

Annual Report



2007



Annual Report 2007

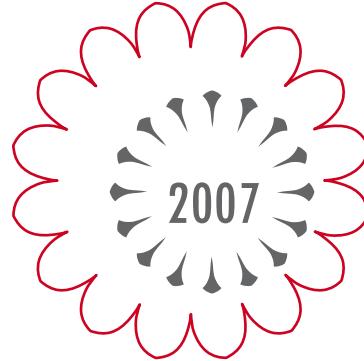
A French limited company¹ with an Executive Board and a Supervisory Board with share capital of € 34,159,336

Head office: 30 avenue Charles de Gaulle 92200 Neuilly-sur-Seine
Nanterre Trade and Companies Register under SIREN² number 562 018 002

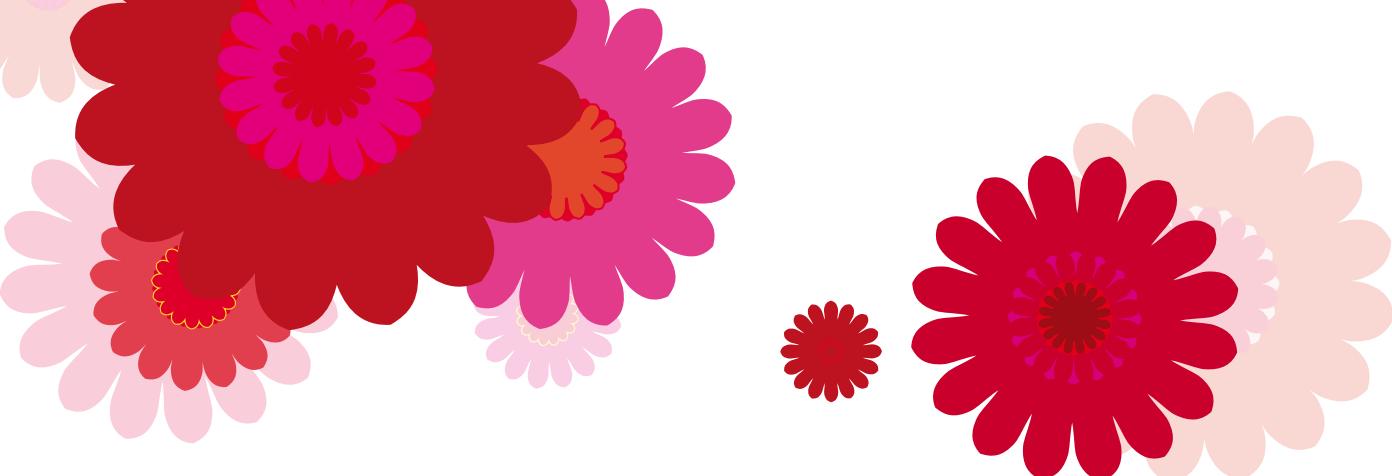
¹ Translator: Société Anonyme

² Translator: company identification number in France





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This document is a non-binding free translation of the French original.

Message from the Chairman of the Supervisory Board

In contrast to 2006, an excellent year, 2007 was a bad year both for Gaumont and the French cinema industry. Let's hope that those who were able to captivate French and other audiences with their talent in 2006 will quickly recover their artistic splendor and that 2007 was only an airlock. Happily, the first results of 2008 give this impression.

On the general level, 2007 and the start of 2008 are marked by increased tensions in trade relations, the strain on the cinema industry's usual partners and the authorities' realization of the risks that illegal downloading carries for the industry.

Increased tensions in trade relations

During 2007, three factors contributed to increased tensions in the industry: the reference price of unlimited cards, the elimination of the good conduct code, the digitization of cinemas and for the 2008, the debate on the shortening of the time span between the release of the film and the video.

I feared, last year, that UGC's surprise announcement of the drop in the reference price of unlimited subscription cards would increase inter-trade tensions. Alas, this apprehension was justified. On that occasion, mk2 left the GIE Le Pass consortium, which it has formed with EuroPalaces, to join UGC. Le Pass with was the name said consortium gave to the unlimited card. This shift in alliances could have upset all balances on the cinema scene in Paris and marginalize EuroPalaces in the capital. In fact, on the Paris market, UGC holds market shares of 40%, EuroPalaces holds 25% and mk2 holds 15%. Together, EuroPalaces and mk2 thus held the same share of the Paris market as UGC whereas the alliance between mk2 and UGC represents 55% of the Paris market and 80% of the number of unlimited cards. EuroPalaces was able, with the purchase of the Paramount Opéra cinema combined with a few targeted actions, to maintain the main balances.

The elimination of the good conduct code between operators and distributors following an application filed before the Competition Board has put the industry back ten years and there is a major risk of a price war between operators. The Perot-Leclerc commission, appointed to find solutions to this delicate problem, handed in its report at the end of March 2008. Depending on how the industry and authorities consider its proposals, including those relating to relations between municipal cinemas and private operators, tensions will be stirred or problems will be smoothed out.

The announcement by CGR, the third French film distributor, at the end of 2007 of the full digitization of its 400 cinemas by the end of 2008 raises questions for all operators and distributors. Operators

fear, rightly or wrongly, that a digitized cinema would draw filmgoers more easily, by giving them the impression that the digital projection is of better quality than the analog projection. Regardless of the basis for this assertion, the neighboring cinemas consider that, faced with such a situation, they must in turn invest huge amounts to digitize their projection rooms.

Regarding distributors, to date they discuss the conditions in which their films shall be shown in a cinema only with the cinema manager. CGR calls on a financing company, which, in return for financing most of CGR's projection rooms, requests the distributor to pay it a price calculated on the difference in cost between the photochemical copy and the digital medium over several years. The involvement of a third party in relations between operators and distributors is an upheaval in trade practices that originated, moreover, in the USA.

In any event, the digitization of a growing number of cinemas is in progress. In the USA, out of 37,000 cinemas, 4,300 were digitized at the end of 2007. At the end of March 2008, it was announced that 10,000 more cinemas would be digitized over the next three years.

Inter-trade talks should begin in the second half of 2008 to review the possibility of reducing the time span between the release of films in video after their release in cinemas. Considering the stand taken by video publishers, on the one hand, and operators, on the other hand, the stands taken are not likely to calm matters.

Strain on the cinema industry's usual partners

The sudden increase in the number of television channels available in the home with the development of cable and DVB, video games and high debit at attractive prices, with its corollary, downloading that is more illegal than legal, decreases the audiences of the main television channels, which are the main partners and sponsors of the French cinema.

Even if Canal +, the leading financial partner of the French cinema industry, holds a monopoly after the merger with TPS, with a right of life or death over most French films, the television company is worried about the development of cinema on demand on the internet and the arrival of new competitors, the first of which is Orange.

The audience of TF1, the leading French television company, is declining and the films, especially French films, that ten years ago held a privileged position within the leading hundred audiences of TF1, are relegated to much more modest ranks.

The Public Service companies are undergoing full transformation. The decision to eliminate all or part of the advertising raises, apart from the financing questions, which, at the beginning of April are not solved, the question of relations between the Public Service companies and the cinema industry. Apart from the obligations, which the television companies that proclaimed themselves to be cinema channels just a little while ago are unable to fulfill, the affinity between the public service companies and the cinema industry has worsened over the last ten years. Let's hope that the reform underway will be able to create a new partnership between said entities.

M6, "the small television company on the rise" is continuing to develop and, if it is beginning to be a one-off partner, it cannot make up alone for the shortcomings of its bigger colleagues.

The weakening of big broadcasters and the plethora of small broadcasters, despite the efforts of each of the protagonist to resist as best possible, is not favorable to the French cinema industry and should continue a few more years before the sector consolidates its position.

In another vein, the merger of the Eclair and LTC laboratories, which is being examined by the Competition Board, is a concern for Gaumont. Gaumont has worked with only one laboratory, Eclair, for the last 25 years; it thus thought it could obtain the better price terms, quality and deadlines. If Gaumont understands the relevance of the merger between the first two leading French laboratories, it has drawn the attention of the authorities to the possible perverse effects of a monopoly situation that would lead to an inflation of costs.

The authorities' realization of the risk that illegal downloading carries for the industry

The cinema and music industries have been unable, at this beginning of 2008, to halt the perverse effect of illegal downloading that have already cost, over these last few years, 50% of its revenues to music and 20% to video. After talks held during the autumn of 2007, an agreement, reached thanks to work of a mission chaired by Denis Olivennes, at the time Chairman of FNAC, was signed at the Elysée on November 23, 2007 by the assignees of music and film rights, Internet service providers and the authorities. The purpose of said agreement, while respecting individual freedoms, is to "discourage" Internet browsers from downloading illegal files.

The authorities undertake to set up an administrative authority with the necessary means to warn and punish the holders of an internet subscription, in the event of a repeat offence, if they make an inappropriate use of the Internet; to require that illegal websites be blocked or that their content be filtered; to publish the statistics of illegal downloading; to keep a list of subscribers whose subscription has been terminated with a ban on taking out a repeat subscription over a period to be set; to request the European authorities to lower VAT on music and film.

The assignees undertake to take strong action against piracy, to align video and VoD release times when the Authority is set up, to make their best efforts to make the films available on VoD, to negotiate the adaptation of release times over a year to make it possible to make work available online quicker and to make French music catalogues available without protective measures.

Internet service providers undertake to send warning messages, to abide by the penalties imposed by the Authority and to collaborate with the assignees in setting up the network filtering technologies.

The architecture of the system is sophisticated with, on the legal level, the liability of the subscriber who, in the event his subscription is misused, is liable to have his subscription suspended and the contractual undertakings of the parties that signed the agreements, as the performance and thus success thereof depends on their good will.

The bill of law is making slow progress and should go before the Senate during the first quarter of 2008.

Will the decline in illegal downloading boost cinema attendance, television audiences, demand for videos or for VoD, which is still in its infancy? I don't know.

What I know is that if illegal downloading still continues, it will kill music, film or television producers. What I know is that 112 years after the first public film projection, the French cinema, that has gone through many crises, is still standing, because since its inception, it has fought, convinced that the crises were meant to be overcome. What I know is that after a very difficult period, at the end of the sixties and at the beginning of the seventies, the American cinema industry fought its side and is now the leading contributor to its country's balance of payments. What I know is that despite all problems encountered by the various industry members, the French cinema ranks second in the western world.

Nicolas Seydoux, April 7, 2008

Message from the Chairwoman of the Executive Board

In 2007, the consolidated revenues totaled € 73 million compared to € 131 million in 2006. Several factors can explain this decrease: disappointing results for films released during the year in a market down by 5.6%; DVD sales fell after the commercial successes of the previous year; the posting of sales of rights to television companies was deferred to the first quarter of 2008.

In a dull market, EuroPalaces maintains its growth, the slight decrease in ticket sales in France and in Switzerland is offset by their increase in the Netherlands and Italy, where they rose 0.8% and reached 49.5 million compared to 49.1 million the previous year. EuroPalaces's consolidated revenues stood at € 427 million in 2007 compared to € 414 million in 2006. The consolidated net result rose from € 27.5 millions in 2006 to € 35.3 million in 2007.

Gaumont's share of results rose from € 9.8 million in 2006 to € 11.9 million in 2007.

Gaumont Columbia TriStar Films, a consortium set up by Gaumont and Columbia TriStar Films on July 1, 2004, to distribute films produced and bought by Gaumont Columbia TriStar in cinemas throughout France, expired on June 30, 2007.

Its members decided, by mutual agreement, to regain their independence.

A "Distribution" department was set up within Gaumont on July 1, 2007.

In 2007, twelve films were released in cinemas: four by Gaumont Columbia TriStar Films; the documentary on Maurice Pialat was distributed by Bodega Films; seven films were released in the second half year by the new Gaumont distribution structure.

Sales to French television companies totaled € 34 million compared to € 45 million in 2006.

Said drop is attributable mainly to pre-sales on the films *Les deux mondes* and *Big city*, the posting of which was deferred to the first quarter of 2008.

Regarding video, Gaumont ended its distribution agreement with Gaumont Columbia TriStar, to join Paramount Home Entertainment, for a three-year period as from 2008. Video revenues dropped from € 32 million to € 12 million in 2007 on account of the lack of major DVD releases as well as the market drop of 11%.

Digital distribution is a new department created in 2007 to develop the Gaumont catalogue on new media, in particular, video on demand (VoD). Three agreements were signed with video rental operators in France for recent films and a hundred or so films from the catalogue in the fourth quarter of 2007.

International sales dropped from € 24 million to € 13 million in 2007. In 2006, sales were buoyed by the excellent performance of *La Science des Rêves*.

Gaumont Pathé Archives's contribution to Gaumont's revenues was rather stable: € 2.9 million in 2006 and € 2.7 million in 2007.

The Group's share of the net result thus fell from a profit of € 25.4 million to a loss of € 7.1 million in 2007.

To diversify into the production of formats for television, at the end of 2007, Gaumont bought the Alphanim company, one of the leading French producers of cartoon series for television.

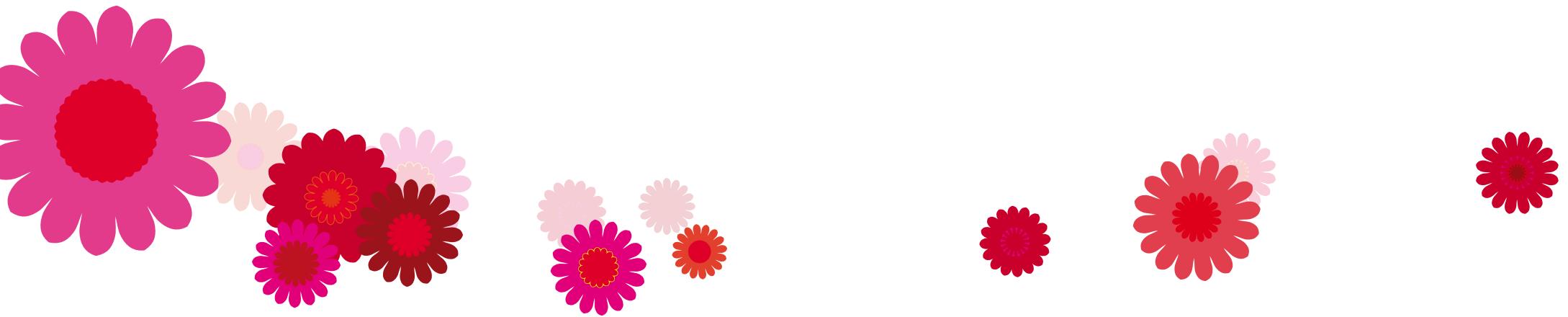
Gaumont and its subsidiaries are continuing their businesses. EuroPalaces is maintaining its efforts to develop in France: it opened cinemas in Lyon, Saran and Rennes and it opened two multiplexes in Europe, one in The Hague and the other in Berne.

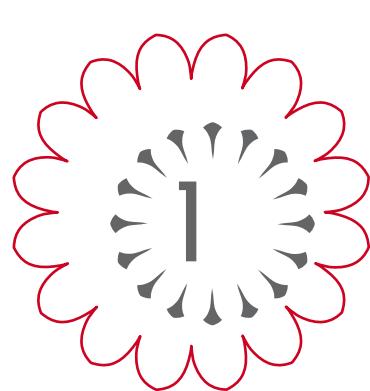
In production and distribution, the release of nine films is planned in 2008.

Two have already been released, *Enfin Veuve* directed by Isabelle Mergault with Michèle Laroque and Jacques Gamblin has already drawn more than 2 million filmgoers and on March 12, *MR73* directed by Olivier Marchal with Daniel Auteuil, is nearing the one million figure. Seven films will be spread over the rest of the year: *15 ans et demi* directed by François Desagnat and Thomas Sorriaux with Daniel Auteuil and Juliette Lamboley; *JCVd* directed by Mabrouk el Mechri with Jean Claude Van Damme; *The Broken* directed by Sean Ellis; *Leur morale... et la nôtre* directed by Florence Quentin with Victoria Abril and André Dussolier; *Clienté* directed by Josiane Balasko with Nathalie Baye, Isabelle Carré and Josiane Balasko; *Bouquet final* directed by Michel Delgado with Didier Bourdon and *Nous resterons sur Terre* directed by Pierre Barouger and Olivier Bourgeois.

On behalf of the Executive Board, I wish to thank all of the shareholders for their support and their loyalty and all of the personnel for their involvement with the various businesses of the Company and their involvement in the smooth operation of legal institutions: Works Council, Employee Welfare Schemes and Professional Delegations.

Sidonie Dumas, April 7, 2008





Corporate governance





Corporate governance

Supervisory Board

- ▶ Nicolas Seydoux, *Chairman*
- ▶ Marie Seydoux, *Vice-Chairwoman*
- ▶ Thierry Dassault
- ▶ Antoine Gallimard
- ▶ Michel Seydoux
- ▶ Bertrand Siguier
- ▶ Pénélope Tavernier
- ▶ Marc Tessier
- ▶ Jean Todt

Executive Board

- ▶ Sidonie Dumas, *Chairwoman*
- ▶ Christophe Riandee, *Chief Executive Officer*

Statutory auditors

Principal statutory auditors

- ▶ Advolis
13, avenue de l'Opéra 75001 Paris
- ▶ Ernst & Young Audit
Faubourg de l'Arche
11, allée de l'Arche 92037 Paris - La Défense Cedex

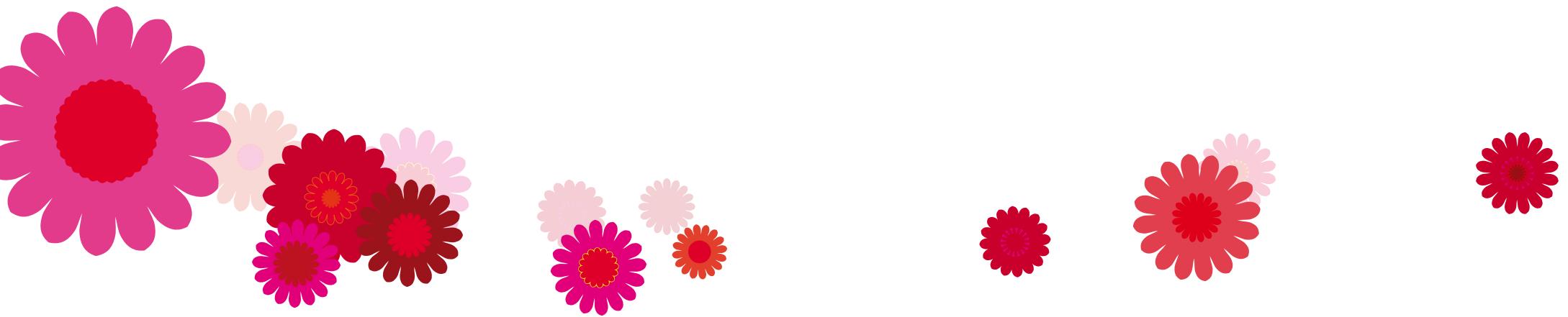
Deputy statutory auditors

- ▶ Patrick Iweins
21, rue du Général-Foy 75008 Paris
- ▶ Dominique Thouvenin
Faubourg de l'Arche
11, allée de l'Arche 92037 Paris - La Défense Cedex



Corporate governance

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Management Report by the Executive Board

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Management Report by the Executive Board

Gaumont and its subsidiaries

Gaumont's consolidated results

Gaumont's consolidated revenues stood at € 72,891,000 in 2007 compared to € 131,140,000 in 2006.

Several factors explain this decrease:

- disappointing results for films released during 2007 in a market that fell by 5.6% and by 22.8% for French films¹, no film achieved the performances of those of the previous year;
- DVD sales declined, after the commercial successes of the previous year;
- sales of rights to television companies deferred to the first quarter of 2008;
- no films with an international potential.

The result of films slid from a profit of € 29,250,000 in 2006 to a loss of € 3,384,000 in 2007. It includes a provision for loss in value of € 2,000,000 for films programmed during the next year whose estimated proceeds do not cover the production costs compared to € 5,393,000 in 2006.

Overheads amounted to € 18,370,000 in 2007 compared to € 21,456,000 in 2006.

Said decrease is mainly attributable to:

- the setting up of a less expensive internal structure for the distribution of films in cinemas than that of GIE Gaumont Columbia TriStar Films as from July 1, 2007;
- the decrease of expenses directly related to the result, such as the provision for profit-sharing by employees and corporate officers and the business tax, of which the added value of the year is used as a basis to cap same;
- the posting of a non-recurrent provision for asbestos removal of € 1,000,000 on FY 2006.

The current operating result was a profit of € 7,794,000 in 2006 and a loss of € 21,754,000 in 2007.

In 2007, the item "Other non current operating income and expenses" mainly relates to an allowance for a provision for disputes of € 400,000. In 2006, it related in the main to an allowance for provisions for loss in value of purchase differentials of € 544,000.

The cost of the net financial indebtedness stood at € 2,902,000 in 2007 compared to € 1,054,000 in 2006. A combination of several factors explains this increase:

- the rise in bank interest rates;
- the increase in the net indebtedness on account of substantial investments in films released during FY 2007 and in those that shall be released during 2008;
- the purchase Alphanim.

The item "Other interest income and expense" mainly shows the interest income invoiced to films, calculated on accounts that Gaumont has invested from to first euro up to the eve of their release in cinemas which amounted to € 4,240,000 in 2007 compared to € 2,018,000 in 2006. This increase can be explained, firstly, by more substantial investments in 2007, and, secondly, by film released concentrated on the second half of 2007.

The share of the net results of companies carried at equity amounted to € 12,200,000 in 2007 compared to € 10,206,000 in 2006. It corresponds, in the main, to the fraction of the EuroPalaces group's share of the net result owed to Gaumont, which amounted to € 11,905,000 in 2007, compared to € 9,778,000 in 2006.

In FY 2006, tax income of € 7,425,000 was posted; it corresponded to:

- non-recurrent net deferred tax income of € 8,492,000 for total exemption of the capital gain made upon the partial transfer of assets to EuroPalaces in 2001, apart, however, from a 5% share of said capital gain to cover costs and expenses;
offset by:
 - a deferred tax expense of € 645,000;
 - a current income expense of € 422,000.

In 2007, the tax income amounted to € 1,901,000 and breaks down as follows:

- a deferred tax income of € 2,230,000 mainly on account of the recognition of tax losses;
- a current tax expense of € 329,000.

¹ Source: Centre National de la Cinématographie (National Film Center).

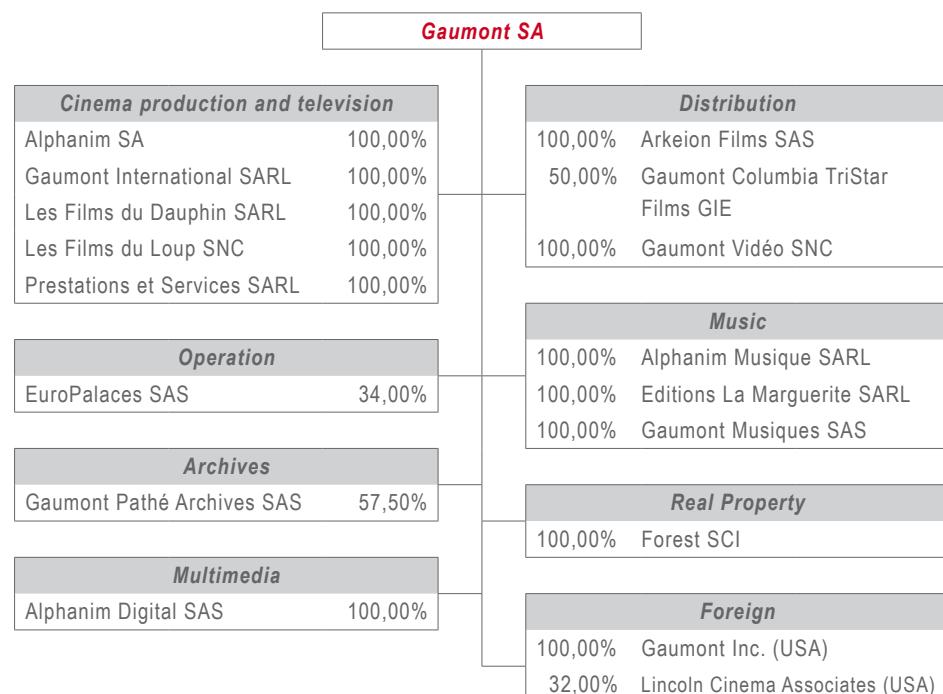


The net result thus showed a profit of € 25,615,000 in 2006 and a loss of € 6,901,000 in 2007.

The share of minority interests, in Gaumont Pathé Archives exclusively, was a profit of € 153,000 in 2007 compared to a profit of € 181,000 in 2006.

The Group's share was a loss of € 7,054,000 in 2007 compared to a profit of € 25,434,000 in 2006.

Organization chart of Gaumont and its subsidiaries at December 31, 2007



Gaumont's business

The production of cinema films

During FY 2007, Gaumont produced or co-produced nine films:

- *Pars vite et reviens tard* directed by Régis Wargnier with José Garcia, Marie Gillain, Lucas Belvaux, Olivier Gourmet, Nicolas Cazalé, Linh Dan Pham and Michel Serrault, released on January 24;
- *Maurice Pialat, L'amour existe*, television documentary produced by Jean-Pierre Devilliers and Anne-Marie Faux, released on May 30;
- *Vent mauvais* directed by Stéphane Allagon with Jonathan Zaccaï, Aure Atika and Bernard Le Coq, released on June 13;
- *3 Amis* directed by Michel Boujenah with Mathilde Seigner, Pascal Elbé and Kad Merad, released on August 22;
- *Regarde moi* directed by Audrey Estrougo with Emilie de Preissac, Terry Nimajimbe and Salomé Stévenin, released on September 26;
- *Chrysalis* directed by Julien Leclercq with Albert Dupontel, Marie Guillard, Marthe Keller and Mélanie Thierry, released on October 31;
- *Darling* directed by Christine Carrière, based on the work of Jean Teulé, with Marina Foïs and Guillaume Canet, released on November 7;
- *Les deux mondes* directed by Daniel Cohen with Benoît Poelvoorde, Florence Loiret-Caille and Augustin Legrand, released on November 21;
- *Big city* directed by Djamel Bensalah with Eddy Mitchell and Atmen Kelif, released on December 12.

Investments in production increased from € 53,012,000 to € 72,215,000 from one year to another.

The production of cartoon films and series

To diversify into the production of formats for television, Gaumont bought Alphanim at the end of the year; this company, managed by Christian Davin, one of the leading French producers of cartoon series, has produced more than 700 half-hours of programs, including the series *Galactik Football* and *Robot Boy*.

Four series were delivered in 2007: *Santa Junior - Saison 2*, *Hairy Scarry*, *Zap College* and *Robot Boy - Saison 2*.

This company and its subsidiaries, Alphanim Musique and Alphanim Digital, which were consolidated as from December 21, 2007, the takeover date, have had no impact on the Gaumont's 2007 consolidated financial statement.



For information, at December 31, 2007, Alphanim's consolidated revenues totaled € 15,087,000; its operating result was a profit of € 1,724,000 and the net result was a profit of € 1,795,000.

Cinema distribution

Gaumont Columbia TriStar Films, a consortium set up by Gaumont and Columbia TriStar Films on July 1, 2004, to distribute films produced and bought by Gaumont, Sony Pictures Entertainment and Columbia TriStar in cinemas throughout France expired on June 30, 2007.

Its members have opted to regain their independence as each of them plans to distribute more films over the coming years. They decided to dissolve and wind up the consortium as from July 1, 2007. The dissolution was in progress at December 31, 2007 and the parties shall share the costs of winding up and ending the consortium on a 50/50 basis.

A "Distribution" department has been set up within Gaumont since July 1, 2007; it has 16 employees.

Gaumont bought rights to three English films:

- *Cashback* directed by Sean Ellis with Sean Biggerstaff and Emilia Fox, released on January 17;
- *Juste une fois !* directed by Bobcat Goldthwait with Melinda Page Hamilton and Bryce Johnson, released on February 21;
- *Un jour sur Terre* directed by Alastair Fothergill, released on October 10.

In 2007, twelve films were released in cinemas in France:

- four by Gaumont Columbia TriStar Films in the first half year;
- the documentary on Maurice Pialat was distributed by Bodega Films;
- seven in the second half year by the new Gaumont distribution structure.

In a context marked in 2007 by a 5.6% drop in cinema attendance and a 22.8% drop in tickets sold for French films compared to the previous year, cinema proceeds stood at € 9,632,000 compared to € 25,728,000. Films released in 2006 generated ticket sales of 10.4 million thanks, in particular, to the success of *Je vous trouve très beau* (3.5 million tickets), *La doublure* (3.1 million tickets) and *OSS 117, Le Caire nid d'espions* (2.3 million tickets). Films released in 2007 generated only 4 million tickets, of which 1.3 million for *Un jour sur Terre*.

The operating cost of the GIE Gaumont Columbia TriStar Films, which is allocated pro rata the revenues generated by each of the members for the operation of their films, with a minimum cost of 30% for Gaumont, amounted to € 945,000 for the first half of 2007 compared to € 2,178,000 for the whole of 2006.

¹ Source: Centre National de la Cinématographie.

Video publishing: Gaumont Vidéo

Gaumont Vidéo has been the Group's video publisher since April 1, 2003.

Gaumont terminated its distribution agreement with Gaumont Columbia TriStar Home Video, after a 25-year partnership, to join Paramount Home Entertainment, for a 3-year period, as from March 1, 2008.

The consolidated video revenues fell from € 31,501,000 in 2006 to € 11,608,000 in 2007.

Several factors explain this decrease:

- first of all, no major DVD releases after the commercial successes of 2006: *Palais Royal !*, *Je vous trouve très beau*, *La doublure* and *OSS 117, Le Caire nid d'espions* of which more than 200,000 units of each were sold;
- the unbalanced programming of films in cinemas from one year to the next when Gaumont Vidéo publishes them six month after their release: in 2006, cinema releases were concentrated on the first half year whereas in 2007 they had been concentrated on the second half year.
- the 10.7% drop in value and 4.1% in volume in the video market compared to the previous year².

During 2007, Gaumont Vidéo published eighteen new titles:

- *La science des rêves*, *Désaccord parfait*, *La faute à Fidel*, *Le lièvre de Vatanen*, *Cashback*, *Pars vite et reviens tard* and *Juste une fois !* for the recent films;
- *Le corsaire*, *le magicien*, *le voleur et les enfants*, documentary film directed by Julie Gavras;
- *Histoire(s) du cinéma*, *Le cerveau*, *Les vécés étaient fermés de l'intérieur*, *L'hôtel de la Plage*, *l'intégrale de Belle & Sébastien* and box set collection devoted to Jean-Marie Poiré, Mel Brooks, Sacha Guitry, Marcel Pagnol/Yves Robert and Jacques Brel for the catalogue films.

Digital distribution

Digital distribution is a new department, set up in May 2007, to develop the Gaumont on new media and in particular video on demand (VoD).

Three agreements were signed in the fourth quarter of 2007 with operators on video services upon rental demand in France (Club Internet, Orange and Canal + Active) for recent films (*Pars vite et reviens tard*, *Un jour sur Terre*) and a hundred or so films from the catalogue (e.g. *Les tontons flingueurs*, *Le grand blond avec une chaussure noire*, *La traversée de Paris* or *Les patriotes*).

VoD revenues were marginal in 2007, but should generate a substantial contribution in coming years.

² Source: Centre National de la Cinématographie - GfK



Sale of rights to television companies and international sales

Sales of rights to French television companies totaled € 34,201,000 compared to € 45,452,000 in 2006.

Said decrease is attributable, in the main, to pre-sales on films *Les deux mondes* and *Big city*, the posting of which shall be deferred to the first quarter of 2008.

Sales of films from the catalogue show a slight increase.

International sales totaled € 13,139,000 compared to € 23,882,000 last year.

In 2006, *La science des rêves* had recorded good results, especially in the USA.

In 2007, business was buoyed by *Cashback* and *Pars vite et reviens tard*.

Sales of films from the catalogue show a slight decrease.

The sale of news pictures: Gaumont Pathé Archives

On October 1, 2003, Gaumont and Pathé pooled their catalogues of news pictures within a joint company Gaumont Pathé Archives, in which Gaumont has a 57.5% interest and in which Pathé has a 42.5% interest.

Gaumont Pathé Archives's contribution to the consolidated revenues is rather stable; the figures were € 2,869,000 in 2006 and € 2,718,000 in 2007, despite a presidential election year and no major anniversary events apart from the 60th anniversary of the Festival de Cannes, the 90th anniversary of the Russian Revolution and the 100th anniversary of the Scout Movement.

Other businesses

Other businesses generated revenues of € 1,558,000 compared € 2,081,000 in 2006. The decrease can be explained in particular by the combination of the following effects:

- proceeds from the music business fell after a non recurrent agreement was signed last year;
- sales of by-products increased;
- the € 323,000 contribution by Arkeion Films since July 6, 2007, date of its takeover by Gaumont.

Cinema operation: EuroPalaces

During 2007, EuroPalaces bought:

- 34% of Talent Group Communication's share capital on July 2;
- 66.66% of Piazza's share capital in Besançon and 49.99% of Cinéma des Quais's share capital in Belfort on September 10, thus bringing its interest to both these companies to 100%;
- 100% of Pathé Ciné 23's share capital on November 9; Pathé Ciné 23 bought out the business of the Paramount Opéra cinema on October 30, thus reinforcing its position in the Opéra district of Paris (7 halls - 2,200 seats).

During 2007, EuroPalaces sold:

- 45.88% of Société Cinématographique Havraise's share capital, i.e. all of the shares held, on July 27;
- 40% of Le Bellecour's share capital, i.e. all of the shares held, on September 10.

EuroPalaces also continued to spread its business in Europe with:

- Pathé Küchlin's buyout of two Basle cinemas: Walch Kinobetriebe and Cinema Küchlin;
- the opening of the Vis Pathé cinema in Rome in March (12 halls - 2,500 seats).

The consolidated revenues of EuroPalaces totaled € 426,787,000 in 2007 compared to € 413,688,000 in 2006.

The slight decrease of ticket sales in France and Switzerland has been more than compensated by the increase in sales in Holland and Italy, which rose by 0.8% to reach 49.5 million compared to 49.1 million in the previous year.

In France, in a market that fell by 5.6% compared to the previous year¹, EuroPalaces's ticket sales fell by only 3.2% with 38 million filmgoers compared to 39.8 million in 2006.

In Switzerland, ticket sales rose by 53.8% thanks to the purchase of the Europlex cinemas and the opening of the Pathé Küchlin's cinema in Basle. Said increase contrasts with a 13% market decrease as there were no national films to show in cinemas.

In the Netherlands, ticket sales rose by 1.5% compared to FY 2006, which year also posted a strong increase thanks to the launch of the unlimited subscription card.

In Italy, ticket sales doubled thanks to the opening of the Rome site and a 12% market increase, as the national films were lucky to please the general public.

¹ Source: Centre National de la Cinématographie.



The operating result thus rose from € 58,539,000 in 2006 to € 66,210,000 in 2007.

The net interest expense rose by 8.5% from € 11,695,000 in 2006 to € 12,690,000 in 2007 on account of the rise in bank interest rates and the increase in the net financial indebtedness.

The extraordinary result was a profit of € 1,397,000 in 2007, which corresponded, in the main, to a capital gain on the sale of tangible assets compared to a profit of € 5,136,000 in 2006, which related, in the main, to a write back of provisions on two sites.

The consolidated net result stood at € 35,269,000 in 2007, compared to € 27,514,000 in 2006, after factoring in minority interests in the amount of € 6,289,000 in 2007 and of € 6,143,000 in 2006.

Gaumont's share of the result, after IFRS reprocessing, amounted to € 11,905,000 in 2007 compared to € 9,778,000 in 2006.

At December 31, 2007, the equity capital stood at € 330,866,000 compared to € 291,214,000 at December 31, 2006 with a total balance sheet of € 866,369,000 at December 31, 2007 compared to € 797,534,000 at December 31, 2006.

The group's net financial indebtedness stood at € 323,972,000 at December 31, 2007 compared to € 302,279,000 at December 31, 2006.

In 2007, investments totaled € 85.3 million (including € 64 million in France, € 14.2 million in the Netherlands, € 4.6 million in Switzerland and € 2.5 million in Italy) compared to € 66.1 million in 2006.

In 2008, EuroPalaces will continue to develop in France with:

- Pathé Vaise, Lyon, multiplex that opened on January 22 (14 halls - 2,800 seats);
 - Pathé Saran (close to Orléans), multiplex to be opened in July (9 halls - 2,000 seats);
 - Gaumont Rennes, multiplex to be opened in September (13 halls - 2,800 seats);
- and in Europe with:
- the Pathé Spuimarkt multiplex in The Hague (Netherlands) to be opened in April (9 halls - 2,300 seats);
 - Berne (Switzerland) to be opened in October (11 halls - 2,400 seats).

Furthermore, the company has other projects: Parly 2 (10 halls - 2,000 seats), Beaugrenelle (10 halls - 2,100 seats), Le Mans (15 halls - 2,100 seats) and La Villette (16 halls - 3,000 seats).

Financial structure and statement of cash flow

Financial structure

At December 31, 2007, the equity capital stood at € 208,459,000 compared to € 218,038,000 at December 31, 2006, with a balance sheet total of € 413,160,000 at December 31, 2007 compared to € 343,202,000 at December 31, 2006.

Gaumont's net financial indebtedness at December 31, 2007 stood at € 119,733,000 i.e. 57.4% of the equity capital, compared to € 37,509,000 at December 31, 2006.

Big investments are needed in the film production industry. Gaumont needed and will continue to need large amounts of capital to finance:

- the production costs of feature films;
- its involvement in co-productions via the payment of co-production contributions and guaranteed minima for distributions;
- the purchase of film rights on films not produced by Gaumont and, where applicable, the purchase of film catalogues.

Given its growth policy, Gaumont expects said financing requirements (apart from any purchases) will be covered by operating cash flows and bank loans.

On December 20, 2005, Gaumont signed a confirmed line of credit agreement for € 100,000,000 to finance productions, which shall expire on September 15, 2008. Said credit line has four financial ratios.

At December 31, 2007, € 12,000,000 of said line of credit was still unused.

Gaumont considers that it has adequate means to honor its commitments and to continue its businesses. Apart from said line of credit, the Company is not relying on any other specific source of financing.

On December 21, 2007, Gaumont signed a separate loan agreement of € 25,000,000 to finance Alphanim's purchase that is repayable in ten half yearly installments of € 2,500,000 as from June 21, 2008 and up to December 21, 2012. Said loan agreement has the same financial ratios as those of the € 100,000,000 line of credit. Said ratios are to be respected half yearly and for the first time as from June 30, 2008.



At December 31, 2007, Gaumont did not respect two of the four ratios of the confirmed line of credit agreement of € 100,000,000:

- R1: cash flow prior to cost of net financial indebtedness and taxes / cost of net financial indebtedness;
- R2: net financial debt / cash flow prior to cost of net financial indebtedness and taxes.

Nevertheless, said ratios are calculated on the basis of a net consolidated debt that includes the amount of € 25,000,000 to finance the purchase of Alphanim, even though the calculation of the cash flow prior to the cost of net financial indebtedness and takes does not take account thereof.

Gaumont requested and obtained a waiver for said two ratios from the bank pool on March 14, 2008. This confirmed line of credit agreement shall be re-negotiated before it expires on September 15, 2008.

Statement of cash flow

The cash flow prior to cost of the net financial indebtedness and taxes amounted to € 32,985,000 at December 31, 2007, compared to € 72,728,000 at December 31, 2006.

Investments totaled € 107,701,000 in 2007 compared to € 54,629,000 in 2006.

Regarding financing operations, in FY 2007, a dividend of € 4,248,000 was for 2006 and financial debts increased to € 73,554,000.

The Group's net cash flow at December 31, 2007 was negative at € 2,694,000; it was positive at € 3,372,000 at December 31, 2006.

Investment policy

Most of Gaumont's investments are made in France.

Over the last two years, Gaumont's investments were as follows:

(in thousands of euro)	12.31.07	12.31.06
Intangible fixed assets	72,982	53,030
Tangible fixed assets	2,454	1,341
Financial assets	32,265	258
Investments	107,701	54,629

Intangible and tangible investments of FY 2007 mainly related to:

- Investments of € 72,215,000 in films;
- Investments of € 552,000 in film music, in particular, *Un jour sur Terre*;
- Renovation work on the Gaumont head office building amounting to € 1,267,000.

Gaumont's main business is the cinema film production and distribution. Gaumont invests each year in films; the value thereof depends on the results of the cinema release, proceeds generated by the sale of DVD and prospects of sales of rights to French television companies and international sales.

In 2007, investments of € 20,049,000, in particular, in films released during the year, of € 45,701,000 in films to be released in 2008, of which filming has ended and of € 5,918,000 for films in production. Moreover, Gaumont invests on a one-off basis in companies with major catalogues of film rights.

In 2007, Gaumont bought the following companies:

- | | |
|----------------------------------|-------------|
| ▪ LGM Participations (1) | € 3,281,000 |
| ▪ Arkeion Films | € 907,000 |
| ▪ Productions de la Guéville (2) | € 2,865,000 |
| Total | € 7,053,000 |

(1) Less the advance of € 200,000 paid in 2006.

(2) Amount placed in escrow account at January 1, 2008, actual takeover date.

All of said investments were financed by a syndicated line of credit of € 100,000,000 set up on December 20, 2005.



Management Report by the Executive Board

Gaumont's corporate financial statements

In addition, to diversify into the production of cartoon series for television, Gaumont bought Alphanim for an amount of € 25,075,000: a purchase price (€ 24,000,000) and incidental costs (€ 1,075,000). To finance said operation, Gaumont signed a redeemable loan agreement of € 25,000,000 which is repayable in ten half yearly installments of € 2,500,000 as from June 21, 2008.

2008 - 2009 Outlook

Nine films are planned in 2008.

Two have already been released:

- *Enfin veuve* directed by Isabelle Mergault, with Michèle Laroque and Jacques Gamblin, on January 16, which has drawn more than 2 million filmgoers to date;
- *MR73* directed by Olivier Marchal, with Daniel Auteuil and Olivia Bonamy, on March 12, which drew more than 400,000 filmgoers after one week of release.

The release date of three other films has been set:

- *15 ans et demi* directed by François Desagnat and Thomas Sorriaux, with Daniel Auteuil and Juliette Lamboley, to be released on April 30;
- *JCVD* directed by Mabrouk el Mechri, with Jean-Claude Van Damme, to be released on June 4;
- *The brøken* directed by Sean Ellis, with Lena Headey and Melvil Poupaud, to be released on June 25.

Four other films will be released during the second half-year:

- *Leur morale... et la nôtre* directed by Florence Quentin, with André Dussolier and Victoria Abril;
- *Clienté* directed by Josiane Balasko, with Nathalie Baye, Isabelle Carré, Eric Caravaca, Josiane Balasko and Marilou Berry;
- *Bouquet final* directed by Michel Delgado, with Didier Bourdon, Marc-André Grondin, Bérénice Béjo, Marthe Keller and Gérard Depardieu;
- *Nous resterons sur Terre*, documentary by Pierre Barouger and Olivier Bourgeois, with Edgar Morin, James Lovelock and Mikhaïl Gorbatchev.

A release date of a film has already been set for the second half year of 2009:

- *Splice* directed by Vincenzo Natali, with Adrian Brody, Sarah Polley and Delphine Chanéac, the filming of which ended on February 21, 2008.

The filming of two films will begin at the end of March:

- *OSS 117: Rio ne répond plus* directed by Michel Hazanavicius, with Jean Dujardin;
- *La guerre des miss* directed by Patrice Leconte, with Benoît Poelvoorde, Olivia Bonamy and Laurent Gamelon.

Other projects are being finalized.

Gaumont Vidéo shall publish recent films in DVD six months after their release in cinemas and films from the catalogue, including, in 2008, *Carmen* directed by Francesco Rosi and several box set collections devoted to Luc Besson (4 titles: *Le grand bleu*, *Atlantis*, *Léon* and *Le cinquième élément*), Michel Deville, Gérard Oury (10 titles among others *Le schpountz*, *La soif de l'or*, *Fantôme avec chauffeur*,...) and Francesco Rosi (3 DVD: *Le Christ s'est arrêté à Eboli*, *Trois frères* and *Oublier Palerme*).

In 2008, Alphanim will produce at least three series (*Galactik Football - Saison 2*, *MGD Agency*, *The Questers*) and a feature film (*Le secret d'Eléonore*).

Gaumont's corporate financial statements

Gaumont's corporate financial statements reflect some of the Group's business only. In fact, the production subsidiaries co-produce some of Gaumont's films and in this respect bear some of the investment. Moreover, Alphanim produces cartoon films and series, Gaumont Vidéo manages the video business, Gaumont Pathé Archives sells news pictures and EuroPalaces, a company carried at equity, manages cinemas.

Revenues totaled € 59,613,000 in 2007 compared to € 101,738,000 in 2006.

In a context marked in 2007 by disappointing results for films released during the year and by a 5.6% drop in the number of filmgoers and a 22.8% drop for French films compared to the previous year¹, cinema proceeds totaled € 9,597,000 compared to € 25,728,000. Films released in 2006 had drawn more than 10 million filmgoers thanks, in particular, to the successes of *Je vous trouve très beau* (3.5 million filmgoers), *La doublure* (3.1 million filmgoers), and *OSS 117, Le Caire nid d'espions* (2.3 million filmgoers). Films released in 2007 totally only 4 million filmgoers, including 1.3 million for *Un jour sur Terre*.

¹ Source: Centre National de la Cinématographie.



The lack of new films with a strong potential together with a 10.7% drop in value and a 4.1% in volume of the video market compared to the past year², generated a fall in video film proceeds, which fell from € 6,673,000 in 2006 to € 2,008,000 in 2007. In 2006, proceeds were buoyed by the film successes of the year and by *Palais Royal* !

Sales of rights to French television companies totaled € 34,169,000 compared to € 45,452,000 in 2006.

Said drop is attributable mainly to pre-sales on the films *Les deux mondes* and *Big city* that were carried forward to the first quarter of 2008.

Sales of films from the catalogue showed a slight increase.

International sales stood at € 12,912,000 compared to € 23,217,000 over the previous year.

In 2006, *La science des rêves* had posted good results, in particular, in the USA.

Only *Cashback* and *Pars vite et reviens tard* buoyed business in 2007.

Sales of films from the catalogue showed a slight decrease.

The revenues generated by other activities amounted to € 897,000 compared to € 668,000 in 2006.

The operating result showed a loss of € 3,359,000 in 2006, which increased to a loss of € 25,533,000 in 2007 considering:

- the drop in revenues;
 - non recurrent agreements of Production Fund and Sale & Lease Back in relation to the financing of certain films which amounted to € 4,042,000 in 2006;
 - the decrease in financial support for production and distribution recorded at the same pace as the revenues of films that generate the financial support;
- and despite the following major changes to the better:
- the setting up of a less expensive internal structure for film distribution in cinemas as from July 1, 2007 than that of GIE Gaumont Columbia TriStar Films;
 - the allowance for loss in value of films programmed during the next year, of which the estimated proceeds do not cover production costs, that decreased from € 5,393,000 in 2006 to € 2,000,000 in 2007;
 - the posting of a non recurrent provision for asbestos removal of € 1,000,000 on FY 2006;
 - the decrease of expenses directly related to the result, such as the fees paid to co-producers, the business tax, of which the added value of the year is used as a basis to cap expenses and the provision for profit sharing of employees and corporate officers.

The financial result showed a profit of € 3,812,000 in 2007, compared to a profit of € 10,486,000 in 2006.

Said decrease results from the combined effects of:

- the increase in the interest expense which amounted to € 3,396,000 in 2007 compared to € 1,642,000 in 2006, in line, on the one hand, with the increase in bank interest rates and, on the other hand, the increase in the net indebtedness on account of substantial investments in films released during 2007 and in those to be released in 2008 as well as in the purchase of Alphanim;
- the decrease in income from equity shares which amounted to € 4,497,000 in 2007 compared to € 9,750,000 in 2006;
- the posting of a net allowance for losses in value of financial assets of € 1,454,000 in 2007 compared to a net write back for losses in value of financial assets of € 152,000 in 2006;
- the increase of interest expense invoiced to films, calculated on the amounts that Gaumont invested from the first euro and up to the eve of their release in cinemas which amounted to € 4,240,000 in 2007 compared to € 2,018,000 in 2006, considering bigger investments in 2007 and film releases concentrated on the second half of 2007.

Thus, the results from ordinary operations before tax fell from a profit of € 7,127,000 in 2006 to a loss of € 21,721,000 in 2007.

The extraordinary results fell from a profit of € 6,725,000 in 2006 to a profit of € 1,973,000 in 2007. It recorded, in particular:

- a write back of accelerated depreciation of films amounting to € 2,207,000 in 2007 compared to € 6,794,000 in 2006;
- a capital gain on the sale of intangible and tangible fixed assets of € 160,000 in 2007 compared to a capital loss of € 65,000 in 2006;
- an allowance for provisions for disputes of € 400,000 in 2007.

The net results dropped from a profit of € 15,959,000 in 2006 to a loss of € 17,868,000 in 2007, after factoring in a tax income of € 2,107,000 in 2006 and € 1,880,000 in 2007 comprised mainly:

- of a tax credit for cinema production expenses (called "film tax credit") of € 1,860,000 in 2006 compared to € 1,850,000 in 2007;
- of corporate income tax of tax consolidated companies of € 310,000 in 2006 compared to € 33,000 in 2007.

² Source: Centre National de la Cinématographie - GfK.



Gaumont's subsidiaries

Corporate officers: parent company - subsidiaries

Sidonie Dumas and Christophe Riandee are the only corporate officers of Gaumont that hold like offices in the Group's subsidiaries.

Parent company - subsidiaries

Parent company's services for its subsidiaries

Gaumont provides its French subsidiaries:

- apart from Gaumont Columbia TriStar Films and EuroPalaces, with general management services;
- apart from Gaumont Columbia TriStar Films, Alphanim and EuroPalaces, with ordinary support services: administration and finances, legal, human resources and IT services that the subsidiaries need for a normal remuneration that amounted to € 158,000 in 2007, compared to € 138,000 in 2006.

Apart from Gaumont Pathé Archives, Arkeion Films and EuroPalaces, the French subsidiaries rent premises in Gaumont's offices. This rent amounted to € 120,000 in 2007 compared to € 136,000 in 2006. Moreover, Gaumont rents an office building located at 5 rue du Colisée, 75008 Paris to Gaumont Columbia TriStar Films for a rent of € 253,000 for the first half year of 2007 compared to € 494,000 for the whole of 2006.

The consortium Gaumont Columbia TriStar Films has distributed Gaumont films in French cinemas from July 1, 2004 up to June 30, 2007. It invoices Gaumont for its share of overheads, in proportion to the revenues generated by each of the members for the operation of their films, with a minimum 30% payment for Gaumont, which amounted to € 945,000 for the first half year of 2007 compared to € 2,178,000 for the whole of 2006. All operating proceeds and distribution costs incurred on behalf of Gaumont are directly posted in the latter's financial statements.

The parties shared the costs of winding up and ending the consortium on a 50/50 basis.

Gaumont Vidéo, as Gaumont's video publisher, pays the latter fees based on sales, which amounted to € 1,823,000 in 2007 compared to € 4,759,000 in 2006.

Les Editions La Marguerite pays Gaumont a share of the profits on the editorial shares that it collects insofar as Gaumont bears the costs of producing film music and sells film music in various media. In 2007, the amount of the profit share was nil, compared to € 1,216,000 in 2006, following the signature of a non-recurrent agreement.

Gaumont assigns an employee to chair Gaumont Pathé Archives in consideration of € 50,000 per year.

Cash agreement

A current account agreement has been signed between Gaumont and its French subsidiaries, apart from Gaumont Columbia TriStar Films, Alphanim and EuroPalaces. Under said agreement, interest is charged at the average market rate between the same parties.

Tax consolidation agreement

Gaumont S.A. "Group head", Gaumont International S.A.R.L., Les Films du Dauphin S.A.R.L. and Prestations et Services S.A.R.L. companies have entered into a tax consolidation agreement.

The purpose of this agreement is to:

- spread the tax owed by Gaumont on the overall profits, including any exceptional contributions, between the companies, as if there were no tax consolidation;
- allocate, where applicable, the tax saving that may result from the application of the consolidation method to the "Group head" parent company;
- anticipate the situation in the event of a distribution of dividends;
- where applicable, compensate, the company penalized in the event of withdrawal from the Group.

Said agreement has been entered into for an initial twelve-month period as from January 1, 2003 and is renewable by tacit agreement.

Acquisition

The following operations were carried out during the year:

- The purchase, on January 9, 2007, of all (100%) of LGM Participations's share capital, which itself owns the entire (100%) share capital of LGM Cinéma, for an amount of € 3,481,000 of which € 3,281,000 was disbursed during the year ; an advance of € 200,000 had been paid in 2006. Said investment was financed by a syndicated line of credit of € 100,000,000 set up on December 20, 2005.

LGM Cinéma co-produced films *Mais qui a tué Pamela Rose ?, 36 quai des Orfèvres, Un ticket pour l'espace, La piste* and *Pars vite et reviens tard*.

LGM Cinéma was delisted from the Paris Trade and Companies Register on February 13, 2007, following the general transfer of its assets to its sole shareholder LGM Participations on February 10, 2007. LGM Participations was also delisted from the Paris Trade and Companies Register on February 13, 2007, following the general transfer of its assets to its sole shareholder, the Gaumont company, on February 10, 2007, to its sole shareholder, Gaumont.

- Gaumont fully subscribed to the entire share capital (100%) of Gaumont Musiques for an amount of € 37,000. Said company owns, in particular, a proprietary share of the sound tapes that Gaumont Musique, a company in liquidation, previously held.



- On July 6, 2007, Gaumont bought all (100%) of the shares making up the share capital of Arkeion Films for an amount of € 907,000, of which € 627,000 was disbursed during the year. Said purchase was financed by a syndicated credit line of € 100,000,000 set up on December 20, 2005. Said company, specialized in Russian and Soviet films, owns the material of major fiction films that has passed into the public domain and holds distribution contracts for many other films produced, in particular, by Serguei Eisenstein, Andrei Kontchalovski, Nikita Mikhalkov, Boris Barnet and Dziga Vertov.
- On December 14, 2007, Gaumont bought all (100%) of the shares making up the share capital of Les Productions de la Guéville, whose corporate name changed to Autrement Productions, for an amount € 2,865,000. Said amount was placed in escrow on a "Carpa" account and released on the date of the actual transfer of shares, i.e. January 1, 2008. Said investment was financed by a syndicated line of credit of € 100,000,000 set up on December 20, 2005. Gaumont thus completes its catalogue with films that it co-produced, among others: *Le grand blond avec une chaussure noire*, *Un éléphant ça trompe énormément*, *Salut l'artiste*, *Le château de ma mère* and *La gloire de mon père*, but also with films in which Gaumont was not involved *Le distrait* by Pierre Richard, *Que la fête commence* by Bertrand Tavernier or else *La vie de château* by Jean-Paul Rappeneau.
- On December 21, 2007, Gaumont bought all (100%) of the shares making up the share capital of Alphanim, one of the leading French producers of cartoon series for television with more than 700 half hours of programs, including the series *Galactik Football* and *Robot Boy*, for an amount of € 24,000,000, disbursed on the date of signature; the costs of the transaction amounting to € 1,075,000 are to be added thereto. Said investment was financed by a redeemable loan agreement set up on December 21, 2007, of an amount of € 25,000,000, which is repayable in ten half-yearly installments of € 2,500,000 as from June 21, 2008. Alphanim holds all (100%) of the shares making up the share capital of Alphanim Musique, a sound recording producer, and of Alphanim Digital, a multimedia producer.

Events after the accounts closing date

On January 1, 2008, the purchase price of Les Productions de la Guéville, which changed its corporate name to Autrement Productions, was placed in a "Carpa" escrow account since December 14, 2007, was released thus such that Gaumont acquired all (100%) of the shares making up said company's share capital.

Shareholding and share market

Share capital and voting rights

At December 31, 2007, Gaumont SA's share capital stood at € 34,159,336; it is divided into 4,269,917 shares with a par value of € 8 each, which have been paid up in full and which are all of the same class. There are 7,272,585 voting rights, of which there are 3,002,668 shares with double voting rights. Gaumont SA does not hold own any of its own shares either directly or indirectly.

Change in the shareholding

At December 31, 2007, four shareholders held more than 5% of the Company's share capital.

Shareholders	Breakdown of the capital		Breakdown of the voting rights (1)	
	Number	%	Number	%
Cinépar - Socipar (Companies controlled by Nicolas Seydoux)	2,524,172	59.12	4,878,743	67.08
Arnhold and S. Bleichroeder Advisers (USA)	446,042	10.45	446,042	6.13
Financière du Loch (Company controlled by Vincent Bolloré)	408,852	9.57	814,373	11.20
Groupe Industriel Marcel Dassault	232,670	5.45	465,340	6.40
Public	658,181	15.41	668,087	9.19
Total	4,269,917	100.00	7,272,585	100.00

(1) shares that have been fully paid up and that have been registered as registered shares for at least three years in the name of the same shareholder of French nationality or a national of a member State of the European Union or a State that has signed an agreement with the European Economic Space shall enjoy double voting rights.

To Gaumont's knowledge, no shareholder other than those mentioned in the above table hold directly or indirectly or together more than 5% of the share capital or voting rights.

On March 6, 2007, Arnhold and S. Bleichroeder Advisers LLC declared, for due procedure, that its share fell below the 10% threshold of Gaumont's capital on December 21, 2006, following the capital increase of Gaumont, following the exercise of options, and that it then held, on behalf of the fund that it manages, 424,667 Gaumont shares, representing the same number of voting rights, i.e. 9.99% of the capital comprised of 4,248,101 shares and 6.21% of the 6,835,153 voting rights existing on the date of its declaration.



Management Report by the Executive Board

Shareholding and share market

On April 13, 2007, Arnhold and S. Bleichroeder Advisers LLC declared that its share exceeded the 10% threshold of Gaumont's capital on April 11, 2007, following the purchase of shares on the market and that it held, on behalf of the fund that it manages, 425,794 Gaumont shares, representing the same number of voting rights, i.e. 10.02% of the capital comprised of 4,257,632 shares and 6.23% of the 6,844,684 voting rights existing on the date of its declaration.

On October 17, 2007, the non trading company Financière du Loch, controlled indirectly by Mr. Vincent Bolloré, declared that its share exceeded the 10% threshold of Gaumont's voting rights on October 11, 2007, following the purchase of 405,521 double voting rights and that it held 408,852 Gaumont shares, representing 814,373 voting rights, i.e. 9.58% of the capital comprised of 4,267,917 shares and 11.22% of the 7,260,630 voting rights existing on the date of its declaration.

On November 2, 2007, Arnhold and S. Bleichroeder Advisers LLC declared, for due procedure, that its share fell below the 10% threshold of Gaumont's capital on October 19, 2006, following the withdrawal from its scope of a fund that it manages and that it held, on behalf of said fund, 420,039 Gaumont shares, representing the same number of voting rights, i.e. 9.84% of the capital comprised of 4,267,917 shares and 5.79% of the 7,260,630 voting rights existing on the date of its declaration.

On November 16, 2007, Arnhold and S. Bleichroeder Advisers LLC declared that its share exceeded the 10% threshold of Gaumont's capital on November 12, 2007, following the purchase of shares and that it held, on behalf of the fund that it manages, 446,042 Gaumont shares, representing the same number of voting rights, i.e. 10.45% of the capital comprised of 4,267,917 shares and 6.14% of the 7,260,630 voting rights existing on the date of its declaration.

To Gaumont's knowledge, no other thresholds have been crossed since said date.

Potential capital

The General Meeting of April 27, 2006 authorized the Executive Board to grant, on one or more occasions, in favor of those it appoints among the members of the personnel and corporate officers of the Company or of those affiliated to it in accordance with the terms provided for under Article L. 225-180 of the French Commercial Code (Code de commerce), subscription and/or purchase options in relation to the Company's shares.

At December 31, 2007, 254,750 potential shares could be issued upon the exercise of subscription options granted to the employees of Gaumont and companies affiliated to it.

If all share subscription options granted to the employees were exercised the resulting dilution would be as follows:

	12.31.07	12.31.06	12.31.05
Average number of shares	4,263,649	4,235,701	4,199,297
Group's share of the consolidated result (in thousands of euro)	-7,054	25,434	7,198
Net result per share (in euro)	-1.65	6.00	1.71
Number of share subscription options with a dilutive effect	216,070	14,078	16,499
Average potential number of shares	4,479,719	4,249,779	4,215,796
Diluted net result per share (in euro)	-1.57	5.98	1.71
Percentage of dilution (in %)	5.07	0.32	0.39

Capital authorized and not issued

The General Meeting of June 4, 2007 authorized the Executive Board:

- to issue on one or more occasions, while maintaining the preferential subscription right:
 - shares, securities or marketable securities within the limit of € 100,000,000,
 - and when it relates to debt securities within the limit of € 50,000,000;
- to carry out a capital increase, on one or more occasions, of € 100,000,000 by the capitalization of reserves, profits or premiums, followed by the issue or free allocation of capital securities or the increase of the nominal value of existing capital securities or a combination of both these methods;
- to carry out a capital increase, on one or more occasions, within the limit of € 10,000,000, by issuing shares reserved for employees of the Company and/or of affiliated companies, members of a Company Savings Plan, in accordance with the conditions provided for under Article L. 225-180 of the French Commercial Code;
- to cause the Company to buy its own shares within the maximum limit of 1% of the number of shares making up the Company's share capital at the time of the purchases within the limit of € 4,100,000.

All issues of shares, capital securities or sundry marketable securities are capped at a total nominal amount of € 110,000,000.



Financial authorizations at the closing of FY 2007

Authorizations	Maximum amount	Date of authorization	Resolution No.	Term	Validity deadline	2007 Uses	Total use over the delegation period
Increase of the share capital (1)							
While maintaining the preferential subscription right per issue:							
- of shares, securities or marketable securities	€ 100,000,000	06.04.07	7	26 months	08.03.09	Not used	Not used
- of debt securities	€ 50,000,000	06.04.07	7	26 months	08.03.09	Not used	Not used
By capitalization of reserves, profits or premiums	€ 100,000,000	06.04.07	8	26 months	08.03.09	Not used	Not used
Reserved to employees of the Group, members of the Company Savings Plan	€ 10,000,000	06.04.07	9	26 months	08.03.09	Not used	Not used
Company's redemption of its own shares							
Company's purchase of its own shares (2)	€ 4,100,000	06.04.07	5	18 months	12.03.08	Not used	Not used
Reduction of the share capital by the cancellation of shares							
Bought by the Company under Article L. 225-209 of the Commercial Code	1% of the capital on the date of the G.M.	06.04.07	6	18 months	12.03.08	Not used	Not used
Allocation of share subscription and/or purchase options (3)							
	(4)	04.27.06	9	38 months	06.26.09	Not used	Not used

(1) Share capital capped at a total nominal amount of € 110,000,000.

(2) Within the limit of 1% of the number of shares making up the Company's share capital at the time of purchase.

(3) In favor of employees and corporate officers of the Company and/or of those affiliated to it.

(4) Legal limits Article L. 225-182 of the Commercial Code and D. 174-17: total options granted that have still not been exercised may not exceed one third of the capital.

Dividends

Gaumont paid out the following dividends over the last five years:

Years	Number of shares remunerated	Dividend paid for the fiscal year (in euro)		
		Net	Tax credit	Total
2002	4,119,191	-	-	-
2003	4,120,797	0.30	0.15	0.45
2004	4,131,797	0.60	-	0.60
2005	4,221,797	0.60	-	0.60
2006	4,247,801	1.00	-	1.00

Dividends not claimed within five years as from the date of their payability shall lapse in favor of the State (Article 2277 of the French Civil Code (Code Civil)).

The distribution policy in relation to future dividends is based on the Company's financial situation and market practices.



Management Report by the Executive Board

Risk factors

Summary of the change in the share price over the last three years

(in euro)	2007	2006	2005
High	76.00	69.70	69.95
Low	56.00	46.15	49.01
Last price	59.00	60.80	50.15

Source : NYSE Euronext.

Risk factors

Market risks

Liquidity risk

Gaumont has a confirmed line of credit of € 100,000,000 to finance film production that matures in less than a year. At December 31, 2007, it used € 88,000,000 thereof, i.e. a use rate of 88%.

Said line of credit includes the following financial ratios:

Covenants to be respected	Situation at 12.31.07
R1: cash flow prior to cost of net financial indebtedness and taxes / cost of net financial indebtedness > 12	11.4
R2: net financial debt / cash flow prior to cost of net financial indebtedness and taxes < 2.25	3.6
R3: value of Group's main assets (1) / net financial indebtedness > 3	3.8
R4: financial debt / equity capital < 1	0.6

(1) Means, based on the consolidated financial statements: the value of EuroPalaces shares held by Gaumont, increased by the value of the film catalogue, increased by the gross value of the Group's real property, increased by the purchase price less loss in value of Alphanim.

On December 21, 2007, to finance the purchase of Alphanim, Gaumont signed a separate loan agreement of an amount of € 25,000,000, which is repayable in ten half yearly installments of € 2,500,000 as from June 21, 2008 and up to December 31, 2012. Said loan agreement has the same financial ratios as those of the line of credit of € 100,000,000. Said ratios are to be respected each half year and for the first time as from June 30, 2008.

At December 31, 2007, Gaumont did not respect the two of the four ratios of the confirmed line of credit agreement of € 100,000,000:

- R1: cash flow prior to cost of net financial indebtedness and taxes / cost of net financial indebtedness;

- R2: net financial debt / cash flow prior to cost of net financial indebtedness and taxes.

Nevertheless, said ratios are calculated on the basis of a net consolidated debt that includes the amount of € 25,000,000 to finance the purchase of Alphanim, even though the calculation of the cash flow prior to the cost of net financial indebtedness and takes does not take account thereof. Gaumont requested and obtained a waiver for said two ratios from the bank pool on March 14, 2008. This confirmed line of credit agreement shall be re-negotiated before it expires on September 15, 2008.

Interest rate risk

Maturity tickler of financial assets and financial liabilities

	12.31.07	less than 1 year	from 1 to 5 years	over 5 years
Financial assets at fixed rate	-	-	-	-
Financial assets at variable rate	3,723	3,723	-	-
Financial assets not exposed	-	-	-	-
Financial assets (1)	3,723	3,723	-	-
Financial liabilities at fixed rate	-	-	-	-
Financial liabilities at variable rate	-121,236	-101,514	-19,722	-
Financial liabilities not exposed	-2,220	-2,220	-	-
Financial liabilities (2)	-123,456	-103,734	-19,722	-

(1) Cash and cash equivalents.

(2) Financial debts.



Rate derivatives

	12.31.07	Maturity tickler				Market value
		less than 1 year	from 1 to 5 years	over 5 years		
Rate swaps equity shares	50,000	-	50,000	-		54
Total	50,000	-	50,000	-		54

Gaumont manages its exposure to the interest rate risk by using interest rate swap contracts.

At December 31, 2007, the line of credit of € 100,000,000 is capped at 50% on account of the setting up:

- if 1 month Euribor > or = at 4.4975%: of a variable rate against a fixed rate swap for € 50,000,000;
- if 1 month Euribor 1 < at 4.4975%: of a € 25,000,000 and a variable rate against a variable rate swap for € 25,000,000.

Monitoring of interest rate risk and sensitivity

	Fixed rate	Variable rate	Not exposed	Total
Financial assets (1)	-	3,723	-	3,723
Financial liabilities (2)	-	-121,236	-2,220	-123,456
Net position prior to management	-	-117,513	-2,220	-119,733
"Hedging"	-50,000	50,000	-	-
Net position after management	-50,000	-67,513	-2,220	-119,733
Sensitivity (3)	-	675	-	675

(1) Cash and cash equivalents.

(2) Financial debts.

(3) Impact in full year.

Considering the interest rate "hedging" portfolio at December 31, 2007, the net worth after variable rate management is a fixed rate debt of € 50,000,000 and a variable rate debt of € 67,513,000.

Thus, an instantaneous change of 1% in the interest rate would have a negative impact on the financial results of € 675,000, which would represent an increase of the cost of the net financial indebtedness of 23.3% for the whole of FY 2007.

Foreign exchange risks

Gaumont is exposed to foreign currency risks on commercial transactions posted on the balance sheet and on future transactions that are probable.

Gaumont endeavors to ensure natural hedging between the collection and disbursement flows of foreign currencies.

Gaumont studies the need and the opportunity of setting up a foreign exchange hedge to cover its risks on a case-by-case basis (forward purchases or sales, options).

Foreign currency derivatives

	12.31.07	Maturity tickler				Market value
		less than 1 year	from 1 to 5 years	over 5 years		
Term equity shares EUR/CAD	1,160	1,160	-	-		73
Total	1,160	1,160	-	-		73

Gaumont manages its exposure to foreign currency risk by using foreign exchange options.

Monitoring and management of foreign exchange risks

	AUD	CAD	GBP	USD	HKD	ZAR	Total
Assets	10	608	166	3,982	1	995	5,762
Liabilities	-	-	-1	-91	-	-	-92
Off balance sheet	-	-1,244	721	-367	-	-	-890
Net position prior to management	10	-636	886	3,524	1	995	4,780
"Hedging"	-	1,160	-	-	-	-	1,160
Net position after management	10	524	886	3,524	1	995	5,940
Sensitivity	-	-5	-9	-35	-	-10	-59



Management Report by the Executive Board

Risk factors

The consolidated net exposure in foreign currencies (counter value in euro at the closing prices), after "hedgings", have been taken into account, is € 5,940,000. Thus, the risk of loss on the global net position in currencies on account of a possibility of an adverse and standard change of a centime of a euro against all of the currencies in question would be € 59,000.

During FY 2007, the revenues invoiced in foreign currencies outside the euro zone, the allocation of which is set out below, amounted to € 4,297,000 i.e. 5.9% of the consolidated revenues.

	AUD	CAD	CHF	CLP	DKK	GBP	HUF	ILS	JPY	USD
Revenues	4	68	325	1	28	60	7	4	3	3,797

Credit risk

The exposure to the credit risk non-depreciated current assets is as follows:

		Retard								
		In progress	less than 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		
12.31.07										
Current assets										
at less than 1 year	70,109	61,130	2,969	3,334	332	-324	906	1,762		
at over 1 year	877	877	-	-	-	-	-	-		

Share risk

During the past financial year and to date, Gaumont was not exposed to any risk of this kind. It only bought securities to invest surplus cash in currency UCITS.

Portfolio of third party shares or UCITS shares	Treasury stock portfolio
Position at assets	None
Off balance sheet	None
Net global position	None

Special risks of the business

Competition risks

Gaumont has been in the film production and distribution market for more than a century. Gaumont, through its experience and resources, has a key position on the French market, where it competes with the UGC or Pathé groups. The Company considers that with its know how it is in a good position to pursue its policy of development. However, on this very competitive market where the success of films with the public has a huge impact on results, there can be big changes in respective competitive positions of market players.

The Company's possible dependency

There is no dependency by Gaumont in relation to industrial, commercial, financial matters or industrial property rights (patent, license, etc.) liable to have a major effect on the Group's activity or profitability.

Risks of dependency with regard to certain key suppliers or partners

Gaumont is not liable to be dependent on its suppliers and subcontractors.



Risks of dependency with regard to certain customers

A distinction should be made between the main customers of Gaumont in relation to their businesses:

Cinema distribution

Gaumont Columbia TriStar Films distributed films in cinemas in France during the first half of 2007 and Gaumont distributed them during the second half year.

In 2007, the Company's five main customers in terms of percentage of revenues relating to cinema distribution were as follows:

1. Circuit EuroPalaces	26.9%
2. Circuit UGC	15.5%
3. Circuit G. Raymond	7.7%
4. Cinédiffusion	3.5%
5. Kinépolis	2.7%

Video sale

Gaumont Vidéo publishes Gaumont films in DVD for sale via retail distribution or rental to video clubs.

In 2007, the Company's five main customers in terms of percentage of revenues relating to video sale were as follows:

1. Fnac	26.4%
2. Virgin	5.7%
3. Leclerc	3.3%
4. Cultura	2.4%
5. Amazon	2.1%

Sale of rights to television companies and internationally

The main national television companies are among Gaumont's customers.

In 2007, the Company's five main customers in terms of percentage of revenues relating to sales of rights to television companies and internationally were as follows:

1. TF1	22.0%
2. Canal +	13.8%
3. TF1 Films Production	8.4%
4. France 2	4.8%
5. France 3	4.3%

Over FY 2007, the ten main customers of Gaumont accounted for 48.7% of the consolidated revenues:

Customers	Consolidated revenues	
	(in thousands of euro)	(in %)
1. TF1	10,519	14.4
2. Canal +	6,621	9.1
3. TF1 Films Production	4,027	5.5
4. Fnac	3,001	4.1
5. France 2	2,314	3.2
6. Circuit EuroPalaces	2,297	3.1
7. France 3	2,066	2.8
8. TPS Cinéma	1,721	2.4
9. MultiThématiques	1,610	2.2
10. Circuit UGC	1,324	1.8
Total	35,500	48.7

Legal risks

Specific regulations

The film trade is governed by complex regulations in France of which the Centre National de la Cinématographie oversees the implementation. In this scope, the role of the Centre National de la Cinématographie is, in particular, to manage the Fonds de Soutien Financier¹. In particular, a special tax levied on the price of tickets is collected to operate this fund. The income from this levy is redistributed to film producers, distributors, video publishers and cinema operators according to complex mechanisms to encourage them to invest in new films or to modernize their cinemas. The various trade sectors, production, distribution, operation are concerned by these regulations that govern their relations. The Group is not governed by other specific regulations.

¹ Translator: Financial Support Fund.



Disputes

To Gaumont's knowledge, there are no exceptional facts or disputes liable to have an impact on the financial situation, results, outlook and assets of the Company and its subsidiaries and for which a provision has not been posted in the financial statements at December 31, 2007.

Industrial and environmental risks

Gaumont, by the nature of its businesses, is not exposed to industrial and environmental risks.

Insurance and risk covers

A comprehensive policy (fire, explosion, water damage, etc.) covers Gaumont's assets (real property and films).

When Gaumont makes a film, a production insurance contract is taken out to cover the preparation and production stage within the limit of the estimate of the film. The risks of accident/illness of the main actors and the director as well as the risk of damage to the negatives, etc. are covered in this respect. The deductibles of said insurance policies are in compliance with current practices and their application would not have a major impact on the Company's results.

Gaumont does not take out "performance bond" insurance which allows a production company to protect itself against budget overruns insofar as said insurance, which is very expensive, has random efficacy, on account of the difficulties of implementing it.

Moreover, the Company has taken out the usual insurance policies: public liability and liability of corporate officers, taken out at the normal cover levels. The head office is also covered for archive and media restoration costs and for additional management costs as well as for financial losses in the event of an insured loss.

The main insurance covers are as follows:

Professional comprehensive insurance

- Fire, explosion, water damage, storms, strikes, riots, terrorist attacks, civil commotion, terrorism and sabotage: cover of € 66,114,000;
- Theft contents (except securities), machine breakage: cover of € 1,100,000;
- Loss of use of premises: cover for two years;
- Additional management costs in the event of an insured loss: cover of € 2,789,000;
- Recourse by neighbors and third parties: cover of € 7,535,000;
- Indirect losses: cover equal to 10% of the indemnity for material damage.

Operating public liability insurance

All losses combined, cover of € 4,575,000 per insured loss, except:

- Damage to the environment: cover of € 762,000;
- Employer's criminal negligence: cover of € 300,000;
- Damage to property in care: cover of € 762,000;
- Financial loss of third parties: cover of € 305,000;
- Other material damage and consequential loss: cover of € 762,000.

Public liability insurance for corporate officers

Cover of € 10,000,000.

Comprehensive equipment and valuables insurance

Cover of € 957,000.

Main premiums and deductibles

(in thousands of euro)		12.31.07	12.31.06	12.31.05
Professional comprehensive	Premium Deductible	66 5	65 5	65 5
Operating public liability	Premium Deductible	7 7	7 7	7 7



Labor and environmental consequences of the activity

Gaumont's business does not have a substantial effect on the environment.

On the labor level, the following information may be noted:

Workforce

At December 31, 2007, Gaumont and its subsidiaries employed 169 employees, including 147 with open term contracts and 22 with fixed term contracts.

The increase in the workforce is mainly attributable to:

- Gaumont's takeover of its film distribution business (16 employees), a business which Gaumont Columbia TriStar Films had operated up to June 30, 2007;
- the creation of a digital distribution department (1 employee);
- buyouts of Arkeion Films (4 employees) and Alphanim (21 employees).

In 2007, Gaumont and Gaumont Pathé Archives took on 26 trainees from schools or universities for periods from one week to six months.

Breakdown of the workforce per category

The chart below shows the workforce of the companies consolidated by full consolidation method.

Company	12.31.07			12.31.06			12.31.05		
	Executives	Supervisors	Employees	Executives	Supervisors	Employees	Executives	Supervisors	Employees
Alphanim	14	-	7	-	-	-	-	-	-
Arkeion Films	2	1	1	-	-	-	-	-	-
Editions La Marguerite	1	-	-	-	-	-	-	-	-
Gaumont	56	32	28	46	26	24	45	21	23
Gaumont Vidéo	5	2	-	5	2	-	6	1	-
Gaumont Pathé Archives	7	6	6	7	6	5	7	6	6
Prestations et Services	1	-	-	2	-	-	-	-	-
Total workforce per category	86	41	42	60	34	29	58	28	29
Total workforce Group		169			123			115	



Management Report by the Executive Board

Labor and environmental consequences of the activity

Age and length of service

Despite changes in the structure of the workforce during the year, the average age remained stable in 2007 at 40.13 years compared to 40.51 in 2006. The average length of service has slightly decreased from 11.75 years in 2006 to 10.34 in 2007.

Indirect employment

Apart from the 169 people directly employed, Gaumont contributed to 207 people being employed on the equivalent of a full time basis in films and audiovisual productions.

Salaries, employee incentive bonus and profit sharing plans

The global amount of gross salaries paid by Gaumont and its subsidiaries consolidated by the full consolidation method, apart from Alphanim, amounted to € 8,310,062 in 2007.

The employees of Gaumont and Gaumont Vidéo are covered by an incentive bonus agreement that was renegotiated in June 2006 for the 2006-2007-2008 periods. The amounts distributed represent 1% of Gaumont's share of the consolidated results before tax.

The amount of the incentive bonus is evenly distributed between the eligible employees.

The payment is made once a year within the calendar month after the Gaumont's General Meeting of shareholders has approved the financial statements of the year and no later than on the last day of the seventh month after the year end.

Under the Company Savings Plan, all or part of the incentive bonus that any employee pays into the plan may be doubled within the limit of € 2,300. Said additional contribution is called a "lump sum payment by company" (abondement).

A total amount of € 330,208 was paid in June 2007 for 2006:

- € 182,834 for the incentive bonus allocated between 98 beneficiaries;
- € 147,374 for the lump sum payment by the company allocated between 78 beneficiaries for the incentive bonus.

The employees of Gaumont Pathé Archives are covered by a separate Company Savings Plan. It is funded by voluntary payments made by member employees within the maximum limit of 25% of their gross annual salary and a minimum of € 160. 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 debit from the salary.

Apart from the voluntary monthly payments, each member may make at least two exceptional payments per year at the dates of his or her choice. Gaumont Pathé Archives makes an additional payment to the voluntary payments of employees called "lump sum payment by the company" which is capped at € 1,829.39.

In 2007, 18 employees in question made such payments. The payments under the savings plan amounted to € 17,310 and all lump sum payments by the company amounted to € 29,047.

The profit sharing premium provided for in the agreement of March 21, 1996 is calculated on the taxable income pursuant to current law. No payment was made in this respect during 2007.

Training

The training effort has been maintained in 2007, with 1,050 hours of courses, mainly in language, IT and financial fields, which 57 trainees attended.

The relevant budget is much the same of that of the previous year.

In the scope of the individual right to training, 12 trainees attended 200 hours of training.

Employee benefit schemes

The global budget devoted to social and cultural activities amounted to € 119,854, to which the cost of the "inter company" restaurant of € 17,278, is added.

Health and safety

The CHSCT² met on January 9 and 24, March 28, July 4, September 26 and December 19, 2007.

A building evacuation drill was organized on December 17, 2007.

Ten Gaumont employees attended the annual training "workplace first aid workers and rescuers".

In the autumn, the flu vaccine was proposed to employees who wished to be vaccinated. 35 employees were vaccinated.

² Translator: Comités d'Hygiène, de Sécurité et des Conditions de Travail (workplace health and safety committee).



Gaumont share subscription options

Since December 1987, Gaumont has set up eight share subscription plans for some of its employees and in particular its corporate officers, apart from the Chairman of the Supervisory Board who does benefit from any plan.

The features of all share subscription plans in progress at December 31, 2007 were as follows:

Option plans	Allocations				Options		
	Initial		Adjusted		Cancelled	Subscribed	Approved
	Price	Number	Price	Number			
Plan I (December 87)	€ 60.98	35,000	€ 21.78	97,141	20,368	76,773	-
Plan II (adjusted) (December 88)	€ 91.47	5,804	€ 32.62	16,889	13,163	3,726	-
Plan III (adjusted) (February 93)	€ 57.93	37,496	€ 21.78	100,001	-	100,001	-
Plan IV (February 95)	€ 38.11	30,000	€ 38.11	30,000	-	30,000	-
Plan V (February 96)	€ 50.31	104,000	€ 50.31	104,000	34,000	58,100	11,900
Plan VI (March 98)	€ 64.03	168,000	€ 64.03	168,000	73,000	72,000	23,000
Plan VII (April 02)	€ 48.00	165,000	€ 48.00	165,000	89,780	36,120	39,100
Plan VIII (February 05)	€ 64.00	196,750	€ 64.00	196,750	14,000	(1) 2,000	180,750
Total		742,050		877,781	244,311	378,720	254,750
Capital at December 31, 2007 = 4,269,917 shares							
In percentage of capital				20.56%	5.72%	8.87%	5.97%

(1) Early exercise of options.

In accordance with the provisions of Article L. 225-184 of the French Commercial Code (Code de commerce), the information on options granted and exercised during FY 2007 relating to the corporate officers as well as the ten employees that do not hold corporate office are set out in the special report that the Executive Board submitted to the General Meeting.



Management Report by the Executive Board

Labor and environmental consequences of the activity

The chart below summarizes the main information on said share purchase or subscription options:

	Plan I	Plan II	Plan III	Plan IV	Plan V	Plan VI	Plan VII	Plan VIII
Date of General Meetings	12.03.87	12.03.87	05.27.91	06.02.94	06.02.94	04.25.96	04.30.98	04.29.04
Date of allocation	12.03.87 (1)	12.23.88 (1)	02.18.93 (1)	02.16.95 (1)	02.15.96 (1)	03.12.98 (1)	04.09.02 (1)	02.28.05 (2)
Type of option	Subscription							
Total number of options allocated	35,000	5,804	37,496	30,000	104,000	168,000	165,000	196,750
Total number of options allocated, adjusted by subsequent operations	97,141	16,889	100,001	30,000	104,000	168,000	165,000	196,750
Aggregate number of options cancelled at 12.31.07	20,368	13,163	-	-	34,000	73,000	89,780	14,000
Aggregate number of options exercised at 12.31.07	76,773	3,726	100,001	30,000	58,100	72,000	36,120	(3) 2,000
Number of options still in circulation at 12.31.07	-	-	-	-	11,900	23,000	39,100	180,750
Including number of options that corporate officers may subscribe for (in its current formation)	-	-	-	-	1,000	2,000	3,000	60,000
▪ Sidonie Dumas	-	-	-	-	1,000	2,000	3,000	30,000
▪ Christophe Riandee	-	-	-	-	-	-	-	30,000
Including the number that may be subscribed for by the ten employees of the Company with the highest number of options thus granted (4)	-	-	-	-	10,900	21,000	25,240	64,000
Starting date of exercise of options	12.03.87	12.23.88	02.18.98	02.16.00	02.15.01	03.12.03	04.09.06	02.28.09
Expiry date	12.02.02	12.22.03	02.17.43	02.15.45	02.14.46	03.11.48	04.08.46	02.27.49
Exercise price (in euro)	€ 21.78	€ 32.62	€ 21.78	€ 38.11	€ 50.31	€ 64.03	€ 48.00	€ 64.00

(1) Board of Directors.

(2) Executive Board.

(3) Early exercise of options.

(4) When more than ten employees are concerned in equal terms, the number specified takes account of all concerned parties (including individuals who have left the Company).



Information on corporate officers

List of duties and terms of offices of the members of the Executive Board and the Supervisory Board during FY 2007

Executive Board

Since February 1, 2007, the Executive Board has two members as Franck Chorot asked to be released from his duties on the Executive Board as from January 31, 2007 so as to be able to devote himself exclusively to film production within Gaumont.

Sidonie Dumas

40 years

Business address:
30, avenue Charles de Gaulle
92200 Neuilly-sur-Seine
France

Duties or terms of office carried on within the Company:

Chairwoman of the Executive Board since July 27, 2004, renewed on April 27, 2006 for a term of two years

Other duties or terms of office carried on within the Group:

Legal representative of Gaumont, Manageress of Gaumont Vidéo

Legal representative of Gaumont, Manageress of Gaumont Musiques (as from February 15, 2007)

Legal representative of Gaumont, Liquidator of Gaumont Musique

Permanent representative of Gaumont, Member of the Management Committee of EuroPalaces

Manageress of Gaumont International, Editions La Marguerite, Les Films du Dauphin, Les Films du Loup, Prestations et Services, SCI Forest (as from April 2, 2007) and Alphanim Musique (as from December 21, 2007)

Member of the Management Committee of Gaumont Pathé Archives and Gaumont Columbia TriStar Films (up to June 30, 2007)

Chairwoman of Alphanim's Board of Directors (as from December 21, 2007)

Chairman of Alphanim Digital (as from December 21, 2007)

Other duties or terms of office carried on outside the Group:

None

Franck Chorot

43 years

Business address:

30, avenue Charles de Gaulle
92200 Neuilly-sur-Seine
France

Duties or terms of office carried on within the Company:

Member of the Executive Board with the title of Chief Executive Officer since July 27, 2004, renewed on April 27, 2006 and which ended on February 1, 2007

Other duties or terms of office carried on within the Group:

Permanent representative of Gaumont, Manager of Gaumont Vidéo up to January 31, 2007

Member of the Management Committee of Gaumont Columbia TriStar Films up to January 31, 2007

Permanent representative of Gaumont International, Member of the Management Committee of EuroPalaces up to January 31, 2007

Other duties or terms of office carried on outside the Group:

Member of the Producer's Committee of uniFrance

Permanent representative of Gaumont, Member of the Management Committee of uniFrance up to January 31, 2007

Christophe Riandee

40 years

Business address:

30, avenue Charles de Gaulle
92200 Neuilly-sur-Seine
France

Duties or terms of office carried on within the Company:

Member of the Executive Board with the title of Chief Executive Officer since July 27, 2004, renewed on April 27, 2006, for a term of two years

Other duties or terms of office carried on within the Group:

Permanent representative of Gaumont, Manager of Gaumont Vidéo (as from February 1, 2007)

Permanent representative of Les Films du Loup, Member of the Management Committee of EuroPalaces

Member of the Management Committee of Gaumont Pathé Archives and Gaumont Columbia TriStar Films (up to June 30, 2007)

Vice Chairman of Gaumont Inc. (USA), Gaumont Distribution Inc. (USA) and The Visitors Inc. (USA)

Director of Alphanim (as from December 21, 2007)

Other duties or terms of office carried on outside the Group:

None



Management Report by the Executive Board

Information on corporate officers

Supervisory Board

Nicolas Seydoux

68 years

Business address:
30, avenue Charles de Gaulle
92200 Neuilly-sur-Seine
France

Duties or terms of office carried on within the Company:

Chairman of the Supervisory Board since July 27, 2004 for a term of six years

Other duties or terms of office carried on within the Group:

Chairman of Gaumont Inc. (USA), Gaumont Distribution Inc. (USA) and The Visitors Inc. (USA)
Manager of SCI Forest (up to March 31, 2007)
Director of Gaumont Ltda (Brazil)

Other duties or terms of office carried on outside the Group:

Vice Chairman of the Supervisory Board of Arte France
Director of Société Civile de Val Richer and Schlumberger Ltd (Dutch West Indies)
Chairman of Cinépar (majority shareholder of Gaumont), Socipar and SCA Grands Vins de Pazac

Marie Seydoux

66 years

Business address:
30, avenue Charles de Gaulle
92200 Neuilly-sur-Seine
France

Duties or terms of office carried on within the Company:

Vice-Chairman of the Supervisory Board since July 27, 2004 for a term of six years

Other duties or terms of office carried on within the Group:

None

Other duties or terms of office carried on outside the Group:

None

Thierry Dassault

50 years

Business address:

9, rond-point des Champs-Elysées
Marcel Dassault
75008 PARIS
France

Duties or terms of office carried on within the Company:

Member of the Supervisory Board since April 27, 2006 for a term of six years

Other duties or terms of office carried on within the Group:

None

Other duties or terms of office carried on outside the Group:

Chairman of Keynectis
Director of Socpress (Le Figaro)
Member of the Supervisory Board of the Groupe Industriel Marcel Dassault and Société du Journal des Finances
Permanent representative of SC TDH on Halys Board

Antoine Gallimard

60 years

Business address:

5, rue Sébastien Bottin
75007 PARIS
France

Duties or terms of office carried on within the Company:

Member of the Supervisory Board since July 27, 2004 for a term of six years

Other duties or terms of office carried on within the Group:

None

Other duties or terms of office carried on outside the Group:

Director of Groupe Eyrolles, Electre, Scénèn and BNF
Chairman of the Board of Directors and Chief Executive Officer of Editions Gallimard and Madrigall
Chairman of Gallimard Jeunesse and Gallimard Loisirs
Permanent representative of Editions Gallimard to the Boards of Mercure de France, P.O.L. Editeur and Editions de La Table Ronde



Michel Seydoux

60 years

Business address:

Groupe MSI
19, rue de la Trémouille
75008 PARIS
France

Duties or terms of office carried on within the Company:

Member of the Supervisory Board since July 27, 2004 for a term of six years

Other duties or terms of office carried on within the Group:

None

Other duties or terms of office carried on outside the Group:

Chairman of MSI, Société Immobilière de l'Ouest (end of term at October 30, 2007) and Citadelle Invest

Chairman of the Board of Directors of LOSC Lille Métropole and Socle

Member of the Management Board of Pathé

Member of the Management Board of Gaya Rive Gauche and Lepapivore (since July 27, 2007)

Manager of Camera One, JSI, Groupement Forestier des Noues (end of term at March 29, 2007) and SCI du Domaine de Luchin

Representative of MSI, Managing Partner of MSEB et Cie

Representative of MSI, Director of Airport Communication

Managing Partner of Liberté 25 Citadelle

Bertrand Siguier

66 years

Business address:

191, Rue de l'Université
75007 PARIS
France

Duties or terms of office carried on within the Company:

Member of the Supervisory Board since July 27, 2004 for a term of six years

Other duties or terms of office carried on within the Group:

None

Other duties or terms of office carried on outside the Group:

Member of the Executive Board of Publicis Groupe

Chairman and Chief Executive Officer of Multi Market Service France

Director of Publicis Technology, Gantois and HM Editions

Director of Publicis Canada, Multi Market Services Ltd (UK), Publicis Hellas Advertising (Greece), Publicis Graphics Group Holding (Luxembourg), Publicis Communication Ltd (New Zealand), Publicis Mojo Ltd (New Zealand), Publicis Communication Espana (Spain), Publicis Publicidade Lda (Spain), Publicis Sp. z.o.o. (Poland), Publicis Wet Desert Sdn Bhd (Malaysia), Publicis Communication (Pty) Ltd (South Africa)

Deputy Chairman of International Sports and Entertainment AG (Switzerland)



Management Report by the Executive Board

Information on corporate officers

Pénélope Tavernier

41 years

Business address:
Chemin de Haute Brise 1A
1012 LAUSANNE
Switzerland

Duties or terms of office carried on within the Company:

Member of the Supervisory Board since July 27, 2004 for a term of six years

Other duties or terms of office carried on within the Group:

None

Other duties or terms of office carried on outside the Group:

Chairwoman of Léman Hélicoptères (Switzerland)
Director of UMA Food and Beverages

Marc Tessier

61 years

Business address:
27, rue d'Orléans
92200 Neuilly-sur-Seine
France

Duties or terms of office carried on within the Company:

Member of the Supervisory Board since April 27, 2006 for a term of six years

Other duties or terms of office carried on within the Group:

None

Other duties or terms of office carried on outside the Group:

Chairman of IDF1
Chairman of the distribution aid Commission of the National Film Centre
Advisor to the Chairmanship of J2H
Chief Executive Officer of Netgem Media Services
Director on the Supervisory Board of Copag V. Copag and G7 Enterprises
Director of Netgem, Total VoD, Digitime, IDATE and Alternative Media Initiative (Canada)

Jean Todt

61 years

Business address:
Via Ascari 55/57
41053 MARANELLO
Italy

Duties or terms of office carried on within the Company:

Member of the Supervisory Board since July 27, 2004 for a term of six years

Other duties or terms of office carried on within the Group:

None

Other duties or terms of office carried on outside the Group:

Chairman of the Board of Directors of Ferrari West Europe
Acting Director of Ferrari SpA
Chairman of the Board of Directors of Ferrari Management Consulting (Shanghai) Co. Ltd
Member of the Supervisory Board of the Groupe Lucien Barrière



Compensation and benefits paid to corporate officers

All of Executive members combine an employment contract with a corporate office.

	Position	Compensation + Directors' fees (1)	Amounts paid (2) (in euro)		Criterion of variable compensation	Benefits in kind (3) (in euro)		Allocation of stock options (in number of options)		
			2007	2006		2007	2006	2007	2006	
Sidonie Dumas	Chairwoman of the Executive Board	Fixed	100,000	100,000	% of the Group share of consolidated results prior to taxes & extraordinary items of the previous year					
		Variable	407,548	107,174						
	Sub-total corporate officers		507,548	207,174						
	Manageress	Fixed	200,566	200,188						
		Variable	-	-						
	Sub-total		200,566	200,188						
Franck Chorot (5)	Total		708,114	407,362						
	Member of the Executive Board	Fixed	2,308	30,000	% of the Group share of consolidated results prior to taxes & extraordinary items of the previous year					
		Variable	407,548	107,174						
	Sub-total corporate officers		409,856	137,174						
	Manager	Fixed	20,769	270,545				489	5,871	
		Variable	-	-						
	Producer	Fixed	462,723	-				5,382		
		Variable	-	-						
Christophe Riandee	Sub-total		483,492	270,545						
	Total		893,348	407,719			5,871	5,871		
	Member of the Executive Board	Fixed	100,000	100,000	% of the Group share of consolidated results prior to taxes & extraordinary items of the previous year					
		Variable	407,548	107,174						
	Sub-total corporate officers		507,548	207,174						
	Manager	Fixed	200,452	200,391				4,428	4,427	
		Variable	-	-						
	Sub-total		200,452	200,391						
	Total		708,000	407,565				4,428	4,427	



Management Report by the Executive Board

Information on corporate officers

Apart from directors' fees, only the Chairman and Vice Chairman receive compensation.

No compensation or directors' fees other than those mentioned above have been paid to corporate officers by the controlled or controlling companies within the meaning of Article L. 233-16 of the Commercial Code.

	Position on the Supervisory Board	Compensation + Directors' fees (2)	Amount paid (3) (in euro)		Criterion of variable compensation
			2007	2006	
Nicolas Seydoux	Chairman	Fixed	450,000	450,000	% of the Group share of consolidated results prior to taxes & extraordinary items of the previous year
		Variable	815,096	214,347	
		Directors' fees (4)	20,000	20,000	
	Total		1 285,096	684,347	
Marie Seydoux	Vice-Chairwoman	Fixed	50,000	50,000	
		Variable	-	-	
		Directors' fees (4)	20,000	20,000	
	Total		70,000	70,000	
Thierry Dassault	Member	Directors' fees (4)	20,000	-	
Antoine Gallimard	Member	Directors' fees (4)	20,000	20,000	
Michel Seydoux	Member	Directors' fees (4)	20,000	20,000	
Bertrand Siguier	Member	Directors' fees (4)	20,000	20,000	
Pénélope Tavernier	Member	Directors' fees (4)	20,000	20,000	
Marc Tessier	Member	Directors' fees (4)	20,000	-	
Jean Todt	Member	Directors' fees (4)	20,000	20,000	
Total directors' fees			180,000	140,000	

(1) Prior to social security and tax deductions.

(2) Amount paid = all amounts paid by Gaumont during the year. Note that the variable share allocated for a year is actually paid during the next year.

(3) Benefits in kind consisting in the provision of a company car.

(4) Directors' fees allocated for the year in equal proportions between each member of the Supervisory Board and paid during the next year.

(5) Member who requested to be released from his duties on the Executive Board as from January 31, 2007 in order to devote himself exclusively to film production within Gaumont.

Amounts booked for pensions, retirement or other benefits

In the same respect and in the same conditions as Gaumont's employees, the members of the Executive Board may be entitled to a legal retirement gratuity.

The global amount of pension commitments booked in the financial statements at December 31, 2007 for the members of the Executive Board amounted to € 81,702 compared to € 135,198 at December 31, 2006.

Commitments of any kind incurred by the Company for its corporate officers

There is no golden hello or golden handshake or complementary pension scheme applicable as of today's date for corporate officers.



Five year summary of the Company's results

In accordance with the provisions of Article 148 of the decree of March 23, 1967, the chart showing the Company's financial results (*in euro*) over the last five years is enclosed with this report.

Type of information	12.31.07	12.31.06	12.31.05	12.31.04	12.31.03
I - Closing financial situation					
a) Share capital	34,159,336	33,982,408	33,774,376	33,054,376	32,966,376
b) Number of shares issued	4,269,917	4,247,801	4,221,797	4,131,797	4,120,797
II - Global results of actual operations					
a) Revenues excluding tax	59,613,551	101,738,417	65,186,628	72,358,645	55,700,682
b) Profit before tax, employee profit sharing, depreciation and provisions	34,649,150	74,241,429	61,128,980	43,433,783	33,450,202
c) Tax on profit	1,880,227	2,106,976	2,734,020	2,160,345	233,017
d) Employee profit sharing owed for the FY	-	-	-	-	-
e) Results after tax, employee profit sharing, depreciation and provisions	-17,867,822	15,959,107	2,350,356	-22,909,626	6,511,612
f) Amount of profits distributed	4,247,801	2,533,078	2,479,078	1,236,239	-
III - Results of operations per share					
a) Profit after tax, employee profit sharing, but before depreciation and provisions	8.56	17.97	15.13	11.03	8.17
b) Result after tax, employee profit sharing, depreciation and provisions	-4.18	3.76	0.56	-5.54	1.58
c) Net dividend paid to each share	1.00	0.60	0.60	0.30	-
IV - Personnel					
a) Number of employees (average workforce)	107	91	87	86	93
b) Amount of the wage bill	6,596,659	8,138,447	6,279,540	8,157,334	6,721,480
c) Amount paid for welfare benefits (social security, employee benefit schemes, etc.)	2,428,147	2,521,391	2,207,808	2,329,406	2,437,172



Management Report by the Executive Board

Five year summary of the Company's results

The Executive Board thanks all of the personnel for their involvement with the various businesses of the Company and their involvement in the smooth operation of legal institutions: Works Council, Employee Welfare Schemes and Professional Delegations.

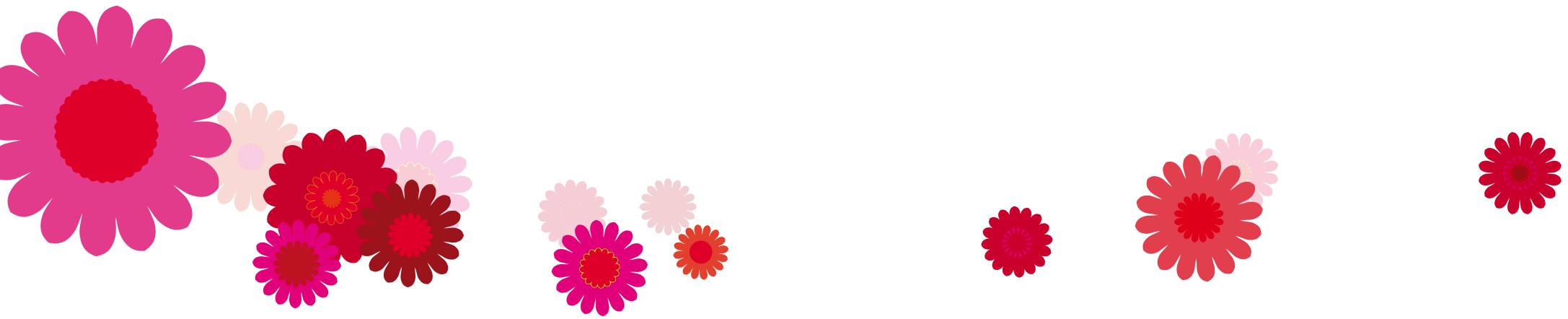
Executive Board

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Management Report by the Executive Board
Five year summary of the Company's results



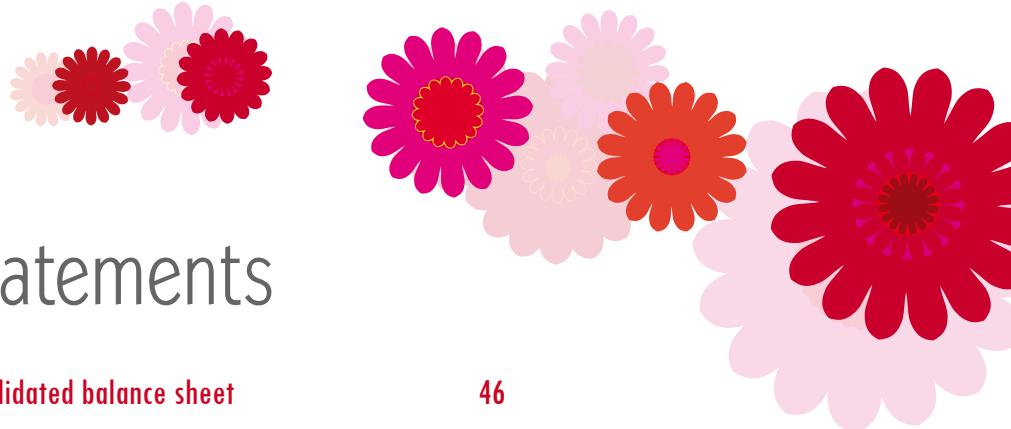
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Consolidated financial statements

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Consolidated balance sheet - Assets

(in thousands of euro)	Note	12.31.07	12.31.06	12.31.05
Net purchase differentials	3.1	15,608	-	544
Net films and audiovisual rights	3.2	120,892	81,231	86,946
Other net intangible assets	3.3	950	551	719
Net tangible assets	3.4	35,726	34,944	34,893
Carried at equity	3.5	158,959	147,155	137,510
Other net financial assets	3.6	3,548	881	835
Non current tax assets	4.8.3	2,768	1,056	2,804
Non current assets		338,451	265,818	264,251
Net accounts receivables	3.7	39,671	41,170	36,002
Current tax assets	3.7	2,969	2,286	2,857
Other net receivables and other current financial assets	3.7	28,346	29,551	18,678
Cash and cash equivalents	3.8	3,723	4,377	4,962
Current assets		74,709	77,384	62,499
Total Assets		413,160	343,202	326,750



Consolidated balance sheet - Liabilities

(in thousands of euro)	Note	12.31.07	12.31.06	12.31.05
Capital		34,159	33,982	33,774
Reserves and results (Group share)		171,490	181,230	156,501
Equity capital (Group share)		205,649	215,212	190,275
Minority interests		2,810	2,826	2,645
Equity capital	3.9	208,459	218,038	192,920
Non current provisions	3.10	1,781	1,536	1,411
Non current tax liabilities	4.8.3	2,961	2,761	12,356
Long term financial debts	3.11	19,722	-	-
Other non current debts	3.12	1,732	1,663	3,470
Non current liabilities		26,196	5,960	17,237
Current provisions	3.10	3,115	3,493	2,014
Short term financial debts	3.11	103,734	41,886	48,188
Accounts payable	3.12	22,910	25,628	21,305
Current tax liabilities	3.12	-	111	108
Other debts	3.12	48,746	48,086	44,978
Current liabilities		178,505	119,204	116,593
Total Liabilities		413,160	343,202	326,750



Consolidated income statement

(in thousands of euro)	Note	12.31.07	12.31.06	12.31.05
Revenues	4.1.1	72,891	131,140	99,396
Purchases		-564	-931	-766
Personnel costs	4.2	-13,842	-16,015	-12,066
Other current operating income and expenses	4.3	-31,933	-54,321	-33,510
Losses in value, depreciation and provisions	4.4	-48,306	-52,079	-54,955
Current operating results	4.1.2	-21,754	7,794	-1,901
Other non current operating income and expenses	4.5	-253	-609	376
Operating results		-22,007	7,185	-1,525
Income from cash and cash equivalents		203	239	84
Cost of the gross financial indebtedness		-3,105	-1,293	-1,865
Cost of the net financial indebtedness		-2,902	-1,054	-1,781
Other interest income and expenses	4.6	3,907	1,853	2,846
Share of the net results of companies carried at equity	4.7	12,200	10,206	5,507
Results before taxes		-8,802	18,190	5,047
Taxes	4.8	1,901	7,425	2,243
Net results		-6,901	25,615	7,290
Including minorities' share		153	181	92
Including Group's share		-7,054	25,434	7,198
Net results (Group share) per share				
- Average number of shares in circulation	4.9	4,263,649	4,235,701	4,199,297
- In euro per share		-1.65	6.00	1.71
Net results (Group share) diluted by share				
- Average potential number of shares	4.9	4,479,719	4,249,779	4,215,796
- In euro per share		-1.57	5.98	1.71



Change in consolidated equity capital

Change in equity capital (in thousand of euro)	Group Share						
	Capital	Reserves related to the capital (1)	Consolidated reserves and results	Results posted directly in equity capital (2)	Total equity capital	Minority interests	Total equity capital
At December 31, 2005	33,774	23,787	108,437	24,277	190,275	2,645	192,920
Change in translation reserve				-231	-231		-231
Gains and losses posted in equity capital	-	-	-	-231	-231	-	-231
Net results of the period			25,434		25,434	181	25,615
Total income and expenses of the period	-	-	25,434	-231	25,203	181	25,384
Operations on capital (3)	208	1,081			1,289		1,289
Payments based on shares		978			978		978
Dividends			-2,533		-2,533		-2,533
Transactions with shareholders	208	2,059	-2,533	-	-266	-	-266
At December 31, 2006	33,982	25,846	131,338	24,046	215,212	2,826	218,038
Change in translation reserve				-231	-231		-231
Gains and losses posted in equity capital	-	-	-	-231	-231	-	-231
Net results of the period			-7,054		-7,054	153	-6,901
Total income and expenses of the period	-	-	-7,054	-231	-7,285	153	-7,132
Operations on capital (3)	177	926			1,103		1,103
Payments based on shares		895			895		895
Dividends			-4,248		-4,248	-169	-4,417
Others			-28		-28		-28
Transactions with shareholders	177	1,821	-4,276	-	-2,278	-169	-2,447
At December 31, 2007	34,159	27,667	120,008	23,815	205,649	2,810	208,459

Change in minority interests (in thousands of euro)	Reserves	Results	Minority interests
At December 31, 2005	2,553	92	2,645
Appropriation of the result of the previous period	92	-92	-
Net results of the period		181	181
Total income and expenses of the period	92	89	181
At December 31, 2006	2,645	181	2,826
Appropriation of the result of the previous period	181	-181	-
Net results of the period		153	153
Total income and expenses of the period	181	-28	153
Dividends	-169		-169
Transactions with shareholders	-169	-	-169
At December 31, 2007	2,657	153	2,810

(1) Issue premiums, contribution premiums, merger premiums, legal reserves.
(2) Results posted directly in equity capital including the revaluations on tangible or intangible assets (IAS 16 and IAS 38) and changes in translation differentials.
(3) Exercises of share subscription options.



Statement of consolidated cash flows

(in thousands of euro)	Note	12.31.07	12.31.06	12.31.05
Operating operations				
Consolidated net results (including minority interests)		-6,901	25,615	7,290
Net allowances for depreciation and provisions	5.1	49,772	53,412	57,004
Losses of value on purchase differentials		-	544	-
Unrealized gains and losses related to changes in fair value	3.13	181	-49	-36
Expenses and income calculated/related to stock options and like instruments		895	978	821
Net results from sales of fixed assets		-185	8,297	-374
Share of results related to companies carried at equity		-12,200	-10,206	-5,507
Dividends received from companies carried at equity	5.2	422	508	504
Cash flow after cost of net financial indebtedness and tax		31,984	79,099	59,702
Cost of the net financial indebtedness		2,902	1,054	1,781
Tax expenses (including deferred tax)		-1,901	-7,425	-2,243
Cash flow prior to cost of net financial indebtedness and tax		32,985	72,728	59,240
Tax paid		-722	-387	-77
Change in the working capital requirement related to the business	5.3	2,234	-12,714	13,625
(A) Net cash flow generated by the business		34,497	59,627	72,788
Investment operations				
Sales of fixed assets		1,141	171	796
Purchases of fixed assets	5.4	-78,438	-54,629	-46,437
Change in payables to fixed assets suppliers	5.5	-1,352	3,017	879
Impact of changes in scope	5.6	-28,867	-	-
(B) Net cash flow related to investment operations		-107,516	-51,441	-44,762
Financing operations				
Capital increase of Gaumont SA		1,103	1,289	5,488
Dividends paid to Gaumont SA shareholders		-4,248	-2,533	-2,479
Dividends paid to minority interests in consolidated companies		-169	-	-
Change in financial debts		73,354	-6,853	-25,305
Interest paid		-2,902	-1,054	-1,781
(C) Net cash flow related to financing operations		67,138	-9,151	-24,077
(D) Impact of changes in currency rates		-185	-171	191
Global change in cash flow: (A) + (B) + (C) + (D)		-6,066	-1,136	4,140
Opening cash and cash equivalents		4,377	4,962	2,221
Opening bank credit balances		-1,005	-454	-1,853
Opening cash flow		3,372	4,508	368
Closing cash and cash equivalents		3,723	4,377	4,962
Closing bank credit balances		-6,417	-1,005	-454
Closing cash flow		-2,694	3,372	4,508
Global change in cash flow		-6,066	-1,136	4,140



Notes to the consolidated financial statements

1. The Gaumont Group

1.1. Group's business

The main businesses of Gaumont and its subsidiaries are film production and distribution, use of rights and operation of cinemas via EuroPalaces, a company carried at equity.

Via the Alphanim Company, which Gaumont bought on December 21, 2007, Gaumont is now present in the field of cartoon film and series production.

1.2. Consolidation scope

1.2.1. Change in consolidation scope

The changes in scope between December 31, 2006 and December 31, 2007 related to:

1.2.1.1. Purchase of LGM Participations

On January 9, 2007, the Gaumont Company bought out all shares (100%) making up the share capital of LGM Participations, which holds all the shares making up the share capital of the LGM Cinéma Company for an amount of € 3,481,000 of which € 3,281,00 was disbursed during the year, as an advance of € 200,000 had been paid in 2006.

Said purchase was financed by a syndicated line of credit of € 100,000,000 set up on December 20, 2005.

LGM Cinéma co-produced *Mais qui a tué Pamela Rose?*, 36 quai des Orfèvres, *Un ticket pour l'espace*, *La piste* and *Pars vite et reviens tard*.

LGM Cinéma was delisted from the Paris Trade and Companies Register on February 13, 2007, following the general transfer of its assets to its sole shareholder LGM Participations on February 10, 2007. LGM Participations was also delisted from the Paris Trade and Companies Register on February 13, 2007, following the general transfer of its assets to its sole shareholder, the Gaumont company, on February 10, 2007.

Said company was consolidated as from January 9, 2007, the takeover date.

The purchase price is allocated as follows (*in thousands of euro*):

Purchase price of shares	3,481
Incidental purchase costs	-
Purchase cost (A)	3,481
Non current assets	27
Current assets	2,732
<i>Total assets (B)</i>	2,759
Non current liabilities	-
Current liabilities	-751
<i>Total liabilities (C)</i>	-751
Net worth acquired prior to fair value adjustments (D=B+C)	2,008
Fair value adjustments of films	1,473
Tax impact of the above adjustment	-491
Total fair value adjustments (E)	982
Net worth acquired after fair value adjustments (F=D+E)	2,990
Purchase differential (G=A-F)	491



Consolidated financial statements

Notes to the consolidated financial statements

1.2.1.2. Subscription to the capital of Gaumont Musiques

Gaumont fully subscribed to the entire share capital (100%) of Gaumont Musiques for an amount of € 37,000. Said company owns, in particular, a proprietary share of the sound tapes that Gaumont Musique, a company in liquidation, previously held.

1.2.1.3. Purchase of Arkeion Films

On July 6, 2007, Gaumont bought all (100%) of the shares making up the share capital of Arkeion Films for an amount of € 907,000, of which € 627,000 was disbursed during the year.

Said purchase was financed by a syndicated line of credit of € 100,000,000 set up on December 20, 2005.

Said company, specialized in Russian and Soviet films, owns the material of major fiction films that has passed into the public domain and holds distribution contracts for many other films produced, in particular, by Serguei Eisenstein, Andrei Kontchalovski, Nikita Mikhalkov, Boris Barnet and Dziga Vertov.

Said company was consolidated using the full consolidation method as from July 6, 2007, the takeover date.

At December 31, 2007, said company's corporate financial statements showed revenues of € 575,000 and a loss of the year of € 68,000.

Its contribution to the consolidated revenues is € 414,000. Its contribution to the consolidated net result (Group share) is a negative by € 59,000.

The purchase price is allocated as follows (*in thousands of euro*):

Purchase price of shares	907
Incidental purchase costs	-
Purchase cost (A)	907
Non current assets	34
Current assets (1)	216
Total assets (B)	250
Non current liabilities	-
Current liabilities	-236
Total liabilities (C)	-236
Net worth acquired prior to fair value adjustments (D=B+C)	14
Fair value adjustments of films	893
Tax impact of the above adjustment	-298
Recognition of deferred taxes on non recognised tax losses that may be carried over	57
Total fair value adjustments (E)	652
Net worth acquired after fair value adjustments (F=D+E)	666
Purchase differential (G=A-F)	241

(1) Including capital increase contributed by former shareholders (€ 108,000).

1.2.1.4. Purchase of the Alphanim company

To diversify into the production of television formats, on December 21, 2007, Gaumont bought all (100%) of the shares making up the share capital of Alphanim, one of the leading French producers of cartoon series for television with more than 700 half hours of programs, including the series *Galactik Football* and *Robot Boy*, for an amount of € 24,000,000, disbursed on the date of signature; the costs of the transaction amounting to € 1,075,000 are to be added thereto.

Said purchase was financed by a redeemable loan agreement set up on December 21, 2007, of an amount of € 25,000,000 repayable in ten half-yearly installments of € 2,500,000 as from June 21, 2008 up to December 21, 2012.

Alphanim holds all of the shares making up the share capital of Alphanim Musique, a sound recording producer, and Alphanim Digital, a multimedia producer.



The consolidation of these three companies, using the full consolidation method, had no impact on Gaumont's 2007 consolidated income statement.

For information, at December 31, 2007, Alphanim's consolidated revenues stood at € 15,087,000, the operational result was a profit of € 1,724,000 and the net result was a profit of € 1,795,000.

The purchase price is allocated as follows (*in thousands of euro*):

Purchase price of shares	24,000
Incidental purchase costs	1,075
Purchase cost (A)	25,075
Non current assets	9,656
Current assets (1)	8,460
<i>Total assets (B)</i>	<i>18,116</i>
Non current liabilities	-139
Current liabilities	-12,173
<i>Total liabilities (C)</i>	<i>-12,312</i>
Net worth acquired prior to fair value adjustments (D=B+C)	5,804
Fair value adjustments of films and series	4,395
Tax impact of the above adjustment	-1,465
Recognition of deferred tax on non recognised temporal differences	54
Recognition of deferred tax on non recognised tax losses that may be carried over	1,411
Total fair value adjustments (E)	4,395
Net worth acquired after fair value adjustments (F=D+E)	10,199
Purchase differential (G=A-F)	14,876

The purchase differential reflects the Group's development prospects in the cartoon field through the merger with a major player in this sector.

Especially, it includes the know-how developed by Alphanim's personnel.

1.2.1.5. Purchase of Les Productions de la Guéville

On December 14, 2007, Gaumont bought all (100%) of the shares making up the share capital of Les Productions de la Guéville, whose corporate name changed to Autrement Productions, for an amount of € 2,865,000. Said amount was placed in escrow on a "Carpa" account and released on the date of the actual transfer of shares, i.e. January 1, 2008.

Said purchase was financed by a syndicated line of credit of € 100,000,000 set up on December 20, 2005.

Gaumont thus completes its catalogue with films that it co-produced, among others: *Le grand blond avec une chaussure noire*, *Un éléphant ça trompe énormément*, *Salut l'artiste*, *Le château de ma mère* and *La gloire de mon père*, but also with films in which Gaumont was not involved *Le distract* by Pierre Richard, *Que la fête commence* by Bertrand Tavernier or else *La vie de château* by Jean-Paul Rappeneau.

Said company was consolidated, using the full consolidation method as from January 1, 2008, the takeover date.

The fair value of assets and any liabilities are in the process of identification. There is no information available for the moment.



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1.2.2. Consolidated companies

Company and legal form	Head office	Siren ¹	% interest	% control	Consolidation method
Parent company					
Gaumont SA	30, avenue Charles de Gaulle, 92200 Neuilly/Seine	562 018 002	100.00	Parent company	F.C.
French companies					
<i>Cinema production and television</i>					
Alphanim SA	8, avenue des Minimes, 94300 Vincennes	411 459 811	100.00	100.00	F.C.
Gaumont International SARL	30, avenue Charles de Gaulle, 92200 Neuilly/Seine	340 538 693	100.00	100.00	F.C.
Les Films du Dauphin SARL	5, rue du Colisée, 75008 Paris	352 072 904	100.00	100.00	F.C.
Les Films du Loup SNC	30, avenue Charles de Gaulle, 92200 Neuilly/Seine	322 996 257	100.00	100.00	F.C.
Prestations et Services SARL	30, avenue Charles de Gaulle, 92200 Neuilly/Seine	612 022 004	100.00	100.00	F.C.
<i>Distribution</i>					
Arkeion Films SAS	6, rue de Saint-Pétersbourg, 75008 Paris	382 651 123	100.00	100.00	F.C.
Gaumont Columbia TriStar Films GIE	5, rue du Colisée, 75008 Paris	477 485 569	50.00	50.00	C.E.
Gaumont Vidéo SNC	30, avenue Charles de Gaulle, 92200 Neuilly/Seine	384 171 567	100.00	100.00	F.C.
<i>Operation</i>					
EuroPalaces SAS	2, rue Lamennais, 75008 Paris	392 962 304	34.00	34.00	C.E.
<i>Music</i>					
Alphanim Musique SARL	8, avenue des Minimes, 94300 Vincennes	411 459 811	100.00	100.00	F.C.
Editions La Marguerite SARL	30, avenue Charles de Gaulle, 92200 Neuilly/Seine	602 024 150	100.00	100.00	F.C.
Gaumont Musiques SAS	30, avenue Charles de Gaulle, 92200 Neuilly/Seine	494 535 255	100.00	100.00	F.C.
<i>Archives</i>					
Gaumont Pathé Archives SAS	30, avenue Charles de Gaulle, 92200 Neuilly/Seine	444 567 218	57.50	57.50	F.C.
<i>Multimedia</i>					
Alphanim Digital SAS	8, avenue des Minimes, 94300 Vincennes	431 232 099	100.00	100.00	F.C.
<i>Real Property</i>					
Forest SCI	30, avenue Charles de Gaulle, 92200 Neuilly/Seine	785 421 801	100.00	100.00	F.C.
Foreign companies					
<i>USA</i>					
Gaumont Inc.	520 West 43 rd Street, New York, NY 10036	USA	100.00	100.00	F.C.
Lincoln Cinema Associates	1886 Broadway, New York, NY 10023	USA	31.95	31.95	C.E.

F.C.: Full consolidation. C.E.: Carried at equity.

¹ Company identification number in France.



2. Accounting principles and methods

2.1. General principles

Pursuant to the European regulation No. 1606/2002 of July 19, 2002, Gaumont's consolidated financial statements for the year ended on December 31, 2007 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union and applicable on said date.

The accounting principles applied to draw up these 2007 financial information are identical to those specified in the consolidated financial statements published at December 31, 2006, apart from the effect of IFRS standards and IFRIC interpretations applicable as from January 1, 2007. They result from the application:

- of all standards and interpretations adopted by the European Union of mandatory application as from January 1, 2007;
- options made and exemptions used upon transition to the IFRS:
 - fair value valuations at January 1, 2004 of certain land and buildings;
 - non-reprocessing of consortiums of companies prior to January 1, 2004;
 - posting of actuarial differences relating to pensions and like benefits existing at January 1, 2004 in the opening equity capital;
 - non-reprocessing of subscription options plans that the Group allocated to some of its corporate officers and employees issued prior to November 7, 2002;
 - reprocessing of translation reserves at January 1, 2004 relating to the translation in euro of the financial statements of subsidiaries using foreign currencies, in the consolidated reserves.

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

The Executive Board drew up the Group's consolidated financial statements at December 31, 2007 and the Supervisory Board reviewed them on March 17, 2008. They shall be submitted to the Combined Ordinary and Extraordinary General Meeting for approval on May 7, 2008.

2.2. Effect of IFRS standards and IFRIC interpretations applicable as from January 1, 2007

The accounting methods applied are consistent with those of the previous year, apart from the following amendments to IFRS standards and IFRIC interpretations of mandatory application as from January 1, 2007:

- IFRIC 7 applying the restatement approach under IAS 29 when an entity must apply IAS 29 for the first time during a period (no hyperinflation during the previous period);
- IFRIC 8 which confirms the application of IFRS 2 to transactions whereby shareholders of an entity have contracted the obligation to transfer cash or other assets for amounts based on the price or value of the share or other equity capital instruments of the entity;
- IFRIC 9 on the reassessment of embedded derivatives;
- IFRIC 10 which specifies that losses in value posted when interim statements are drawn up must not be used for later statements.

The application of said standards or interpretations had no effect on the financial statements.

The additional information required under the standards IFRS 7 (Financial Instruments: disclosures) and IAS 1 (Information on equity capital) are presented in the Group's consolidated statements at December 31, 2007.

2.3. Bases of evaluation used to draw up the consolidated financial statements

Apart from certain categories of assets and liabilities, the consolidated financial statements have been drawn up according to the historic cost principle in accordance with the rules laid down by the IFRS. The relevant categories are mentioned in the following notes.

2.4. Use of estimates

To draw up the consolidated financial statements, the Group's Management made estimates and assumptions that are liable to have an impact on the amount of assets and liabilities at the account closing date and on the amount of income and expenses. The underlying estimates and assumptions are made on past experiences and other factors deemed to be reasonable in view of the circumstances. They thus serve as a basis for the judgment made to determine the accounting value of assets and liabilities that cannot be obtained directly from other sources. The final amounts appearing in the



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future consolidated financial statements of Gaumont may differ from the values currently estimated. Said estimates and assumptions shall be re-examined on an ongoing basis. The main estimates taken into account relate to the valuation of tangible and intangible assets, the depreciation of films (see note 2.9), the assessment of provisions on accounts receivable and other receivables (see note 2.13) and the recognition of deferred tax assets (see note 2.18).

2.5. Consolidation

The IAS 27 standard defines a subsidiary as an entity controlled by the parent company. Control is the power to direct the financial and operational policies of an entity so that its businesses generate gains.

The consolidated financial statements include the financial statements of Gaumont and its subsidiaries, after the elimination of intra-group balances and transactions.

2.5.1. Holdings in subsidiaries

Companies that Gaumont directly or indirectly controls are consolidated. The full consolidation method used is that whereby the assets, liabilities, income and expenses are fully consolidated. The share of the net assets and net profit attributable to minority shareholders is shown separately as minority interests on the consolidated balance sheet and on the consolidated income statement.

2.5.2. Holding in associated companies

Companies in which Gaumont directly or indirectly has a significant impact are carried at equity. A significant impact is presumed when Gaumont holds more than 20% of the voting rights. The companies in which the Group exercises joint control are also carried at equity.

The losses of an entity carried at equity method that exceed the value of the Group's holding in said entity are not posted unless:

- the Group has a contractual obligation to cover said losses; or
- the Group has made payments in the name of the associated company.

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2.6. Method of translating items in foreign currencies

2.6.1. Financial statements of foreign subsidiaries

Foreign subsidiaries use their local currencies (currency of the economic environment in which the entity operates).

Their balance sheet is translated into euro at the closing price; their income statement is translated at the average exchange rate of the period ended. Differences resulting from the translation of the financial statements of said subsidiaries are registered as "Translation reserve" in the consolidated equity capital.

2.6.2. Operations in currencies

The IAS 21 standard "Effects of changes in foreign currency rates" defines the posting and evaluation of operations in foreign currencies. Pursuant to said standard, operations denominated in foreign currencies are translated into euro at the rate on the day of the transaction. Monetary items of the balance sheet are translated at the closing rate at each settlement of account. The relevant translation differences are posted in the income statement.

2.7. Consortium of companies

The Group has chosen not to reprocess the consortiums of companies prior to the date of the transition (January 1, 2004) in accordance with the option provided for under IFRS 1.

In accordance with the IFRS 3 standard, consortiums of companies after January 1, 2004 are posted according to the purchase method. Thus, at the time of the first consolidation of a controlled company, the assets, liabilities and any liabilities of the company bought are evaluated at their fair value. The evaluation differentials appearing at this time are posted in the relevant statements of assets and liabilities (including for the minorities' share). The residual difference representing the difference between the purchase cost and the share of assets, liabilities and any liabilities assessed at their fair value is posted as a purchase differential.



2.8. Purchase differentials

In accordance with current regulations, the Group is allowing itself twelve months following the purchase date to finalize the analysis of differentials on first consolidation of a purchase.

The purchase differential is assigned to the smallest identifiable group of assets or cash generating units. The Group considers that the cash generating units are the various subsidiaries.

Purchase differentials are not amortized but a loss recognition test is carried out at each annual closing. The loss recognition test is carried out for the cash generating unit(s) to which the purchase differential is applied by comparing the collectible value and the book value of the cash generating unit(s).

The collectible value of a cash generating unit is defined as the highest value between the fair value (usually the market price) less sale costs and the utility value determined by using the method of discounted future net cash flows.

If the collectible values of the cash-generating unit exceed the collectible value, the assets of the cash-generating unit shall be depreciated to be brought to their collectible value. The losses in value are charged first and foremost to the purchase differential and posted in "other non current operational income and expenses".

Regarding the special case of the cinema operation business, the Group applies a method in compliance with trade practices which consists of determining the fair value less sale costs according to two evaluation methods:

- one based on a multiple of revenues;
- the other based on a multiple of the standard Ebitda less the net debt.

The loss in value relating to purchase differentials is irreversible.

The purchase differentials relating to companies carried at equity are posted on the line "Carried at equity".

2.9. Tangible and intangible assets

In accordance with IAS 16 "Tangible assets" standard and IAS 38 "Intangible assets" standard, only elements the cost of which can be reliably determined and for which it is probable that the future economic advantages shall benefit the Group are posted as fixed assets.

In accordance with IAS 36 "Impairment of assets" standard, when events or changes to the market environment indicate a risk of loss in value of intangible assets and of tangible assets with a definite lifespan, such assets shall be reviewed in detail to determine if their net book value is less than their collectible value defined as the highest of the fair value (less the sale cost) and the utility value. The utility value is determined by discounting the future cash flows expected from use of the asset and from its sale.

In the event the collectible amount is less than the net book value, a loss in value is posted for the difference between these two amounts. The losses in value relating to intangible assets and tangible assets with a definite lifespan may be subsequently written back if the collective value becomes higher again than the net book value (within the limit of the loss in value initially posted).

The profits or losses from the sale of an intangible or a tangible asset are determined by the difference between the income from the sale and the net book value of the assets sold and is posted in the item "Other non current operational income and expenses".

2.9.1. Films and audiovisual rights

2.9.1.1. Cinema films and audiovisual rights

The gross value of cinema films and audiovisual rights, posted on the balance sheet, corresponds to the following items:

- productions of films of which Gaumont is acting producer, meant to be operated in France or abroad, by all audiovisual processes;
- French or foreign co-production shares;
- purchase of rights allowing use of an audiovisual work; and includes, as from the end of the shooting:
- the amounts invested less contributions by co-producers in the films, when Gaumont was involved in the production of the work as acting producer;
- the purchase amount of intangible and tangible rights when Gaumont was not involved in the production of the work.

The immobilized cost of films includes the interest expense incurred during the production period as well as a share of overheads that can be directly charged to the productions.

Depreciation is calculated by applying the ratio of net proceeds acquired in the financial year in relation to the total net proceeds to the net book value at January 1. The total net proceeds include, over a period of ten years of operation, the Group's share of net proceeds acquired in the financial year and the estimated net proceeds. The Management examines the estimated net proceeds from time to time and adjusts them, if need be, to take account of the operating results of films, new contracts signed or planned and the audiovisual environment existing on the account closing date.



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In the event the net value of the investment resulting from the application of this method happens to be higher than the estimated net proceeds, an additional depreciation is posted to cover the shortfall in proceeds.

Likewise, a provision for loss in value may be posted for productions in progress if it happens that the budget initially provided for has been significantly overrun or if, for films operated between the closing of the financial accounts and the drawing up thereof, the estimate of future proceeds is less than the value of the investment.

Accelerated depreciation applied to films and set out in the regulated provisions in the corporate financial statements are reprocessed in accordance with the principles for drawing up consolidated financial statements in order to neutralize them at the level of the consolidated results.

The costs of releasing films (costs of advertising and copying) are posted as expenses.

2.9.1.2. Cartoon series

The gross value of series includes the cost of the investment that the company made.

The depreciable base taken into account to calculate the depreciation is equal to the cost of immobilized production less acquired and repayable subsidies that are depreciated respectively as from the first year and based on future repayments.

The depreciation of series is determined, series by series, based on estimates of future proceeds over a seven-year period at most.

Depreciation is calculated by applying the ratio of net proceeds acquired in the financial year in relation to the total net proceeds to the net book value at January 1.

At the account closing date, a loss recognition test, which consists in comparing the net book value of the series with the estimates of the company's share of net proceeds is conducted on the series. If the net book value is less than estimated sales, the evaluation is deemed to be satisfactory. If, on the other hand, the net book value exceeds the sales estimates, an additional depreciation or a provision for loss in value is booked.

At the same time, compliance with the minimum tax depreciation (i.e. the straight line depreciation accumulated over three years) is checked at the closing of each year. Any difference between the economic depreciation and the tax depreciation is posted in accelerated depreciation in the corporate financial statements. They are reprocessed, in accordance with the principles for drawing up consolidated financial statements in order to neutralize them at the level of the consolidated results.

2.9.2. Preliminary costs

The preliminary costs represent the expenses, such searches for subjects, talent and locations required to develop projects, incurred prior to the decision to make the film.

In accordance with IAS 38 "Intangible assets" standard, these preliminary costs are posted as expenses of the financial year.

2.9.3. Production in progress

2.9.3.1. Cinema films

The productions in progress centralize all direct costs and interest expense incurred to produce the film up to the end of filming as well as a share of overheads that may be directly charged to productions.

2.9.3.2. Cartoon series

The transfer of "Fixed assets in progress" to "Completed fixed assets" takes effect upon the delivery and acceptance of all episodes of the series by the broadcaster (television company).

2.9.4. Other intangible fixed assets

The other intangible fixed assets include the software bought, which is depreciated between one and three years.

Musical rights which are depreciated over two years are also included under this column: 75% the first year and 25% the next year or by the straight line method over five years in the case of the buyout of catalogues.

2.9.5. Tangible assets

In accordance with IAS 16 "Tangible assets" standard, the gross value of tangible assets corresponds to their purchase cost, apart from certain fixed assets bought prior to December 31, 1976 that were revalued during 1978.



The Group opted in the scope of the first application of IFRS (IFRS 1) standards to revalue certain land and buildings located in the heart of the Paris business district at the fair value, as the presumed cost. These are:

- Gaumont's head office in Neuilly-sur-Seine;
- the building at 5 rue du Colisée, 75008 Paris;
- the Gaumont Ambassade cinema on the Champs-Elysées in 75008 Paris.

Said revaluations were made based on independent appraisals.

The IAS 16 standard provides in particular for:

- the depreciation of fixed assets over their planned period of use;
- the separate posting and depreciation of items that are significant individually.

The main periods of depreciations taken in account are:

Periods of use (in years)	
▪ Buildings (1)	25 to 40 years
▪ Fittings and fixtures of buildings	5 to 10 years
▪ Operating equipment and other tangible fixed assets	4 to 8 years

(1) Buildings that have been assessed at the fair value as the presumed cost in the scope of the transition to IFRS standards are depreciated over 40 years as from the first application of said standards.

2.10. Carried at equity

The item "Carried at equity" represents the share of equity capital (including the results of the financial year) re-estimated, if need be, taking into account the evaluation differentials of the relevant companies.

Pursuant to the IAS 28 standard, this item also includes the purchase differentials relating to the companies carried at equity (see note 2.8).

In the event of loss in value, the loss in value is posted on the line "Results of companies carried at equity".

2.11. Other financial assets

This category includes:

- Equity shares:

They represent the Group's interests in the capital of non-consolidated companies.

In accordance with IAS 39 "Financial instruments" standard, the equity shares in non-consolidated companies are analyzed as being available for sale and are thus posted at their fair value. For listed securities, this fair value corresponds to the trading price. If the fair price cannot be reliably determined, the securities are posted at their historic purchase cost. The changes in fair value are posted directly in equity capital. In the event of objective information on a loss in value of the financial assets (in particular significant and lasting drop in the value of assets), a provision for irreversible loss in value is offset in the income statement. This provision will be written back in the results only when the securities are sold.

- The receivables from controlled entities, "building aid" loans, other loans, deposits and surety bonds:

The value on the balance sheet includes the outstanding capital and the non-amortized share of purchase costs. A provision for loss in value may be posted for them if there is objective information on the loss of value. The loss in value corresponding to the difference between the net book value and the collectible value is posted in results and is reversible if there has been a favorable change in the collectible value.

2.12. Impairment of assets

Under the IAS 36 "Impairment of assets" standard, the book value of purchase differentials, intangible and tangible fixed assets and financial assets are tested as soon as there is indication of loss in value, which is reviewed at each closing. This test is carried out at least once a year for assets with an indefinite lifespan, a category limited for the Group to purchase differentials.

If there is indication of a loss of value, the Group estimates the collective value of the asset. If the book value of an asset exceeds its collective value, a provision for loss in value is posted to bring the book value to the collectible value.

2.13. Accounts receivable and other receivables

Receivables are posted at their nominal value, less provisions for loss in value of non-collectible amounts. The amount of bad debts is estimated when it is no longer probable that all the receivables can be collected. Worthless receivables are posted as losses when they are identified as such.



2.14. Cash and cash equivalents

Cash flow and cash flow equivalents include liquid assets in current bank accounts, funds and shares of cash UCITS that may be assigned or transferred on very short term and do not entail significant risk of loss in value in the event of a change in interest rates.

In accordance with the IAS 39 "Financial instruments" standard, said cash UCITS are assessed at their fair value. The changes in fair value are systematically posted in results (in "Income from cash and cash equivalents").

2.15. Current provisions

In accordance with the IAS 37 "Provisions, contingent liabilities and contingent assets" standard, a provision for contingencies and expenses is posted when the Group has a current obligation arising from a past event to a third party and it is probable that it will cause an outflow of funds, without consideration that is at least equivalent in favor of said third party and that said amount can be reliably assessed.

2.16. Non current provisions

2.16.1. Provisions for retirement gratuities

Provisions for retirement gratuities cover the Group's pension commitment to its employees, limited to the retirement gratuities provided for under the collective agreements of the companies of the Group. In accordance with IAS 19 "Employee Benefits" standard, it is calculated, by independent actuaries, according to the retrospective method in rights projected to the estimated date of retirement based on the salary upon retirement, by taking account, in particular:

- rights under agreements in relation to the seniority acquired by the various categories of personnel;
- in the event of a retirement date set at sixty three years for executives and supervisors and sixty one years for employees;
- the turnover rate;
- salaries and emoluments that include a coefficient for employer social security contributions in force;
- an annual rate of increase of salaries;
- life expectancy of employees based on statistical tables;
- a rate of discounting of the pension commitment reviewed at each closing.

The expense of the year, corresponding to the sum of the cost of services rendered, the costs of discounting the commitment existing at the opening of the year and actuarial gains and losses generated, is posted in "Personnel costs".

2.16.2. Seniority bonus

The Group also assesses its commitments related to bonuses granted subject to certain conditions of seniority. The value of its commitments is calculated by applying the method and assumptions used to assess the retirement gratuities above.

2.17. Share subscription plan

Share subscription options are granted to certain corporate officers and employees of the Group which, at the time of their exercise, give rise to the issue of new shares by increase of the capital. In accordance with the terms of the IFRS 2 "Share based payment" standard, the fair value of options are assessed on the date they are granted based on the mathematical model of Black & Scholes. Said fair value is posted in "Personnel costs" according to the straight-line method - over the purchase period of rights – with a direct impact in equity capital.

In accordance with the IFRS 1 "First-time adoption of International Financial Reporting Standards" standard, only plans granted after November 7, 2002 and the rights of which have not been acquired on January 1, 2004 are assessed and posted as "Personnel costs". Plans prior to November 7, 2002 are not assessed and are not posted.

2.18. Deferred tax

In accordance with IAS 12 "Income tax" standard, deferred taxes are posted for all temporary differences between the book value of assets and liabilities and their tax values according to the variable carry over method.

Deferred tax assets on tax deficits are posted when it is considered that there is a probability of recovering same.

A provision for loss in value is posted for deferred tax assets when it is unlikely that they will be used in the future.

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



Deferred tax assets and liabilities are assessed at the tax rates that is expected to be applied during the financial year in which the asset will be realized or the liabilities paid based on tax rates in force on the closing date.

2.19. Derivatives

The Group uses derivatives to manage and reduce its exposure to the risks of change in interest rates and foreign exchange rates. Said instruments include interest rate swap agreements as well as foreign exchange options which are not considered in the scope of the IAS 39 standard to be hedging instruments.

In consequence, the fair value of derivative financial instruments is shown on the balance sheet as "Other receivables" or "Other debts" (depending on whether it results in an unrealized capital gain or capital loss).

The change in the fair value is posted in the financial results.

2.20. Evaluation of financial liabilities

In accordance with the IAS 39 standard, borrowings and other financial liabilities are assessed at amortized costs, based on the actual rate of interest of the operation, which include the cost of loan issue expenses.

2.21. Soficas

The "producers' shares" of Soficas guaranteed by Gaumont are posted at their nominal value according to the IAS 20 standard under liabilities on the balance sheet at the item "Other current debt". The pay back of the shares of proceeds that they are entitled to are directly charged to this item.

2.22. Structure of the consolidated balance sheet

The application of the IAS 1 "Presentation of financial statements" standard makes it mandatory to make a distinction between the current/non current items of the balance sheet.

In consequence, the balance sheet shows a distinction between the part that is less than one year and the part that is more than one year:

- the 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.
- the 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.

2.23. Segment reporting

Pursuant to the IAS 14 "Segment reporting" standard, the first level of segment reporting is organized by business sectors, the second level is organized by geographic segments.

The Gaumont Group is managed in three main sectors:

- the production and operation of films;
- the production of cartoon series since December 21, 2007 via Alphanim;
- the operation of cinemas via EuroPalaces which is consolidated using the equity method.

2.24. Revenues

The proceeds related to the operation of films are posted as from entitlement to rights in accordance with the following criteria:

2.24.1. Cinemas France

Film rentals in cinemas are posted on the basis of weekly ticket sales in cinemas.



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2.24.2. Video France

The revenues generated by use of video rights are taken into account based on monthly sales. At the closing of the year, a provision is posted for estimated returns and discounts granted to customers. Said provision is charged against the revenues.

2.24.3. Video on demand France

The revenues generated by the operation of video rights on rental demand are taken into account based on monthly payments per view.

2.24.4. Television France

2.24.4.1. Pre-sales

Pre-sales are posted as from the first release of the work in cinemas as soon after contracts have been signed and on the date of acceptance of the distribution equipment.

2.24.4.2. Other sales

The sales of distribution rights to French television companies are posted as from the first release of the work in cinemas, after sale contracts have been signed, on the date of acceptance of the distribution equipment and as from entitlement to rights.

2.24.5. International

The assignment of rights internationally is posted as from the first release of the work in cinemas, after contracts have been signed, on the delivery date of the equipment, as from entitlement to rights and based on the rendering of accounts when the contract provides for the payment of a percentage on proceeds generated by the customer's use of the work.

As long as all conditions of recognition described above have not been satisfied, the revenues are posted as prepaid income on the balance sheet at the item "Other debts".

2.25. Automatic financial support of the Centre National de la Cinématographie²

Films generate financial support on account of their commercial distribution in cinemas, their broadcasting on television and their video distribution. The financial support for the video production, distribution and publishing is posted at the same pace as the revenues of films that generate the support. It is posted on the assets side of the balance sheet in the item "Other receivables" to offset an operating subsidy. The support fund invested in the production of new films is charged against the item "Other receivables".

2.26. Subsidies

Subsidies received insofar as they are definitively acquired are posted as profit as from the date of the first release of the relevant films in cinemas.

2.27. Film tax credit

The film tax credit granted as from FY 2004 to encourage production companies to develop and produce their films in France is posted pro rata the economic depreciation in the consolidated financial statements as current operating results as from the first release of the relevant film in cinemas.

2.28. Operating results

The operating result includes the current operating result, the other non current operating income or expenses which include the results from the sales of assets and losses in value of non current intangible (including purchase differentials) and tangible assets.

The income and expenses related to Production Fund and Sale & Lease Back contracts entered into to finance certain films when all conditions to recognize said income and expenses have been satisfied are also posted in the operating results.

² National Film Center



2.29. Cost of net financial indebtedness

The cost of net financial indebtedness includes the interest expense on gross financial debts and income from cash and cash equivalents.

2.30. Other interest income and expenses

Other interest income and expenses include in the main the changes in fair value of financial instruments (assets, liabilities and derivatives), foreign exchange results (other than those related to operating operations, classified in the current operating results), dividends received from non consolidated holdings, results from the sales of assets and the loss in value of non current financial assets.

2.31. Share of the net results of companies carried at equity

The results of loss recognition tests on purchase differentials on securities carried at equity are part of the results shown on this line.

2.32. Results per share

The results per share is determined by dividing the Group's share of the results by the average weighted number of shares in circulation on the period ended.

The results per share after dilution is calculated on the average weighted number of shares in circulation during the period ended, increased by the number of shares generated by the exercise of all dilutive share subscription options granted on the closing date. In particular, for the share subscription options, the difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average trading price must be treated as an issue of ordinary shares with a dilutive effect.

When the result of the financial year is a loss, the number diluted by share is calculated on the number of shares at the closing, considering the positive nature of the exercise of share subscription options.

3. Notes to the consolidated balance sheet

3.1. Purchase differentials

	12.31.07	Transactions of the period			12.31.06	12.31.05
		+	-	Others (1)		
Alphanim	14,876	-	-	14,876	-	-
Arkeion Films	241	-	-	241	-	-
Les Films du Dauphin	1,815	-	-	-	1,815	1,815
LGM Participations	491	-	-	491	-	-
Gross value	17,423	-	-	15,608	1,815	1,815
Les Films du Dauphin	-1,271	-	-	-	-1,271	-1,271
Depreciation	-1,271	-	-	-	-1,271	-1,271
Les Films du Dauphin	-544	-	-	-	-544	-
Provisions	-544	-	-	-	-544	-
Net value	15,608	-	-	15,608	-	544

(1) Change in scope.

The purchase differentials posted on Les Films du Dauphin was entirely depreciated.

The monitoring of values of other purchase differentials has not shown up losses in value at December 31, 2007.



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3.2. Films and audiovisual rights

	Transactions of the period					12.31.06	12.31.05
	12.31.07	+	-	Others (1)			
Films and cinema rights	1,380,426	73,632	-1,046	24,015	1,283,825	1,242,581	
Films and television rights	7,651	410	-	-	7,241	6,691	
Video games	1,525	-	-	-	1,525	1,525	
Films and cartoon series	86,143	-	-	86,143	-	-	
Cinema films in production	5,918	5,918	-	-19,821	19,821	697	
Cartoon series in production	6,189	-	-	6,189	-	-	
Gross value	1,487,852	79,960	-1,046	96,526	1,312,412	1,251,494	
Films and cinema rights	-1,277,338	-59,034	1,046	-1,778	-1,217,572	-1,138,982	
Films and television rights	-7,346	-655	-	-	-6,691	-6,691	
Video games	-1,525	-	-	-	-1,525	-1,525	
Films and cartoon series	-78,685	-	-	-78,685	-	-	
Depreciation	-1,364,894	-59,689	1,046	-80,463	-1,225,788	-1,147,198	
Films and cinema rights	-2,000	-2,489	5,882	-3,297	-2,096	-17,350	
Films and cartoon series	-66	-	-	-66	-	-	
Cinema films in production	-	-	-	3,297	-3,297	-	
Provisions	-2,066	-2,489	5,882	-66	-5,393	-17,350	
Net value	120,892	17,782	5,882	15,997	81,231	86,946	

(1) Change in scope, transfers from item to item.

At December 31, 2007, the increase in the gross value of films and cinema rights is mainly attributable to investments in films released during FY 2007 and in films of which the filming has ended and which shall be released during FY 2008.

The cinema films in production at December 31, 2007 are *Splice*, *OSS 117: Rio ne répond plus*, *La guerre des miss* and the third film of Isabelle Mergault.

The provision booked in 2006 on cinema films released in FY 2007 was entirely written back at December 31, 2007. An additional depreciation covering the shortfall in proceeds on said films has been posted.

At December 31, 2007, a provision for loss in value of € 2,000,000 was posted for a film programmed in 2008 whose estimated proceeds do not cover the production cost.

3.3. Other intangible assets

	Transactions of the period					12.31.06	12.31.05
	12.31.07	+	-	Others (1)			
Dealership, patents, licenses, trademarks, software	2,072	215	-7	292	1,572	1,644	
Musical productions	2,736	509	-	-	2,227	2,227	
Other intangible assets	480	-	-	307	173	173	
Musical productions in progress	43	43	-	-	-	-	
Gross value	5,331	767	-7	599	3,972	4,044	
Dealership, patents, licenses, trademarks, software	-1,572	-188	6	-278	-1,112	-1,040	
Musical productions	-2,409	-191	-	-	-2,218	-2,194	
Other intangible assets	-400	-2	-	-307	-91	-91	
Depreciation, provisions	-4,381	-381	6	-585	-3,421	-3,325	
Net value	950	386	-1	14	551	719	

(1) Change in scope.



3.4. Tangible assets

	Transactions of the period					
	12.31.07	+	-	Others (1)	12.31.06	12.31.05
Land	20,289	-	-	-	20,289	20,289
Buildings and fittings	30,598	1,312	-1,084	-	30,370	29,909
Operating equipment	1,521	96	-56	16	1,465	1,516
Other tangible assets	5,598	1,016	-1,348	875	5,055	5,199
Tangible assets in progress	30	30	-	-	-	-
Gross value	58,036	2,454	-2,488	891	57,179	56,913
Land	-310	-	-	-	-310	-310
Buildings and fittings	-16,819	-881	966	-	-16,904	-16,645
Operating equipment	-1,247	-105	54	-16	-1,180	-1,228
Other tangible assets	-3,934	-370	748	-471	-3,841	-3,837
Depreciation, provisions	-22,310	-1,356	1,768	-487	-22,235	-22,020
Net value	35,726	1,098	-720	404	34,944	34,893

(1) Change in scope, change in foreign exchange.

3.5. Carried at equity

Société	Last % of control	12.31.07	12.31.06	12.31.05
EuroPalaces SAS	34%	158,529	146,624	136,846
Gaumont Columbia TriStar Films GIE	50%	-	-	-
Lincoln Cinema Associates (USA)	32%	430	531	664
Gross value		158,959	147,155	137,510
Provisions		-	-	-
Net value		158,959	147,155	137,510

The monitoring of values of said securities consolidated using the equity method has not shown a loss in value at December 31, 2007.

In accordance with accounting rules and methods, the share of negative results of Gaumont Columbia TriStar Films has been reprocessed in provisions for contingencies (see note 3.10).

3.5.1. Major items

	EuroPalaces SAS	Gaumont Columbia TriStar Films GIE	Lincoln Cinema Associates (USA)
% of control at 12.31.07	34%	50%	32%
Non current assets	260,792	-	471
Current assets	33,774	1,107	31
Total assets	294,566	1,107	502
Equity capital	112,494	-94	423
Non current liabilities	125,269	-	-
Current liabilities	56,802	1,201	79
Total liabilities	294,566	1,107	502
Revenues	145,108	1,563	1,340
Net result	11,905	-97	392



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3.5.2. Transactions

The transactions are exclusively with Gaumont SA.

	12.31.07	12.31.06	12.31.05
Accounts receivable	1,007	296	154
Other receivables	-	16	1,654
Provisions for receivables	-	-	-
Provisions for contingencies	94	14	-
Other non current debt	1,542	1,663	1,786
Accounts payables	-	-	3
Other debt	126	3,209	140
Revenues	2,297	6,678	3,665
Other current expenses	482	2,393	2,202

3.5.3. Guarantees between the parties

Upon the expiration of the term, the members of the GIE Gaumont Columbia TriStar Films have agreed to share:

- the costs strictly related to operations to wind up and close the consortium (GIE) on a 50/50 basis;
- any other costs based on the revenues generated by each of them for the distribution of their films with a minimum payment of 30% for Gaumont.

3.6. Other financial assets

	12.31.07	Transactions of the period			12.31.06	12.31.05
		+	-	Others (1)		
Non-consolidated equity shares	133	-	-18	-	151	151
Receivables from controlled entities	-	-	-50	-	50	30
Loans	348	-	-59	-	407	509
Deposits and surety bonds	217	137	-108	63	125	147
Other financial assets	2,865	2,865	-	-200	200	-
Gross value	3,563	3,002	-235	-137	933	837
Non-consolidated equity shares	-15	-13	-	-	-2	-2
Receivables from controlled entities	-	-	50	-	-50	-
Provisions	-15	-13	50	-	-52	-2
Net value	3,548	2,989	-185	-137	881	835

(1) Change in scope, transfer from item to item.

Loss recognition tests on the non-consolidated equity shares have not revealed unrealized losses.

3.6.1. Non-consolidated equity shares

The non-consolidated equity shares are not of significant interest in light of the assessment of the Group's assets, financial position and results. They relate to companies in which the Group holds less than 10%, that have no business or that are being wound up.

Company	Percentage of interest	Gross value of shares	Net value of shares	Equity capital prior to results	Results
Communication et Participation SA (1)	4%	62	62	1,159	-1,381
Gaumont Musique SARL (2)	100%	53	53	-46	623
Others		18	3		
Total		133	118		

(1) Financial information at 12.31.06.

(2) Company being wound up – Financial information at 12.31.07.



3.7. Accounts receivables, other receivables, tax assets and other current financial assets

	12.31.07	12.31.06	12.31.05
Accounts receivables	40,296	41,734	37,625
Current financial assets	1,651	3,889	831
Down payment to suppliers	788	989	494
Social security receivables	15	20	14
Tax receivables	17,641	16,278	10,329
Current tax assets	2,969	2,286	2,857
Current accounts	8,999	9,015	10,607
Miscellaneous receivables	8,202	9,430	6,790
Derivatives	-	54	6
Prepaid expenses	1,520	1,463	1,371
Gross value	82,081	85,158	70,924
Accounts receivable	-625	-564	-1,623
Current accounts	-8,999	-8,999	-8,953
Miscellaneous receivables	-1,471	-2,588	-2,811
Provisions	-11,095	-12,151	-13,387
Net value	70,986	73,007	57,537
Maturities:			
- less than 1 year	81,204	83,393	69,342
- from 1 to 5 years	877	1,510	1,324
- over 5 years	-	255	258

3.7.1. Breakdown of provisions

	Transactions of the period					
	12.31.07	+	-	Others (1)	12.31.06	12.31.05
Accounts receivable	-625	-93	114	-82	-564	-1,623
Current accounts	-8,999	-	-	-	-8,999	-8,953
Miscellaneous receivables	-1,471	-32	1,149	-	-2,588	-2,811
Provisions	-11,095	-125	1,263	-82	-12,151	-13,387

(1) Change in scope.

3.8. Cash and cash equivalents

	12.31.07	12.31.06	12.31.05
Bank accounts and other cash on hand	3,723	4,377	4,962
Total	3,723	4,377	4,962



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3.9. Equity capital

3.9.1. Share capital of the parent company

At December 31, 2007, the share capital of Gaumont SA was comprised of 4,269,917 shares with a par value of € 8, which have been fully paid up. The change during 2007 was as follows:

	Transactions of the period			
	12.31.07	+	-	12.31.06 12.31.05
Number of shares	4,269,917	22,116	-	4,247,801 4,221,797
Par value	€ 8	€ 8	€ 8	€ 8 € 8
Capital	34,159,336	176,928	-	33,982,408 33,774,376

3.9.2. Dividends

Gaumont SA paid out the following dividends during the financial year ended on:

(in euro)	12.31.07	12.31.06	12.31.05
Dividends paid	4,247,801	2,533,078	2,479,078
i.e. per share	1.00	0.60	0.60

3.9.3. Share subscription options

Gaumont has set up eight share subscriptions plans since December 1987 for some of its employees, in particular, its managing executives, apart from the Chairman of the Supervisory Board who does not benefit from any plan.

3.9.3.1. Record of the granting of share subscription options

Option plans	Allocations			Options			
	Initial		Adjusted		Cancelled	Subscribed	Approved
Price	Number	Price	Number	Cancelled	Subscribed	Approved	
Plan I (December 87)	€ 60.98	35,000	€ 21.78	97,141	20,368	76,773	-
Plan II (adjusted) (December 88)	€ 91.47	5,804	€ 32.62	16,889	13,163	3,726	-
Plan III (adjusted) (February 93)	€ 57.93	37,496	€ 21.78	100,001	-	100,001	-
Plan IV (February 95)	€ 38.11	30,000	€ 38.11	30,000	-	30,000	-
Plan V (February 96)	€ 50.31	104,000	€ 50.31	104,000	34,000	58,100	11,900
Plan VI (March 98)	€ 64.03	168,000	€ 64.03	168,000	73,000	72,000	23,000
Plan VII (April 02)	€ 48.00	165,000	€ 48.00	165,000	89,780	36,120	39,100
Plan VIII (February 05)	€ 64.00	196,750	€ 64.00	196,750	14,000	(1) 2,000	180,750
Total		742,050		877,781	244,311	378,720	254,750
Capital at December 31, 2007 = 4,269,917 shares							
As a percentage of capital				20.56%	5.72%	8.87%	5.97%

(1) Early exercise of options.



3.9.3.2. Change in the number of options currently valid

Option plans	Date of granting	Starting date for the exercise of options	Exercise deadline	Contractual residual lifespan	Options		Transactions of the period			12.31.06		
					12.31.07	Currently valid	Including those that may be exercised	Granted	Cancelled	Subscribed	Currently valid	Including those that may be exercised
Plan I	12.03.87	12.03.87	12.02.02	15 years	-	-	-	-	-	-	-	-
Plan II	12.23.88	12.23.88	12.22.03	15 years	-	-	-	-	-	-	-	-
Plan III	02.18.93	02.18.98	02.17.43	45 years	-	-	-	-	-	-	-	-
Plan IV	02.16.95	02.16.00	02.15.45	45 years	-	-	-	-	-	-	-	-
Plan V	02.15.96	02.15.01	02.14.46	45 years	11,900	11,900	-	-	-	-4,000	15,900	15,900
Plan VI	03.12.98	03.12.03	03.11.48	45 years	23,000	23,000	-	-1,000	-2,000	-	26,000	26,000
Plan VII	04.09.02	04.09.06	04.08.46	40 years	39,100	39,100	-	-280	-16,116	-	55,496	55,496
Plan VIII	02.28.05	02.28.09	02.27.49	40 years	180,750	-	-	-7,500	-	-	188,250	-
Total					254,750	74,000	-	-8,780	-22,116	-	285,646	97,396

Option plans	Date of granting	Starting date for the exercise of options	Exercise deadline	Contractual residual lifespan	Options		Transactions of the period			12.31.05		
					12.31.06	Currently valid	Including those that may be exercised	Granted	Cancelled	Subscribed	Currently valid	Including those that may be exercised
Plan I	12.03.87	12.03.87	12.02.02	15 years	-	-	-	-	-	-	-	-
Plan II	12.23.88	12.23.88	12.22.03	15 years	-	-	-	-	-	-	-	-
Plan III	02.18.93	02.18.98	02.17.43	45 years	-	-	-	-	-	-	-	-
Plan IV	02.16.95	02.16.00	02.15.45	45 years	-	-	-	-	-	-	-	-
Plan V	02.15.96	02.15.01	02.14.46	45 years	15,900	15,900	-	-	-	-4,000	19,900	19,900
Plan VI	03.12.98	03.12.03	03.11.48	45 years	26,000	26,000	-	-1,000	-	-	27,000	27,000
Plan VII	04.09.02	04.09.06	04.08.46	40 years	55,496	55,496	-	-	-	-20,004	75,500	-
Plan VIII	02.28.05	02.28.09	02.27.49	40 years	188,250	-	-	-	(1) -2,000	-	190,250	-
Total					285,646	97,396	-	-1,000	-26,004	-	312,650	46,900

(1) Early exercise of options.



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3.9.3.3. Impact of share option plans on the results

The amount posted as personnel costs corresponding to the fair value of services rendered by the employees in consideration of equity capital instruments received under share option plans is as follows:

Option plan	Date of granting	Lock up period	Total fair value	Personnel costs		
				2007	2006	2005
Plan VIII	02.28.05	4 years	3,844	895	978	821

At December 31, 2007, the maximum expense for the fair value of options was € 3,844,000. Said expense is amortized over the purchase period, i.e. 4 years. It shall be adjusted on the basis of the change in the probability of attaining the performance conditions or the rate of actual departure during said period and definitively set on the basis of the number of shares actually distributed at the end of said period.

The fair value of options has been calculated on the following assumptions:

Option plan	Model used	Benchmark price	Exercise price	Expected volatility	Average maturity	Risk free rate	Distribution rate	Fair value per unit
Plan VIII	Black & Scholes	€ 64	€ 64	30%	6 years	4%	1%	€ 21.27

3.9.4. Minority interests

The minority interests mainly include the share of minorities in Gaumont Pathé Archives.

3.10. Current and non current provisions

	12.31.07	Transactions of the period				12.31.06	12.31.05
		+	(1)	(2)	Others (3)		
Provision for pension and like commitments	1,781	160	-69	-28	182	1,536	1,411
Non current provisions	1,781	160	-69	-28	182	1,536	1,411
Provision for disputes (4)	506	424	-78	-128	21	267	209
Provision for contingencies on shares carried at equity (5)	94	94	-14	-	-	14	-
Other provisions for contingencies (6)	2,105	596	-368	-335	-	2,212	1,805
Provision for asbestos removal	410	-	-544	-46	-	1,000	-
Current provisions	3,115	1,114	-1,004	-509	21	3,493	2,014
Total	4,896	1,274	-1,073	-537	203	5,029	3,425
On the current operating results	-780	1,024	537	-	-	-	-
Impact on the non current operating results	-400	35	-	-	-	-	-
Impact on the item "Carried at equity"	-94	14	-	-	-	-	-
Impact on the item "Reserves"	-	-	-	-	-42	-	-

(1) Write backs used: which are totally offset in the expense account.

(2) Write backs for the surplus part of provisions.

(3) Changes in scope, recording of the first provision for pensions directly in equity capital.

(4) The provisions for disputes include:

▪ Legal disputes	485
▪ Disputes with the personnel	21
Total	506

(5) Shares carried at equity the net worth of which is negative are posted under liabilities as a provision for contingencies. The provision breaks down as follows:

	Reserves	Results	Equity capital
Gaumont Columbia TriStar Films GIE	3	-97	-94

(6) The other provisions cover the following contingencies:

▪ Risks related to films	785
▪ Risks related to personnel	463
▪ Risks related to stocks	345
▪ Risks related to the end of the contract with GCTHV	500
▪ Others	12
Total	2,105



3.10.1. Provision for pension and like commitments

	12.31.07	12.31.06	12.31.05
Retirement gratuities	1,627	1,398	1,280
Seniority bonuses	154	138	131
Total	1,781	1,536	1,411

3.10.1.1. Change in the actuarial debt

	12.31.07			12.31.06			12.31.05		
	Retirement gratuities	Seniority bonuses	Total	Retirement gratuities	Seniority bonuses	Total	Retirement gratuities	Seniority bonuses	Total
Year opening actuarial debt	1,398	138	1,536	1,280	131	1,411	1,001	101	1,102
Cost of services rendered over the period	88	10	98	84	9	93	64	7	71
Effect of the discounting	58	6	64	56	6	62	47	5	52
Actual benefits paid	-62	-5	-67	-19	-5	-24	-52	-7	-59
Actuarial (gains) losses	-34	3	-31	-3	-3	-6	220	25	245
Change in scope	139	-	139	-	-	-	-	-	-
Recording of the first provisions	40	2	42	-	-	-	-	-	-
Closing actuarial debt	1,627	154	1,781	1,398	138	1,536	1,280	131	1,411



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3.10.1.2. Components of the expense

	12.31.07			12.31.06			12.31.05		
	Retirement gratuities	Seniority bonuses	Total	Retirement gratuities	Seniority bonuses	Total	Retirement gratuities	Seniority bonuses	Total
Cost of services rendered over the period	88	10	98	84	9	93	64	7	71
Effect of the discounting	58	6	64	56	6	62	47	5	52
Yield expected from assets over the period	-	-	-	-	-	-	-	-	-
Depreciation of actuarial gains (losses)	-34	3	-31	-3	-3	-6	220	25	245
Net expense posted in the income statement	112	19	131	137	12	149	331	37	368

3.10.1.3. Main actuarial assumptions

	Retirement gratuities			Seniority bonuses		
	12.31.07	12.31.06	12.31.05	12.31.07	12.31.06	12.31.05
Discounting rate	5.07%	4.23%	4.19%	5.07%	4.23%	4.19%
Yield rate expected from assets	-	-	-	-	-	-
Career profile	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%



3.11. Financial debts

	Transactions of the period				
	12.31.07	+	- Others (1)	12.31.06	12.31.05
Loan on Alphanim purchase <i>including accrued interest to be paid</i>	24,694	24,694	-	-	-
	42	42	-	-	-
Line of credit <i>including accrued interest to be paid</i>	88,079	88,079	-40,000	-	40,000
	79	79	-	-	-
Cartoon series production loan	2,046	-	-	2,046	-
Other loans <i>including accrued interest to be paid</i>	672	707	-158	8	115
	-	-	-1	-	1
Advances from Centre National de la Cinématographie	1,510	30	-	750	730
Deposits received	38	2	-	-	36
Bank credit balances	6,417	5,374	-	38	1,005
Total	123,456	118,886	-40,158	2,842	41,886
Maturities:					
- less than 1 year	103,734			41,886	48,188
- from 1 to 5 years	19,722			-	-
- over 5 years	-			-	-

(1) Changes in scope.

On December 20, 2005, Gaumont contracted a confirmed loan agreement of € 100,000,000, maturing on September 15, 2008, to finance film production.

At December 31, 2007, € 88,000,000 of the line of credit was used (12.31.06: € 40,000,000, 12.31.05: € 47,500,000).

Said line of credit is covered by a rate hedging agreement in the amount of € 50,000,000 (12.31.06: € 6,666,000, 12.31.05: € 14,933,000).

The actual interest rate of the amount outstanding used at December 31, 2007 stood at 5.30% prior to hedging (12.31.06: 4.42%, 12.31.05: 3.18%), and at 5.12% after hedging (12.31.06: 4.27%, 12.31.05: 3.27%).

At December 31, 2007, Gaumont has a drawing right of € 12,000,000, which has been confirmed.

On December 21, 2007, Gaumont entered into a redeemable loan agreement of € 25,000,000 to finance the purchase of Alphanim and costs incidental thereto. Said loan is repayable in ten half yearly installments of € 2,500,000 as from December 21, 2008 up to December 21, 2012 and bears interest at 6.01% on the closing date of the financial statements.

These two line of credits have the financial ratios described in note 6.4.1.

They are also covered by the guarantees explained in note 6.3.1.

3.12. Other liabilities

	12.31.07	12.31.06	12.31.05
Tax debts	-	-	198
Current accounts	1,542	1,663	1,786
Debts on purchase of Arkeion Films	190	-	-
Miscellaneous debts	-	-	1,486
Total other non current liabilities	1,732	1,663	3,470
Accounts payables	13,724	15,431	14,125
Debts to fixed assets supplies	9,186	10,197	7,180
Down payments from customers	103	156	783
Social security debts	2,971	4,793	2,830
Tax debts	2,137	1,350	1,394
Current tax liabilities	-	111	108
Current account	121	3,274	216
Debts on purchase of Arkeion Films	90	-	-
Miscellaneous debts	30,115	32,240	27,094
Derivatives	127	-	1
Prepaid income	13,082	6,273	12,660
Total other current liabilities	71,656	73,825	66,391
Total	73,388	75,488	69,861
Maturities:			
- less than 1 year	71,656	73,825	66,296
- from 1 to 5 years	671	482	2,263
- over 5 years	1,061	1,181	1,302



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Notes to the consolidated financial statements

3.13. Derivatives

Hedging	12.31.07		12.31.06		12.31.05	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Rate risk	-	54	36	-	6	1
Foreign exchange risk	-	73	18	-	-	-
Total	-	127	54	-	6	1

The Group uses derivatives to manage and reduce its exposure to the risks of a change in interest rates and foreign exchange rates.

They are not deemed to be hedging instruments under the standard IAS 39. In consequence, the fair value of said derivatives is presented in the balance sheet as "Other receivables" or "Other debts" (depending on whether it results in an unrealized capital gain or capital loss).

The change in the fair value is posted as a financial result.

	12.31.07	Impact on result	12.31.06
Derivatives assets	-	-54	54
Derivatives liabilities	-127	-127	-
Total	-127	-181	54

4. Notes to the consolidated income statements

4.1. Revenues and results per business sector

4.1.1. Revenues

	12.31.07	12.31.06	12.31.05
Cinemas France	9,632	25,728	12,004
Video France	11,608	31,501	28,432
Video on demand France	35	-	-
Television France	34,201	45,452	37,027
International films	13,139	23,882	18,976
Others (1)	4,276	4,577	2,957
Total	72,891	131,140	99,396
including:			
France	59,102	107,258	80,420
Export	13,789	23,882	18,976

(1) Including, in the main, by-products, Gaumont Pathé Archives, Arkeion Films and music business (Gaumont Musiques and Editions La Marguerite).

Gaumont's consolidated revenues at December 31, 2007 stood at € 72,891,000 compared to € 131,140,000 at December 31, 2006.

In a context marked in 2007 by disappointing results for films released during the year and by a 5.6% drop in the number of filmgoers and a 22.8% drop for French films compared to the previous year¹, cinema proceeds totaled € 9,632,000 compared to € 25,728,000. Films released in 2006 had drawn more than 10 million filmgoers thanks, in particular, to the successes of *Je vous trouve très beau* (3.5 million filmgoers), *La doublure* (3.1 million filmgoers), and *OSS 117, Le Caire nid d'espions* (2.3 million filmgoers). Films released in 2007 totally only 4 million filmgoers, including 1.3 million for *Un jour sur Terre*.

¹ Source: Centre National de la Cinématographie.



The lack of new films with a strong potential on account, in particular, of a cinema release timetable that is reversed from year to year together with a 10.7% drop in value and a 4.1% in volume of the video market compared to the past year², generated a fall in video film proceeds, which fell from € 31,501,000 in 2006 to € 11,608,000 in 2007. In 2006, proceeds were buoyed by the film successes of the year and by *Palais Royal* !

Three agreements were signed in the fourth quarter of 2007 with operators on video services upon rental demand in France (Club Internet, Orange and Canal + Active) for recent films (*Pars vite et reviens tard*, *Un jour sur Terre*) and a hundred or so films from the catalogue (e.g. *Les tontons flingueurs*, *Le grand blond avec une chaussure noire*, *La traversée de Paris* or *Les patriotes*). The VoD made revenues of € 35,000 on 2007, mainly with *Un jour sur Terre*.

Sales of rights to French television companies totaled € 34,201,000 compared to € 45,452,000 in 2006.

Said drop is attributable mainly to pre-sales on the films *Les deux mondes* and *Big city* that were forwarded to the first quarter of 2008 on account of their being posted upon acceptance of the distribution equipment.

Sales of films from the catalogue showed a slight increase.

International sales stood at € 13,139,000 compared to € 23,882,000 over the previous year.

In 2006, *La science des rêves* had posted good results, in particular, in the USA.

Only *Cashback* and *Pars vite et reviens tard* buoyed business in 2007.

Sales of films from the catalogue showed a slight decrease.

The revenues generated by other businesses amounted to € 4,276,000 compared to € 4,577,000 in 2006.

Said decrease can be explained, in particular, by the following combined effects:

- proceeds related to the music business fell after a non-recurrent agreement was signed last year;
- sales of by-products on the increase;
- a contribution by Gaumont Pathé Archives increased to € 2,718,000 compared to € 2,496,000 in 2006;
- a € 323,000 contribution by Arkeion Films since July 6, 2007, date of its takeover by Gaumont.

4.1.2. Results of businesses (prior to appropriation of overheads) - Current operating results

	12.31.07	12.31.06	12.31.05
Results films	-3,384	29,250	15,201
Overheads	-18,370	-21,456	-17,102
Current operating results	-21,754	7,794	-1,901

4.2. Personnel costs

The personnel costs include salaries, bonuses, incentives, paid leave as well as expenses related to pension and like commitments and those related to share option plans.

	12.31.07	12.31.06	12.31.05
Salaries	-9,276	-10,962	-7,934
Social security contributions	-3,608	-3,950	-3,002
Pensions and like commitments	-63	-125	-309
Expenses of stock-options	-895	-978	-821
Total	-13,842	-16,015	-12,066

² Source: Centre National de la Cinématographie - GfK.



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Notes to the consolidated financial statements

4.3. Other current operating income and expenses

	12.31.07	12.31.06	12.31.05
Cost of films	104	19	387
Financial support Centre National de la Cinématographie	4,316	11,852	8,495
Subsidies	1,707	747	301
Income related to sale & lease back contracts	-	4,042	3,048
Film tax credit	1,622	2,099	1,403
Recharging of overheads to films	1,793	2,642	1,834
Other income from current management	4,232	2,599	3,151
Transfer of expenses	2,123	3,358	1,408
Foreign exchange gains relating to operating operations	13	96	486
Income	15,910	27,454	20,513
Purchase of rights and minimum guaranteed	-4,075	-20,417	-6,179
Purchases of materials and supplies not inventoried	-16,862	-16,234	-13,553
Subcontracting	-1,636	-1,413	-2,355
Rentals and rental expenses	-1,086	-745	-880
Maintenance and repairs	-1,561	-904	-1,016
Insurance premiums	-115	-117	-111
Other purchases of studies and services	-3,613	-4,011	-4,292
Outside personnel	-368	-392	-247
Salaries of intermediaries and fees	-4,877	-8,314	-7,529
Advertising, publications and public relations	-589	-4,562	-2,777
Transport	-588	-361	-324
Travel, missions and receptions	-1,912	-2,476	-1,672
Postal costs and telecommunication costs	-258	-199	-209
Bank services	-594	-302	-1,160
Other external expenses	-1,098	-2,311	-2,033
Taxes and like payments	-1,463	-2,285	-831
Other expenses from current management	-6,927	-16,452	-8,713
Foreign exchange losses relating to distribution operations	-221	-280	-142
Expenses	-47,843	-81,775	54,023
Total	-31,933	-54,321	-33,510

4.4. Loss in value, depreciation and provisions

	12.31.07	12.31.06	12.31.05
Intangible assets			
- Write backs on loss in value	5,882	17,350	3
- Allowance for depreciation	-52,325	-62,638	-48,784
- Allowance for loss in value	-2,489	-5,393	-9,118
	-48,932	-50,681	-57,899
Tangible assets			
- Write backs on loss in value	-	12	332
- Allowance for depreciation	-1,356	-1,228	-1,108
	-1,356	-1,216	-776
Current assets			
- Write backs on loss in value	1,263	1,344	2,220
- Allowance for loss in value	-125	-61	-155
	1,138	1,283	2,065
Contingencies and expenses			
- Write backs on loss in value	1,464	162	1,886
- Allowance for loss in value	-620	-1,627	-231
	844	-1,465	1,655
Total	-48,306	-52,079	-54,955

The allowances for depreciation of intangible assets in the income statement are reprocessed to allowances for depreciation of fees paid to co-producers activated but that are not investments (12.31.07: € 7,745,000, 12.31.06: € 16,419,000, 12.31.05: € 6,312,000).



4.5. Other non current operating income and expenses

	12.31.07	12.31.06	12.31.05
Income from sale of intangible and tangible assets	881	9	701
Book values of intangible and tangible assets sold	-721	-74	-325
Loss of value of purchase differentials	-	-544	-
Miscellaneous expenses	-48		
Write backs on losses in value/provisions for contingencies and expenses	35	-	-
Allowances for losses in value/provision for contingencies and expenses	-400	-	-
Total	-253	-609	376

4.6. Other interest income and expenses

	12.31.07	12.31.06	12.31.05
Income from holdings	1	1	-
Interest expense activated	4,240	2,018	2,732
Other interest and like income	-	191	16
Income from sale of financial assets	43	-	-
Write backs on provisions	50	-	16
Foreign exchange gains	5	4	154
Unrealized gains related to changes in fair value	-	49	36
Income	4,339	2,263	2,954
Expenses from holdings	-49	-	-
Interest and like expenses	-13	-18	-40
Book value of financial assets sold	-18	-	-2
Allowances for provisions	-12	-96	-
Foreign exchange losses	-159	-296	-66
Unrealized losses related to changes in fair value	-181	-	-
Expenses	-432	-410	-108
Total	3,907	1,853	2,846

The interest expense activated depends on the productions of the year.



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4.7. Share of the net results of companies carried at equity

Company	Last % of control	12.31.07	12.31.06	12.31.05
EuroPalaces SAS	34%	11,905	9,778	5,063
Gaumont Columbia TriStar Films GIE	50%	-97	2	-
Lincoln Cinema Associates (USA)	32%	392	426	444
Total		12,200	10,206	5,507

4.8. Taxes

4.8.1. Breakdown of the tax expense or income

Breakdown of the tax	12.31.07	12.31.06	12.31.05
Current taxes	-329	-422	-294
Deferred taxes	2,230	7,847	2,537
Total tax income	1,901	7,425	2,243

4.8.2. Current tax

The current tax expense is equal to the amounts of tax on income owed to the tax authorities for the financial year in relation to the rules and taxation rates in force in the various countries.

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

At December 31, 2007, Gaumont SA, "Group head" as well as Gaumont International SARL, Les Films du Dauphin SARL and Prestations et Services SARL were within the scope of the tax consolidation.

The tax consolidation is neutral for the subsidiaries; the tax savings or expenses generated by the consolidation are posted in the financial statements of Gaumont SA. The tax saving on results inherent to the tax deficits of the consolidated subsidiaries are systematically repaid to the latter.

The tax consolidation had no impact on the consolidated tax expense.

4.8.3. Deferred taxes

4.8.3.1. Deferred tax rate

	12.31.07	12.31.06	12.31.05
Ordinary tax rate	33.33%	33.33%	33.84%
Reduced rate	-	-	15.00%

4.8.3.2. Deferred taxes posted on the balance sheet

	12.31.07	Change	Other changes (1)	12.31.06	12.31.05
Deferred tax assets	2,768	2,200	-488	1,056	2,804
Deferred tax liabilities <i>including long term capital gain on EuroPalaces shares</i>	-2,961	30	-230	-2,761	-12,356
Total net deferred tax liabilities	-193	2,230	-718	-1,705	-9,552

(1) Change in scope.



4.8.3.3. Origin of the deferred taxes

	12.31.07	Change	Other changes (1)	12.31.06	12.31.05
Tax deficits activated	18,396	3,659	1,467	13,270	14,473
Fair value of films	-3,413	298	-2,253	-1,458	-1,751
Fair value of land and buildings	-7,737	46	-	-7,783	-7,936
Accelerated depreciation/films	-6,688	735	-	-7,423	-9,626
Long term capital gains on EuroPalaces shares	-1,062	-	-	-1,062	-9,554
Other temporary differences	311	-2,508	68	2,751	4,842
Net deferred tax liabilities	-193	2,230	-718	-1,705	-9,552

At December 31, 2007, Gaumont losses that may be carried over without limitation in time and against which there is a probability of charging future profits (€ 63,984,000, 12.31.05: € 45,338,000) have been recognized in the amount of € 50,741,000 (12.31.05: € 42,777,000) so as to cap the net deferred tax assets of companies within the scope of the tax consolidation in the amount of their net deferred tax liabilities (12.31.07: € 2,761,000, 12.31.05: € 2,802,000).

At December 31, 2006, Gaumont losses that may be carried over without limitation in time and against which there is a probability of charging future profits (€ 39,813,000) had been fully recognized; the amount of their net deferred tax liabilities of companies within the scope of the tax consolidation amounted to € 1,711,000.

At December 31, 2007, Arkeion Films and Alphanim losses that may be carried over without limitation in time were activated respectively for € 214,000 and € 4,232,000.

At December 31, 2007, the net deferred tax liabilities of companies not within the scope of the tax consolidation amounted to € 193,000.

At December 31, 2006 and at December 31, 2005, the net deferred tax liabilities of companies not within the scope of the tax consolidation amounted respectively to € 6,000 and to € 2,000.

4.8.4. Reconciliation of the tax posted and the theoretical tax

Proof of tax	12.31.07	12.31.06	12.31.05
Results of consolidated companies before tax	-8,802	18,190	5,047
Current tax rate applicable to the parent company	33.33%	33.33%	33.84%
Theoretical tax	2,934	-6,063	-1,708
Effects of differentials of rates of taxation at reduced rates	4	9,554	2,548
Share of results of companies carried at equity	3,936	3,260	1,713
Effects of permanent and temporary differences	-5,502	-314	-1,361
Effects of tax rate differentials between France and abroad	-46	-22	-34
Effect of the tax consolidation	34	310	610
Film tax credit (1)	541	700	475
Tax income or (expense) actually posted	1,901	7,425	2,243
Actual tax rate	-	-	-

(1) The film tax credit appears under the column "Taxes" in the corporate financial statements. In the consolidated financial statements, it is reclassified in "Other current operating income".



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Notes to the consolidated financial statements

4.9. Results per share

The results per share are calculated on the basis of the net results (Group share) of the year attributable to ordinary shareholders and an average number of ordinary shares in circulation on the year.

The average number of shares in circulation is calculated on the basis of the various changes in the share capital.

	12.31.07	12.31.06	12.31.05
Number of shares at January 1	4,247,801	4,221,797	4,131,797
Capital increases related to the exercise of subscription options (prorata temporis)	15,848	13,904	67,500
Average number of ordinary shares	4,263,649	4,235,701	4,199,297

Moreover, it is given after the dilutive effect of the exercise of share subscription options. Said effect on the number of shares is as follows:

	12.31.07	12.31.06	12.31.05
Average number of ordinary shares	4,263,649	4,235,701	4,199,297
Number of share subscription options with a dilutive effect	216,070	14,078	16,499
Average potential number of ordinary shares	4,479,719	4,249,779	4,215,796

The share subscription options of which the exercise price is higher than the average price of the share over the year are not, on account of their positive nature, taken into account to calculate the net profit (Group share) diluted by share.

5. Notes to the statement of consolidated cash flows

5.1. Breakdown of net allowances to depreciation and provisions, excluding current assets

	12.31.07	12.31.06	12.31.05
Intangible assets			
- Write back on losses in value	5,882	17,350	3
- Allowances for depreciation	-52,325	-62,638	-48,784
- Allowances for losses in value	-2,489	-5,393	-9,118
	-48,932	-50,681	-57,899
Tangible assets			
- Write back of losses in value	-	12	332
- Allowances for depreciation	-1,356	-1,228	-1,108
	-1,356	-1,216	-776
Financial assets			
- Write back on losses in value	50	-	16
- Allowances for losses in value	-13	-50	-
	37	-50	16
Contingencies and expenses			
- Write back on losses in value	1,499	162	1,886
- Allowances for losses in value	-1,020	-1,627	-231
	479	-1,465	1,655
Total	-49,772	-53,412	-57,004

The allowances for depreciation of intangible assets in the income statement are reprocessed [to include] allowances for depreciation of fees paid to co-producers activated but which are not investments (12.31.07: € 7,745,000, 12.31.06: € 16,419,000, 12.31.05: € 6,312,000).

5.2. Dividends received from companies carried at equity

Company	Last % of control	12.31.07	12.31.06	12.31.05
Gaumont Columbia TriStar Films GIE	50%	-18	16	-
Lincoln Cinema Associates (USA)	32%	440	492	504
Total		422	508	504

5.3. Change in net working capital related to the business

	12.31.07	12.31.06	12.31.05
Change in operating assets	10,631	-15,426	11,430
Change in operating liabilities	-8,853	2,622	2,103
Current tax expense	-329	-422	-294
Taxes paid	722	387	77
Expense of pensions and like commitments	63	125	309
Total	2,234	-12,714	13,625



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Notes to the consolidated financial statements

5.3.1. Change in operating assets

The chart below sets out the change in operating assets that constitute working capital requirements in amounts net of provisions (the provisions on items that constitute the working capital requirement are deemed to be disbursable).

	Net balance at 12.31.07	Change in working capital requirement	Other changes (1)	Net balance at 12.31.06	Change in working capital requirement	Other changes (1)	Net balance at 12.31.05	Change in working capital requirement	Other changes (1)	Net balance at 12.31.04
Accounts receivable	39,671	-6,918	5,419	41,170	5,168	-	36,002	-7,688	-	43,690
Current financial assets	1,651	-2,239	1	3,889	3,058	-	831	-1,126	-	1,957
Down payment to suppliers	788	-205	4	989	495	-	494	-1,149	-	1,643
Social security receivables	15	-5	-	20	6	-	14	-5	-	19
Tax receivables	17,641	834	529	16,278	5,953	-4	10,329	968	-	9,361
Current tax assets	2,969	-352	1,035	2,286	-571	-	2,857	1,405	1	1,451
Current accounts	-	-16	-	16	-1,638	-	1,654	-3,660	-	5,314
Miscellaneous receivables	6,731	-1,686	1,575	6,842	2,863	-	3,979	44	-	3,935
Prepaid expenses	1,520	-44	101	1,463	92	-	1,371	-219	-	1,590
Assets that constitute the working capital requirement	70,986	-10,631	8,664	72,953	15,426	-4	57,531	-11,430	1	68,960

(1) Change in scope, change in foreign exchange.

A decrease in receivables is reflected in the cash position by a collection. In consequence, the negative change above is analyzed as an entry of funds in the statement of cash flow.

An increase in receivables is reflected in the cash position by a non-collection. In consequence, the positive change above is analyzed as an outflow of funds in the statement of cash flow.



5.3.2. Change in operating liabilities

The chart below sets out the change in operating liabilities that constitute the working capital requirement:

	Net balance at 12.31.07	Change in working capital requirement	Other changes (1)	Net balance at 12.31.06	Change in working capital requirement	Other changes (1)	Net balance at 12.31.05	Change in working capital requirement	Other changes (1)	Net balance at 12.31.04
Accounts payable	13,724	-4,181	2,474	15,431	1,306	-	14,125	1,227	-	12,898
Down payments from customers	103	-59	6	156	-627	-	783	4	-	779
Social security debts	2,971	-2,543	721	4,793	1,963	-	2,830	-842	-	3,672
Tax debts	2,137	389	398	1,350	-238	-4	1,592	-3,291	3	4,880
Current tax liabilities	-	-111	-	111	3	-	108	37	-	71
Current account	1,663	-981	-2,293	4,937	2,942	-7	2,002	-162	10	2,154
Miscellaneous debts	30,115	-3,594	1,469	32,240	3,660	-	28,580	7,289	-	21,291
Prepaid income	13,082	2,227	4,582	6,273	-6,387	-	12,660	-2,159	-	14,819
Liabilities that constitute the working capital requirement	63,795	-8,853	7,357	65,291	2,622	-11	62,680	2,103	13	60,564

(1) Change in scope, change in foreign exchange.

5.4. Breakdown of purchases of fixed assets (excluding consolidated shares)

	Reference	12.31.07	12.31.06	12.31.05
Purchases of intangible assets	Notes 3.2 & 3.3	72,982	53,030	45,206
Purchases of tangible assets	Note 3.4	2,454	1,341	1,126
Purchases of intangible assets	Note 3.6	3,002	258	105
Total		78,438	54,629	46,437

The purchases of intangible assets in the income statement are reprocessed as fees paid to co-producers activated but that are not investments (12.31.07: € 7,745,000, 12.31.06: € 16,419,000, 12.31.05: € 6,312,000).

5.5. Change in payables to fixed assets suppliers

	Net balance at 12.31.07	Other changes (1)	Net balance at 12.31.06	Net balance at 12.31.05	Net balance at 12.31.04
Payables to fixed assets suppliers	9,186	-1,632	621	10,197	3,017
Debts on purchase of Arkeion Films	280	280	-	-	-
Total	9,466	-1,352	621	10,197	3,017
				7,180	879
					6,301

(1) Change in scope.



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5.6. Impact of changes in scope

	LGM Participations	Arkeion Films	Alphanim	Total
Price paid	3,481	907	25,075	29,463
Advance paid 2006	-200	-	-	-200
Cash flow acquired	-159	-146	-91	-396
Total	3,122	761	24,984	28,867

6. Other information

6.1. Breakdown of the workforce per category

The chart below shows the workforce of the companies consolidated by full consolidation:

	12.31.07	12.31.06	12.31.05
Executives	67	56	57
Supervisors	39	32	29
Employees	31	28	25
Total workforce	137	116	111

6.2. Salaries of corporate officers

The gross salaries and benefits prior to social security and tax deductions allocated by Gaumont related to the position of corporate officer is drawn up as follows:

	Executive Board (1)			Supervisory Board (1)			Board of Directors (1)		
	12.31.07	12.31.06	12.31.05	12.31.07	12.31.06	12.31.05	12.31.07	12.31.06	12.31.05
Salaries (2) <i>(in euro)</i>	1,424,952	551,522	230,000	1,315,096	714,347	912,000	-	-	-
Directors' fees (3) <i>(in euro)</i>	-	-	-	180,000	140,000	43,333	-	-	96,667
Total (in euro)	1,424,952	551,522	230,000	1,495,096	854,347	955,333	-	-	96,667
Stock-options allocations <i>(in number of shares)</i>	-	-	90,000	-	-	-	-	-	-

(1) Change in the method of administration and management of Gaumont by the adoption of the method of an Executive Board and a Supervisory Board on July 27, 2004.

(2) Only the Chairman of the Board of Directors, the Chief Executive Officer, the members of the Executive Board, the Chairman and Vice Chairman of the Supervisory Board receive compensation.

(3) Directors' fees allocated:

- for the period from January 1, 2004 to July 27, 2004 depending on the actual attendance of each director at the Board of Directors and paid in 2005;
- for the period from July 27, 2004 to December 31, 2004 depending on the actual attendance of each member of the Supervisory Board and paid in 2005;
- for FY 2005 and 2006 in equal proportions between each member of the Supervisory Board and paid respectively in 2006 and 2007.

No compensation and no directors' fees, other than those mentioned above, was paid to corporate officers by the companies controlled or controlling companies within the meaning of Article L. 233-16 of the French Commercial Code.

There is no golden hello or golden handshake or complementary pension scheme applicable as of today's date for corporate officers.



6.3. Commitments and any liabilities

6.3.1. Off balance sheet commitments related to the ordinary business

	12.31.07	12.31.06	12.31.05
Commitments given	104,563	61,261	39,056
Pledges, mortgages of assets	24,000	-	-
Assignments of receivables as security	32,546	16,011	17,550
Guarantees	918	-	-
Other commitments given:			
- Contracts to research and design film projects	150	650	1,350
- Production of films and project development	46,949	41,319	20,156
- Purchases of shares LGM Participations	-	3,281	-
Commitments received	61,763	95,255	106,295
Bank loans not used	12,000	60,000	52,500
Other commitments received:			
- Purchases of rights and financing of films	49,763	35,255	53,795

At December 31, 2007, Gaumont had a confirmed line of credit of € 100,000,000, of which it has used € 88 000,000. It includes an assignment of receivables as a guarantee that must represent at all times at least 33% of the outstanding amount of the line of credit used.

At December 31, 2007, Gaumont and its subsidiaries committed € 46,949,000 for film production and project development. At the same time, Gaumont and its subsidiaries received commitments for the purchase of rights and contributions by co-producers to films for an amount of € 49,763,000.

The information presented above include major off balance sheet commitments in accordance with current accounting standards.

6.3.1.1. Pledging of assets

On December 21, 2007, to finance the purchase of all shares making up the share capital of Alphanim and the incidental costs, Gaumont signed a redeemable loan agreement with Natixis and BNP Paribas for an amount of € 25,000,000, which is repayable in ten half yearly installments of € 2,500,000, as from June 21, 2008 and up to December 21, 2012.

As a security, Gaumont signed an agreement pledging a financial instruments accounts relating to all shares that make up Alphanim's capital (less six shares that on which there is no restriction on transfer) held by itself.

Type of pledge/mortgage	Starting date of the pledge	Maturity date of the pledge	12.31.07	12.31.06	12.31.05
On intangible assets			-	-	-
On tangible assets			-	-	-
On financial assets	12.21.07	12.21.12	24,000	-	-
Total			24,000	-	-
Total balance sheet			413,160	343,202	326,750
Relevant percentage			5.8%	-	-

6.3.1.2. Mortgage promise

The redeemable loan agreement of € 25,000,000 includes financial ratios.

In the event one of the financial ratios defined in note 6.4.1 is not complied with, Gaumont has undertaken to set up a mortgage in favor of Natixis and BNP Paribas for a principal of € 11,000,000 increased by 10% for interest, commissions, interest for late payment, costs and incidental costs related to the guaranteed obligations.

6.3.1.3. Other guarantees granted

Gaumont signed the following guarantees in relation to the film JCVD:

- A guarantee, in favor of Tax Schelter Productions, that Gaumont would comply with Belgian regulations on the Tax-Shelter relating to the film JCVD and that it would cover the risk of loss of the tax benefit for investors in the amount of € 918,000 on December 13, 2007.
- A guarantee in favor of Coficiné, in the form of a loan by guarantee, in the amount of € 918,000 under the guarantee that Coficiné itself gave to the Belgian company Tax Shelter Productions for said same risk on December 5, 2007.



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6.3.1.4. Guarantees of liabilities received

- Gaumont continues to benefit from a sellers' warranty granted by the assignors of shares of LGM Participations on January 9, 2007. Said guarantee includes a joint and several guarantee by Fortis Banque of an amount of € 600,000, which shall expire on December 31, 2009.
- On July 6, 2007, Gaumont bought all shares (100%) of Arkeion Films for an amount of € 907,000. The assignors granted Gaumont a sellers' warranty that shall expire on January 30, 2011.
- On December 21, 2007, Gaumont bought out all shares (100%) of Alphanim, which itself holds all shares making up the share capital of Alphanim Musique and of Alphanim Digital for an amount of € 24,000,000.

The assignors granted Gaumont a sellers' warranty within the limit of € 4,320,000 for a two-year period, which is not a joint and several guarantee. Said commitment is guaranteed by some of the transfer price of shares to be owed to the assignors, i.e. € 4,320,000 being placed in escrow with the BNP Paribas.

6.3.1.5. Other commitments received

The purchase agreement of Alphanim provides for a price reduction clause for the shares of the sole founder, in the event of his departure prior to the third anniversary date of the signing of the agreement, i.e. end of December 2010. Said amount relates to a maximum amount of € 1,083,000.

6.3.2. Complex commitments

Gaumont had not entered into any complex commitment at December 31, 2007.

6.3.3. Other contractual obligations

Contractual obligations	Total	Payments owed of the period		
		less than 1 year	from 1 to 5 years	over 5 years
Long term debts (1)	1,943	211	671	1,061
Ordinary rental contracts (2)	4,588	817	2,238	1,533
Total	6,531	1,028	2,909	2,594

(1) Said debts are posted under liabilities on the balance sheet.

(2) Minimum future payments for ordinary rental contracts in progress at the closing of the year are listed in said column.

6.3.4. Individual right to training

Gaumont and its French subsidiaries grant their employees an individual right to training of a period of at least 20 hours per calendar year, which may be carried forward over a maximum six-year period. At the end of this period and if not used, the upper limit on all rights shall be capped at 120 hours.

Said time credit is part of the Group's training program. In consequence, no provision has been posted in this respect at December 31, 2007.

The number of hours accumulated but not used at December 31, 2007 totaled 7,022 hours, which corresponds to an average use rate of 9.9% over the last three years.



6.4. Risks

6.4.1. Liquidity risk

Gaumont has a confirmed line of credit of € 100,000,000 to finance film production that matures in less than a year. At December 31, 2007, it used € 88,000,000 thereof, i.e. a use rate of 88%.

Said line of credit has the following financial ratios:

Covenants to be respected	Situation at 12.31.07
R1: cash flow prior to cost of net financial indebtedness and taxes / cost of net financial indebtedness > 12	11,4
R2: net financial debt / cash flow prior to cost of net financial indebtedness and taxes < 2.25	3,6
R3: value of Group's main assets (1) / net financial indebtedness > 3	3,8
R4: financial debt / equity capital < 1	0,6

(1) Means, based on the consolidated financial statements: the value of EuroPalaces shares held by Gaumont, increased by the value of the film catalogue, increased by the gross value of the Group's real property, increased by the purchase price less loss in value of Alphanim.

On December 21, 2007, to finance the purchase of Alphanim, Gaumont signed a separate loan agreement of an amount of € 25,000,000, which is repayable in ten half yearly installments of € 2,500,000 as from June 21, 2008 and up to December 31, 2012. Said loan agreement has the same financial ratios as those of the line of credit of € 100,000,000. Said ratios are to be respected each half year and for the first time as from June 30, 2008.

At December 31, 2007, Gaumont did not respect the two of the four ratios of the confirmed line of credit agreement of € 100,000,000:

- R1: cash flow prior to cost of net financial indebtedness and taxes / cost of net financial indebtedness;
- R2: net financial debt / cash flow prior to cost of net financial indebtedness and taxes.

Nevertheless, said ratios are calculated on the basis of a net consolidated debt that includes the amount of € 25,000,000 to finance the purchase of Alphanim, even though the calculation of the cash flow prior to the cost of net financial indebtedness and takes does not take account thereof.

Gaumont requested and obtained a waiver for said two ratios from the bank pool on March 14, 2008. This confirmed line of credit agreement shall be re-negotiated before it expires on September 15, 2008.

6.4.2. Interest rate risk

6.4.2.1. Maturity tickler of financial assets and financial liabilities

	Maturity tickler			
	12.31.07	less than 1 year	from 1 to 5 years	over 5 years
Financial assets at fixed rate	-	-	-	-
Financial assets at variable rate	3,723	3,723	-	-
Financial assets not exposed	-	-	-	-
Financial assets (1)	3,723	3,723	-	-
Financial liabilities at fixed rate	-	-	-	-
Financial liabilities at variable rate	-121,236	-101,514	-19,722	-
Financial liabilities not exposed	-2,220	-2,220	-	-
Financial liabilities (2)	-123,456	-103,734	-19,722	-

(1) Cash and cash equivalents.

(2) Financial debts.

6.4.2.2. Rate derivatives

	Maturity tickler				Market value
	12.31.07	less than 1 year	from 1 to 5 years	over 5 years	
Rate swaps equity shares	50,000	-	50,000	-	54
Total	50,000	-	50,000	-	54

Gaumont manages its exposure to the interest rate risk by using interest rate swap contracts. They are not deemed to be hedging instruments under the standard IAS 39.

In consequence, the fair value of derivatives is presented in the balance sheet under "Other receivables" or "Other debts" (depending on whether they result in an unrealized capital gain or a loss).

The change in fair value is posted in financial results.



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At December 31, 2007, the line of credit of € 100,000,000 is capped at 50% on account of the setting up:

- if 1 month Euribor > or = at 4.4975%: of a variable rate against a fixed rate swap for € 50,000,000;
- if 1 month Euribor 1 < at 4.4975%: of a € 25,000,000 and a variable rate against a variable rate swap for € 25,000,000.

6.4.2.3. Monitoring of interest rate risk and sensitivity

	Fixed rate	Variable rate	Not exposed	Total
Financial assets (1)	-	3,723	-	3,723
Financial liabilities (2)	-	-121,236	-2,220	-123,456
Net position prior to management	-	-117,513	-2,220	-119,733
"Hedging"	-50,000	50,000	-	-
Net position after management	-50,000	-67,513	-2,220	-119,733
Sensitivity (3)	-	675	-	675

(1) Cash and cash equivalents.

(2) Financial debts.

(3) Impact in full year.

Considering the interest rate "hedging" portfolio at December 31, 2007, the net worth after variable rate management is a fixed rate debt of € 50,000,000 and a variable rate debt of € 67,513,000.

Thus, an instantaneous change of 1% in the interest rate would have a negative impact on the financial results of € 675,000, which would represent an increase of the cost of the net financial indebtedness of 23.3% for the whole of FY 2007.

6.4.3. Foreign exchange risks

Gaumont is exposed to foreign currency risks on commercial transactions posted on the balance sheet and on future transactions that are probable.

Gaumont endeavors to ensure natural hedging between the collection and disbursement flows of foreign currencies.

Gaumont studies the need and the opportunity of setting up a foreign exchange hedge to cover its risks on a case-by-case basis (forward purchases or sales, options).

6.4.3.1. Foreign currency derivatives

	12.31.07	Maturity tickler			Market value
		less than 1 year	from 1 to 5 years	over 5 years	
Term equity shares EUR/CAD	1,160	1,160	-	-	73
Total	1,160	1,160	-	-	73

Gaumont manages its exposure to foreign currency risk by using foreign exchange options. They are not deemed to be hedging instruments under the standard IAS 39.

In consequence, the fair value of derivatives is presented in the balance sheet under "Other receivables" or "Other debts" (depending on whether they result in an unrealized capital gain or a loss).

The change in fair value is posted in financial results.



6.4.3.2. Monitoring and management of foreign exchange risks

	AUD	CAD	GBP	USD	HKD	ZAR	Total
Assets	10	608	166	3,982	1	995	5,762
Liabilities	-	-	-1	-91	-	-	-92
Off balance sheet	-	-1,244	721	-367	-	-	-890
Net position prior to management	10	-636	886	3,524	1	995	4,780
"Hedging"	-	1,160	-	-	-	-	1,160
Net position after management	10	524	886	3,524	1	995	5,940
Sensitivity	-	-5	-9	-35	-	-10	-59

The consolidated net exposure in foreign currencies (counter value in euro at the closing prices), after "hedgings", have been taken into account, is € 5,940,000. Thus, the risk of loss on the global net position in currencies on account of a possibility of an adverse and standard change of a centime of a euro against all of the currencies in question would be € 59,000.

During FY 2007, the revenues invoiced in foreign currencies outside the euro zone, the allocation of which is set out below, amounted to € 4,297,000 i.e. 5.9% of the consolidated revenues.

	AUD	CAD	CHF	CLP	DKK	GBP	HUF	ILS	JPY	USD
Revenues	4	68	325	1	28	60	7	4	3	3,797

6.4.4. Credit risk

The exposure to the credit risk non-depreciated current assets is as follows:

	12.31.07	In progress	Retard					
			less than 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
Current assets								
at less than 1 year	70,109	61,130	2,969	3,334	332	-324	906	1,762
at over 1 year	877	877	-	-	-	-	-	-

6.4.5. Share risk

During the past financial year and to date, Gaumont was not exposed to any risk of this kind. It only bought securities to invest surplus cash in currency UCITS.

	Portfolio of third party shares or UCITS shares	Treasury stock portfolio
Position at assets	None	None
Off balance sheet	None	None
Net global position	None	None



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6.5. Financial instruments

The chart below presents a comparison by category of book values and of the fair value of all of the Group's financial instruments.

The financial assets and financial liabilities have already been assessed at the fair value in the financial statements.

	12.31.07		Breakdown by category of instruments				
	Net book value on the balance sheet	Fair value	Fair value per result	Assets available for sale	Loans and receivables	Debts at amortized cost	Derivatives
Non consolidated equity shares	118	118		118			
Other non current financial assets	3,430	3,430			3,430		
Other current financial assets	1,651	1,651			1,651		
Derivatives assets	-	-					
Cash and cash equivalents	3,723	3,723	3,723				
Financial assets	8,922	8,922	3,723	118	5,081	-	-
Long term financial debts	19,722	19,722				19,722	
Short term financial debts	103,734	103,734				103,734	
Derivatives liabilities	127	127	127				
Financial liabilities	123,583	123,583	127	-	-	123,456	-

	12.31.06		Breakdown by category of instruments				
	Net book value on the balance sheet	Fair value	Fair value per result	Assets available for sale	Loans and receivables	Debts at amortized cost	Derivatives
Non consolidated equity shares	149	149		149			
Other non current financial assets	732	732			732		
Other current financial assets	3,889	3,889			3,889		
Derivatives assets	54	54	54				
Cash and cash equivalents	4,377	4,377	4,377				
Financial assets	9,201	9,201	4,431	149	4,621	-	-
Long term financial debts	-	-					
Short term financial debts	41,886	41,886				41,886	
Derivatives liabilities	-	-					
Financial liabilities	41,886	41,886	-	-	-	41,886	-



	12.31.05		Breakdown by category of instruments				
	Net book value on the balance sheet	Fair value	Fair value per result	Assets available for sale	Loans and receivables	Debts at amortized cost	Derivatives
Non consolidated equity shares	149	149		149			
Other non current financial assets	686	686				686	
Other current financial assets	831	831				831	
Derivatives assets	6	6	6				
Cash and cash equivalents	4,962	4,962	4,962				
Financial assets	6,634	6,634	4,968	149	1,517	-	-
Long term financial debts	-	-					
Short term financial debts	48,188	48,188				48,188	
Derivatives liabilities	1	1	1				
Financial liabilities	48,189	48,189	1	-	-	48,188	-

6.6. Segment reporting

Under IAS 14 "Segment reporting", the first level of segment reporting is organized by business sector and the second level is organized by geographic area.

6.6.1. Sectors of business

The Gaumont group operates in three business sectors:

- the production and operation of cinema films;
- the production of cartoon series since December 21, 2007 via Alphanim;
- the operation of cinemas via its interest in EuroPalaces.

The contributions of each business sector is as follows:



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(in thousand of euro)	2007				2006				2005				
	Cinema production	Cartoon production	Operation of cinema	Total	Cinema production	Cartoon production	Operation of cinema	Total	Cinema production	Cartoon production	Operation of cinema	Total	
Revenues	72,891	-	-	72,891	131,140	-	-	131,140	99,396	-	-	99,396	
Current operating result	-21,754	-	-	-21,754	7,794	-	-	7,794	-1,901	-	-	-1,901	
Other non current operating income and expenses	-253	-	-	-253	-609	-	-	-609	376	-	-	376	
Cost of the net financial indebtedness	-2,902	-	-	-2,902	-1,054	-	-	-1,054	-1,781	-	-	-1,781	
Other interest income and expense	3,907	-	-	3,907	1,853	-	-	1,853	2,846	-	-	2,846	
Share of the results of companies carried at equity	295	-	11,905	12,200	428	-	9,778	10,206	444	-	5,063	5,507	
Taxes	1,901	-	-	1,901	7,425	-	-	7,425	2,243	-	-	2,243	
Net result	-18,806	-	11,905	-6,901	15,837	-	9,778	25,615	2,227	-	5,063	7,290	
Net purchase differentials	732	14,876	-	15,608	-	-	-	-	544	-	-	544	
Films and net audiovisual rights	107,311	13,581	-	120,892	81,231	-	-	81,231	86,946	-	-	86,946	
Other net intangible assets	936	14	-	950	551	-	-	551	719	-	-	719	
Net tangible assets	35,327	399	-	35,726	34,944	-	-	34,944	34,893	-	-	34,893	
Carried at equity	430	-	158,529	158,959	531	-	146,624	147,155	664	-	136,846	137,510	
Other net financial assets	3,491	57	-	3,548	881	-	-	881	835	-	-	835	
Non current tax assets	2,768	-	-	2,768	1,056	-	-	1,056	2,804	-	-	2,804	
Net account receivable	34,337	5,334	-	39,671	41,170	-	-	41,170	36,002	-	-	36,002	
Current tax assets	2,115	854	-	2,969	2,286	-	-	2,286	2,857	-	-	2,857	
Other net receivables and other current financial assets	26,165	2,181	-	28,346	29,551	-	-	29,551	18,678	-	-	18,678	
Cash and cash equivalents	3,632	91	-	3,723	4,377	-	-	4,377	4,962	-	-	4,962	
Total Assets	217,244	37,387	158,529	413,160	196,578			146,624	343,202	189,904		136,846	326,750
Capital				34,159					33,982			33,774	
Reserves and result (Group share)				171,490					181,230			156,501	
Minority interests				2,810					2,826			2,645	
Equity capital				208,459					218,038			192,920	
Non current provisions	1,642	139	-	1,781	1,536	-	-	1,536	1,411	-	-	1,411	
Non current tax liabilities	2,961	-	-	2,961	2,761	-	-	2,761	12,356	-	-	12,356	
Long term financial debts	19,722	-	-	19,722	-	-	-	-	-	-	-	-	
Other non current debts	1,732	-	-	1,732	1,663	-	-	1,663	3,470	-	-	3,470	
Current provisions	3,094	21	-	3,115	3,493	-	-	3,493	2,014	-	-	2,014	
Short term financial debts	100,938	2,796	-	103,734	41,886	-	-	41,886	48,188	-	-	48,188	
Accounts payable	20,608	2,302	-	22,910	25,628	-	-	25,628	21,305	-	-	21,305	
Current tax liabilities	-	-	-	-	111	-	-	111	108	-	-	108	
Other debts	41,692	7,054	-	48,746	48,086	-	-	48,086	44,978	-	-	44,978	
Total Liabilities	192,389	12,312	-	413,160	125,164	-	-	343,202	133,830	-	-	326,750	



6.6.2. Geographic areas

6.6.2.1. Revenues

The revenues are broken down by clientele marketing area.

	12.31.07	12.31.06	12.31.05
France	59,102	107,258	80,420
International			
- Europe	9,378	10,731	8,706
- America	1,961	7,031	2,231
- Asia / Russia	589	4,321	6,346
- Africa / Middle East	793	653	738
- Rest of the world	1,068	1,146	955
	13,789	23,882	18,976
Total	72,891	131,140	99,396

6.6.2.2. Investments

Investments are broken down in relation to where the consolidated companies are located.
No investment was made outside France.

6.7. Events after the balance sheet date

On January 1, 2008, the purchase price of Les Productions de la Guéville, which changed its corporate name to Autrement Productions, placed in a "Carpa" escrow account since December 14, 2007, was released thus, such that Gaumont acquired all (100%) of the shares making up said company's share capital.

The assignors granted Gaumont a sellers' warranty up to January 15, 2011 within the limit of € 2,000,000 up to December 31, 2008, which shall be reduced to € 1,750,000 as from January 1, 2009 then to € 1,500,000 on January 1, 2010. Said commitment includes a first demand guarantee by Fortis Banque France within the limit of € 860,000 up to December 31, 2008, which shall be reduced to € 573,000 as from January 1, 2009 then to € 287,000 on January 1, 2010 and up to January 15, 2011.

Said company was consolidated, using the full consolidation method as from January 1, 2008, the takeover date.

The fair value of assets and any liabilities are in the process of identification. There is no information available for the moment.



Report by the statutory Auditors on the consolidated financial statements

Year ended December 31, 2007

Ladies and gentlemen, shareholders,

Pursuant to the assignment entrusted to us by your General Meeting, we have audited the consolidated financial statements of the Gaumont Company for the year ended December 31, 2007 as they are appended to this report.

The consolidated financial statements were drawn up by the Executive Board. It is our responsibility, on the basis of our audit, to express an opinion on said financial statements.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional practices applicable in France. Those standards require that we plan and perform the audits to obtain reasonable assurance that the consolidated financial statements do not contain significant misstatements. The audit consists of examining, on a test basis, the evidence supporting amounts and disclosures in said financial statements. It also consists of assessing the accounting principles used and the significant estimates taken into account to draw up the financial statements and to assess their overall presentation. We consider that our audits provide a reasonable basis for the opinion expressed below.

We certify that the consolidated financial statements of the financial year, in light of the IFRS reference system as adopted in the European Union, are fairly presented and give a fair picture of the assets, financial situation as well as the results of the Group comprised of the persons and entities included in the consolidation.

II. Grounds for assessments

Pursuant to the provisions of article L. 823-9 of the Commercial Code relating to the grounds for our assessments, we inform you as follows:

- As stated in note 2.9 of the financial statements "Tangible and intangible fixed assets", your Group posts the costs of films that meet the criteria provided for under the IFRS reference system as adopted in the European Union as intangible fixed assets. We have examined the business and profitability forecasts underlying the relevance of this posting, the methods applied for their depreciation and to check the collective value and we checked the relevance of information given in note 2.9.
- Your Group, at each year-end, systematically carries out a test of the loss in value of purchase differentials and assets with an indefinite lifespan and also assesses if there is an index for loss in value of long-term assets according to the methods described in note 2.8 "Purchase differentials" and in note 2.12 "Loss in value of assets". We have examined the methods of implementing this test of loss in value as well as the cash flow forecasts and assumptions used. We have checked the relevance of the information given in notes 2.8 "Purchase differentials" and in note 2.12 "Loss in value of assets".
- Your Group posted provisions in accordance with the methods described in 2.15 "Current provisions" and in note 2.16 "Non-current provisions". We have examined the procedures that your Group uses to assess the inventory, evaluation and the accounting translation thereof.

The assessments thus made fall within the scope of our auditing of the consolidated financial statements taken as a whole and have thus helped us to form our opinion, as expressed in the first part of this report.



III. Specific check

Moreover, we have also, in accordance with professional standards applicable in France, checked the information given in the Group's management report. We have no comments to make on the truth and consistency thereof with the consolidated financial statements.

Paris and Paris-La Défense, on April 15, 2008

Statutory Auditors

ADVOLIS
Olivier Salustro

ERNST & YOUNG Audit
Bruno Perrin

Notes



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A French limited company with an Executive Board and a Supervisory Board with share capital of 34,159,336 euros
Nanterre Trade and Companies Register under Siren number 562 018 002