiration for 6 months.

Effective interest rate

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

	12.31.16	12.31.15
Before hedging	3.58%	3.69%
After hedging	-	-

Average interest rate

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

	2016	2015
Before hedging	4.07%	3.26%
After hedging	-	-



Assignments of receivables

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

(in thousands of euros)

Activity	Status of assigned receivables				Debt situation			
	Value of assigned contracts	Balance of assigned receivables	Balance sheet balance	Off-balance sheet commitments	Authorized maximum amount	Remaining amount available	Position at 12.31.16	Position at 12.31.15
Cinéma France	2,249	2,249	2,249	-	2,249	-	2,249	6,267
Fiction France	4,081	98	98	-	3,500	-	98	1,000
Animation France	12,720	6,635	4,178	2,457	8,000	3,993	4,007	4,248
TOTAL	19,050	8,982	6,525	2,457	13,749	3,993	6,354	11,515

For animated film and series production, receivables are assigned periodically as part of a general contract for managing cash deferrals, for a maximum authorized amount of k€8,000. The available balance from this contract as of December 31, 2016 amounted to k€3,993.

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

The receivables assigned are mainly receivables associated with financing production: contributions from co-producers, French television channel pre-sales, support funds. Assignments are generally based on the contracts and financing arrangements.

Additionally, in June 2015, Gaumont Television USA LLC entered into 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 12.31.16	Position at 12.31.15
Fiction USA	174,895	56,516	55,954	562	50,000	3,298	35,669	23,986
TOTAL	174,895	56,516	55,954	562	50,000	3,298	35,669	23,986

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

As of December 31, 2016, outstanding assigned receivables, net of payments received for all contracts amounted to k€8,982 for French contracts and k\$56,516 for the American contract, with k€6,525 and k\$55,954 in receivables reported as assets in the statement of financial position and k€2,457 and k\$562 reported as financing commitments received, from total authorized facilities of k€13,749 and k\$50,000.



Effective interest rate

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

	12.31.16	12.31.15
Before hedging	2.89%	2.42%
After hedging	-	-

Average interest rate

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

	2016	2015
Before hedging	2.63%	2.29%
After hedging	-	-

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

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

At December 31, 2016, outstanding debt to *Caisse des dépôts et consignations* amounted to k€3,898.

3.13. Trade payables and other liabilities

	12.31.16	12.31.15
Tax liabilities	-	-
Current accounts	482	594
Payables on acquisitions	-	-
Other payables	-	-
Total other non-current liabilities	482	594
Trade payables	9,527	12,348
Liabilities on films and audiovisual rights	12,955	12,810
Advances and deposits received	317	135
Payroll liabilities	6,941	6,736
Tax liabilities	3,875	3,180
Current income tax liabilities	2	9
Current accounts	112	113
Payables on acquisitions	-	250
Liabilities on other property, plant and equipment and intangible assets	191	407
Other payables	34,215	25,284
Derivatives	64	882
Deferred income	33,209	35,910
Total other current liabilities	101,408	98,064
TOTAL	101,890	98,658
Maturities:		
• less than 1 year	101,408	98,064
• 1 to 5 years	256	364
• more than 5 years	226	230

The other payables include debts to co-producers and other successors in interest within the release of works. This item is dependent on the success of the works released during the period.

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



4. Notes to the consolidated income statement

4.1. Revenue

	2016			2015		
	France	Abroad	Total	France	Abroad	Total
Movie production and distribution	83,010	30,966	113,976	48,564	22,006	70,570
Movie theater distribution	30,888	-	30,888	15,614	-	15,614
Video publishing and video on demand	10,968	335	11,303	11,197	217	11,414
Television broadcasting rights	37,057	-	37,057	18,483	-	18,483
International sales	-	29,933	29,933	-	21,034	21,034
Other revenue from film distribution	4,097	698	4,795	3,270	755	4,025
Production and distribution of television series	6,900	60,767	67,667	11,785	128,775	140,560
American series	706	57,156	57,862	2,040	125,630	127,670
French dramas	2,294	-	2,294	4,811	54	4,865
French cartoon series	3,900	3,611	7,511	4,934	3,091	8,025
Trademark royalties	3,781	-	3,781	3,675	-	3,675
Other miscellaneous revenue	3,301	-	3,301	2,199	-	2,199
TOTAL	96,992	91,733	188,725	66,223	150,781	217,004

In 2016, movie production and distribution and television series production and distribution accounted for 60% and 36% of consolidated revenue, respectively.

The Group generated 49% of its revenue outside France in 2016, compared with 69% in 2015.

The rent collected as of July 1, 2016 under the rental of investment properties was k€513 as at December 31, 2016 and is included in other miscellaneous revenue.

4.2. Personnel costs

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

In 2016, k€299 in accrued income for the Employment competitiveness tax credit was recognized against social security contributions, compared to k€195 in 2015.

	2016	2015
Salaries	-25,081	-21,260
Social security contributions	-9,347	-8,488
Employee profit-sharing	-32	-59
Pensions and similar benefits	-241	-169
Share based payments expense	-	-
TOTAL	-34,701	-29,976



4.3. Other current operating income and expenses

	2016	2015
Audiovisual support fund	12,566	9,061
Other subsidies	531	706
Audiovisual and cinema tax credit	3,541	15,683
Purchases of materials and supplies	-8,238	-9,572
Subcontracting	-4,488	-7,670
Rentals and rental expenses	-2,500	-1,869
Maintenance and repairs	-1,110	-1,072
Insurance premiums	-215	-168
Other purchases of studies and services	-3,870	-3,409
Outside personnel	-1,045	-850
Fees	-6,244	-6,408
Advertising, publications and public relations	-1,754	-1,608
Transport	-260	-365
Travel and entertainment expenses	-2,571	-3,648
Postal costs and telecommunications costs	-409	-354
Bank services	-211	-194
Other external expenses	-422	-195
Taxes and similar payments	-3,613	-2,526
Foreign exchange gains and losses on operating activities	373	642
Copyrights, royalties and similar	-7,691	-8,943
Shares of co-producers and guaranteed minima	-20,736	-19,877
Income from the sale of operating assets	-1,055	-415
Other income and expenses	15,434	17,074
NET OTHER CURRENT OPERATING INCOME/EXPENSES	-33,987	-25,977

The operating costs incurred by the investment properties over the period were k€301 and include costs for securing the premises, energy costs, taxes and miscellaneous professional fees.

The automatic financial support includes k€9,332 of financial support for film production and distribution, and k€2,562 of support for audiovisual production. This item also includes k€153 of grants for digitization of works.

The audiovisual and cinema tax credits are recognized at the same pace as the amortization of the works that generate them. In 2016, this item included k€1,774 related to American series, *versus* k€13,985 in 2015, k€147 for cinema production and k€1,620 for French television production.

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

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

4.4. Impairment, depreciation, amortization and provisions

	2016	2015
Intangible assets		
• Reversals of impairment losses	987	293
• Amortization expense and impairment losses	-113,508	-156,079
Subtotal	-112,521	-155,786
Property, plant and equipment		
• Reversals of impairment losses	-	-
• Depreciation expense and impairment losses	-1,686	-1,334
Subtotal	-1,686	-1,334
Current assets		
• Reversals of impairment losses	1,053	32
• Impairment losses	-1,853	-247
Subtotal	-800	-215
Risks and expenses		
• Reversals of provisions	368	274
• Increases in provisions	-193	-173
Subtotal	175	101
TOTAL	-114,832	-157,234

In 2016, amortization expense on intangible assets included k€45,437 for amortization of American series, against k€113,951 in 2015.



4.5. Other non-current operating income and expenses

	2016	2015
Proceeds from disposals of assets	2	8
Carrying value of assets sold or disposed of	-16	-13
Earnout adjustments	-	-
Impairment losses on goodwill	-856	-
Gains on bargain purchases	-	-
TOTAL	-870	-5

4.6. Other financial income and expenses

	2016	2015
Income from investments	-	-
Interest expense capitalized	1,417	3,463
Interest from assets and liabilities excluding cash equivalents	1,746	731
Proceeds from disposals of financial assets	-	-
Accumulated impairment losses and financial provisions	-600	-343
Foreign exchange gains and losses	1,217	2,682
Changes in fair value	-634	986
Other financial income and expenses	-	-
NET OTHER FINANCIAL INCOME/EXPENSES	3,146	7,519

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 that present payment conditions over one year. This interest is variable based on the cash received for the period.

4.7. Share of net income of associates

Company	% Interest	2016	2015
Les Cinémas Gaumont Pathé	34.00%	19,870	20,024
Lincoln Cinema Associates (USA)	31.95%	125	97
Légende ⁽¹⁾	50.00%	1,087	-867
LGM	20.00%	-208	-
SHARE OF NET INCOME OF ASSOCIATES		20,874	19,254

(1) The share of net income of associates corresponds to the income for the period from January 1, 2016 through May 9, 2016, the date when Gaumont took control over Légende, and includes the impact from remeasuring investments in associates on the acquisition date for -k€823.

4.8. Income tax

Breakdown of the tax expense or benefit

	2016	2015
Current income tax	-218	-261
Deferred tax	1,333	-1,237
TOTAL TAXES	1,115	-1,498



Current income tax

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

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

The tax consolidation group includes Gaumont SA, Gaumont Télévision SAS, Gaumont Production SARL, Gaumont Animation SAS, Gaumont Animation Musique SARL, Gaumont Musiques SARL, Editions la Marguerite SARL, Gaumont Production Télévision SARL, Nouvelles Editions de Films SARL and Fidelity Films 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€822 for the year.

Moreover, the companies Mitzé Films and its subsidiary Mitzé Editions, in which Gaumont holds a 100% interest since May 9, 2016, form an autonomous tax consolidation group as at December 31, 2016. The tax consolidation of these two companies follows the same principles as the group formed around Gaumont SA. This tax consolidation generated tax savings of k€17 for the period.

Deferred tax

The rate used to calculate deferred tax is as follows:

	2016	2015
Standard tax rate for French companies	33,33%	33,33%
Tax rate for companies based in the United Kingdom	20,00%	20,00%
Tax rate for companies based in the United States	40,00%	40,00%

Deferred tax incurred by French companies have been remeasured to take into account the provisions of the 2017 tax law that plans reducing the French income tax rate from 33.33% to 28% from 2020 going forward. This remeasurement has no impact on the Group's net income for 2016.

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:

	12.31.16	Effect on comprehensive income	Other changes ⁽¹⁾	12.31.15
Deferred tax assets	2,236	1,017	-239	1,458
Deferred tax liabilities	-2,678	-3	809	-3,484
NET DEFERRED TAX	-442	1,014	570	-2,026

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

The origin of the net deferred tax is presented below.

	12.31.16	Effect on comprehensive income	Other changes ⁽¹⁾	12.31.15
Recognized unused tax losses	21,540	1,407	579	19,554
Fair value of films	-2,821	-792	-	-2,029
Fair value of land and buildings	-5,978	1,186	-	-7,164
Accelerated amortization of films	-4,754	2,462	-	-7,216
Long term capital gain on Les Cinémas Gaumont Pathé shares	-1,062	-	-	-1,062
Other temporary differences	-7,367	-3,249	-9	-4,109
NET DEFERRED TAX	-442	1,014	570	-2,026

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

At December 31, 2016, 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€80,450.

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, 2016, recognized consolidated tax losses were k€51,917, compared with k€45,308 at the end of 2015.

As per December 31, 2016, the losses of the Mitzé Film tax consolidation group that could be carried over indefinitely and against which there is a probability of charging future profits amounted to k€706. These losses have been recognized as deferred tax assets.

A total of k€2,209 in individual tax loss carryforwards related to reporting periods prior to tax consolidation were also recognized at December 31, 2016 for companies in the scope of tax consolidation.

At December 31, 2016, net deferred tax assets, of companies outside the scope of tax consolidation, stood at k€111. American companies reported a net deferred tax liability of k€789.


Reconciliation of recorded tax and theoretical tax

	2016	2015
Net income of companies before tax	17 870	19 403
Current tax rate applicable to the parent company	33,33%	33,33%
Theoretical tax	-5 957	-6 468
Reduced tax rate differentials	-	-
Tax rate differentials between France and abroad	253	-214
Share of net income of associates	6 916	6 386
Permanent differences	-550	-400
Change in unrecognized tax loss carryforwards	-1 002	-2 106
Tax consolidation	927	825
Tax credits in operating income (1)	689	640
Income tax without base and tax credits	-162	-161
Effective tax benefit (expense)	1 115	-1 498
Effective tax rate	-6,24%	7,72%

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

Income tax on other comprehensive income

Other comprehensive income	2016			2015		
	Gross amount	Tax effect	Carrying value	Gross amount	Tax effect	Carrying value
Translation adjustments of foreign operations	-124	-	-124	742	-	742
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	-
Changes in fair value of hedging financial instruments	1,195	-472	723	1,163	-435	728
Changes in asset revaluation surplus	-	-	-	-	-	-
Actuarial gains (losses) on defined benefit plans	-463	154	-309	83	-28	55
Share in other comprehensive income of associates	291	-	291	2,097	-	2,097
TOTAL	899	-318	581	4,085	-463	3,622

The share of other comprehensive income of associates mainly includes impacts relating to the recognition of actuarial gains and losses and changes in fair value of financial instruments for the Cinémas Gaumont Pathé group.



4.9. Earnings per share

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

	2016	2015
Number of shares at January 1	4,275,958	4,272,530
Capital increases relating to the exercise of stock options (<i>prorata temporis</i>)	850	464
Average number of ordinary shares	4,276,808	4,272,994

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.

	2016	2015
Average number of ordinary shares	4,276,808	4,272,994
Dilutive effect of stock options	2,758	1,340
Average potential number of ordinary shares	4,279,566	4,274,334

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

5. Notes to the consolidated statement of cash flows

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

	2016	2015
Intangible assets		
• Reversals of impairment losses	987	293
• Amortization expense and impairment losses	-113,508	-156,079
Subtotal	-112,521	-155,786
Property, plant and equipment		
• Reversals of impairment losses	-	-
• Depreciation expense and impairment losses	-1,686	-1,334
Subtotal	-1,686	-1,334
Financial assets		
• Reversals of impairment losses	-	-
• Impairment losses	-	-
Subtotal	-	-
Risks and expenses		
• Reversals of provisions	368	274
• Increases in provisions	-193	-173
Subtotal	175	101
TOTAL	-114,032	-157,019



5.2. Dividends received from associates

Company	% Interest	2016	2015
Les Cinémas Gaumont Pathé	34.00%	10,519	8,826
Lincoln Cinema Associates (USA)	31.95%	-	145
Légende	50.00%	-	-
LGM	20.00%	-	-
TOTAL		10,519	8,971

5.3. Changes in net operating working capital requirement

	2016	2015
Changes in operating assets	-2,397	-9,506
Changes in operating liabilities	2,353	-20,405
Premiums paid on financial instruments	-	-
Current income tax expense	-218	-261
Tax paid	164	312
Pension and similar benefits allowance	241	169
TOTAL	143	-29,691

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

	12.31.16	Changes in working capital requirement	Other changes ⁽¹⁾	12.31.15	Changes in working capital requirement	Other changes ⁽¹⁾	12.31.14
Inventories	578	-21	-	599	96	-	503
Trade receivables	107,410	-2,297	2,465	107,242	11,049	5,887	90,306
Current financial assets	371	-611	95	887	-1,543	1,049	1,381
Advances and prepayments to suppliers	809	200	4	605	-15	-	620
Payroll receivables	47	-69	-	116	55	3	58
Tax receivables	20,487	1,309	523	18,655	-1,405	1,597	18,463
Subsidies receivables	19,515	383	1,077	18,055	2,677	-	15,378
Current income tax assets	4,290	2,345	179	1,766	148	18	1,600
Current accounts	1	-48	-	49	48	-	1
Other receivables	2,334	1,373	36	925	-1,650	106	2,469
Prepaid expenses	866	-167	1	1,032	46	4	982
ASSETS CONSTITUTING THE WORKING CAPITAL REQUIREMENT	156,708	2,397	4,380	149,931	9,506	8,664	131,761

(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.



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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.

	12.31.16	Changes in working capital requirement	Other changes ⁽¹⁾	12.31.15	Changes in working capital requirement	Other changes ⁽¹⁾	12.31.14
Trade payables	9,527	-2,893	72	12,348	2,580	95	9,673
Advances and deposits received	317	182	-	135	-5	-	140
Payroll liabilities	6,941	154	51	6,736	204	1	6,531
Tax liabilities	3,875	581	114	3,180	1,194	-	1,986
Current income tax liabilities	2	-7	-	9	9	-	-
Current accounts	594	-251	138	707	-113	-	820
Other payables	34,215	7,544	1,387	25,284	-3,683	508	28,459
Deferred income	33,209	-2,957	256	35,910	-20,591	2,957	53,544
LIABILITIES THAT CONSTITUTE THE WORKING CAPITAL REQUIREMENT	88,680	2,353	2,018	84,309	-20,405	3,561	101,153

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

5.4. Breakdown of acquisitions of fixed assets

	Note	2016	2015
Acquisition of intangible assets	3.2 & 3.3	94,418	150,784
Acquisition of property, plant and equipment	3.4	9,475	9,187
Acquisition of financial assets	3.6	32	12
TOTAL		103,925	159,983

5.5. Change in liabilities on investments

	12.31.16	Changes	Other changes ⁽¹⁾	12.31.15	Changes	Other changes ⁽¹⁾	12.31.14
Liabilities on property, plant and equipment and intangible assets	13,146	-188	117	13,217	9,637	32	3,548
Payables on share acquisitions	-	-250	-	250	250	-	-
TOTAL	13,146	-438	117	13,467	9,877	32	3,548

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



5.6. Impact of changes in scope

	2016		2015	
	Gaumont Television USA	Légende	LGM	LGM
Price paid	7,252	5,500	8	250
Cash acquired	-	-3,424	-	-
IMPACT OF CHANGES IN SCOPE	7,252	2,076	8	250

6. Other information

6.1. Average workforce broken down by category

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

	2016	2015
Managers	124	118
Supervisors	46	43
Employees	48	44
TOTAL WORKFORCE	218	205

6.2. Compensation of corporate officers

Corporate officers as defined by IAS 24 only includes 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:

	2016	2015
Total gross compensation ⁽¹⁾	2,199	2,136
Post-employment benefits ⁽²⁾	-	-
Termination or end of contract benefits	-	-
Other long term benefits	-	-
Share-based payments ⁽³⁾	-	-

(1) Salaries, bonuses, indemnities, directors' fees and benefits in kind, payable for the year.

(2) Current service cost.

(3) Expense recognized in income for Gaumont stock option plans.

No compensation or directors' fees were paid to corporate officers by the controlled or controlling companies within the meaning of article L. 233-16 of the French Commercial code.

Corporate officers did not benefit from any golden hello, golden handshake or supplementary pension plan applicable for corporate officers.

6.3. Commitments and contingent liabilities

Off statement of financial position commitments stemming from ordinary business activities

	12.31.16	12.31.15
Commitments given	82,444	88,311
Guarantees	-	5,348
Other commitments given:		
• contracts to research and develop film projects	723	950
• production of films and project development	76,445	78,908
• commitments to employees	5,276	3,105
Commitments received	255,213	170,241
Unused credit facility	95,175	48,826
Other commitments received:		
• purchases of rights and financing of films and series	159,354	121,170
• contracts to research and develop film projects	-	245
• real estate rental contracts	684	-



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Unused credit facilities consist of:

- k€59,000 in respect of the revolving credit facility arranged by Gaumont SA;
- k\$30,625 in respect of production loans arranged for US activities;
- k€3,993 in respect of authorizations to draw down amounts on sales contracts under the Dailly Law;
- k\$3,298 for the receivables assignment agreement entered into by Gaumont Television USA.

At December 31, 2016, Gaumont and its subsidiaries had committed to invest k€77,168 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€159,354, in addition to the amounts reported in receivables.

Pledging of assets

In guarantee of the financial contribution from the *Caisse des dépôts et consignations* for the digitization of 270 films from its catalog, Gaumont pledged the works restored with the help of this funding. As of December 31, 2016, this concerned 182 films from Gaumont's catalog. They represent a carrying value of k€8,033.

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

At December 31, 2016, the pledges made by Gaumont and its subsidiaries had a total net carrying amount of k€51,653.

Type of pledges/mortgages	12.31.16	12.31.15
On intangible assets	34,625	29,319
On property, plant and equipment	-	-
On financial assets	-	-
On receivables	14,908	37,071
On cash accounts	2,119	2,285
TOTAL	51,653	68,675

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

Type of pledges/mortgages	12.31.16	Expiration date		
		Less than 1 year	1 to 5 years	Over 5 years
On intangible assets	34,625	435	26,157	8,033
On property, plant and equipment	-	-	-	-
On financial assets	-	-	-	-
On receivables	14,908	14,638	270	-
On cash accounts	2,119	107	2,012	-
TOTAL	51,653	15,181	28,439	8,033

Mortgage commitments

The Group has no mortgage over its assets.

Seller warranties received

Gaumont received a seller warranty from the sellers of the shares in Fidelity Films on July 5, 2013, for k€340, which expires in 2017.

Gaumont also received a seller warranty granted on May 9, 2016 by the assignors of the company Légende SAS for k€1,500, accompanied by a first-demand bank guarantee of k€150. The guarantee expires in 2018.

Complex commitments

The Group had not entered into any complex commitments as at December 31, 2016.

Other contractual obligations

Contractual obligations	12.31.16	Payments due by period		
		Less than 1 year	1 to 5 years	More than 5 years
Operating leases	9,553	1,667	5,313	2,573
Finance leases	415	69	277	69
TOTAL	9,968	1,736	5,590	2,642

The operating leases concern offices and warehouses used by Gaumont and its subsidiaries for their current business activities. These leases on buildings in France and the United States are characterized by linear non-indexed rents and straightforward renewal arrangements.

The operating leases fall under the scope of the new IFRS 16, applicable as of January 1, 2019. They will result in the recognition of an asset representing the right-of-use and a debt corresponding to the rental commitments.

At December 31, 2016, the present value of future payments in respect of finance leases totaled k€324.

6.4. Financial risks

Credit and counterparty risk

The main credit risk to which the Group is exposed is the risk of non-payment by its customers or financial partners involved in the production of works. The Group operates in France and internationally with the main market players and considers that its credit risk is very limited.

As of December 31, 2016, exposure to credit risk was as follows:

	12.31.16	Outstanding amount	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	87,821	78,969	3,166	3,230	1,721	629	54	52
Net receivables on movies and series	2,551	2,551	-	-	-	-	-	-
TOTAL	90,372	81,520	3,166	3,230	1,721	629	54	52

Liquidity risk

The k€125,000 credit facility and the k€60,000 bond, whose key features are described in note 3.12, come with three covenant ratios that must be met half-yearly.

The R1 ratio requires the value of the Group's main assets to be at least equal to 2.75 times its net borrowings, plus outstanding financial advances granted by Gaumont SA to its subsidiary Gaumont USA. The Group's main assets comprise the film catalog, the interest in Les Cinémas Gaumont Pathé and 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, 2016, these ratios were met and stood at 3.36, 0.48 and 0.22 respectively.

Market risks

Interest rate risk

In France, the Group funds its general requirements through external borrowing, composed of a k€60,000 fixed-rate bond and a revolving credit facility for a maximum of k€125,000, syndicated from a banking pool. French productions are financed either by drawing on the credit facility, or by assigning receivables in accordance with the Dailly Law.

In the United States, the Group finances its productions by drawing on dedicated production credit lines and by assigning receivables for a line of credit with a maximum amount of k\$50,000. These variable rate credit lines are arranged with banks specializing in television production finance.

The key features of these credit lines are described in note 3.12.

As of December 31, 2016, the Group's interest rate exposure was as follows:

	12.31.16	Maturity schedule		
		less than 1 year	1 to 5 years	more than 5 years
Fixed-rate financial assets	-	-	-	-
Variable-rate financial assets	8,693	8,693	-	-
Financial assets not exposed	-	-	-	-
Financial assets⁽¹⁾	8,693	8,693	-	-
Fixed-rate financial liabilities	-63,820	-379	-44,927	-18,514
Variable-rate financial liabilities	-146,797	-19,688	-127,109	-
Financial liabilities not exposed	-3,424	-1,971	-1,284	-169
Financial liabilities⁽²⁾	-214,041	-22,038	-173,320	-18,683

(1) Cash and cash equivalents.

(2) Financial liabilities.

The Group manages its exposure to rate risk by using interest rate swap and cap contracts.



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At December 31, 2016, the Group subscribed interest rate swap contracts with a nominal value of k€5,000. The maturity schedule of these contracts is as follows:

	12.31.16	Maturity schedule			Fair value
		less than 1 year	1 to 5 years	more than 5 years	
Interest rate swaps	5,000	5,000	-	-	-26
Interest rate caps	-	-	-	-	-
TOTAL	5,000	5,000	-	-	-26

The fair value of financial instruments at December 31, 2016 is presented excluding non-performance risk, which is not significant.

Allowing for the rate hedging portfolio, net exposure to rate risk is as follows:

	Total	Fixed rate	Variable rate	Not exposed
Financial assets ⁽¹⁾	8,693	-	8,693	-
Financial liabilities ⁽²⁾	-214,041	-63,820	-146,797	-3,424
Net position before hedging	-205,348	-63,820	-138,104	-3,424
Hedging	-	-5,000	5,000	-
Net position after hedging	-205,348	-68,820	-133,104	-3,424
Sensitivity	-1,331	-	-1,331	-

(1) Cash and cash equivalents.

(2) Financial liabilities.

A 100 basis point rise in variable interest rates would have increased borrowing costs by 15.7%, or k€1,331.

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 2016, revenue invoiced in a currency other than that of the company behind the transaction amounted to k€12,462, or 6.6% of total revenue, and breaks down as follows.

(in thousands of euros)	Total	USD	CAD	GBP	CHF	JPY	AUD	EUR ⁽¹⁾	Others
Revenue	12,462	10,206	208	474	640	201	33	365	334

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

The Group endeavors to ensure natural hedging between the collection and disbursement flows of foreign currencies, but also investigates, on a case by case basis, the need for and feasibility of setting up a foreign exchange hedge to cover this risk.

As of December 31, 2016, as part of its production of American series, the Group entered into forward currency sale or purchase contracts to hedge against future fluctuations in the Canadian dollar, the Euro and the Colombian peso against the US dollar.

	Currency	Counterparty	Notional amount (in thousands of currency)	Expiration date				Fair value (in thousands of US dollars)
				less than 90 days	from 90 to 180 days	from 180 to 360 days	over 360 days	
Forward currency sales	CAD	USD	15,400	15,400	-	-	-	1,688
Forward currency purchases	CAD	USD	855	855	-	-	-	-31
Forward currency purchases	EUR	USD	130	-	130	-	-	-9
Forward currency purchases	COP	USD	19,600,000	10,500,000	9,100,000	-	-	143
TOTAL								1,791

At December 31, 2016, 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	CAD/EUR	GBP/EUR	CHF/EUR	JPY/EUR	AUD/EUR	Other/EUR
Assets	5,586	5,519	-	10	33	10	10	4
Liabilities	-414	-133	-3	-278	-	-	-	-
Off balance sheet	1,580	2,018	-	-438	-	-	-	-
Net position before hedging	6,752	7,404	-3	-706	33	10	10	4
Hedging	140	140	-	-	-	-	-	-
Net position after hedging	6,892	7,544	-3	-706	33	10	10	4
Sensitivity	-688	-754	-	71	-3	-1	-1	-

An across-the-board 10% decrease in all of the above-mentioned currencies against the euro would have a negative impact of k€754 on the Group's net income.

	Risk related to a change in the dollar value			
	Total (in thousands of US dollars)	CAD/USD	GBP/USD	COP/USD
Assets	15,384	15,051	277	56
Liabilities	-347	-	-319	-28
Off balance sheet	-8,566	-590	-	-7,976
Net position before hedging	6,471	14,461	-42	-7,948
Hedging	-8,742	-13,742	-	5,000
Net position after hedging	-2,271	719	-42	-2,948
Sensitivity	227	-72	4	295

An across-the-board 10% decrease in all of the above-mentioned currencies against the US dollar would have a positive impact of k\$227 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, 2016, 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)	
				COP/USD	
Assets	31,894	31,341	553	332	332
Liabilities	-199	-199	-	-	-
Off balance sheet	-	-	-	-	-
Net position before hedging	31,695	31,142	553	332	332
Hedging	-	-	-	-	-
Net position after hedging	31,695	31,142	553	332	332
Sensitivity	-3,169	-3,114	-55	-33	-33

A 10% decrease in the dollar and the sterling pound against the euro would have a negative impact of k€3,169 on the Group's net income. A 10% decrease in Colombian currency against the US dollar would have a negative impact of k\$33 on the Group's net income.



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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, 2016, the Group's exchange rate exposure from foreign investments was as follows:

<i>(in thousands of euros)</i>	USD/EUR	GBP/EUR
Assets	109,067	552
Liabilities	-125,272	-560
Off balance sheet	91,131	-
Net position before hedging	74,926	-8
Hedging	-	-
Net position after hedging	74,926	-8
Sensitivity	-7,493	1

A 10% decrease in the dollar against the euro would have a negative impact of k€7,493 on the Group's equity.

Equity risk

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

On July 1, 2010, Gaumont contracted Exane BNP Paribas to manage its securities within the framework of a liquidity contract in accordance with the AMAFI Code of conduct, recognized by the *Autorité des marchés financiers*. The contract is provisioned in the amount of k€300 paid in July 2010 and increased by k€100 in November 2010. At December 31, 2016, Gaumont held 5,204 treasury shares, corresponding to securities traded in the context of its liquidity contract, and representing an investment recognized as an offset to equity for k€261.

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

6.5. Financial instruments

Derivatives

The Group uses derivatives to manage and reduce its exposure to the risk of changes in interest rates and foreign exchange rates.

In 2016, the Group used interest rate swap agreements to reduce its exposure to Euribor, the base rate for its credit line, and currency derivatives to reduce its exposure to fluctuations in the dollar.

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

	12.31.16		12.31.15	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	-	26	-	109
Foreign exchange derivatives	1,737	38	1,933	773
TOTAL	1,737	64	1,933	882

Changes in the fair value of derivatives were recorded in financial income or other comprehensive income, in accordance with the provisions of IAS 39.



	12.31.16	Other comprehensive income	Net income	Currency translation adjustments	Premiums paid	12.31.15
Derivative instruments – assets	1,737	349	-597	52	-	1,933
Derivative instruments – liabilities	-64	846	-37	9	-	-882
TOTAL	1,673	1,195	-634	61	-	1,051

At December 31, 2016, derivatives designated as hedging instruments against the Group's interest rate exposure had the following characteristics:

	Start date	Expiration date	Notional amount (in thousands of euros)
Interest rate swaps	12.30.13	06.30.17	5,000
TOTAL			5,000

At December 31, 2016, the net fair value of these instruments totaled -k€26. The ineffective portion of the interest rate caps, which was recognized in income for the period, was a profit of k€9.

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

	Currency	Counterparty	Notional amount (in thousands of currency)	Expiration date			
				Less than 90 days	from 90 to 180 days	from 180 to 360 days	Over 360 days
Forward currency sales	CAD	USD	15,400	15,400	-	-	-
Forward currency purchases	CAD	USD	855	855	-	-	-
Forward currency purchases	EUR	USD	130	-	130	-	-
Forward currency purchases	COP	USD	19,600,000	10,500,000	9,100,000	-	-

At December 31, 2016, the net fair value of these instruments totaled k€1,791. The ineffective portion recognized in income for the period for these contracts resulted in a k\$1,664 loss.



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Financial instruments by category and fair value hierarchy

The table below compares, by category, the carrying amount and the fair value of all of the Group's financial instruments.

Financial assets and liabilities are measured at fair value in the financial statements.

	12.31.16		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	2	2	-	2	-	-	-	n/a
Other non-current financial assets	170	170	-	-	170	-	-	n/a
Other current financial assets	155,264	155,264	-	-	155,264	-	-	n/a
Derivative instruments – assets	1,737	1,737	-	-	-	-	1,737	2
Cash and cash equivalents	8,693	8,693	8,693	-	-	-	-	1
Financial assets	165,866	165,866	8,693	2	155,434	-	1,737	
Non-current financial liabilities	192,003	192,003	-	-	-	192,003	-	n/a
Other non-current financial liabilities	482	482	-	-	-	482	-	n/a
Current financial liabilities	22,038	22,038	-	-	-	22,038	-	n/a
Other current financial liabilities	68,135	68,135	-	-	-	68,135	-	n/a
Derivative instruments – liabilities	64	64	-	-	-	-	64	2
Financial liabilities	282,722	282,722	-	-	-	282,658	64	

Investments in non-consolidated companies are categorized as available-for-sale financial assets and carried at purchase cost as fair value cannot be reliably measured.

The fair value of interest rate and foreign exchange derivatives is estimated from measurements provided by banks or financial models commonly used in financial markets on the basis of market inputs at the reporting date for the year (level 2 valuation). These derivatives are designated as hedging derivatives.

The Group made no transfers between levels during the period.



	12.31.15		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	2	2	-	2	-	-	-	n/a
Other non-current financial assets	177	177	-	-	177	-	-	n/a
Other current financial assets	148,300	148,300	-	-	148,300	-	-	n/a
Derivative instruments – assets	1,933	1,933	-	-	-	-	1,933	2
Cash and cash equivalents	10,156	10,156	10,156	-	-	-	-	1
Financial assets	160,568	160,568	10,156	2	148,477	-	1,933	
Non-current financial liabilities	167,564	167,564	-	-	-	167,564	-	n/a
Other non-current financial liabilities	594	594	-	-	-	594	-	n/a
Current financial liabilities	49,921	49,921	-	-	-	49,921	-	n/a
Other current financial liabilities	61,272	61,272	-	-	-	61,272	-	n/a
Derivative instruments – liabilities	882	882	-	-	-	-	882	2
Financial liabilities	280,233	280,233	-	-	-	279,351	882	



6.6. Operating segments

Segment information

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

- feature film production and distribution, which includes the various distribution phases of movies: distribution in movie theaters, sales to television channels, on video and video on demand, both in France and internationally;

- production and distribution of animated feature films and cartoon and drama series via its subsidiaries Gaumont Animation, Gaumont Animation USA, Gaumont Télévision and Gaumont Television USA;
- operation of movie theaters via its interest in Les Cinémas Gaumont Pathé.

Segments used for segment reporting are the same as those used by executive management, the chief operating decision maker of the Group. Operating segments are reported without any further grouping.

The Group applies ANC recommendation 2013-01 of April 4, 2013 pertaining to the share of net income of associates in the consolidated income statement and in segment information.

Income statement

2016	Cinema production	Television production	Movie theater operation	Non-allocated	Total
Revenue	117,277	67,667	3,781	-	188,725
Operating income from cinema and television production and distribution ⁽¹⁾	30,281	11,418	-	-	41,699
Operating income from movie theater operations ⁽¹⁾	-	-	23,776	-	23,776
Overheads	-11,251	-10,640	-	-20,378	-42,269
Operating income after share of net income of associates	19,030	778	23,776	-20,378	23,206
Net borrowing costs	-55	-3,321	-	-5,106	-8,482
Other financial income and expenses	244	1,086	-	1,816	3,146
Income tax	-141	1,515	-	-259	1,115
NET INCOME	19,078	58	23,776	-23,927	18,985

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

2015	Cinema production	Television production	Movie theater operation	Non-allocated	Total
Revenue	72,769	140,560	3,675	-	217,004
Operating income from cinema and television production and distribution ⁽¹⁾	17,529	18,478	-	-	36,007
Operating income from movie theater operations ⁽¹⁾	-	-	23,796	-	23,796
Overheads	-10,098	-10,080	-	-18,267	-38,445
Operating income after share of net income of associates	7,431	8,398	23,796	-18,267	21,358
Net borrowing costs	-62	-4,086	-	-5,326	-9,474
Other financial income and expenses	1,315	2,076	-	4,128	7,519
Income tax	-227	-1,302	-	31	-1,498
NET INCOME	8,457	5,086	23,796	-19,434	17,905

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



Consolidated statement of financial position

12.31.16	Cinema production	Television production	Movie theater operation	Non-allocated	Total
Goodwill	491	11,544	-	-	12,035
Films and audiovisual rights	75,732	71,804	-	-	147,536
Other intangible assets	543	10	-	-	553
Property, plant and equipment	47,041	954	-	-	47,995
Investments in associates	48	-	226,021	-	226,069
Other financial assets	105	67	-	-	172
Non-current deferred tax assets	-	-	-	2,236	2,236
Inventories	578	-	-	-	578
Trade receivables	44,711	62,699	-	-	107,410
Current income tax assets	3,996	294	-	-	4,290
Other receivables and current financial assets	22,230	23,937	-	-	46,167
Cash and cash equivalents	3,208	5,485	-	-	8,693
TOTAL ASSETS	198,683	176,794	226,021	2,236	603,734
Equity	-	-	-	280,272	280,272
Non-current provisions	3,595	273	-	-	3,868
Non-current deferred tax liabilities	-	-	-	2,678	2,678
Non-current financial liabilities	-	62,152	-	129,851	192,003
Other non-current liabilities	482	-	-	-	482
Current provisions	985	-	-	-	985
Current financial liabilities	2,249	16,491	-	3,298	22,038
Trade payables	17,705	4,777	-	-	22,482
Current income tax liabilities	-	-	-	2	2
Other payables	49,140	29,784	-	-	78,924
TOTAL LIABILITIES	74,156	113,477	-	416,101	603,734
Investments in films and audiovisual rights	31,008	63,236	-	-	94,244



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12.31.15	Cinema production	Television production	Movie theater operation	Non-allocated	Total
Goodwill	491	11,544	-	-	12,035
Films and audiovisual rights	95,114	64,330	-	-	159,444
Other intangible assets	654	1	-	-	655
Property, plant and equipment	39,300	844	-	-	40,144
Investments in associates	3,830	-	216,230	-	220,060
Other financial assets	132	47	-	-	179
Non-current deferred tax assets	-	-	-	1,458	1,458
Inventories	599	-	-	-	599
Trade receivables	37,674	69,568	-	-	107,242
Current income tax assets	1,511	255	-	-	1,766
Other receivables and current financial assets	17,191	25,066	-	-	42,257
Cash and cash equivalents	5,425	4,731	-	-	10,156
TOTAL ASSETS	201,921	176,386	216,230	1,458	595,995
Equity	-	-	-	272,043	272,043
Non-current provisions	2,902	262	-	-	3,164
Non-current deferred tax liabilities	-	-	-	3,484	3,484
Non-current financial liabilities	-	34,371	-	133,193	167,564
Other non-current liabilities	594	-	-	-	594
Current provisions	843	318	-	-	1,161
Current financial liabilities	6,267	41,421	-	2,233	49,921
Trade payables	21,966	3,192	-	-	25,158
Current income tax liabilities	-	-	-	9	9
Other payables	38,891	34,006	-	-	72,897
TOTAL LIABILITIES	71,463	113,570	-	410,962	595,995
Investments in films and audiovisual rights	47,938	102,679	-	-	150,617



Information by region

Revenue

At December 31, 2016, revenue broken down per region is as follows:

	2016	2015
French companies	131,456	89,729
American companies	57,269	127,275
TOTAL	188,725	217,004

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.

At December 31, the geographical distribution of non-current assets was as follows:

	12.31.16			12.31.15		
	France	Americas	Total	France	Americas	Total
Goodwill	12,035	-	12,035	12,035	-	12,035
Films and audiovisual rights	97,716	49,820	147,536	114,633	44,811	159,444
Other intangible assets	553	-	553	655	-	655
Property, plant and equipment	47,529	466	47,995	39,653	491	40,144
Investments in associates	225,558	511	226,069	219,692	368	220,060
Other financial assets	172	-	172	179	-	179
TOTAL NON-CURRENT ASSETS	383,563	50,797	434,360	386,847	45,670	432,517

The Group has no operations or assets outside these two geographical regions.

Information about the Group's major customers

The Group's top ten customers together accounted for 60.5% of the Group's consolidated revenue. The breakdown between customers varies significantly from one year to the next.

In 2016, sales to Netflix accounted for 25.5% of consolidated revenue. No other single customer contributed more than 10% of the Group's consolidated revenue.

Revenue below is broken down by clientele commercialization zone:

	2016	2015
France	96,992	66,223
• Europe	28,601	21,976
• Americas	56,716	124,783
• Asia/Russia	4,117	2,678
• Africa/Middle East	1,938	865
• Rest of the world	361	479
International	91,733	150,781
TOTAL	188,725	217,004



6.7. Statutory auditors' fees

The fees of the statutory auditors and members of their network paid by the Group in 2015 and 2016 are as follows:

	Total				Advolis				EY			
	2016		2015		2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Auditing												
Certification and review of separate and consolidated financial statements												
• Issuer	219		221		84		86		135		135	
• Consolidated subsidiaries	173		187		5		-		168		187	
Related services												
• Issuer	7		-		7		-		-		-	
• Consolidated subsidiaries	-		-		-		-		-		-	
TOTAL	408	100%	408	100%	105	100%	86	100%	303	100%	322	100%

6.8. Subsequent events

Co-investment agreement with Entourage Pictures SAS

On January 6, 2017, Gaumont signed a co-investment agreement with Entourage Pictures SAS, an open stock full-length film distribution company exclusively dedicated to films produced and distributed by Gaumont.

The co-investment agreement concerns all of the films in French that have been released in movie theaters between December 13, 2016 and December 31, 2019, for which Gaumont is a producer and distributor. In consideration of its investment, Entourage Pictures has a share of the operating proceeds from the films.

At the end of a period of five years, Gaumont agrees to buy back all of the shares of the company Entourage Pictures at a purchase price assessed by an appraiser based on the expected future flows of the films in co-investment.

Under this agreement, on January 6, 2017 Gaumont acquired a 20% holding in the capital of Entourage Pictures SAS, for k€758 net of acquisition costs.

Purchase offer for Gaumont's share in Les Cinémas Gaumont Pathé

Pathé has granted Gaumont with an option to sell its 34% stake in Les Cinémas Gaumont Pathé for a consideration of 380 million euros, after receiving the approval of its Executive Board. If the sale goes ahead, the payment of €380 million will be staggered: half of the price will be paid on conclusion of the sale, and the balance in three instalments of equal amounts on June 30, 2018, June 30, 2019 and June 30, 2020. Gaumont's Board of directors, which met on February 28, 2017, welcomed this offer.

The planned disposal has been presented to Gaumont's works council and its completion remains subject to usual conditions for this type of transaction, such as the opinion of Gaumont's works council and the finalization of the financing of this acquisition by Pathé.

Following the completion of such conditions, Gaumont contemplates to offer its minority shareholders the opportunity to sell their shares as part of a share buyback (OPRA) at a price of €75 per share. Cinépar, Gaumont's majority shareholder with a 65% stake, will not tender its shares to this offer. The OPRA would target the entirety of the free float of Gaumont i.e. 35% of the share capital for an amount of c.125 million euros. Following the completion of both the disposal and the OPRA, Gaumont would have all the required resources to implement its strategy, in particular the development of its production activities, while benefiting from a net cash position of c. 50 million euros.

Gaumont's Board of Directors, following the recommendation of its ad hoc committee made up of independent directors, has decided to appoint an independent expert, the firm Sorgem, represented by Mr. Maurice Nussenbaum. The expert will be tasked with assessing the financial terms of Pathé's offer and the financial terms of the OPRA.

Gaumont's Board of Directors will then meet to approve, on the basis of the independent expert's reports, the sale of its stake in Les Cinémas Gaumont Pathé and the filing of the OPRA.

Both operations will be put to the vote of Gaumont shareholders at their next annual general meeting.

Consolidated results as of December 31, 2016, do not include effects of the planned disposal of Gaumont's stake in Les Cinémas Gaumont Pathé.



Statutory auditors' report on the consolidated financial statements

Year ended December 31, 2016

Dear Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby submit our report for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of Gaumont;
- the justification for our assessment;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards required us to plan and perform the audit to obtain reasonable assurances as to whether the consolidated financial statements were free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 formed by the companies and other entities included within the consolidation scope, and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

II. Justification for our assessment

In accordance with the requirements of article L. 823-9 of the French Commercial code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- your group conducts a goodwill impairment test at year-end (see notes 2.4 and 3.1 to the consolidated financial statements) and assesses whether there is any indication of impairment of long-lived assets. We have assessed the data and assumptions used for their main estimates, particularly, the cash flow forecasts. As part of our audit, we have assessed the reasonable nature of these estimates;

- as stated in note 2.6 to the consolidated financial statements, your group recognizes as an intangible asset the cost of films that meet the criteria provided for under IFRS as adopted by the European Union, and recognizes a residual value for certain blockbuster films. We have examined the earnings and profit forecasts justifying the recognition in intangible assets and the methods of amortization and calculation of the recoverable amount of movies. We checked that note 2.6 to the consolidated financial statements provides the relevant information;
- notes 3.10, 3.12 and 6.3 to the consolidated financial statements describe the business of television series production for the American market and the main accounting treatments and impact related to these activities. We have examined the accounting treatments applied and assessed the reasonable nature of the estimates used, as well as the appropriate nature of the information provided in these notes.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris and Paris-La Défense, March 13, 2017

The statutory auditors

ADVOLIS
Patrick Iweins

ERNST & YOUNG et Autres
Bruno Bizet



CONSOLIDATED FINANCIAL STATEMENTS



INFORMATION ON CORPORATE OFFICERS

Operating Board members 100

Salaries and benefits of any kind paid
to the executive corporate officers 109



Operating Board members

Functions and offices of the members of the Board of directors at December 31, 2016

Nicolas Seydoux

Born on July 16, 1939

French national

Number of Gaumont SA shares held at December 31, 2016: 526

Voting rights at December 31, 2016: 1,052

Business address

30, avenue Charles de Gaulle
92200 Neuilly-sur-Seine
France

Biography

Graduate of the Paris Institut d'Etudes Politiques (IEP) and bachelor in law and economics. Head of the legal department at the Compagnie Internationale pour l'Informatique (CII) Paris (1967-1970), financial analyst at Morgan Stanley & Co. Inc. New York (1970-1971), and Morgan & Cie International SA Paris (1971-1974), Gaumont group: Vice-Chairman and Chief Executive Officer (1974), Chairman and Chief Executive Officer (1975-2004), Chairman of the Supervisory board (2004-2010), and since May 6, 2010, Chairman of the Board of directors. Since 2002, Chairman of the ALPA (*Association de Lutte contre la Piraterie Audiovisuelle* – a society to combat audiovisual pirating). Since 2003, Vice-Chairman of the Supervisory board of Arte.

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.

Independent member: no

Functions and offices held in Gaumont SA

- **Chairman of the Board of directors** since first appointed to the Board on May 6, 2010. Term of appointment ends at the General meeting called to approve the 2016 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
- **Chairman** of Gaumont Inc. (United States), and of Gaumont Distribution Inc. (United States)
- **Board member** of Gaumont Television USA Llc (United States)
- **Member of the Management committee** of Les Cinémas Gaumont Pathé SAS

Other functions and offices held outside the Group

- **Chairman** of the ALPA
- **Vice-Chairman of the Supervisory board** of Arte France SA
- **Chairman of the General meeting of shareholders** of Arte GEIE (since January 2016)
- **Chairman** of Fondation C Génial
- **Chairman** of Grands Vins de Pazac SCA
- **Board member** of Val Richer SC
- **Board member** of Fondation des Diaconesses de Reuilly

Functions and offices ceased within the last five years

- **Honorary Chairman** of the Forum d'Avignon association (until November 2016)
 - **Chairman** of the Forum d'Avignon association (until October 2014)
 - **Chairman** of The Visitors Inc. (United States) (until December 2013)
-



Sidonie Dumas

Born on April 28, 1967

French national

Number of Gaumont SA shares held at December 31, 2016: 1,165

Voting rights at December 31, 2016: 2,330

Business address

30, avenue Charles de Gaulle
92200 Neuilly-sur-Seine
France

Biography

Sidonie Dumas, after studying law, very quickly started her professional career in movies beside Luc Besson.

In 2010, she was appointed Chief Executive Officer of Gaumont.

The company, that celebrated its 120 years in business in 2015, is today the 2nd richest catalog of the French film industry, with more than 1,000 titles.

From *Don Giovanni* to *Monsieur Gangster*, *Fantômas*, *The Dinner Game* or *The 5th element*, so many masterpieces have enchanted millions of viewers worldwide.

Since her arrival as the head of Gaumont, Sidonie Dumas, continued a strong heritage policy by systematically restoring films from the catalog.

Continuing the artistic investment that made the Gaumont brand, Sidonie Dumas produced many films with millions of viewers, like *Untouchable*. It has alone brought together over 50,000,000 viewers worldwide, becoming not only Gaumont's biggest hit, but also becoming the 2nd largest French blockbuster of all time.

Other highly popular films, among which *Me Myself and Mum*, earned it many awards. In 2015, she co-produced *Courted*, that was awarded at the Venice International Film Festival, the prizes of Best Actor and Best Screenplay and in 2016, *Monsieur Chocolat*, a promising future.

In parallel, Sidonie Dumas put Gaumont back in television production and in particular created a subsidiary in the United States. She helped the company acquire international stature with the success of the *Narcos* series.

Gaumont, through Sidonie Dumas and her teams, works to change an art for which she has always been and still is one of the most enthusiastic supporters.

Family ties with another Board member

Daughter of Nicolas Seydoux, Chairman of the Board of directors, sister of Pénélope Seydoux and niece of Michel Seydoux, Board members.

Independent member: no

Functions and offices held in Gaumont SA

- **Board member** and **Vice-Chairwoman of the Board of directors** since first appointed to the Board on May 6, 2010. Term of appointment ends at the General meeting called to approve the 2016 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
- **Permanent representative** of Gaumont, Member of the Management committee of Les Cinémas Gaumont Pathé SAS
- **Chairwoman** of Gaumont Télévision SAS, Gaumont Animation SAS and Mitzé Films (since May 2016)
- **Chairwoman** and **Member of the Management committee** of Gaumont Pathé Archives SAS
- **Vice Chairwoman** of Gaumont Inc. (United States), and of Gaumont Distribution Inc. (United States)
- **Sole Board member** of Gaumont USA Inc. (United States)
- **Board member** and **Chief Executive Officer** of Gaumont Television USA Llc. (United States)
- **Director** of Gaumont Television UK Ltd (United Kingdom)
- **Chief Executive Officer** of Gaumont Animation USA Llc. (United States) (since April 2016), of Gaumont Films USA Llc. (United States) (since July 2016) and of Gaumont Distribution TV Llc. (United States) (since November 2016)
- **Manager** of Editions La Marguerite SARL, Gaumont Production SARL, Gaumont Production Télévision SARL, Gaumont Animation Musique SARL, Gaumont Musiques SARL, Nouvelles Editions de Films SARL, Fideline Films SARL and Mitzé Editions (since May 2016)

Other functions and offices held outside the Group

- **Chairwoman** of the API (*Association des producteurs indépendants*)
- **Managing Partner** of Apar SC
- **Legal representative** of Gaumont, Board member of La Cinemathèque française (an association that aims at preserving and promoting French film archives)
- **Member of the Supervisory board** of Banque Neufilze OBC SA
- **Board member** of Havas SA (since May 2016)
- **Board member** of the Forum des Images Association

Functions and offices ceased within the last five years

- **Chairwoman of the Board of directors** of Gaumont Animation SA (until May 2015)
- **Chairwoman and Chief Executive Officer** of Nouvelles Editions de Films SA (May to December 2012)
- **Chairwoman** of Léonis Productions SAS (until December 2012), and Fideline Films SAS (July to November 2013)
- **Legal representative** of Gaumont, Chairman of Gaumont Musiques SAS (until June 2012)
- **Manager** of Galaxy 7 SARL (until May 2012) and of Prestations et Services SARL (until May 2016)



INFORMATION ON CORPORATE OFFICERS

Operating Board members

Thierry Dassault

Born on March 26, 1957

French national

Number of Gaumont SA shares held at December 31, 2016: 500

Voting rights at December 31, 2016: 1,000

Business address

9, rond-point des Champs-Élysées – Marcel Dassault
75008 Paris
France

Biography

After receiving a Baccalaureate in Economics and serving in the military at the Establishment of Communication and Audiovisual Production of Defense, Thierry Dassault was Head of Civil Equipment for electronics company Serge Dassault in Brazil from 1979 to 1981, then Chief Executive Officer of an alarm systems company from 1982 to 1984, Associate producer and Director of advertising and institutional films at Claude Delon Productions from 1985 to 1993.

From 1994 to 2006, he was Chairman of Dassault Multimédia, which acquired interests in Infogrames, Gemplus, Infonie, BFM, CdandCo, Net2one, Emme and Welcome Real-time. He also personally invested in Chapitre.com.

In 2004, he was the backbone of the company Keynectis, that became OpenTrust in September 2013 then IDnomic in February 2016, which he has chaired since its origin. IDnomic provides electronic certification and security services, used for the digital identification of persons, terminals or connected objects.

At the end of 2006, Thierry Dassault created TDH, investment vehicles in emerging technologies and the niche sectors, that hold participating interests in Aquarelle, Bernardaud, Blablacar, CASF III, Coravin, Halys, IDnomic, Isabel Marant, La Maison, L Catterton, Scarcell, Ttoonpark, Usmile, Wallix Group, and YouTube.com.

He is Deputy CEO of Groupe Industriel Marcel Dassault (GIMD) and is a member of the boards of: Dassault Belgique Aviation, Dassault Médias (Le Figaro), Gaumont, GIMD, Halys, IDnomic, Particulier et Finances Editions, Ttoonpark and Wallix Group.

He is also a member of YouTube's Strategy committee.

He is Chairman of the 58th National Session of the Institute of Higher National Defense Studies (IHEDN), Knight of the Legion of Honor and Colonel in the French Air Force Reserve.

Lastly, Thierry Dassault is Vice-Chairman of Fondation du Rein and a Member of the Board of directors of the Fondation Serge Dassault and of Association pour la recherche sur Alzheimer (IFRAD, an Alzheimers research foundation).

Family ties with another Board member

None

Independent member: yes

Functions and offices held in Gaumont SA

- **Board member** since first appointed in May 6, 2010. Term of appointment ends at the General meeting called to approve the 2016 financial statements.

Other functions and offices held in the Group

- None

Other functions and offices held outside the Group

- **Deputy CEO** and **Member of the Supervisory board** of Groupe Industriel Marcel Dassault SAS
- **Chairman** and **Member of the Board of directors** of IDnomic SA (formerly Open Trust)
- **Board member** of Dassault Médias SA (formerly Socpresse), of Dassault Belgique Aviation SA (Brussels) and of Société du Figaro SAS
- **Member of the Supervisory board** of Particulier et Finances Editions SA
- **Permanent representative** of TDH SC on the Boards of directors of Halys SAS and of IF Research SAS (Wallix) and of Ttoonpark SAS (since February 2016)

Functions and offices ceased within the last five years

- **Board member** of Bluwan SA (until January 2014)
- **Non-voting Board member** at Veolia Environnement SA (until March 2014)
- **Member of the Supervisory board** of Veolia Eau – Compagnie Générale des Eaux SCA (until March 2014) and of Bluwan SA (until October 2015)



Antoine Gallimard

Born on April 19, 1947

French national

Number of Gaumont SA shares held at December 31, 2016: 400

Voting rights at December 31, 2016: 800

Business address

5, rue Sébastien Bottin
75007 Paris
France

Biography

At the beginning of 1973, Antoine Gallimard joined the publishing house created in 1911 by his grandfather Gaston Gallimard and chaired as of January 1976 by his father, Claude.

He was named Chief Executive Officer of Editions Gallimard in 1981, then Chairman and CEO in March 1988, a position he still holds today.

Antoine Gallimard preserved the independence of the family business, modernized and developed the publishing and commercial business activity, and consolidated the integration in its professional environment.

He gathered new publishing brands and new businesses within the Madrigall group and purchased the Flammarion group in 2012.

Today he is the head of the third largest French publishing group, present in many sectors (literature, knowledge, youth, art books, cartoons, guides, pocket books, etc.) and comprised of publishing houses, distribution companies and bookstores.

Involved in the promotion of the books and reading channel, focused on diversity and editorial freedom, he brought all his support to the Librairie de création and was able to transpose the single price for physical books to digital books. Antoine Gallimard chaired the *Syndicat national de l'édition* from 2010 to 2012, where he is Vice Chairman today.

Since 2012 he has chaired the association of "Petits Champions de la Lecture", created at the initiative of the *Syndicat national du livre*, to promote books and reading for children in elementary school.

Family ties with another Board member

None

Independent member: yes

Functions and offices held in Gaumont SA

- **Board member** since first appointed in May 6, 2010. Term of appointment ends at the General meeting called to approve the 2016 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 POL Editeur SA and of Madrigall SA on the Boards of Editions de la Table Ronde SA and 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

- **Board member** of Scérén and of BNF, public-sector organizations (until 2014)
-



INFORMATION ON CORPORATE OFFICERS

Operating Board members

Félicité Herzog

Born on April 23, 1968

French national

Number of Gaumont SA shares held at December 31, 2016: 10

Voting rights at December 31, 2016: 10

Business address

20 rue Quentin Bauchart
75008 Paris
France

Biography

Félicité Herzog is manager and director of companies in Paris. Félicité Herzog is a graduate of the Paris Institut d'études politiques (IEP, 1991) and has a MBA from INSEAD (June 2000).

In 1992, Félicité Herzog began her career at the investment banking Lazard Frères in Paris and went to New York from 1993. She then went on with her career in mergers and acquisitions at JP Morgan in London in 1996.

In 1997 she joined Apax Ventures & Co, an investment fund in London and implemented venture capital and LBO operations in the European media and telecommunication industry. After obtaining her MBA at the INSEAD in 2000, she became partner at Madison Dearborn Partners, a firm specialized in that same business.

From 2002 to 2006, Félicité Herzog was appointed Director of mergers and acquisitions of the Publicis group. From 2007 to 2013 she joined Areva. She was appointed Director of group development in 2007. In 2009 she became Deputy CEO of Technicatome, a subsidiary of Areva.

Since 2013, Félicité Herzog runs Apremont Conseil, a company specialized in strategy and mergers and acquisitions. She is also a Board member of Telecom Italia since 2015.

She is also the author of two novels, *Un Héros* (at Editions Grasset, 2012) and *Gratis* (at Gallimard éditions, 2015).

Family ties with another Board member

None

Independent member: yes

Functions and offices held in Gaumont SA

- **Board member** since first appointed in May 3, 2016. Term of appointment ends at the General meeting called to approve the 2018 financial statements.

Other functions and offices held in the Group

- None

Other functions and offices held outside the Group

- **President and CEO** of Apremont Conseil SAS
- **Member of the Board of directors** of Telecom Italia SpA
- **Member of the Risk and Control Committee** of Telecom Italia SpA

Functions and offices ceased within the last five years

- **Senior Advisor** of Ondra Partners
- **Deputy CEO** of Technicatome SA
- **Director of development** of Areva SA



Michel Seydoux

Born on September 11, 1947

French national

Number of Gaumont SA shares held at December 31, 2016: 580

Voting rights at December 31, 2016: 1,160

Business address

19, rue de la Trémoille
75008 Paris
France

Biography

Michel Seydoux began his career as assistant to the Chairman of the Central Organization for Camps and Youth Activities (OCCAJ) between 1968 and 1970. In 1971 he founded the company Caméra One, of which he is the Manager. Formerly Chairman of Air Littoral Holding, he is Chairman of the football club LOSC Lille and a Member of the Pathé Management board. He has produced or co-produced several films, and particularly: *F as in Fairbanks*, directed by Maurice Dugowson (1976), *Don Giovanni*, directed by Joseph Losey (1979), *Hotel de France*, directed by Patrice Chéreau (1987), *Cyrano de Bergerac*, directed by Jean-Paul Rappeneau (1990), *Urga*, directed by Nikita Mikhalkov (1991), *Prospero's Books*, directed by Peter Greenaway (1991), *Toxic Affair*, directed by Philomène Esposito (1993), *Smoking and No Smoking*, directed by Alain Resnais (1993), *Anna: from Six till Eighteen* and *Burnt by the Sun*, directed by Nikita Mikhalkov (1994), *Same Old Song*, directed by Alain Resnais (1997), *The Barber of Siberia*, directed by Nikita Mikhalkov (1999), *Rene*, directed by Alain Cavalier (2002), *The Filmmaker*, directed by Alain Cavalier (2005), *Ambitious*, directed by Catherine Corsini (2006), *Leaving*, directed by Catherine Corsini (2008), *Irene*, directed by Alain Cavalier (2008), *Pater*, directed by Alain Cavalier (2011), *La danza de la realidad*, directed by Alejandro Jodorowsky (2013), *Le Paradis*, directed by Alain Cavalier (2014), *Le Caravage*, directed by Alain Cavalier (2015), *Le goût des merveilles*, directed by Eric Besnard (2015).

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.

Independent member: no

Functions and offices held in Gaumont SA

- **Board member** since first appointed in May 6, 2010. Term of appointment ends at the General meeting called to approve the 2016 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 of Les Cabrettes SAS
- **Chairman of the Board of directors** of LOSC Lille SA and of Socle SA
- **Board member** of the Groupement de Luchin GIE
- **Member of the Management board** of Pathé SAS
- **Member of the Management committee** of Gaya Rive Gauche SAS
- **Member of the Supervisory board** of Grand Lille TV SAS
- **Manager** of Camera One SARL, of JSI SC, of the Domaine de Luchin SC and of F.M.S. SNC
- **Managing Partner** of Liberté 25 Citadelle SC

Functions and offices ceased within the last five years

- **Board member** of Financière Bon SA (until November 2015)
- **Representative** of MSI SAS, Director of Airport Communication SA (until June 2014)
- **Managing Partner** of MSEB et Cie SNC (until December 2014)
- **Attorney** for the Société navale industrielle et de plaisance SAS (until December 2013)
- **Member of the Supervisory board** of Foot Production SA (until December 2012)



INFORMATION ON CORPORATE OFFICERS

Operating Board members

Pénélope Seydoux

Born on May 25, 1966

French national

Number of Gaumont SA shares held at December 31, 2016: 530

Voting rights at December 31, 2016: 990

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.

Independent member: no

Functions and offices held in Gaumont SA

- **Board member** since first appointed in May 6, 2010. Term of appointment ends at the General meeting called to approve the 2016 financial statements.
- **Member of the Audit committee**

Other functions and offices held in the Group

- None

Other functions and offices held outside the Group

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

Functions and offices ceased within the last five years

- **Board member** of UMA Food and Beverages SA (Switzerland) (until 2014)

Bertrand Siguier

Born on June 10, 1941

French national

Number of Gaumont SA shares held at December 31, 2016: 645

Voting rights at December 31, 2016: 1,190

Business address:

191, rue de l'Université
75007 Paris
France

Biography

Graduate of the Paris Institut d'Etudes Politiques (IEP) and Bachelor in law, Bertrand Siguier began his career as a financial analyst at Neuflyze, Schlumberger, Mallet Bank (NSM), from 1967 to 1969. He joined Publicis-Conseil in 1970 as Head of Advertising, Head of Group (1971-1972) then Group Director (1973-1974). From 1975 to 1979 he was Deputy Director and International Coordinator of the Publicis-Intermarco-Farner Group. From 1980 to 1982, he was Chief Executive Officer of the Mc Cormick Publicis agency in London. From 1982 to 1988, he was Director of Publicis-Conseil. From 1988 to 2008, he was Vice-Chairman of Publicis FCB Communication, later Publicis Communication. From 1999 to 2008, he was a member of the Publicis Group's Executive board. Starting from 2008, he has been a Manager of Bertrand Siguier et Associés.

Family ties with another Board member

None

Independent member: yes

Functions and offices held in Gaumont SA

- **Board member** since first appointed in May 6, 2010. Term of appointment ends at the General meeting called to approve the 2016 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 Bertrand Siguier et Associés SARL
- **Chairman** of Indépendance Média SAS
- **Board member** of Vivaki Performance SA
- **Board member** of Saatchi & Saatchi Fallon Tokyo K.K. (Japan), for Beacon Communications K.K. (Japan), of Publicis Yorum (Turkey), Publicis Bold (Turkey) and Publicis Zone (Turkey)

Functions and offices ceased within the last five years

- **Chairman** of Buzz Advertising Network Group SAS (until 2013)
- **Board member** of Capital Advertising (India) (until 2012), of Hanmer MSL Communications (India) (until 2015) and of Saatchi & Saatchi (Korea) (until 2015)



Marc Tessier

Born on July 21, 1946

French national

Number of Gaumont SA shares held at December 31, 2016: 494

Voting rights at December 31, 2016: 958

Business address

10, rue de l'Arche

92400 Courbevoie

France

Biography

Having studied at the Ecole Nationale d'Administration (ENA), Marc Tessier became Inspector of Finances in 1971, Seminar Director at the Paris Institut d'Etudes Politiques (IEP) from 1972 to 1974, then Mission Head at the Department for External Economic Relations (DREE) from 1976 to 1978. He became Deputy to the General director of energy and raw materials at the Ministry for Industry from 1978 to 1979 then Deputy Director of the Cabinet to André Giraud (Minister of Industry) from 1980 to 1981. In 1982 he joined the Havas advertising agency as Chief Financial Officer (1982-1983) before becoming Chief Executive Officer (1983-1987). At the same time, he was Chief Executive Officer of Canal+ from 1984 to 1986. From 1987 to 1989, he was Advisor to the Chairman of Canal+ and Chief Executive Officer of the Company for the study and exploitation of satellite television (SEETS), before becoming Chief Executive Officer of Canal+ International from 1989 to 1993, and then Chief Executive Officer and Head of development at Canal+ from 1993 to 1995. He worked as Chief Executive Officer of the National Center for Cinematography (CNC) from 1995 to 1999. Marc Tessier chaired the Audiovisual and telecommunications institute in Europe (IDATE) from 1998 to 2000. From 1999 to 2005, he was Chairman of France Télévisions then of the France Télévisions group.

As of January 2006, he joined Netgem SA, a group in which he exercises various functions in subsidiaries exercising their activities in the domain of electronic media, successively Netgem Media Services, Glowria and Videofutur. Since November 2016 he is advisor to the Chairman of VITIS, subsidiary of Netgem SA.

Family ties with another Board member

None

Independent member: yes

Functions and offices held in Gaumont SA

- **Board member** since first appointed in May 6, 2010. Term of appointment ends at the General meeting called to approve the 2016 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 Ediradio SAS (RTL), of Société éditrice du Monde SA, of Fondation de France and of Aquaboulevard SAS
- **Non-voting member of the Board of directors** of G7 Entreprises SA and of Netgem SA (since January 2017)
- **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 Ensemble TV SAS (editorial company for the local channel IDF1)
- **Permanent representative** of J2H on the Board of directors of Netgem SA (until 2012) and of Netgem SA on the Board of directors of Mediatrix SA (Belgium)
- **Chairman** of Ensemble TV SAS
- **Board member** of Editis, of Alternative Media Initiative (Canada), of Video Futur Entertainment Group SA (following the merger with Netgem SA at the end of 2013), and of the Idate association (end of 2014) and of Netgem SA (end of January 2017)
- **Chief Executive Officer** of Netgem Media Services SA



INFORMATION ON CORPORATE OFFICERS

Operating Board members

Jean Todt

Born on February 25, 1946

French national

Number of Gaumont SA shares held at December 31, 2016: 500

Voting rights at December 31, 2016: 1,000

Business address:

2, rue des Granges

1204 Geneva

Switzerland

Biography

Jean Todt began his career as a rally co-driver from 1966 to 1981. In 1982 he took over as Director of Automotive Competition Peugeot, where he set up Peugeot Talbot Sport. He has been Director of PSA Peugeot-Citroën sporting activities since 1990. In 1993 he joined Ferrari (a Fiat Group company) as Director of Ferrari and Maserati sports management. Having been appointed as a Board member in 2001, he became Chief Executive Officer in 2004, then Deputy Board member in 2006 before leaving Ferrari in March 2009. Elected in October 2009 and re-elected in December 2013, he is Chairman of the *Fédération Internationale de l'Automobile* (FIA). In 2015, he was appointed Special Envoy of the United Nations Secretary General on road safety.

Family ties with another Board member

None

Independent member: yes

Functions and offices held in Gaumont SA

- **Board member** since first appointed in May 6, 2010. Term of appointment ends at the General meeting called to approve the 2016 financial statements.

Other functions and offices held in the Group

- None

Other functions and offices held outside the Group

- **Chairman** of the *Fédération Internationale de l'Automobile* (FIA) and eSafety Aware
- **Chairman of the Board of directors** of the SUU Foundation
- **Vice-Chairman** of the ICM Foundation (*Institut du cerveau et de la moelle épinière*)
- **Member of the Board of directors** of Groupe Lucien Barrière SAS, of Edmond de Rothschild SA (formerly Compagnie financière Saint-Honoré), of the Société des Amis du Musée d'Art Moderne de la Ville de Paris and of the International Peace Institute (IPI)
- **Member of the Board of Trustees** of the FIA Foundation for the Automobile and Society
- **Member of the Advisory board** of Sotheby's International

Functions and offices ceased within the last five years

- **Member of the Advisory board** of Hangar Bicocca (Italy) (until 2014)



Salaries and benefits of any kind paid to the executive corporate officers

Tables 1 and 2 of the AMF recommendation No. 2014-14

The executive corporate officers, within the meaning of article L. 225-185 of the French Commercial code include the Chairman of the Board of directors, the Chief Executive Officer, the Deputy CEOs, the members of the Executive board or the manager(s) of a stock company:

(in euros)	Title	Compensation ⁽¹⁾	2016		2015	
			Amount paid ⁽²⁾	Posted amounts	Amount paid ⁽²⁾	Posted amounts
Nicolas Seydoux	Chairman of the Board of directors	Fixed compensation	450,000	450,000	450,000	450,000
		Variable compensation ⁽³⁾	388,271	419,582	399,523	388,262
		Directors' fees	41,111	51,765	40,417	41,111
	TOTAL		879,382	921,347	889,940	879,373
Sidonie Dumas	Chief Executive Officer	Fixed compensation ⁽⁴⁾	450,000	450,000	449,970	449,970
		Exceptional premium	-	-	100,000	100,000
		Variable compensation ⁽³⁾	388,271	419,582	399,523	388,262
		Allocation of stock options	-	-	-	-
	Board member, Vice President	Directors' fees	31,111	41,765	30,417	31,111
TOTAL		869,382	911,347	979,910	969,343	

(1) Before social and tax deductions.

(2) Amounts paid = all amounts paid by Gaumont during the year, it being specified that the variable compensation and directors' fees allocated under one year are actually paid during the following year.

(3) The basis for calculating the variable compensation is comprised of the consolidated net income Group share, after Income tax.

(4) By decision of the Board of directors on November 21, 2016, upon proposal of the Appointments and compensation committee, Sidonie Dumas' salary granted for 2015 was renewed for 2016 and following years.



INFORMATION ON CORPORATE OFFICERS

Salaries and benefits of any kind paid to the executive corporate officers

Directors' fees and other compensation paid to non-executive corporate officers

Table 3 of the AMF recommendation No. 2014-14

(in euros)	Title	Type of compensation	2016		2015	
			Amount paid ⁽¹⁾	Posted amounts	Amount paid ⁽¹⁾	Posted amounts
Marie Seydoux	Board member, Vice President	Directors' fees	128,333 ⁽²⁾	-	130,417	128,333
Thierry Dassault	Board member	Directors' fees	28,333	35,882	28,333	28,333
Antoine Gallimard	Board member	Directors' fees	41,111	51,765	40,417	41,111
Félicité Herzog	Board member	Directors' fees	-	35,882	-	-
Michel Seydoux	Board member	Directors' fees	41,111	51,765	40,417	41,111
Pénélope Seydoux	Board member	Directors' fees	41,111	48,824	38,333	41,111
Bertrand Siguier	Board member	Directors' fees	41,111	51,765	40,417	41,111
Marc Tessier	Board member	Directors' fees	41,111	51,765	40,417	41,111
Jean Todt	Board member	Directors' fees	25,556	38,824	30,417	25,556

(1) Directors' fees are allocated by the Board of directors following the General meeting approving the financial statements, funded over the period and paid the following year.

(2) Amount paid to the estate of Marie Seydoux deceased on February 1, 2016.

The total amount of directors' fees granted in 2016 by Gaumont SA to its executive and non-executive directors was €460,000.

The conditions for awarding directors' fees are described in the Report of the Chairman of the Board of directors.

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.

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

Tables 4 and 5 of the AMF recommendation No. 2014-14

During 2016, no share purchase or subscription options were granted to executive corporate officers of Gaumont SA or any of its subsidiaries.

No options were exercised by these employees during the period by an executive corporate officer.

Tables 8 and 9 of the AMF recommendation, relative to the characteristics of stock option plans and to the ten main beneficiaries of them are presented further, in the section detailing the change in capital of Gaumont SA.

Free and performance share grant programs

Tables 6, 7 and 10 of the AMF recommendation No. 2014-14

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



SHARE CAPITAL AND SHAREHOLDERS

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Shareholders

Shareholders holding over 5% of voting rights and treasury shares

Changes in the number of shares over the last three years and up to February 28, 2017

(in euros)

Transaction date	Description of the event	Number of shares	Par value of shares	Resulting capital	Issue premium	Successive amounts of the capital	Cumulative number of shares
Oct-15	Exercice of stock options	2,285	8.00	18,280	80,260	34,198,520	4,274,815
Déc-15	Exercice of stock options	1,143	8.00	9,144	38,988	34,207,664	4,275,958
Oct-16	Exercice of stock options	3,429	8.00	27,432	116,963	34,235,096	4,279,387
Nov-16	Exercice of stock options	882	8.00	7,056	30,085	34,242,152	4,280,269
Jan-17	Exercice of stock options	602	8.00	4,816	20,534	34,246 968	4,280,871

Change in shareholding over the last three years and up to February 28, 2017

Shareholders	02.28.17				12.31.16			
	Breakdown of capital		Voting rights exercisable in the GM ⁽¹⁾		Breakdown of capital		Voting rights exercisable in the GM ⁽¹⁾	
	Number	%	Number	%	Number	%	Number	%
Ciné Par ⁽²⁾	2,764,628	64.58	5,288,800	70.84	2,764,628	64.59	5,288,800	70.84
First Eagle Investment Management LLC (USA)	507,603	11.86	507,603	6.80	508,037	11.87	508,037	6.81
Bolloré	408,852	9.55	817,704	10.95	408,852	9.55	817,704	10.95
Groupe Industriel Marcel Dassault	232,670	5.44	465,340	6.23	232,670	5.44	465,340	6.23
Public	361,801	8.45	386,510	5.18	360,878	8.43	385,469	5.16
Shares held by Gaumont SA	5,317	0.12	-	-	5,204	0.12	-	-
TOTAL	4,280,871	100.00	7,465,957	100.00	4,280,269	100.00	7,465,350	100.00

(2) The theoretical voting rights to determine the breaching of shareholding thresholds are not significantly different from the voting rights exercisable in the GM. Only the treasury shares with no voting rights in GMs constitute a source of contention.

(1) Company controlled by Nicolas Seydoux.



Actionnaires	12.31.15				12.31.14			
	Breakdown of capital		Voting rights exercisable in the GM ⁽¹⁾		Breakdown of capital		Voting rights exercisable in the GM ⁽¹⁾	
	Number	%	Number	%	Number	%	Number	%
Ciné Par ⁽²⁾	2,764,628	64.66	5,288,800	70,90	2,729,402	63.88	5,253,574	66.22
First Eagle Investment Management LLC (USA)	511,415	11.96	511,415	6,86	478,078	11.19	956,017	12.05
Bolloré	408,852	9.56	817,704	10,96	408,852	9.57	817,704	10.31
Groupe Industriel Marcel Dassault	232,670	5.44	465,340	6,24	232,670	5.45	465,340	5.87
Public	352,376	8.24	376,629	5,05	417,033	9.76	441,332	5.56
Shares held by Gaumont SA	6,017	0.14	-	-	6,495	0.15	-	-
TOTAL	4,275,958	100.00	7,459,888	100,00	4,272,530	100.00	7,933,967	100.00

(1) The theoretical voting rights to determine the breaching of shareholding thresholds are not significantly different from the voting rights exercisable in the GM. Only the treasury shares with no voting rights in GMs constitute a source of contention.

(2) Company controlled by 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, 2016, the number of registered shareholders was 91.

At December 31, 2016, as part of its liquidity contract, Gaumont held 5,204 treasury shares with a par value of €8, representing an investment of €261,411. These shares constituted 0.12% of the capital and carried no voting rights or dividend rights.

No controlled entity owns Gaumont shares.

Significant events that had an impact on shareholding structure during the last three years

On January 31, 2014, Ciné Par received double voting rights for 140,752 Gaumont shares registered in its name since January 2011, following the universal transfer of assets from Socipar to Ciné Par, which was carried out in September 2010.

On April 25, 2014, First Eagle Investment Management received double voting right for the 478,050 Gaumont shares registered in its name, in accordance with law No. 2014-384 of March 29, 2014 (*Loi Florange*) amending article L. 225-123 of the French Commercial code.

On December 15, 2015, First Eagle Investment Management converted 478,050 of the Gaumont registered shares it held to bearer shares, which resulted in a loss of double voting rights to said shares and a decrease in the total number of Gaumont voting rights.

Breaching of shareholding thresholds

In letters dated May 2, 2014, First Eagle Investment Management disclosed to the AMF and to Gaumont that the shareholding threshold of 10% of Gaumont voting rights had been exceeded resulting from the grant of double voting right to its 478,050 registered Gaumont shares pursuant to law No. 2014-384 dated March 29, 2014 (*Loi Florange*), amending article L. 225-123 of the French Commercial code. First Eagle Investment Management sent a statement of intent to Gaumont and to the AMF in these same letters.

First Eagle Investment Management disclosed to the AMF and to Gaumont that it fell below the legal threshold of 10% of Gaumont voting rights on December 15, 2015 following the loss of double voting rights attached to its 478,050 registered Gaumont shares after converting said shares to bearer shares.

In letters dated January 13, 2016, Ciné Par disclosed to the AMF and to Gaumont that it exceeded the legal threshold of 2/3 of Gaumont voting rights following the decrease in total number of Gaumont voting rights as declared by the company on January 12, 2016.

This information was made public by the AMF, by notices dated May 5, 2014, December 21, 2015 and January 13, 2016.



SHARE CAPITAL AND SHAREHOLDERS

Shareholders

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, drawn up in compliance with the AMAFI Code of conduct and signed on July 1, 2010, for tacitly renewable periods of one year.

The initial contributions of k€300 were supplemented by an additional k€100 in November 2010.

At December 31, 2016, resources allocated to this contract included 5,204 treasury shares and k€137 in cash.

The liquidity contract is managed by Exane BNP Paribas, which is authorized to assess the need to intervene in the market solely for:

- facilitating the listing of the securities;
- improving the distribution of the share ownership;
- improving the security's liquidity in the market.

Gaumont carried out the following transactions in its own shares with regards to the liquidity contract:

	2016	2015
Number of shares purchased	11,153	16,819
Average purchase price	€50.93	€46.16
Number of shares sold	11,966	17,297
Average sale price	€51.26	€41.68
Trading fees	-	-
Number of shares held on December 31	5,204	6,017
Value of shares held on December 31	€261,411	€306,863
Percentage of capital held on December 31	0.12%	0.14%
Par value of shares	€8	€8

Employee and executive shareholding

Executive shareholders

To Gaumont's knowledge, the Board members together directly held 5,350 shares, representing 0.12% of the Company's share capital and 0.14% of the Company's voting rights as of December 31, 2016.

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

None.

Employee shareholders

To Gaumont's knowledge, two of its employees together held 28 shares on December 31, 2016.

To Gaumont's knowledge, there was no savings plan or fund invested in the company's shares for the benefit of its current or former employees.

Dividend policy

The distribution policy in relation to future dividends is based on various criteria, in particular, the company's investment requirement, its financial position and market practices.

Unclaimed dividends are forfeited five years after they become payable, as provided by article 2224 of the French Civil code (*Code civil*). Such unpaid dividends are paid to the French Treasury, pursuant to article L. 1126-1 of the French State Property code (*Code général de la propriété des personnes publiques*).

Gaumont paid out the following dividends for the last five years:

Year	Number of shares paid ⁽¹⁾	Net dividend per share	Amount eligible for the tax rebate as defined by article 158-3-2 of the French General tax code
2011	4,266,772	1.30	1.30
2012	4,265,835	1.00	1.00
2013	4,266,045	1.00	1.00
2014	4,267,078	1.00	1.00
2015	4,268,621	1.00	1.00

(1) Excluding treasury shares at payment date.

Factors likely to have an impact in the event of a public offering

Reference shareholders

Gaumont's reference shareholder is Ciné Par, a company controlled by Mr. Nicolas Seydoux, which held 64.59% of the capital and 70.84% of the voting rights as of December 31, 2016.

The presence of independent members on the company's Board of directors (six out of ten members on the Board) and the fact that certain decisions are submitted to the Board of directors for prior approval, aim to ensure that the control of the company is properly exerted and not abused. In particular, the Board's prior approval is required for certain transactions carried out by Executive management.



Shareholders' agreements

To Gaumont's knowledge, there is no agreement between shareholders (in particular between officers) that could limit the transfer of shares and the exercise of voting rights.

Lock-up agreement

On April 2, 2014, Mr. Nicolas Seydoux, Mrs. Anne-Marie Seydoux, Mrs. Pénélope Seydoux, Mrs. Sidonie Dumas, and the company Ciné Par renewed the collective lock-up agreement signed on February 4, 2004, and subsequently renewed on March 17, 2008, for the 2,700,004 Gaumont shares held by them, representing 63.08% of the company's share capital and 72.33% of its voting rights at December 31, 2016.

As of December 31, 2016, the features of the lock-up agreement are as follows:

Legal Regime	article 787-B of the French General tax code on donations
Signature date	April 2, 2014
Term of the lock-up agreement	two years from the date of registration with the tax office
Contractual term of the shareholders' agreement	April 2, 2014 to April 2, 2016
Renewal arrangements	after two years, may be renewed for periods of three months at a time
Percentage of the share capital covered by the shareholders' agreement at the signature date of that agreement	63%
Percentage of voting rights covered by the shareholders' agreement on the signature date of that agreement	70%
Names of signatories who are executive officers	Nicolas Seydoux Sidonie Dumas
Names of signatories related to executive officers	Anne-Marie Seydoux 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 the company's knowledge, there is no other provision that could delay, defer or prevent a change in its control.

Pledging of shares

To Gaumont's knowledge, there have been no Gaumont shares pledged as collateral as of December 31, 2016.

Changes in share capital and share rights

Any change in the share capital or the rights attached to each share or each class of shares is subject to compliance with applicable laws. The Articles of Incorporation do not place any conditions or restrictions on such transactions.

Company agreements with a specific change of control clause

To Gaumont's knowledge, material agreements that are amended or that end in the event of change of control of the company, are as follows:

- a financial investment agreement with the *Caisse des dépôts et consignations* for the restoration and digitization of titles in its catalog signed on July 6, 2012;
- a revolving credit facility for a maximum amount of k€125,000, expiring November 15, 2021;
- a bond for a total of k€60,000, maturing on November 14, 2021 and November 14, 2024.



SHARE CAPITAL AND SHAREHOLDERS

Information on share capital

Information on share capital

Changes in Gaumont SA's share capital

At December 31, 2016, the share capital of Gaumont SA was €34,242,152. It is comprised of 4,280,269 shares, each with a par value of €8, all fully paid up and of the same category.

In all, there were 7,465,350 voting rights attached to shares, including 3,185,081 shares with double voting rights.

Gaumont had not issued any securities other than equity securities.

Except for the exercise of stock options described in the Board of directors' special report, no event has impacted the company's capital over the last three years.

Potential capital

At December 31, 2016, 147,515 shares could potentially be issued upon the exercise of stock options granted to employees of Gaumont and other affiliated companies.

Out of the 147,515 exercisable options, 17,943 received an exercise price lower than the average listing price for the period and showed a dilutive effect of 2,758 shares as of December 31, 2016.

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

	2016	2015
Average number of shares	4,276,808	4,272,994
Consolidated net income attributable to owners of the parent <i>(in thousands of euros)</i>	18,944	17,817
Net income per share <i>(in euros)</i>	4.43	4.17
Number of stock options with a dilutive impact	2,758	1,340
Average potential number of shares	4,279,566	4,274,334
Diluted net income per share <i>(in euros)</i>	4.43	4.17
Percentage of dilution <i>(in %)</i>	0.06	0.03

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 and IV were exercised.

Plans V to VIII were still outstanding as of December 31, 2016. They have the following characteristics:

	Plan V	Plan VI	Plan VII	Plan VIII
Date of General meeting	06.02.94	04.25.96	04.30.98	04.29.04
Grant date	02.15.96 ⁽¹⁾	03.12.98 ⁽¹⁾	04.09.02 ⁽¹⁾	02.28.05 ⁽²⁾
Type of option	Subscription	Subscription	Subscription	Subscription
Starting date of exercise of options	02.15.01	03.12.03	04.09.06	02.28.09
Expiry date	02.14.46	03.11.48	04.08.46	02.27.49
Exercise price (in euros)	€50.31	€64.03	€48.00	€64.00
Adjusted exercise price (in euros)	€44.14	€56.17	€42.11	€56.26
Total number of options granted	104,000	168,000	165,000	196,750
Total adjusted number of options granted	118,689	191,736	188,527	224,653
Aggregate number of options canceled at 12.31.16	46,792	99,333	124,228	103,080
Aggregate number of options exercised at 12.31.16	67,442	82,120	50,811	2,284
NUMBER OF OPTIONS OUTSTANDING AS OF 12.31.16	4,455	10,283	13,488	119,289
Including number of options that corporate officers may subscribe to				
• Sidonie Dumas	1,142	2,284	3,425	34,195
Including the number that may be subscribed to by the top ten employees with the highest number of options granted ⁽³⁾	3,313	7,999	10,063	55,325

(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 2016, no share purchase or subscription options were granted to employees of Gaumont SA or any of its subsidiaries.



SHARE CAPITAL AND SHAREHOLDERS

Information on share capital

The option exercises for the ten main employees allocated shares are broken down as follows:

	Total number of options	Average weighted price (in euros)	Plan concerned			
			Plan V	Plan VI	Plan VII	Plan VIII
Options granted during the year by the ten non-executive employees who benefited most	-	-	-	-	-	-
Options exercised during the year by the ten non-executive employees who benefited most	4,311	42.11	-	-	4,311	-
Options held by the ten non-executive employees who benefited most and cancelled during the year	-	-	-	-	-	-

Authorizations granted by the General meeting to the Board of directors with respect to capital transactions

	Current authorizations				Authorizations to be submitted to the GM on May 16, 2017		
	GM date (Resolution No.)	Term (expiry date)	Maximum amount or maximum ceiling	Use of the authorization in 2016	Resolution No.	Term	Maximum ceiling
INCREASE IN SHARE CAPITAL⁽¹⁾							
By issuing shares, securities or marketable securities with shareholder pre-emption rights	05.05.15 (8)	26 months (07.04.17)	k€15,000	Not used	(20)	26 months	k€15,000
By capitalization of reserves, profits or premiums	05.05.15 (9)	26 months (07.04.17)	k€15,000	Not used			
Reserved to employees of the Group, members of the company Savings Plan	05.05.15 (10)	26 months (07.04.17)	200,000 shares	Not used			
COMPANY'S PURCHASE OF ITS OWN SHARES							
Company's purchase of its own shares ⁽²⁾	05.03.16 (5)	18 months (11.02.17)	k€17,103	Used	(7)	18 months	k€33,208
Reduction of share capital by cancellation of treasury shares	05.03.16 (7)	18 months (11.02.17)	10% of the capital on the day of the GM	Not used	(19)	18 months	10% of the capital on the day of the GM
STOCK OPTION PLANS							
Grant of share subscription and/or purchase options ⁽³⁾	05.05.15 (7)	38 months (07.04.18)	Legal limit ⁽⁴⁾	Used			

(1) Share capital capped at a total nominal amount of k€15,000.

(2) Within the limit of 10% of the number of shares in the company's capital at the time of purchase.

(3) In favor of employees and corporate officers of the company and/or those affiliated to it.

(4) Article L. 225-182 and R. 225-143 of the French Commercial code: the total shares granted not yet exercised may not exceed one-third of the share capital.

Description of the main financial authorizations

Capital increase

By issuance of shares, stock or securities and by capitalization of reserves, profits or premiums

The General meeting on May 5, 2015 renewed, for a term of 26 months, the delegations of power granted to the Board of directors by the General meeting on April 25, 2013, for the purposes of:

- one or more issuances, maintaining the preferential subscription right of the shareholders, of shares or marketable securities giving access to capital securities to be issued, limited to k€15,000;
- to conduct a capital increase, in one or more installments, by capitalization of reserves, profits or premiums, followed by the creation and free grant of share capital securities or elevating the par value of the exiting share capital securities, or a combination of these two modes, limited to k€15,000.

The objective of these delegations is to enable the company to conduct all issues of marketable securities to quickly and flexibly gather the necessary financial means.

All issuances of shares, capital securities or other marketable securities is capped at a global par value of k€15,000.

These delegations of power will expire on July 4, 2017.

It will be proposed at the General meeting on May 16, 2017 to renew, for a term of 26 months, the authorization given to the Board of directors to increase the capital by issuance of shares, stock or securities.

The authorization to increase capital by capitalization of reserves, profits or premiums is not renewed.

Reserved for employees who are members of the company savings plan

In application of article L. 225-129-6 of the French Commercial code, the General meeting on May 5, 2015 renewed, for term of 26 months, the authorization given to the Board of directors by the General meeting on April 25, 2013, 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, members of the company savings plan and under the conditions set by articles L. 3332-18 et seq. of the French Labor code.

As this authorization will expire on July 4, 2017. This authorization is not renewed.

Company's purchase of its own shares

The General meeting on May 3, 2016 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 5% of the number of shares that comprise the company's capital at the time of the purchase, within the limit of k€17,103 and for a maximum authorized unit price of €80.

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

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

As this authorization will expire November 2, 2017, it will be proposed to the General meeting on May 16, 2017 to renew it for a term of 18 months, for a price of €75 per share.

Correlatively, it will be proposed at the General meeting on May 16, 2017 to renew, for a term of 18 months, the authorization given to the Board of directors to reduce the company's share capital by cancellation of shares that the company purchased under the authorization to buy back its own shares.

Grant of share subscription or purchase options

The General meeting on May 5, 2015 renewed, for a term of 38 months, the authorization given to the Board of directors by the General meeting on May 3, 2012 to grant one or more issuances of stock options in the company in favor of those that it shall appoint from among the staff members and executive corporate officers of the company or those affiliated with it under the conditions set forth by Article L. 225-180 of the French Commercial code.

This authorization shall expire on July 4, 2018.

At December 31, 2016, 147,515 shares could potentially be issued upon the exercise of stock options granted to employees of Gaumont and other affiliated companies.



SHARE CAPITAL AND SHAREHOLDERS



ADDITIONAL INFORMATION

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2017 financial disclosure timetable

Publication of the financial statements

March 1: 2016 full-year results

July 27: 2017 half-year results

General meeting of shareholders

May 16: Combined Ordinary and Extraordinary General meeting called to approve the financial statements for the year ended December 31, 2016

Persons responsible for information

Person responsible for the Registration document

Sidonie Dumas

Chief Executive Officer

Certificate

After taking all reasonable measures to this effect, I certify that, to the best of my knowledge, the information contained in this Registration document is consistent with the facts and does not contain such omissions as may adversely affect its scope.

I hereby certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and results of Gaumont and all entities included in the consolidated group, and that the management report provides a true and fair view of the business trends, results and financial position of the company and all entities included in the consolidated group, together with a description of the main risks and uncertainties that they face.

I have obtained from the statutory auditors a completion report, in which they state that they have verified the information relating to the financial position and financial statements provided in this Registration document and that they have read the entire document.

Neuilly-sur-Seine, April 4, 2017

Sidonie Dumas
Chief Executive Officer



Persons responsible for auditing

Acting statutory auditors

Advolis

- Member of the Compagnie régionale de Paris
- Address: 13, avenue de l'Opéra 75001 Paris
- Represented by Patrick Iweins
- 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 Bruno Bizet
- First appointment: General meeting of May 3, 2011, taking over from Ernst & Young Audit.

Alternate statutory auditors

Damien Bourg

- Member of the Compagnie régionale de Paris
- Address: 13, avenue de l'Opéra 75001 Paris
- First appointment: General meeting of May 3, 2011, taking over from Patrick Iweins.

Auditex

- Member of the Compagnie régionale de Versailles
- Address: 1-2, place des Saisons 92400 Courbevoie – Paris-La Défense 1
- First appointment: General meeting of May 3, 2011, taking over from Dominique Thouvenin

The terms of all statutory auditors will expire after the General meeting called to approve the financial statements for the year ended December 31, 2016. The Board of directors, which met on April 4, 2017, decided to propose the renewal of mandates of the acting statutory auditors.

Person responsible for financial information

Fabrice Batieau

Chief Financial Officer

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