REGISTRATION DOCUMENT 2010
ANNUAL REPORT

Gaumont

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This document is a free translation into English of some contents included in the French "*Document de référence*" filed with the AMF (*Autorité des marchés financiers,* the French financial markets authority) on April 21, 2011.

Message from the Chairman of the Board of Directors

For several years, everyone, especially those outside of the film industry, is talking about the digital revolution.

The word "revolution" must be used carefully. In astrophysics, a revolution is the complete rotation of an object around another, such as the moon around the Earth, the Earth around the sun, or a movement that returns an object to its original position in a given amount of time. In everyday language, it is a dramatic change that produces a profound, uncontrolled upheaval that lasts an indeterminate amount of time.

I would like to briefly discuss certain consequences of this technological revolution, the eruption of digitalization in film and television, which continue to rattle the industry.

To date, the majority of films are still shot photo-chemically, and the number of available cameras continues to be a limiting factor for production. However, the number of films shot digitally is progressively increasing, whereas the number of films conceived and filmed in 3D remains very limited. The "inflation" of films shot in 2D has shown its limitations with audiences, particularly in the United States, refusing to pay a premium for films that disappoint them.

All films are edited and released using digital equipment.

In the countries where projection rooms are the best equipped, Germany, United States, France, UK, roughly one quarter of them had digital projection equipment at the end of 2010. Beginning industrially with the release of *Avatar* at the end of 2009, the process gathered speed and only stopped by the makers inability to rapidly produce the necessary material.

This double production situation, even if it is not bound to last forever, significantly complicates relationships between operators and distributors.

Lastly, digital films currently do not offer any guarantees as to long-term preservation, the main characteristic of digital equipment being its constant evolution alongside information technology, meaning that equipment is outdated faster than runway fashions.

With the extraordinary development of the Internet, the digital revolution has consequently led to widespread illegal downloading of films and music. Certain countries, such as Egypt, are no longer creating films, whereas Italy is nostalgically turning towards a not so distant past. To confront this phenomenon, France has put in place an original system called Hadopi from the name of the administrative organization responsible for informing and, if necessary, prosecuting Internet subscribers who repeatedly use the Internet inappropriately for illegal downloads.

Thanks to the SCPP, SACEM, and ALPA, the representatives of musicians and film makers who have agreed upon a shared service provider, regularly send Hadopi "availability incident" statements since September, 2010. Hadopi then started sending warning e-mails to Internet users, followed in January by the first registered letters for second offenders. The reporting process, which can lead to penalties, is being implemented and should be fully deployed in the fall of 2011.

At the same time, legal means of downloading media are gaining momentum particularly with the release of the new Apple iPad platform. In France, more than 5,000 different movie titles are available, 2,000 of those on iPad, with rates ranging from €6 to €2 for certain catalog films.

The increase in frequencies drives content distribution networks, be it television channels or computer networks. In the United States, more than twenty-five years ago, and a decade ago in Europe, general channels, leaders in their industry, saw their share of the market crumble with the increase in small operators each gleaning a small audience that, when combined, weaken yesterday's industry giants. At the same time, certain channels have recaptured part of their audience thanks to "catch-up TV".

This dramatic change in distributors leads to a change in behavior, starting with audience fragmentation characterized by a very perceptible audience migration, particularly young people, from traditional channels to new networks tied to computers. The new motto is to be able to watch any program at any time via any means.

The implication of this situation leads to a decrease in large operator financing, and the new players are not in a position to pick up the slack, still too "light" to actively participate in financing television series or ambitious films, with the exception of the United States, where the size of the market and its longer presence of the phenomenon allows for new partnerships to be formed to finance productions.

In this context, Gaumont has made the decision to reinforce its television division internationally by creating a television production company in association with the leading American talent agency, CAA. The first series from this collaboration should be distributed at the end of 2012.

In a changing world, Gaumont must know how to be a nimble, flexible and responsive center of excellence in sync with talents.

Nicolas **Seydoux**, March 28, 2011

Message from the Chief Executive Officer

In 2009, the year ended beautifully with the success of *Avatar*, which brought out 200 million French moviegoers. For 2010, results topped this figure at 207 million cinema tickets sold, a figure that had not been seen for 40 years.

In this very strong market, Gaumont films saw mixed results, whereas some catalog films got a second wind.

Gaumont's consolidated revenues for 2010 reached €101.9 million compared to €93.7 million in 2009, a 9% increase.

In an exhilarating market, Cinémas Gaumont Pathé (the new registered name of EuroPalaces) revenue went from €545.3 million to €640.7 million, a 17% increase with an 11.3% increase in the number of tickets sold. Net income for Cinémas Gaumont Pathé was €72.3 million, compared to €50.1 million in 2009.

Gaumont produced and distributed eleven films in 2010, which attracted 6,600,000 viewers. Gaumont's biggest success for 2010 was *The Roundup* with more than 2,800,000 viewers.

Revenue from sales to French television channels reached €31.7 million compared to €38.5 million last year. This decrease is essentially due to the different terms used to finance films from one year to another. During 2010, 226 films in the Gaumont catalog were distributed to television, particularly to digital terrestrial television channels.

Gaumont Vidéo contributed €12.8 million to consolidated revenue. In the context of a stabilizing French market, Gaumont Vidéo has converted the Group's latest cinema hits into video hits, with more than 180,000 units sold for *The Roundup.* For catalog titles, the video business remained strong with more than 1.3 million units sold.

Revenue from international sales amounted to €25.8 million, compared to €12.1 million in 2009. This sizable increase can be attributed to three films produced in English and sold in numerous territories: *Splice* by Vincenzo Natali, *Twelve* by Joel Schumacher, and *Last Night* by Massy Tadjedin.

Revenues from the television programs business reached €8.7 million in 2010, compared to €14.2 million in 2009, €7.9 million of which for Alphanim and €0.7 million for Gaumont Télévision. Léonis Productions' considerable decrease in revenue lies in the fact that 2010 was a year of development, without putting anything into production. Four series were produced and delivered by Alphanim in 2010: Season 2 of *Toto Trouble, Small Giant, The Green Squad,* and season 3 of *Galaktik Football*.

The Group's net income went from €10.9 million in profit in 2009 to €12.3 million in 2010, a 16% increase.

Gaumont and its subsidiaries are continuing development efforts.

Cinémas Gaumont Pathé is continuing their development policy and renovating their cinemas all while continuing their significant investments in digital and 3D equipment.

Gaumont is growing its TV presence with a larger number of fiction projects for the French market as well as for the international market.

Gaumont produced, co-produced, or distributed ten films that are scheduled to be released throughout 2011.

Jo's Boy by Philippe Guillard, released on January 12, totaled more than 1.2 million viewers.

Last night by Massy Tadjedin totaled more than 300,000 in number of tickets sold. *The Straight Line* by Régis Wargnier reached 120,000 in the number of tickets sold.

The Adventures of Philibert by Sylvain Fusée will release on April 6; *The Conquest* by Xavier Durringer will release in May; *Late bloomers* by Julie Gavras will release in July; *Someday my Dad will come* by Martin Valente will release in September; *A Happy Event* by Rémi Bezançon will release in October; *Untouchable* by Eric Toledano and Olivier Nakache will release in November and lastly, *A Gang Story* by Olivier Marchal will release at the end of November.

I would like to thank all of the shareholders for their support and loyalty and all staff for their contribution to the various activities of the Company, such as those within the works' council or professional delegations who have contributed to the proper operation of the legal institutions and employee benefit schemes.

Sidonie **Dumas**, March 29, 2011

1 BOARD OF DIRECTORS MANAGEMENT REPORT

Gaumont and its subsidiaries

Organizational chart of Gaumont and its main subsidiaries on December 31, 2010

Gaumont SA

Motion picture production and distribution

Gaumont SA	100.00%
Les Films du Dauphin SARL	100.00%
Gaumont Inc.	100.00%
Arkéion Films SAS	100.00%
Gaumont Vidéo SNC	100.00%
Gaumont Musiques SAS	100.00%
Editions La Marguerite SARL	100.00%
Légende SAS	37.48%
Légende Films SAS	37.48%
Legende Films Inc.	37.48%

Movie theater operation

Les Cinémas Gaumont Pathé SAS	34.00%
Lincoln Cinema Associates	32.00%

Television production and distribution

100.00%	Gaumont Télévision SARL
100.00%	Les Films du Loup SNC
100.00%	Alphanim S.A
100.00%	Alphanim Musique SARL
100.00%	Alphanim Digital SAS
75.00%	Léonis Production SAS
100.00%	Gaumont TV Inc.
88.14%	Gaumont International Television Llc.

Bank of motion picture images

57.50%	Gaumont Pathé Archives SAS

Real estate

100.00%	Forest SCI

Change in Gaumont SA's mode of governance

The Combined General Shareholders' Meeting of May 6, 2010 voted for the modification of Gaumont SA's mode of administration and management in order to adopt the Board of Directors mode as defined in articles L. 225-17 to L. 225-56 of the French Code of Commerce.

Change of scope of consolidation in 2010

On December 16, 2010, Gaumont acquired a 37.48% stake in the share capital of the Légende company and its subsidiaries, a full-length film and television series production and distribution company managed by Alain Goldman.

Gaumont therefore became a privileged partner of the independent producer, alongside its current shareholders, Serendipity Investment, presided by Patrick Le Lay, and the Rosal company, held by Alain Goldman.

Furthermore, Gaumont reorganized its subsidiaries in 2010 as part of its development strategy for its television drama business.

- In France, the entity Gaumont International SARL, renamed Gaumont Télévision, is expected to carry all of the French Group's television business.
- Internationally, Gaumont International Television, a production organization dedicated to television programs, was formed in the United States to develop series intended for the American market and having an international purpose. This company is 88.14% held by Gaumont TV Inc., a direct and exclusive subsidiary of Gaumont SA.

Gaumont's consolidated profits

Gaumont's consolidated revenue amounted to €101.95 million in 2010, compared to €93.66 million in 2009, an 8.8% increase.

Revenue for the cinema business amounted to €93.23 million in 2010, compared to €79.49 million in 2009.

Revenue from the television programs business amounted to €8.71 million in 2010, compared to €14.16 million in 2009, and included the activities of Alphanim and its subsidiaries, Gaumont Télévision, and Léonis Productions.

The results of films and series are presented exclusive of overheads for both Gaumont SA and all of the Group's subsidiaries.

The profit generated by movies and television series was €15.98 million, compared to €18.16 million in 2009.

The share of this profit attributed to cartoon series and television drama was €5.79 million in 2010, compared to €4.80 million in 2009.

The profit generated from cinema feature films was €10.18 million in 2010, compared to €13.35 million in 2009.

Overhead costs for the organization reached €25.22 million in 2010, compared to €24.08 million in 2009. They include overhead costs for various operating activities and staff departments.

The current operating income resulted in a loss of €9.24 million, compared to a loss of €5.92 million in 2009.

The operating income represented a loss of €11.44 million in 2010, compared to €4.95 million in 2009, including, in addition to the current operating income, income from the sale of various tangible and intangible assets as well as impairment loss on goodwill.

The cost of net financial debt, including the positive effects of coverage rates amounted to €2.59 million in 2010 compared to €3.43 million in 2009. This change is mainly tied to the fall in interest rates.

The item "Other interest income and expenses" mainly shows the interest expenses charged to films calculated on amounts that Gaumont invested from the first euro to the eve of their release in cinemas. They dropped from €1.17 million in 2009 to €0.66 million in 2010, under the combined impact of the fall in interest rates and film funding methods.

The companies' equity-accounted share of net profit amounted to €25.16 million in 2010, compared to €17.47 million in 2009. It essentially corresponds to the fraction of the net income in Cinémas Gaumont Pathé owed to the Group, which amounted to €24.64 million in 2010, compared to €17.01 million in 2009.

The tax burden amounted to €0.06 million in 2010, compared to €0.41 million in 2009.

The net income thus amounted to €12.35 million in 2010, compared to €10.81 million in 2009.

The share of net income attributable to minority shareholders, comprising mainly of the share in Gaumont Pathé Archives, is a loss of €0.08 million in 2010 compared to a profit of €0.06 million in 2009.

The Group's share of net income, results in a profit of €12.27 million in 2010, compared to a profit of €10.87 million in 2009.

Gaumont's business

Movie Production

Gaumont produced, co-produced, or distributed eleven films released in movie theaters during 2010:

- *The Roundup*, by Roselyne Bosch starring Jean Reno, Mélanie Laurent, and Gad Elmaleh, released on March 10;
- *Sphinx* by Nicolas Boukhrief, starring Cécile de France, Fred Testot and Nicolas Boisselier, released on April 7;
- *Best Friends Forever* by Julien Rambaldi, starring Marc Lavoine, Pierre François Martin-Laval, Pascale Arbillot, and Léa Drucker, released on June 9;
- *The Chameleon*, by Jean-Paul Salomé, starring Marc André Grondin, Famke Janssen and Ellen Barkin, released on June 23;
- *Splice* by Vincenzo Natali, starring Adrien Brody, Sarah Polley and Delphine Chanéac, released in a certain number of countries, including the United States on June 4, 2010 and in France on June 30;
- *In Gold we Trust* by Eric Besnard, starring Clovis Cornillac, Patrick Chesnais, Audrey Dana and Bruno Solo, released on August 25;
- *Twelve* by Joel Schumacher, starring Chace Crawford, 50 Cent, Emma Roberts and Ellen Barkin, released in France on September 8;
- *Fair is Fair* by Isabelle Mergault, starring Daniel Auteuil, Sabine Azéma and Medeea Marinescu, released on October 6;
- *Bacon on the Side* by Anne Depetrini starring Anne Marivin, Ramzy Bedia, Marie France Pisier, Jean Luc Bideau, Géraldine Nakache, and Leila Bekhti, released on October 27;
- *Santa's Apprentice,* a cartoon feature film directed by Luc Vinciguerra, released on November 24;
- *Point Blank* by Fred Cavayé, starring Gilles Lellouche, Roschdy Zem, and Gérard Lanvin, released on December 1.

Investment in movie production amounted to €30.87 million in 2010, compared to €35.53 million in 2009.

Television program production

Alphanim produced or co-produced four series delivered in 2010:

- *Toto Trouble* - season 2;
- *Small Giant*;
- *The Green Squad*;
- *Galaktik Football* - season 3.

In 2010, Léonis Productions devoted itself to considerable project development without starting production during the year.

Lastly, Gaumont Télévision's new activities in television drama were made a reality starting in 2010 with the delivery of a 90-minute unit to France Télévisions entitled *Jack of Diamonds,* a French Canadian co-production.

Investment in television program production amounted €8.60 million in 2010, compared to €16.91 million in 2009.

The cinema business

Revenue from the cinema business amounted to €93.23 million in 2010, compared to €79.49 million in 2009.

Cinema distribution

Revenues from the "cinema distribution France" business amounted to €16.11 million in 2010, compared to €8.49 million in 2009.

The eleven films released throughout 2010 total close to 6.7 million in number of tickets sold, 2.8 million of which were for *The Roundup.* Comparatively speaking, six films were released in theaters throughout 2009 totaling close to 3.3 million tickets sold, 2.5 million of which were for *OSS 117 Lost in Rio.*

Video release and VoD

The consolidated revenue for video amounted to €13.26 million in 2010, compared to €15.02 million in 2009 for France. Gaumont Vidéo contributed €12.78 million to the Group's consolidated revenue for France. The subsidiary's international sales are included in the international revenues.

In the context of a stabilizing French market, Gaumont Vidéo is following this trend and has converted the Group's latest cinema hits into video hits, particularly with more than 180,000 units sold in 2010 for *The Roundup*.

During 2010, Gaumont Vidéo also released the following titles: *Mary and Max, Murphy's Law, The Last Flight, Sphinx, Best Friends Forever, The Chameleon, Splice*.

In volume, the video business for in-catalog titles and the Gaumont Classic or Opera collection remained strong with close to 1.3 million units sold, even if, in value, an erosion in average public prices was observed, similar to the rest of the market.

VoD revenue amounted to €0.89 million in 2010, compared to €0.67 million in 2009, 70% of which was from recent films and 30% from catalog films.

Sale of rights to television channels

Revenues from the "television France" business amounted to €31.75 million on December 31, 2010, compared to €38.56 million for the previous year. The significant decrease is explained by the level of presales in 2010 (*The Last Flight, Splice, Fair is Fair*), clearly lower than that of 2009 (*OSS 117 Lost in Rio*, *Beauties at War, Murphy's Law*), due to the different financing terms of films.

Excluding the impact of presales on new films for the year, the level of sales for catalog films remains comfortable, with more than 200 movies distributed to television channels during 2010, and particularly *The Crimson Rivers, Monsieur Gangster, Boum 1 / Boum 2, Palais Royal, Knock on Wood, The Jaguar, You are so Handsome, Oscar, The Corridors of Time : The Visitors II,* and *The Valet*.

International sales of rights

International sales amounted to €25.79 million on December 31, 2010, compared to €12.15 million in 2009.

Most of the increase is explained by the release of three movies in English: *Splice* by Vincenzo Natali, *Twelve* by Joel Schumacher, and *Last night* by Massy Tadjedin in a certain number of foreign countries.

Other businesses

The other businesses achieved €5.40 million in revenue on December 31, 2010, mainly corresponding to the Gaumont Pathé Archives business for €2.43 million and to music releases and spin-off merchandise.

The television programs business

Revenue from the television programs business amounted to €93.23 million in 2010, compared to €79.49 million in 2009.

- Alphanim and its subsidiaries, with revenue of €7.92 million, compared to €10.42 million in 2009;
- and Gaumont Télévision, for €0.75 million in revenue.

Movie theater business: Les Cinémas Gaumont Pathé

In 2010, the company EuroPalaces changed its company name to become Les Cinémas Gaumont Pathé.

Throughout the year 2010, Cinémas Gaumont Pathé continued their policy regarding the acquisition and opening of movie theaters, particularly through the following operations:

- January 1, 2010 acquisition of movie theaters in Montparnasse and Alesia: Miramar, Bretagne, Bienvenue, Les montparnos and Mistral;
- extension of the Nice Lingostière which opened in March, 2010 (3 screens - 1,070 seats);
- reopening of the Pathé City Amsterdam in December, 2010 (7 screens - 606 seats);
- direct management take-over of Pathé Orléans Charpenterie in April, 2010 (9 screens - 1,922 seats);
- takeover of Pathé Place d'Arc in Orléans in July, 2010 (6 screens - 1,387 seats).

Cinémas Gaumont Pathé's consolidated revenue for December 31, 2010 amounted to €640.74 million, compared to €545.34 million in 2009.

Cinémas Gaumont Pathé cinema ticket sales totaled 67.7 million, an 11.3% increase compared to 2009. This increase is general and applies to the four countries where the Group operates.

In France, number of tickets sold totaled 50.8 million, i.e. an 8.8% increase attributable to a 2.9% market increase and a change in scope with the extension of cinema networks.

In Switzerland, ticket sales progressed 5.4% to reach 3.9 million tickets sold, compared to 3.7 million in 2009.

In the Netherlands, ticket sales rose by 27.4%, totaling 11.6 million tickets sold.

In Italy, ticket sales increased by 7.7%, reaching 1.4 million tickets.

The operating income thus increased from €90.86 million in 2009 to €112.41 million in 2010.

Net financing costs decreased from €6.77 million in 2009 to €5.96 million in 2010 due to a decrease in the Group's net debt.

Non-recurring income was a profit of €14.43 million in 2010, compared to €0.39 million in 2009. It is mainly comprised of the income from selling the Italian entities and from real estate capital gains on disposals in France.

The consolidated net profit amounted to €72.26 million in 2010, compared to €50.10 million in 2009, after considering minority interests in the amount of 13.97 million in 2010 and €10.10 million in 2009.

Gaumont's share of the income, after IFRS adjustments, amounted to €24.64 million in 2010, compared to €17.01 million in 2009.

On December 31, 2010, Cinémas Gaumont Pathé's equity capital totaled €490.18 million compared to €426.64 million on December 31, 2009, with a balance sheet total of €974.14 million on December 31, 2010, compared to €936.36 million on December 31, 2009.

The group's net financial debt totaled €174.81 million on December 31, 2010, compared to €209.93 million on December 31, 2009.

In 2010, investments totaled €75.9 million, compared to €63.7 million in 2009.

Group financial structure and statement of cash flows

Financial structure

On December 31, 2010, equity capital totaled €230.13 million compared to €219.21 million on December 31, 2009, with a balance sheet total of €410.16 million on December 31, 2010, compared to €415.12 million on December 31, 2009.

Gaumont's net financial debt totaled €99.07 million on December 31, 2010, i.e., 43.1% of the equity capital, compared to €100.87 million on December 31, 2009.

The film production business requires important investments. Gaumont had and will continue to have substantial capital requirements to finance:

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

Given its growth policy, Gaumont expects operating cash flows and bank loans to cover said financing requirements (excluding any purchases).

On July 28, 2008, Gaumont entered into a revolving loan agreement for a maximum amount of €125 million that expires on September 15, 2012, to:

- firstly, refinance a revolving loan agreement for a maximum amount of €100 million entered into on December 20, 2005 and that expired on September 15, 2008;
- and secondly, finance its general requirements and those of its subsidiaries for their audiovisual and production businesses.

This line has three financial ratios.

On December 31, 2010, €36 million of said credit line was unused.

On December 21, 2007, Gaumont entered into a separate redeemable loan agreement of an amount in principal of €25 million to finance the acquisition of Alphanim. Gaumont signed a rider to said agreement on July 28, 2008 in order to bring some of its clauses in line with the terms of the new revolving loan agreement, particularly those pertaining to financial ratios. The amount remaining to be paid back as of December 31, 2010 is €10 million.

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

Statement cash flows

The cash flow prior to cost of the net financial debt and taxes amounted to €63.43 million on December 31, 2010, compared to €55.00 million on December 31, 2009.

Net cash flow related to investment operations came to €43.80 million in 2010, compared to €50.69 million in 2009.

In terms of financing operations, 2010 was marked by the payout of a dividend in the amount of €1.28 million for 2009, reimbursement of financial debts in the amount of €6.70 million, and interest payments of €2.28 million.

The Group's net cash flow on December 31, 2010 is positive and stands at €4.45 million, compared to a positive cash flow of €9.03 million on December 31, 2009.

Investment policy

Most of Gaumont's investments are made in France.

Over the last two years, the investments were as follows:

(in thousands of euros)	12.31.2010	12.31.2009
Intangible assets	39,631	52,683
Tangible assets	581	313
Financial assets	21	6
Impact of changes in scope	6,022	747
Investments	**46,255**	**53,749**

These figures do not take into account the change in debt on the acquisition of assets.

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

Intangible and tangible investments for the year 2010 mainly concerned:

- films, in the amount of €30.87 million;
- and €8.60 million for cartoon series and television dramas, €0.99 million of which for series in progress.

All of these investments were financed by a revolving credit line of a maximum amount of €125 million.

Incidences of changes in scope corresponding to Gaumont's acquisition of the Légende group's capital, paid out in 2010 in the amount of €6.02 million for a total acquisition cost of €6.57 million.

Preliminary costs

Preliminary costs are all costs related to a film, cartoon series or television drama draft incurred prior to making the final decision to invest in said project. These may be copyrights, costs relating to re-writing the screenplay, finding a shooting location, documentary research, etc. The Group pays for said costs as soon as they have been incurred and they are in addition to investments.

For the year 2010, preliminary costs of €1.56 million (compared to €3.30 million in 2009) were incurred for films, i.e. 5.1% of investments in the production or co-production of feature films (9.2% in 2009).

Preliminary costs of €0.33 million were incurred for cartoon series and television dramas, i.e. 3.9% of investments.

Presales and coverage rate

The French regulatory system requires terrestrial TV channels and Canal+ to contribute to financing French cinema. Thus, Canal+ must "pre-buy" the TV broadcasting rights of films (for a total minimum amount equivalent to a percentage of its annual revenues) and the terrestrial channels must participate in the co-production of feature films and pre-buy their broadcasting rights.

Gaumont uses this source of financing, among others, in order to secure its investments in production or co-production of feature films.

Of the eleven films produced, co-produced or distributed by Gaumont in 2010, four were financed as executive producer or co-producer (*Splice, Twelve, Fair is Fair, Santa's Apprentice*), six as co-producer with a fixed contribution (*The Roundup, Sphinx, Best Friends Forever, In Gold we Trust, Bacon on the Side, Point Blank*), and one solely as distributor (*The Chameleon*). Television broadcasting rights were pre-sold for three out of the four films financed as executive producer or co-producer.

Over the last two years, pre-sales of TV broadcasting rights changed as follows (for films released in cinemas during the year):

	2010			2009		
TV channels	**Number of films**	**Amount** *(in thousands of euros)*	**As a % of the total**	**Number of films**	**Amount** *(in thousands of euros)*	**As a % of the total**
Canal+ / TPS		3,737	69%		10,554	61%
Terrestrial channels		850	16%		5,800	34%
Cable and satellite channels		854	16%		803	5%
Pay per view		-	0%		6	0%
TOTAL	**3**	**5,441**	**100%**	**4**	**17,163**	**100%**

Canal+ / TPS remains predominant, with 69% of the amount of presales and terrestrial presales have been carried out for France Télévisions. Cable and satellite channels account for 16% of presales of TV broadcasting rights.

Gaumont decides to produce a film only when the financial coverage forecast is deemed to be satisfactory, based on firm commitments (co-production contributions, pre-sales of rights to TV channels and presales to foreign distributors).

For the year 2010, the global coverage rate of the four films produced, co-produced as acting producer or co-producer by Gaumont and released in movie theaters throughout the year stood at 45%.

Additionally, in order to better manage investment volumes and underlying risks, from now on, Gaumont gives priority to lump sum contribution co-productions, the bulk of the cost of the film, financing, such as contributions and presales, are then noted as the acting producer's.

2011-2012 outlook

Gaumont produced, co-produced, or distributed ten films that are scheduled to be released in 2011.

During the first half of the year:

- *Jo's Boy* by Philippe Guillard, starring Gérard Lanvin, Olivier Marchal, and Vincent Moscato, released on January 12;
- *Last Night* by Massy Tadjedin, starring Keira Knightley, Sam Worthington, Eva Mendes and Guillaume Canet, released in France on February 16;
- *The Straight Line* by Régis Wargnier, starring Rachida Brakni, Cyril Descours and Clémentine Celarié, released on March 9;
- *The Adventures of Philibert* by Sylvain Fusée, starring Jérémie Renier, Elodie Navarre, Manu Payet and Alexandre Astier, released on April 6;
- *The Conquest* by Xavier Durringer, starring Denis Podalydès, Florence Pernel and Bernard Le Coq;

and during the second half of the year:

- *Late Bloomers* by Julie Gavras, starring Isabella Rossellini and William Hurt;
- *Someday my Dad will come* by Martin Valente, starring Gérard Jugnot, François Berléand and Olivia Ruiz;
- *A Happy Event* by Rémi Bezançon, starring Louise Bourgoin and Pio Marmaï;
- *A Gang Story* by Olivier Marchal, starring Gérard Lanvin, Tchéky Karyo, Daniel Duval and Dimitri Storoge;
- *Untouchable* by Eric Toledano and Olivier Nakache, starring Omar Sy and François Cluzet.

Gaumont Vidéo is releasing recent films and catalog films on DVD and Blu-Ray. New releases scheduled to come out include: *In Gold we Trust, Twelve, Fair is Fair, Bacon on the Side, Point Blank, Jo's Boy, Last Night, The Straight Line, Late Bloomers…* ; in addition to new titles in the Gaumont Classiques and Gaumont Opéra collections.

Shareholding and share market

Share capital and voting rights

On December 31, 2010, Gaumont SA's share capital stood at €34,180,240; it is divided into 4,272,530 shares with a nominal value of €8 each, which have all been fully paid up and are all of the same class. In all, there are 7,310,194 voting rights, 3,037,664 shares of which hold double voting rights. On December 31, 2010, Gaumont SA held 6,733 of its own shares, negotiated as part of its liquidity contract.

Change in shareholding

On December 31, 2010, four shareholders held more than 5% of the Company's capital.

	Breakdown of capital		Breakdown of voting rights [1]	
Shareholders	**Number**	**%**	**Number**	**%**
Ciné Par (Company controlled by Nicolas Seydoux) [2]	2,729,402	63.88	5,112,822	69.94
First Eagle Investment Management LLC (USA)	478,050	11.19	478,050	6.54
Financière du Loch (Company controlled by Vincent Bolloré)	408,852	9.57	817,704	11.19
Groupe Industriel Marcel Dassault	232,670	5.45	465,340	6.37
Public	416,823	9.75	436,278	5.96
Shares held by Gaumont SA	6,733	0.16	-	-
TOTAL	**4,272,530**	**100.00**	**7,310,194**	**100.00**

(1) The fully paid up shares justifying a non-transferable registration for at least three years in the shareholder's name, who must be either of French nationality, a citizen of the European Union, or from a country participating in the European Economic Area, receive double vote rights.
(2) Including the shares held by Socipar, which were subject to universal transfer of capital in favor of Ciné Par in September, 2010.

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

Gaumont's reference shareholder is the Ciné Par company, controlled by Nicolas Seydoux, who holds 63.88% of the capital and 69.94% of the voting rights.

The presence of a majority of independent members on the Company's Board of Directors (five out of ten members on the Board) and the fact that certain decisions are submitted to the Board of Directors for prior approval, aim to ensure that the control of the Company is properly exerted and not abused. In particular, it is specified that certain Executive Management operations are subject to the Board of Director's prior approval.

To the Company's knowledge, there is no agreement between shareholders (in particular between management) that could limit the transfer of shares and the exercise of voting rights.

To the Company's knowledge, the agreements entered into by the Company that are amended or that end in the event of change of control of the Company, are as follows:

- a redeemable loan agreement of an amount of €25 million of December 21, 2007 as amended on July 28, 2008;
- a loan agreement of a maximum amount of €125 million of July 28, 2008.

To the Company's knowledge, with the exception of the share custody agreement, there is no provision that could delay, defer, or prevent a change of its control.

To Gaumont's knowledge, no thresholds were crossed during 2010 and up to today's date.

Potential capital

The General Meeting of April 10, 2009 renewed the Executive Board's authorization to grant, on one or more occasions, for 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.

The General Meeting of May 6, 2010 transferred this authorization to the Board of Directors for the remainder of said authorization, i.e. until June 9, 2012.

On December 31, 2010, 176,195 shares could potentially be issued upon the exercise of stock options granted to the employees of Gaumont and companies affiliated to it.

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

	12.31.2010	12.31.09	12.31.08
Average number of shares	4,272,060	4,271,516	4,270,834
Consolidated income, Group share *(in thousands of euros)*	12,275	10,879	2,096
Net income per share *(in euros)*	2.87	2.55	0.49
Number of stock options with a dilutive effect	1,416	-	211,023
Average potential number of shares	4,273,476	4,271,516	4,481,857
Diluted net income per share *(in euros)*	2.87	2.55	0.47
Percentage of dilution *(in %)*	0.03	-	4.94

Authorized capital not issued

The General Meeting of May 6, 2010 transferred the following authorizations granted to the Executive Board from the General Meeting of April 10, 2009 to the Board of Directors:

- to issue on one or more occasions, while maintaining the preferential subscription right:
  - shares, securities or marketable securities within the limit of €100 million,
  - and when it relates to debt securities within the limit of €150 million;
- to carry out a capital increase, on one or more occasions, within the limit of €100 million by the capitalization of reserves, profits or premiums, followed by the issue and 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 200,000 issued shares reserved for employees of the Company and/or for those who are tied to the Company in accordance with the conditions provided for under Article L. 225-180 of the French Commercial Code who are members of a Company Savings Plan.

The General Meeting of May 6, 2010 authorized the Board of Directors:

- to have the Company buy its own shares within the maximum limit of 5% of the number of shares which make up the Company's capital at the time of the purchases within the limit of €17.08 million.

All issues of shares, capital securities or sundry marketable securities are capped at a total nominal amount of €150 million.

Financial authorizations at year-end 2010

Authorizations	Maximum amount or maximum ceiling	Date of authorization	Resolution no.	Term	Validity deadline	2010 Uses	Total use over the delegation period
Increase of share capital [1] [5]							
While maintaining the preferential subscription right per issue:							
- of shares, securities or marketable securities	€100 million	04.10.09	7	26 months	06.09.11	Not used	Not used
- of debt securities	€150 million	04.10.09	7	26 months	06.09.11	Not used	Not used
By capitalization of reserves, profits or premiums	€100 million	04.10.09	8	26 months	06.09.11	Not used	Not used
Reserved to employees of the Group, members of the Company Savings Plan	200,000 shares	04.10.09	9	26 months	06.09.11	Not used	Not used
Company buyback of its own shares							
Company's purchase of its own shares [2]	€17.08 million	05.06.10	11	18 months	11.05.11	Used	Used
Reduction of share capital by cancellation of shares							
Purchased by the Company under article L. 225-209 of the French Code of Commerce	5% of the capital on the date of the General Meeting	05.06.10	10	18 months	11.05.11	Not used	Not used
Allocation of share subscription and/or purchase options [3] [5]	[4]	04.10.09	11	38 months	06.09.12	Not used	Not used

(1) Share capital capped at a total nominal amount of €150 million.
(2) Within the limit of 5% of the number of shares in the Company's capital at the time of purchase.
(3) In favor of employees and corporate officers of the Company and/or of those affiliated to it.
(4) Legal limits according to articles L. 225-182 and articles R. 225-143 of the French Commercial Code (Code de commerce) *: the total amount of options granted that have yet to be exercised may not exceed one third of the capital.*
(5) Authorizations and delegations transferred to the Board of Directors by the General Meeting of May 6, 2010.

During 2010, Gaumont carried out the following transactions on its own shares through its liquidity contract:

	2010
Number of shares purchased	8,928
Average purchase price	€51.53
Number of shares sold	2,195
Average sale price	€50.08
Trading fees	-
Number of shares held on December 31	6,733
Value of shares held on December 31	€342,753.65
Share of capital held on December 31	0.16%
Par value of shares	€8

Dividends

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

		Dividends paid for the fiscal year *(in euros)*		
Years	Number of shares paid	Net	Tax credit	Total
2005	4,221,797	0.60	-	0.60
2006	4,247,801	1.00	-	1.00
2007	4,269,917	0.30	-	0.30
2008	4,271,516	0.30	-	0.30
2009	4,271,516	0.30	-	0.30

All dividends that are not claimed within five years of payability are prescribed as per the conditions defined by article 2224 of the French Civil Code (*Code civil*). Dividends from which payments have not been requested are paid to treasury, pursuant article L. 1126-1 of the French Public Property Code (*Code de propriété des personnes publiques*).

The distribution policy in relation to future dividends is based on different criteria, in particular, the Company's investment requirement, its financial situation and market practices.

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

(in euros)	2010	2009	2008
High	58.54	49.00	60.95
Low	39.00	36.00	40.00
Last price	45.00	39.00	45.50

Source: NYSE Euronext.

Risk factors

In addition to the information in the Annual Report, investors are requested to pay careful attention to the risk factors set out below, prior to making investment decisions.

The Group conducted a review of the risks it is likely to be exposed to, which were they to materialize, could have a significant negative impact on its business, financial position or results. Gaumont considers that there are no other significant risks, apart from those presented hereafter.

According to the Group's assessment for each category of risk presented below, the significant risks are classified in decreasing order of importance.

Risks associated with the audiovisual industry

Risks associated with the motion picture market

Risks associated with the competitive nature of the sector and the random nature of commercial successes in the film world

The motion picture production and distribution sector is a highly competitive market, where the success of films with the public has a very high impact on results.

Gaumont's presence in the sector dates back over a century. Through its experience and resources, it has a key position on the French market, where it competes with groups such as EuropaCorp, Pathé, Studio Canal or UGC.

The Group considers that its expertise places it in a good position to pursue its growth policy.

Nonetheless, the Company cannot guarantee the commercial success of the films it produces, co-produces and distributes. This success depends on the artistic and technical qualities of the film but also on the same qualities of other competing films released at the same time. Moreover, the public may turn to other content forms.

Risks associated with concentration in the motion picture industry

French television channels

Television channels represent an important source of financing and outlets for motion picture works.

The reduction in time slots for films in the program schedule of TV channels, especially terrestrial channels, could further complicate pre-financing of new films and the sale of broadcasting rights to the titles in the catalog.

Nonetheless, the French regulatory system requires French terrestrial TV channels and Canal+ to buy and broadcast a minimum proportion of European-produced and French-language content, based on a percentage of their annual revenue.

This favors the pre-sale of rights and the financing of films, but the Group cannot guarantee that this favorable regulatory environment will continue in the future.

Moreover, terrestrial digital TV, cable and satellite channels successfully air an increasing number of works from the Gaumont catalog every year, partially offsetting the erosion in purchases by terrestrial channels.

International film distribution

Gaumont has excellent relations with distributors in the majority of countries for the distribution of its films outside France.

As part of its foreign distribution policy, the Group selects key partners in each country where its films are distributed, with whom it has a history of cooperation. Gaumont also aims to diversify potential partners, particularly through regular contacts with a range of operators internationally, during French or international film markets.

Risks associated with film exploitation rights

The motion picture industry is exposed to legal risks, primarily including disputes relating to intellectual property rights and the sharing of the proceeds of a work.

Gaumont's legal department guarantees, when it acts as executive producer of a film, that it owns the copyright allowing the production and exploitation of the film (the "chain of rights").

On the other hand, when Gaumont is a co-producer or acquires the exploitation rights to a film, it is exposed to the risk of non-validity of the chain of rights. Gaumont ensures the validity of the chain of rights by requiring delivery of contracts prior to the release of the film at the latest. It carries out a detailed analysis of the contracts to limit risk. In any case, Gaumont has recourse against third parties.

This chain of rights is one of the vital elements enabling the exploitation and quiet enjoyment of the rights.

The fee department manages the proportionate share of proceeds and costs related to the exploitation of the motion picture and owed to the rights-holder.

Given the size of Gaumont's catalog, the Group cannot rule out infringements or parasitic acts by third parties.

On the date of filing of this Annual Report, Gaumont is not aware of any break in the chain of rights that could threaten the exploitation of one of the films to which it has acquired the exploitation rights or for which it has a distribution contract, nor has it become aware of a break in the chain rights to films for which it was executive producer.

Risks associated with the development of digital technologies

France has over 1,500 movie theaters equipped with digital technology, accounting for 29% of screens in operation. There is large disparity between network theaters (53% are equipped for digital projection) and independents (17% are digitally-equipped) in this area.

The digital revolution is under way in the cinema sector, and the convergence between traditional content and digital technologies substantially changes how films are produced, distributed and viewed.

Gaumont was the first French distributor to distribute its films in digital format, regardless of the medium used to send the copy to the movie theaters. Accordingly, all new films distributed by Gaumont are available digitally. A three-year restoration plan commenced in 2008 to transfer a number of films in the Gaumont catalog to digital.

The Group estimates that the risks associated with the emergence of this new technology are well understood.

Risks related to motion picture production

Risks associated with the capacity to finance the volume of production

The production and promotion of motion picture works require significant capital, especially as average production budgets have increased significantly in the past ten years.

With a view to controlling its investment and financing capacities, Gaumont is engaged in productions across a range of budgets, alternating big-budget projects with more modest productions, and is also diversifying the type of contributions it makes, as described below:

- Gaumont may be involved as executive producer. As such, Gaumont is the owner of the intangible and tangible rights attaching to the film, and makes all decisions as to the content of the work, as well as its artistic and financial aspects. Gaumont decides to produce an audiovisual work only when the financial coverage forecast is deemed to be satisfactory, taking into account the pre-financing obtained. Said pre-financing corresponds to co-production contributions, pre-sales to TV channels or to pre-sales to foreign distributors for films intended for the international market;
- Gaumont may be involved as executive co-producer. As such, Gaumont is the owner of at least 50% of the intangible and tangible rights attached to the film, and has a say in important decisions along with the executive producer regarding the content of the work, as well as its artistic and financial aspects. In consultation with the executive producer, Gaumont makes sure that pre-financing is acquired to a satisfactory level before starting production;
- Gaumont can be involved as co-producer and limit its contribution to a fixed amount. As Gaumont's commitment is limited to this contribution, the majority of the film costs and financing, such as contributions and pre-sales, are recognized in the accounts of the executive producer. Nonetheless, it makes sure that financing is sufficient, before making an investment decision.

Finally, in exceptional circumstances, Gaumont may acquire the exploitation rights as distributor.

Of the eleven films produced, co-produced or distributed by Gaumont in 2010, four were financed as executive producer or co-producer (*Splice, Twelve, Fair is Fair, Santa's Apprentice*), six as co-producer with a fixed contribution (*The Roundup, Sphinx, Best Friends Forever, In Gold we Trust, Bacon on the Side, Point Blank*), and one solely as distributor (*The Chameleon*).

Television broadcasting rights were pre-sold for three out of the four films financed as executive producer or co-producer. The total pre-sales amount recognized during fiscal year 2010 amounted to €5.44 million. The global coverage rate for the four films stood at 45% on the date of their release in the cinema[1].

The Group considers that improved management of investment volumes and underlying risks is possible with the diversification of financing methods, especially with the emphasis on fixed contributions over the past three years.

Risks associated with production delays and production budget overruns

The specific risks of production delays may arise frequently in the sector, inflating production costs and generating increased financial charges related to the need to postpone the release of the film.

According to the various types of possible participation in film financing outlined above, control of the overall risk may be nuanced:

- As executive producer, Gaumont alone bears the risks related to increased production costs and financial charges, and is the sole beneficiary of savings achieved, should they arise. To limit the risk of increased costs as a result of production delays, the production budget includes a specific line for unforeseen circumstances, usually set at 10% of production costs. Insurance is taken out to cover accidental risks. Production supervision (budget monitoring, commitment of expenditure, shooting schedule and editing) is contracted to a producer by Gaumont. This producer may be either a Gaumont employee or an independent, and completes the assignment working in close collaboration with the film's director and Gaumont's director of production;
- As executive co-producer, Gaumont assumes the risk related to increased production costs and financial charges, due for example to significant delays in production, beyond unforeseen circumstances, pro rata to its participation. To limit this risk, the practices outlined above in terms of budgeting for unforeseen events, contracting production insurance policies or supervision of production by a producer are also implemented in this instance;
- As co-producer, Gaumont limits its contribution to a fixed amount so that no action can be initiated against it by third parties; however, payment of the costs of such overruns or delays shall not result in any modification whatever of the share of tangible and intangible rights and the rights to the proceeds assigned by the producer.

The Group considers that the risk associated with production cost overruns is well understood, irrespective of the nature of its contribution to the production of a feature film.

Risks related to television production

From an artistic point of view, Gaumont endeavors to offer television channels selected and original dramas or series to meet their needs. It has recognized know-how and experience in this sector through its acquisitions, Alphanim (animation), Léonis Productions (TV drama) or through in-house developments in the newly created Gaumont Télévision.

A financing plan is drawn up ahead of time for each new drama or series placed in production, primarily comprising pre-sales to TV channels, financial support for audiovisual production and the tax credit. The plan covers all costs and includes a margin.

The Gaumont organization in place to control production costs in this sector is similar to that used for motion picture production, with a producer overseeing production working closely with the production manager and the production director.

Risks associated with French policies in support of audiovisual production

Support fund

The film industry is governed by complex regulations in France, the implementation of which is overseen by the *Centre national de la cinématographie* or CNC. Significant benefits flow to film and audiovisual companies from this French regulatory system, and to a lesser extent from the European system.

In addition to the obligation on French television channels to purchase a minimum quota of French language programs[2], the mission of the *Centre national de la cinématographie* is to manage the support fund for motion picture and television activities.

- Financial support for motion picture production is essentially provisioned through a special tax levied on the price of cinema tickets. The income from this levy is redistributed to film producers, distributors, video publishers and movie theater operators according to complex mechanisms in order to encourage them to invest in new films or to modernize their cinemas. The Group benefits from these measures, particularly from the CNC automatic support fund, for its production, distribution and video editing activities.
- Financial support for the production of audiovisual works is chiefly provisioned through the tax on videos and the television license tax. Both of these taxes go to support the cinema industry and the COSIP (*Compte de soutien à l'industrie des programmes* – a specific fund to support television programs created in 1986 and managed by the CNC). The COSIP generated is redistributed to executive producers according to a range of mechanisms, on the basis of the program's length and genre. They can then reinvest the funds in future productions.

Gaumont cannot guarantee that this favorable regulatory environment, for both the film and television industries, will continue in the future. If French or European regulations in support of the cinema and audiovisuals sectors were to change, it could have a significant impact on the Group's results.

Media timeline

The rapidly developing array of often competing distribution media for audiovisual works represents additional sources of revenue. In addition, the proliferation of film broadcast modes has led to the implementation of a system intended to arrange the order in which films are broadcast following their cinema release. Movie theaters, video recording publishers and French television channels are given dedicated exploitation windows.

(1) More information is available in the Pre-sales and hedging chapter in the management report.

(2) See the chapter concerning Risks associated with concentration in the motion picture industry.

Pursuant to the Order of July 9, 2009, enforcing Article 30-7 of the French Code of the Cinematographic Industry, the exploitation window for films on TV channels is 10 months for subscription TV for the first showing, 22 months for co-producer terrestrial channels, and 30 months for non-co-producer channels, while the exploitation window for video and video on demand (VoD) is now four months.

If one of the factors of this timeline were to change, the Company's revenues and results could be affected.

Risks related to piracy

The piracy of audiovisual works has increased with Internet access and illegal downloading. Digitization of cinema works makes the creation, circulation and sharing of unauthorized copies easier.

Piracy of intellectual works is a major concern for Gaumont. Although the effects of illegal downloading have thus far been less destructive for cinema than for music, they have a negative impact on the Group's overall revenues.

Gaumont places a good deal of hope in the implementation in 2010 of warning and penalty measures by the High Authority, established by the law of June 12, 2009 promoting the distribution and protection of creative works on the Internet. The Decree of July 26, 2010 pertaining to the procedure before the committee for the protection of rights of the French *Haute Autorité pour la diffusion des œuvres et la protection des droits sur internet* (French government agency for the broadcast of works and protection of rights on the Internet) reinforces the intellectual property rights code for works and objects covered by copyright or similar right.

As a preventive measure, Gaumont uses copy marking techniques carried out by a laboratory. Gaumont has also implemented general conditions for the security and traceability of copies with the laboratories, auditoriums and storage companies it works with.

Moreover, Gaumont uses an encryption system to prevent illegal uploading of its films.

Contracts with video on demand operators and TV channels also systematically include a specific clause under which the third-party company undertakes to comply with Gaumont's video protection systems.

Risks associated with the Group's activities

Risks associated with acquisitions and investments

Faithful to the pioneering spirit of French cinema of 1895, Gaumont remains first and foremost an independent French company whose activities are concentrated in the film industry and therefore pursues acquisitions in the area of production and distribution of audiovisual works, cinema or, more recently, television.

Gaumont's main external growth transactions in the motion picture sector concerned companies with film catalog holdings, such as Télédis, LGM or Les Productions de la Guéville, or independent production companies with which it aims to forge long-term partnerships, such as the recent acquisition of a minority interest in Légende.

With a view to securing more regular revenue streams, Gaumont decided to develop television production activities and in recent years acquired Alphanim, a producer of animated films and series, and Léonis Productions, a producer of television series, both with recognized experience and expertise in their respective sectors.

Gaumont concentrates chiefly on internal growth. All external growth transactions to date are based on complementarity and the investments required were modest.

Risks of fluctuating Group revenues

The Group is essentially concerned with the production and distribution of feature films, a highly volatile and cyclical business, the revenues from which may be irregular and random in nature, depending on the number of films released in movie theatres and their success with the public.

Nonetheless, Gaumont endeavors to cushion the irregularity of revenue streams related to motion picture production. The exploitation of its substantial catalog of films that have already been depreciated, and the development of new television production activities with more regular revenue are important factors to be taken into consideration. Similarly, recurrent results from its 34% interest in one of the main movie theater chains, Les Cinémas Gaumont Pathé, also offset fluctuations in the Group's results.

Risks associated with developments in the video and new media market

Risks related to video distribution

The DVD market has reached maturity, after strong years of growth.

The arrival of Blu-Ray (High Definition) and the implementation by retailers of consumer-friendly pricing operations enabled the market to achieve stability in terms of value in 2010, despite a volume increase in sales. This volume increase led to, but did not entirely offset, a depreciation in publishers' margins.

This market development is likely to erode the Group's future margin for this medium.

Risks related to video on demand (VoD)

The growth of on-line services delivering audiovisual works for viewing at home or on the go has repercussions across the entire motion picture distribution and broadcasting chain. While revenue from VoD remains marginal relative to other broadcast modes (movie theaters, physical video and television), it constitutes a promising alternative in terms of future growth and/or to offset the erosion of earnings from video media (DVD and Blu-Ray).

The economic weight of a number of on-demand operators, such as Orange and Apple-iTunes is liable to generate downward pressure on prices paid by consumers in the medium term, and as a result, reduce the margins of the holders of film exploitation rights.

However, Gaumont has written protections against such developments into its contracts in the short term, by including a minimum guaranteed amount per order act and, as a result, earns additional revenues from this new distribution channel.

Risks of dependency with regard to certain customers or providers

Review of the Gaumont group's main customers

For fiscal 2010, the Group's ten main customers, television channels, accounted for 43.9% of consolidated revenues.

Customers	Consolidated revenues *in thousands of euros*	*as a %*
1. TFI	10,111	9.9%
2. Canal+	8,529	8.4%
3. France 2	4,280	4.2%
4. Les Cinémas Gaumont Pathé	4,083	4.0%
5. Fnac	3,792	3.7%
6. France Télécom	3,672	3.6%
7. France 3	3,231	3.2%
8. Miramax	3,013	3.0%
9. UGC	2,488	2.4%
10. Groupe M6	1,565	1.5%
TOTAL	**44,764**	**43.9%**
Consolidated revenues	**101,951**	**100.0%**

Other possible dependency risks

Gaumont is not exposed to a risk of dependency in industrial, commercial or financial terms or in relation to industrial property rights (patents, licenses, etc.) that is liable to have a major effect on the Group's business or profitability.

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

Other risks

Risk of litigation

In addition to the risks related to intellectual property[1], the motion picture industry may be exposed to other specific legal risks.

Litigation or legal rulings of any kind, whether in the Group's favor or not, may generate significant costs and adverse publicity for the Group or the members of its Board.

A provision for risk is set aside as soon as the Group enters into an obligation to a third party, assuming an outflow of resources, and that the indemnity amount can be reliably estimated.

However, Gaumont cannot guarantee:

- that it will win any disputes in the defense of its rights, on account of the uncertain factor intrinsic to legal proceedings; and
- that the final outcome of the legal proceedings will not be a court order against it.

The Company, to the best of its knowledge, is not the subject of any ongoing or threatened governmental, legal or arbitration proceedings that could have a material effect on its financial position or profitability or that of its Group.

Market risks

Liquidity risk

On December 21, 2007, to finance the purchase of all the shares in the share capital of Alphanim and the incidental costs, Gaumont signed a redeemable loan agreement with Natixis and BNP Paribas for a principal amount of €25 million which is repayable in ten half-yearly installments of €2.5 million from June 21, 2008 and up to December 21, 2012.

On July 28, 2008 Gaumont contracted a revolving loan agreement with a banking pool, consisting of BNP Paribas, Natixis, West LB and Neuflize OBC, for a maximum amount of €125 million, expiring on September 15, 2012. It is earmarked to finance its general requirements and those of its subsidiaries for their audiovisual operation and production business. At December 31, 2010, €89 million had been used, *i.e.* a use rate of 71.20%.

Simultaneously, Gaumont signed a rider to the redeemable loan agreement for a principal amount of €25 million to bring some of the agreement's clauses into line with the terms of the new revolving loan agreement.

The breakdown of the financial liabilities by contractual maturity is presented in note 3.12 to the consolidated financial statements. The aggregate amount of drawing rights on the €125 million credit line is presented at less than one year considering the short-term draw-down terms, even if the revolving loan expires on September 15, 2012.

The credit line of €125 million and the loan agreement of €25 million include financial ratios to be respected half-yearly, determined on the basis of the Group's consolidated financial statements and calculated according to the methods specified in the agreements.

(1) See "Legal risks associated with film exploitation rights".

The credit line of €125 million includes the following financial ratios, complied with at December 31, 2010:

Covenants to be respected	Situation at 12.31.10
R3: value of the Group's main assets [1] /net debt > = 2.5	7.62
R4: financial liabilities/equity < or = 1	0.45
R5: value of Cinémas Gaumont Pathé (ex EuroPalaces)/ maximum authorized outstanding amount > or = 1.25	3.46

(1) Refers to, based on the Consolidated financial statements: the value of Les Cinémas Gaumont Pathé shares held by Gaumont, plus the value of the film catalog, plus the gross value of the Group's real estate property, plus the purchase price less depreciation of Alphanim.

The loan agreement of an initial amount of €25 million includes the following financial ratios, complied with at December 31, 2010:

Covenants to be respected	Situation at 12.31.10
R3: value of the Group's main assets [1] /net debt > = 2.5	7.62
R4: financial liabilities/equity < or = 1	0.45

(1) Refers to, based on the Consolidated financial statements: the value of Les Cinémas Gaumont Pathé shares held by Gaumont, plus the value of the film catalog, plus the gross value of the Group's real estate property, plus the purchase price less depreciation of Alphanim.

The Company carried out a specific review of its liquidity risk and considers itself in a position to meet its able to meet its future scheduled payments.

Interest rate risk

Schedule of financial assets and financial liabilities

		Maturity		
(in thousands of euros)	12.31.10	Less than 1 year	from 1 to 5 years	over 5 years
Fixed-rate financial assets	-	-	-	-
Variable-rate financial assets	4,457	4,457	-	-
Financial assets not exposed	-	-	-	-
Financial assets[1]	**4,457**	**4,457**	**-**	**-**
Fixed-rate financial liabilities	-	-	-	-
Variable-rate financial liabilities	-101,454	-96,522	-4,932	-
Financial liabilities not exposed	-2,080	-1,874	-113	-93
Financial liabilities[2]	**-103,534**	**-98,396**	**-5,045**	**-93**

(1) Cash and cash equivalents.
(2) Financial liabilities.

Interest rate derivatives

		Maturity			
(in thousands of euros)	12.31.10	Less than 1 year	from 1 to 5 years	over 5 years	Market value
Rate swaps	50,000		50,000		-32
TOTAL	**50,000**	**-**	**50,000**	**-**	**-32**

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

At December 31, 2010, the credit line of €125 million is capped at 40% due to the setting up of a variable rate against fixed rate swap for a linear commitment of €50 million.

Monitoring of interest rate risk and sensitivity

(in thousands of euros)	Fixed rate	Variable rate	Not exposed	Total
Financial assets (1)	-	4,457	-	4,457
Financial liabilities (2)	-	-101,454	-2,080	-103,534
Net position before hedging	**-**	**-96,997**	**-2,080**	**-99,077**
"Hedging"	-50,000	50,000	-	-
Net position after hedging	**-50,000**	**-46,997**	**-2,080**	**-99,077**
Sensitivity (3)	-	-470	-	-470

(1) Cash and cash equivalents.
(2) Financial liabilities.
(3) Full-year impact.

Considering the interest rate "hedging" portfolio at December 31, 2010, the net position after variable-rate hedging is a fixed-rate debt of €50 million and a variable-rate debt of €46.99 million.

Hence, a momentary increase of one basis point in the interest rate would have a limited impact of €0.47 million on financial earnings.

Foreign exchange risk

Gaumont is exposed to foreign exchange risks on commercial transactions posted on the balance sheet and on likely future transactions.

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

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

Monitoring and management of foreign exchange risks

(in thousands of euros)	CAD	JPY	GBP	CHF	USD	ZAR	CZK	SEK	Total
Assets	205	15	48	39	6,608	11	26	13	6,965
Liabilities	-	-	-	-	-255	-	-	-	-255
Off balance sheet	-	-	-	-	-4,959	-	-	-	-4,959
Net position before hedging	**205**	**15**	**48**	**39**	**1,394**	**11**	**26**	**13**	**1,751**
"Hedging"	-	-	-	-	-	-	-	-	-
Net position after hedging	**205**	**15**	**48**	**39**	**1,394**	**11**	**26**	**13**	**1,751**
Sensitivity	-2	-	-	-	-14	-	-	-	-16

Net exposure in foreign currencies (counter value in euro at closing prices), after accounting for hedges, amounts to €1.75 million. Thus the risk on the overall net position in currencies as a result of a uniform change of one euro cent against the basket of all currencies concerned would be a negative impact of -€0.02 million.

During fiscal 2010, revenues invoiced in foreign currencies, the breakdown of which is set out below, amounted to €14.24 million i.e. 14% of consolidated revenues.

(in thousands of euros)	AUD	CAD	CHF	USD	DKK	GBP	JPY	Divers	Total
Revenue	63	185	370	13,506	11	84	19	4	14,242

Credit risk

Exposure to the credit risk of non-depreciated current assets is as follows:

			Late					
(in thousands of euros)	12.31.10	Outstanding amount	less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	over 360 days
Short term								
Trade receivables	34,583	26,146	2,725	973	1,160	2,292	774	513
Other current assets	27,703	25,700	1,140	100	76	15	35	637
Long term								
Trade receivables	1,560	1,560	-	-	-	-	-	-
Other current assets	-	-	-	-	-	-	-	-
TOTAL CURRENT ASSETS	**63,846**	**53,406**	**3,865**	**1,073**	**1,236**	**2,307**	**809**	**1,150**

Gaumont operates in France and internationally with the main market players and in this respect its credit risk is very limited.

Share risk

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

On July 1, 2010, Gaumont contracted Exane BNP Paribas to manage its securities in the framework of a liquidity contract in accordance with the AMAFI Code of Conduct, recognized by the *Autorité des marchés financiers*. The contract is provisioned in the amount of €300,000 paid in July 2010 and increased by €100,000 in November 2010.

At December 31, 2010, Gaumont held 6,733 own shares, corresponding to securities traded in the framework of its liquidity contract, and representing an investment recognized against owners' equity of €343,000.

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

Insurance and risk hedges

The main insurance covers are as follows:

Gaumont's assets (real estate, filmography, museum) are covered by a comprehensive insurance policy and by a basket policy covering works of art against physical damage and consequential losses.

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.

Gaumont has also taken out a general civil liability policy covering it for the economic consequences of civil liability as a result of bodily injury caused to third parties, including damages arising from accidental damage to the environment and property and indirect damage, whether consecutive or not.

Gaumont subscribes a civil liability policy for its corporate officers, covering them against any claim submitted against its directors claiming personal third-party liability or joint and several liability, for actual or alleged professional misconduct in the exercise of their functions.

The Group has motor insurance policies covering the risks inherent in its fleet.

When Gaumont makes a film, a production insurance contract is taken out to cover the preparation and production stages 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 "completion guarantee" insurance for French films but does so for American films, in accordance with standard sector practice.

Main premiums and deductibles

(in thousands of euros)		12.31.10	12.31.09	12.31.08
	Premium	51	72	67
Professional comprehensive	Deductible	6	6	6
	Premium	7	6	6
General civil liability	Deductible	8	8	8

Labor and environmental consequences of the business

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

In terms of labor, the following information may be noted:

Workforce

At December 31, 2010, Gaumont and its subsidiaries employed 173 employees, including 153 on permanent contracts and 20 on fixed-term contracts.

The workforce remained stable.

In 2010, Gaumont, Gaumont Pathé Archives, Arkéion and Alphanim took on 42 trainees from schools or universities for periods from one week to six months.

Breakdown of the workforce by category

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

	12.31.10			12.31.09			12.31.08		
Company	Executives	Supervisors	Employees	Executives	Supervisors	Employees	Executives	Supervisors	Employees
Alphanim	12	-	8	15	-	8	15	-	6
Arkéion Films	1	1	1	2	1	2	2	1	2
Gaumont	62	28	29	58	30	24	61	34	25
Gaumont Vidéo	6	1	1	5	1	-	3	1	-
Gaumont Pathé Archives	7	4	5	8	4	6	7	6	5
Prestations et Services	1	-	-	-	1	-	-	1	-
Léonis Productions	1	-	1	1	-	3	-	-	-
Gaumont International Television Llc	4	-	-	-	-	-	-	-	-
TOTAL WORKFORCE BY CATEGORY	**94**	**34**	**45**	**89**	**37**	**43**	**88**	**43**	**38**
TOTAL GROUP WORKFORCE		**173**			**169**			**169**	

Age and seniority

The average age increased slightly to 41.16 in 2010, compared to 39.95 in 2009. Average seniority decreased slightly to 9.81 years in 2010 compared to 11 years in 2009.

Equal employment opportunity

At December 31, 2010, the workforce was broken down as follows:

	12.31.10	
Category	Men	Women
Executives	49%	51%
Supervisors	18%	82%
Employees	40%	60%
TOTAL GROUP WORKFORCE	**40%**	**60%**

Indirect employment

Apart from the 173 people directly employed, in 2010, Gaumont and its subsidiaries contributed to 88 people being employed as full-time equivalents in films and audiovisual productions.

Salaries, employee incentive bonus and profit sharing plans

The overall amount of gross salaries paid by Gaumont and its subsidiaries consolidated by the full consolidation method amounted to €9,955,017 in 2010.

The employees of Gaumont, Gaumont Vidéo, Arkéion Films and Prestations & Services are covered by an incentive bonus agreement that was renegotiated in June 2009 for the 2009-2010-2011 periods. The amounts distributed represent 3% of Gaumont's consolidated net income before tax.

The amount of the incentive bonus will be distributed as follows:

- 1.5% distributed evenly between the eligible employees, with the possibility of an employer matching contribution to a maximum of 2/3;
- 1.5% distributed proportionately to the employees, with no possibility of an employer matching contribution.

The payment is made once a year within the calendar month after Gaumont's General Meeting of shareholders has approved the financial statements of the year and no later than 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 increased by a sum equal to a maximum of 2/3 of the amount of the incentive bonus calculated uniformly (1.5%) and within the limit for 2010 of €2,769.50 (8% of the annual social security ceiling).

This additional contribution is known as an "employer matching contribution".

In view of the 2009 results, an incentive bonus of €327,148 was paid in 2010.

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 salaries.

Apart from the voluntary monthly payments, each member may make at least two exceptional payments per year on the dates of his or her choice. Gaumont Pathé Archives makes an additional payment to the voluntary payments of employees, known as an "employer matching contribution", which is capped at €1,829.39.

In 2010, 17 eligible employees made such payments. The payments under the savings plan amounted to €15,560 and the total of the employer matching contributions paid by the Company amounted to €26,639.

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 2010.

Training

In 2010, 1,152 training hours were dispensed to 59 trainees, mainly in the fields of languages, IT and finance. Of these 1,152 hours, 780 were taken as part of the *"droit individuel de formation"* (individual right to training), by 20 trainees.

Employee benefit schemes

The overall budget devoted to social and cultural activities amounted to €127,081, to which the cost of the "inter company" restaurant of €9,112, is added for Gaumont.

Health and safety: related to Gaumont premises in Neuilly/Seine

The CHSCT (Committee for Hygiene, Safety and Working Conditions) met on March 25, June 23, September 22 and December 15, 2010.

Gaumont stock options

Since December 1987, Gaumont has set up eight stock option plans for some of its employees and in particular its executives, except the Chairman of the Supervisory Board who does not benefit from any plan.

The Combined General Meeting of Gaumont meeting on May 6, 2010 approved the payment on May 14, 2010 of a dividend of €0.30 per share, by drawing on the Company's voluntary reserves. In accordance with the legal provisions for the protection of all employees' rights, the offer price and number of shares still to be subscribed were adjusted.

The features of all stock option plans in progress at December 31, 2010 were as follows:

	Allocations				Options		
	Initial		Adjusted				
Option plan	Price	Number	Price	Number	Canceled	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 (adjusted) (February 96)	€50.31	104,000	€49.39	105,962	38,718	59,192	8,052
Plan VI (adjusted) (March 98)	€64.03	168,000	€62.86	171,196	79,500	73,343	18,353
Plan VII (adjusted) (April 02)	€48.00	165,000	€47.13	168,198	104,816	39,458	23,924
Plan VIII (adjusted) (February 05)	€64.00	196,750	€62.95	200,515	72,610	2,039	125,866
TOTAL		**742,050**		**889,902**	**329,175**	**384,532**	**176,195**
Capital at December 31, 2010 = 4,272,530 shares							
As a percentage of capital				**20.82%**	**7.70%**	**9.00%**	**4.12%**

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 fiscal 2010 relating to the corporate officers as well as the ten employees that do not hold corporate offices are set out in the special report submitted by the Board of Directors to the General Meeting.

The table 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	05.25.91	06.02.94	06.02.94	04.25.96	04.30.98	04.29.04
Allocation date	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	Subscription	Subscription	Subscription	Subscription	Subscription	Subscription	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 for subsequent operations	97,141	16,889	100,001	30,000	105,962	171,196	168,198	200,515
Aggregate number of options canceled at December 31, 2010	20,368	13,163	-	-	38,718	79,500	104,816	72,610
Aggregate number of options exercised at December 31, 2010	76,773	3,726	100,001	30,000	59,192	73,343	39,458	2,039
Number of options still outstanding at December 31, 2010	-	-	-	-	8,052	18,353	23,924	125,866
Including number of options that corporate officers may subscribe to (in its current formation)	-	-	-	-	1,019	2,039	3,057	30,559
• Sidonie Dumas	-	-	-	-	1,019	2,039	3,057	30,559
Including the number that may be subscribed to by the ten employees of the Company with the highest number of options thus granted (3)	-	-	-	-	7,033	16,314	11,410	61,647
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	05.15.45	02.14.46	03.11.48	04.08.46	02.27.49
Exercise price *(in euros)*	€21.78	€32.62	€21.78	€38.11	€49.39	€62.86	€47.13	€62.95

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

Information on corporate officers

List of positions and terms of offices of the members of the Board of Directors during fiscal 2010

Nicolas Seydoux

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

Positions or terms of office performed within the Company:

- **Chairman of the Board of Directors**
- **Chairman of the Compensation and Nomination Committee**
- **Chairman of the Supervisory Board** from July 27, 2004 to May 6, 2010

Other positions or terms of office performed within the Group:

- **Chairman** of Gaumont Inc. (USA), Gaumont Distribution Inc. (USA) and The Visitors Inc. (USA)
- **Member of the Management Committee** of Gaumont International Television Llc (USA)
- **Member of the Management Committee** of Les Cinémas Gaumont Pathé

Other positions or terms of office performed outside the Group:

- **Chairman** of Ciné Par (majority shareholder of Gaumont), Socipar (ends on 07/31/2010) and SCA Grands Vins de Pazac
- **Chairman** of the Association Forum d'Avignon, the Association de la lutte contre la piraterie audiovisuelle and the Fondation C Génial
- **Vice-Chairman of the Supervisory Board of** Arte France
- **Board member** of the Société Civile du Val Richer, the Cinémathèque Française (ends on 06.28.2010) and the Fondation des Diaconesses de Reuilly

Marie Seydoux

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

Positions or terms of office performed within the Company:

- **Board member and Vice-Chairwoman of the Board of Directors**
- **Vice-Chairwoman of the Supervisory Board** from July 27, 2004 to May 6, 2010

Other positions or terms of office performed within the Group:

- None

Other positions or terms of office performed outside the Group:

- None

Sidonie Dumas

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

Positions or terms of office performed within the Company:

- **Board member and Vice-Chairwoman of the Board of Directors**
- **Chief Executive Officer**
- **Chairwoman of the Executive Board** from July 27; 2004 to May 6, 2010

Other positions or terms of office performed within the Group:

- **Legal representative** of Gaumont, **Manager** of Gaumont Vidéo
- **Legal representative** of Gaumont, **Chairwoman** of Gaumont Musiques
- **Permanent representative** of Gaumont, **Member of the Management Committee** of Les Cinémas Gaumont Pathé
- **Manager** of Gaumont Télévision, Editions la Marguerite, Les Films du Dauphin, Les Films du Loup, Prestations et Services, SCI Forest, Alphanim Musique
- **Member of the Management Committee** of Gaumont Pathé Archives
- **Chairwoman of the Board of Directors of** Alphanim and Léonis Productions
- **Chairwoman** of Alphanim Digital and Gaumont TV Inc. (USA)
- **Chairwoman of the Management Committee** of Gaumont International Television Llc (USA)

Other positions or terms of office performed outside the Group:

- None

Thierry Dassault

Business address:
9, rond-point des Champs-Elysées
Marcel Dassault
75008 Paris
France

Positions or terms of office performed within the Company:

- **Board member**
- **Member of the Supervisory Board** from April 27, 2006 to May 6, 2010

Other positions or terms of office performed within the Group:

- None

Other positions or terms of office performed outside the Group:

- **Chairman and member of the Board of Directors of** Keynectis
- **Board member** of Socpresse (Le Figaro)
- **Member of the Supervisory Board** and Vice-Chairman of the Groupe Industriel Marcel Dassault
- **Member of the Supervisory Board** of Particulier et Finances Editions and Véolia Eau
- **Permanent representative** of SC TDH to the Board of Halys
- **Non-voting member of the Board** of Veolia Environnement

Antoine Gallimard

Business address:
5, rue Sébastien Bottin
75007 Paris
France

Positions or terms of office performed within the Company:

- **Board member**
- **Member of the Supervisory Board** from July 27, 2004 to May 6, 2010
- **Member of the Compensation and Nomination Committee**

Other positions or terms of office performed within the Group:

- None

Other positions or terms of office performed outside the Group:

- **Board member** of the Eyrolles Group, Electre, Scérèn and BNF
- **Board member, Chairman and Chief Executive Officer** of Madrigall and Editions Gallimard
- **Chairman** of Eden Livres
- **Permanent representative** of Editions Gallimard to the Board of P.O.L. Editeur, of Madrigall to the Boards of Editions de la table ronde and Mercure de France
- **Member of the Supervisory Board** of Sofedis (from October 1, 2010)

Michel Seydoux

Business address:
19, rue de la Trémoille
75008 Paris
France

Positions or terms of office performed within the Company:

- **Board member**
- **Member of the Supervisory Board** from July 27, 2004 to May 6, 2010
- **Member of the Compensation and Nomination Committee**

Other positions or terms of office performed within the Group:

- None

Other positions or terms of office performed outside the Group:

- **Chairman** of MSI and Citadelle Invest
- **Chairman of the Board of Directors** of LOSC Lille Métropole and of Socle
- **Member of the Management Committee** of Pathé, Gaya Rive Gauche and Lepapivore
- **Manager** of Camera One, JSI, SCI du Domaine de Luchin, SEBI, Groupement Forestier les Cabrettes and SNC FMS
- **Representative** of MSI, Board member of Airport Communication
- **Representative** of MSI, Managing Partner of MSEB et Cie
- **Managing Partner** of Liberté 25 Citadelle
- **Proxy holder of** the Société Navale Industrielle et de Plaisance
- **Director** of the Luchin Group

Pénélope Seydoux

Business address:
Chemin de Haute Brise 1A
1012 Lausanne
Suisse

Positions or terms of office performed within the Company:

- **Board member**
- **Member of the Supervisory Board** from July 27, 2004 to May 6, 2010
- **Member of the Audit Committee**

Other positions or terms of office performed within the Group:

- None

Other positions or terms of office performed outside the Group:

- **Board member** of UMA Food and Beverages

Bertrand Siguier

Business address:
191, rue de l'Université
75007 Paris
France

Positions or terms of office performed within the Company:

- **Board member**
- **Member of the Supervisory Board** from July 27, 2004 to May 6, 2010
- **Member of the Audit Committee**

Other positions or terms of office performed within the Group:

- None

Other positions or terms of office performed outside the Group:

- **Board member** of HM Editions
- **Director** of Beacon Communications (Japan), Capital Advertising (India), Saatchi & Saatchi (Korea) and Publicis Yorum (Turkey)

Marc Tessier

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

Positions or terms of office performed within the Company:

- **Board member**
- **Member of the Supervisory Board from** April 27, 2006 to May 6, 2010
- **Chairman of the Audit Committee**

Other positions or terms of office performed within the Group:

- None

Other positions or terms of office performed outside the Group:

- **Vice-Chairman** of Ensemble TV SAS (a French simplified joint stock company that produces the local channel IDF1)
- **Permanent representative** of J2H to the Board of Directors of Netgem SA
- **Chairman** of Video Futur Entertainment Group SA
- **Chairman** of the Forum des Images
- **Non-voting member** of the Board of Directors of G7 Entreprises SA
- **Board member** of Ediradio (RTL)
- **Permanent Representative** of Netgem to the Board of Directors of Mediaxim SA (Belgium)

Jean Todt

Business address:
2, rue des Granges
1204 Geneva
Switzerland

Positions or terms of office performed within the Company:

- **Board member**
- **Member of the Supervisory Board** from July 27, 2004 to May 6, 2010

Other positions or terms of office performed within the Group:

- None

Other positions or terms of office performed outside the Group:

- **Member of the Board of Directors** of the Lucien Barrière Group
- **Member of the Supervisory Board** of the Compagnie financière Saint-Honoré (SA du Groupe Compagnie Financière Edmond de Rothschild)
- **Chairman** of the Fédération Internationale de l'Automobile (FIA)
- **Vice Chairman** of the Fondation ICM - Institut du Cerveau et de la Moelle épinière (Institute for brain and spinal cord disorders)
- **Member of the Board of Directors** of the Société des Amis du Musée d'Art Moderne de la Ville de Paris (Friends of the City of Paris Modem Art Museum Society)
- **Chairman** of eSafety Aware (FIA)
- **Member of the Board of Trustees** of the FIA Foundation for the Automobile and Society
- **Member of the Advisory Board** of Hangar Bicocca (Italy)

Employment contracts, specific pensions, severance pay and non-competition clauses of directors and corporate officers

	Position	Start of term / End of term	Employment contract	Supplementary pension scheme	Compensation or benefits due to leaving office	Compensation relative to a non-competition clause
Nicolas Seydoux	Chairman of the Board of Directors	05.06.10	no	no	no	no
Sidonie Dumas	Chairwoman of the Board	07.27.04				
		05.06.10	yes (1)	no	yes	no
	Chief Executive Officer	05.06.10	no	no	no	no
Christophe Riandee	Member of the Executive Board	07.27.04				
		05.06.10	yes (2)	no	yes	no

(1) Until May 6, 2010, Ms. Sidonie Dumas held the position of company Chief Executive Officer. Ms. Sidonie Dumas' employment contract was abandoned on expiration of her term of office as Chairwoman of the Board, in accordance with the Afep - Medef 2008 recommendation on cumulative terms of office.
(2) Mr. Christophe Riandee held the position of Director until May 6, 2010. Since that date he holds the position of Deputy Chief Executive Officer, with the status of an employee who does not hold corporate office.

In 2009, in the same respect and in the same conditions as Gaumont's employees, the members of the Board may be entitled to legal retirement compensation. The amount of pension commitments in the balance sheet in this respect at December 31, 2009 totaled €72,000. There was a write-back of this provision in 2010.

At December 31, 2010, the directors and corporate officers did not benefit from any supplementary pension scheme or particular payment on leaving office.

Compensation and benefits paid to corporate officers

	Position	Remuneration [1]	Amounts paid [2] 2010	Amounts posted 2010	Amounts paid [2] 2009	Amounts posted 2009	Criterion for variable remuneration	Benefits in kind [3] (in euros) 2010	Benefits in kind [3] (in euros) 2009	Allocation of stock-options (in number of options) 2010	Allocation of stock-options (in number of options) 2009
Sidonie Dumas	Chairwoman of the Executive Board [5]	Fixed	38,677	38,677	100,000	100,000	as a % of the consolidated net income (Group share) prior to taxes & extraordinary items of the previous year [4]	-	-	-	-
		Variable	230,792	-	37,869	231,218		-	-	-	-
	Chief Executive Officer	Fixed	230,792	230,792	-	-		-	-	-	-
		Variable	-	275,726	-	-		-	-	-	-
	Corporate officer subtotal		**466,287**	**511,221**	**137,869**	**331,218**		-	-	-	-
	Director [5]	Fixed	65,348	65,348	200,684	200,684		-	-	-	-
		Variable	-	-	-	-		-	-	-	-
	Subtotal		**65,348**	**65,348**	**200,684**	**200,684**		-	-	-	-
	TOTAL		**531,635**	**576,569**	**338,553**	**531,902**		**-**	**-**	**-**	**-**
Christophe Riandee [6]	Member of the Executive Board	Fixed	32,546	32,546	100,000	100,000	as a % of the consolidated net income (Group share) prior to taxes & extraordinary items of the previous year [4]	-	-	-	-
		Variable	230,792	-	37,869	231,218		-	-	-	-
	Corporate officer subtotal		**263,338**	**32,546**	**137,869**	**331,218**		-	-	-	-
	Director	Fixed	65,490	65,490	200,683	200,683		1,562	4,428	-	-
		Variable	-	-	-	-		-	-	-	-
	Subtotal		**65,490**	**65,490**	**200,683**	**200,683**		**1,562**	**4,428**	-	-
	TOTAL		**328,828**	**98,036**	**338,552**	**531,901**		**1,562**	**4,428**	**-**	**-**

(1) Before 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 following year.
(3) Benefits in kind consisting in the provision of a company car.
(4) The basis for the calculation of variable remuneration is identical to that set for employee profit sharing. It consists of the consolidated net income (Group share), before taxes and extraordinary items. The percentage is set and remains the same since 2005. The rate decided by the Supervisory Board on November 18, 2004 was renewed by the Board of Directors on July 27, 2010.
(5) For the period from January 1 to May 6, 2010.
(6) Mr. Christophe Riandee holds the position of Deputy Chief Executive Officer since May 6, 2010, with the status of an employee who is not a corporate officer. The amounts given therefore exclusively concern the period from January 1 to May 6, 2010.

No compensation or attendance fees have been paid to corporate officers by the controlled or controlling companies within the meaning of Article L. 233-16 of the French Commercial Code.

	Position on the Supervisory Board [1]	Position on the Board of Directors [1]	Remuneration + Attendance fees [2]	Amounts paid [3] (in euros) 2010	Amounts posted (in euros) 2010	Amounts paid [3] (in euros) 2009	Amounts posted (in euros) 2009	Criterion for variable remuneration
Nicolas Seydoux	Chairman	Chairman	Fixed	450,000	450,000	450,000	450,000	as a % of the consolidated net income (Group share) before taxes & extraordinary items of the previous year [5]
			Variable	461,584	551,453	75,738	462,436	
			Attendance fees [4]	22,172	20,405	20,000	20,000	
	TOTAL	**TOTAL**		**933,756**	**1,021,858**	**545,738**	**932,436**	
Marie Seydoux	Vice Chairwoman	Board member, Vice Chairwoman	Fixed [6]	16,026	16,026	50,000	50,000	
			Variable [6]	-	-	-	-	
			Attendance fees [4])	17,172	15,405	20,000	20,000	
	TOTAL	**TOTAL**		**33,198**	**31,431**	**70,000**	**70,000**	
Sidonie Dumas		Board member, Vice Chairwoman	Attendance fees [4]	-	14,055	-	-	
Thierry Dassault	Member	Board member	Attendance fees [4]	15,656	14,055	20,000	20,000	
Antoine Gallimard	Member	Board member	Attendance fees [4]	23,156	20,405	20,000	20,000	
Michel Seydoux	Member	Board member	Attendance fees [4]	19,672	20,405	20,000	20,000	
Pénélope Seydoux	Member	Board member	Attendance fees [4]	20,656	20,405	20,000	20,000	
Bertrand Siguier	Member	Board member	Attendance fees [4]	24,672	20,405	20,000	20,000	
Marc Tessier	Member	Board member	Attendance fees [4]	19,672	20,405	20,000	20,000	
Jean Todt	Member	Board member	Attendance fees [4]	17,172	14,055	20,000	20,000	
TOTAL ATTENDANCE FEES				**180,000**	**180,000**	**180,000**	**180,000**	

(1) From May 6, 2010, Gaumont SA is governed by a Board of Directors.
(2) Before social security and tax deductions.
(3) Amount paid = all amounts paid by Gaumont during the year. Note that the variable share allocated for a year is actually paid during the following year.
(4) Attendance fees allocated for the year in equal proportions between each member of the Supervisory Board and paid during the following year.
(5) The basis for the calculation of variable remuneration is identical to that set for employee profit sharing. It consists of the consolidated net income (Group share), before taxes and extraordinary items. The percentage is set and remains the same since 2005. The rate decided by the Supervisory Board on November 18, 2004 was renewed by the Board of Directors on July 27, 2010.
(6) Remuneration relates exclusively to the term of office as Vice-Chairwoman of the Supervisory Board.

On November 18, 2004, the Supervisory Board, on the recommendation of the Compensation Committee, allocated variable compensation corresponding to a percentage of the consolidated net income, attributable to the owners of the parent, before tax and extraordinary items, to the Chairman of the Supervisory Board and to each member of the Board.

On July 27, 2010, on the recommendation of the Compensation Committee, the Board of Directors decided on a fixed annual remuneration amount, plus a variable portion for the Chairman and Chief Executive Officer, to be calculated according to the same basis as the employee profit-sharing scheme, *i.e.* the Group's consolidated net income, before taxes and extraordinary items.

The rate of the share in profits of each board member is identical to that decided by the Supervisory Board on November 18, 2004 to determine the variable portion for the Chairman of the Supervisory Board and the Chairwoman of the Executive Board respectively.

2 CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

Assets *(in thousands of euros)*	Note	12.31.10	12.31.09	12.31.08
Goodwill	*3.1*	15,066	17,106	16,579
Films and audiovisual rights	*3.2*	79,732	104,428	107,010
Other intangible assets	*3.3*	571	708	850
Property, plant and equipment	*3.4*	32,302	33,322	34,972
Investments accounted for using the equity method	*3.5*	210,182	185,950	170,675
Other financial assets	*3.6*	382	459	533
Non-current deferred tax assets	*4.8.3*	3,109	3,294	2,886
Non-current assets		**341,344**	**345,267**	**333,505**
Inventories	*3.7*	516	162	271
Trade receivables	*3.8*	36,144	33,999	35,923
Current tax assets	*3.8*	1,588	2,770	2,420
Other receivables and current financial assets	*3.8*	26,117	23,511	23,006
Cash and cash equivalents	*3.9*	4,457	9,413	5,819
Current assets		**68,822**	**69,855**	**67,439**
TOTAL ASSETS		**410,166**	**415,122**	**400,944**

Equity and liabilities *(in thousands of euros)*	Note	12.31.10	12.31.09	12.31.08
Capital		34,180	34,172	34,172
Additional paid in capital and retained earnings attributable to owners of the parent		193,234	182,407	173,439
Equity attributable to owners of the parent		**227,414**	**216,579**	**207,611**
Non-controlling interests		**2,716**	**2,635**	**2,869**
Equity	*3.10*	**230,130**	**219,214**	**210,480**
Non-current provisions	*3.11*	1,938	2,046	1,789
Non-current deferred tax liabilities	*4.8.3*	2,773	3,112	3,235
Non-current financial liabilities	*3.12*	5,138	9,862	14,979
Other non-current liabilities	*3.13*	1,631	1,562	1,654
Non-current liabilities		**11,480**	**16,582**	**21,657**
Current provisions	*3.11*	2,253	2,363	2,155
Current financial liabilities	*3.12*	98,396	100,427	96,044
Trade payables	*3.13*	21,492	16,992	17,694
Current tax liabilities	*3.13*	67	-	53
Other payables	*3.13*	46,348	59,544	52,861
Current liabilities		**168,556**	**179,326**	**168,807**
TOTAL LIABILITIES		**410,166**	**415,122**	**400,944**

Consolidated income statement

(in thousands of euros)	Note	12.31.10	12.31.09	12.31.08
Revenue	**4.1**	**101,951**	**93,666**	**105,063**
Purchases		-2,589	-2,883	-2,929
Payroll	*4.2*	-21,814	-22,014	-21,612
Other current operating income and expenses	*4.3*	-22,919	-16,128	-18,967
Impairment, depreciation, amortization and provisions	*4.4*	-63,871	-58,566	-68,465
Current operating net income (loss)		**-9,242**	**-5,925**	**-6,910**
Other non-current operating income and expenses	*4.5*	-2,204	968	247
Operating income		**-11,446**	**-4,957**	**-6,663**
Income from cash and cash equivalents		21	42	35
Gross borrowing costs		-2,614	-3,479	-6,157
Net borrowing costs		**-2,593**	**-3,437**	**-6,122**
Other financial income and expenses	*4.6*	1,293	1,325	2,575
Share of net income of affiliates accounted for using the equity method	*4.7*	25,166	17,475	12,127
Net income before tax		**12,420**	**10,406**	**1,917**
Income tax	*4.8*	-64	411	374
NET INCOME		**12,356**	**10,817**	**2,291**
Attributable to non-controlling interests		81	-62	195
Attributable to owners of the parent		12,275	10,879	2,096
Earnings per share attributable to owners of the parent				
- Average number of shares in circulation	*4.9*	4,272,060	4,271,516	4,270,834
- In euros per share		*2.87*	*2.55*	*0.49*
Diluted earnings per share attributable to owners of the parent				
- Average potential number of shares	*4.9*	4,273,476	4,271,516	4,481,857
- In euros per share		*2.87*	*2.55*	*0.47*

Consolidated statement of comprehensive income

(in thousands of euros)	12.31.10	12.31.09	12.31.08
Net income	**12,356**	**10,817**	**2,291**
Other comprehensive income:			
Translation adjustments	**143**	**-84**	**127**
Available for sale assets			
- Movements for the period posted in equity	-	-	-
- Adjustment of restatement relating to amounts included in income	-	-	-
Cash flow hedge			
- Movements for the period posted in equity	-	-	-
- Adjustment of restatement relating to amounts included in income	-	-	-
Asset revaluation	**-**	**-**	**-**
Actuarial gains and losses	**-**	**-**	**-**
Share in other comprehensive income of affiliates	**-**	**-**	**-**
Income tax on income recognized directly in equity	-	-	-
TOTAL COMPREHENSIVE NET INCOME RECOGNIZED IN EQUITY	**143**	**-84**	**127**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**12,499**	**10,733**	**2,418**

› BREAKDOWN OF COMPREHENSIVE INCOME FOR THE FISCAL YEAR

(in thousands of euros)	12.31.10	12.31.09	12.31.08
Shareholders of the entity	12,418	10,795	2,223
Non-controlling interests	81	-62	195
COMPREHENSIVE INCOME FOR THE FISCAL YEAR	**12,499**	**10,733**	**2,418**

Consolidated statement of changes in equity

Changes in equity *(in thousands of euros)*	Group share					Non-controlling interests	Total equity
	Capital	Additional paid in capital [1]	Retained earnings and other comprehensive income [2]	Income recognized directly in equity [2]	Total equity		
AT DECEMBER 31, 2008	**34,172**	**27,731**	**121,770**	**23,938**	**207,611**	**2,869**	**210,480**
Change in currency translation adjustments				-84	**-84**	-	**-84**
Gains and losses recognized in equity	-	-	-	*-84*	**-84**	-	**-84**
Net income for the period			10,879		**10,879**	-62	**10,817**
Total income and expenses for the period	**-**	**-**	**10,879**	**-84**	**10,795**	**-62**	**10,733**
Capital transactions [3]					**-**		**-**
Share-based payments			546		**-546**		**-546**
Dividends			-1,281		**-1,281**	-172	**-1,453**
Other					**-**		**-**
Transactions with shareholders	**-**	**-**	**-1,827**	**-**	**-1,827**	**-172**	**-1,999**
AT DECEMBER 31, 2009	**34,172**	**27,731**	**130,822**	**23,854**	**216,579**	**2,635**	**219,214**
Change in currency translation adjustments				143	**143**		**143**
Gains and losses recognized in equity	-	-	-	*143*	**143**	-	**143**
Net income for the period			12,275		**12,275**	81	**12,356**
Total income and expenses for the period	**-**	**-**	**12,275**	**143**	**12,418**	**81**	**12,499**
Capital transactions [3]	8	40			**48**		**48**
Share-based payments					**-**		**-**
Dividends			-1,281		**-1,281**		**-1,281**
Elimination of treasury shares			-350		**-350**		**-350**
Other					**-**		**-**
Transactions with shareholders	**8**	**40**	**-1,631**	**-**	**-1,583**	**-**	**-1,583**
AT DECEMBER 31, 2010	**34,180**	**27,771**	**141,466**	**23,997**	**227,414**	**2,716**	**230,130**

(1) Issue premiums, contribution premiums, merger premiums, legal reserves.
(2) Results recognized directly in equity, including revaluations on tangible or intangible assets (IAS 16 and IAS 38) and changes in translation adjustments.
(3) Exercise of stock options.

Changes in non-controlling interests

(in thousands of euros)	Reserves	Net income	Non-controlling interests
AT DECEMBER 31, 2008	**2,674**	**195**	**2,869**
Allocation of net income from the previous period	195	-195	-
Net income for the period		-62	**-62**
Total income and expenses for the period	**195**	**-257**	**-62**
Dividends	-172		**-172**
Transactions with shareholders	**-172**	**-**	**-172**
AT DECEMBER 31, 2009	**2,697**	**-62**	**2,635**
Allocation of net income from the previous period	-62	62	-
Net income for the period		81	**81**
Total income and expenses for the period	**-62**	**143**	**81**
Dividends			-
Transactions with shareholders	**-**	**-**	**-**
AT DECEMBER 31, 2010	**2,635**	**81**	**2,716**

Consolidated statement of cash flows

(in thousands of euros)	Note	12.31.10	12.31.09	12.31.08
Operating activities				
Consolidated net income (including non-controlling interests)		12,356	10,817	2,291
Net allowances for depreciation, amortization and provisions	5.1	64,403	57,945	68,060
Impairment of goodwill	3.1	2,000	294	-
Unrealized gains and losses related to changes in fair value	3.14	-562	-277	744
Expenses and income related to stock options and similar		-	-546	947
Other calculated income and expenses		20	1	-
Gains (losses) on disposal of assets		193	-965	-229
Share of net income of equity affiliates		-25,166	-17,475	-12,127
Dividends received from equity affiliates	5.2	7,538	2,185	342
Cash flow from operating activities after tax and net borrowing costs		**60,782**	**51,979**	**60,028**
Net borrowing costs		2,593	3,437	6,122
Tax expenses (including deferred tax)		64	-411	-375
Cash flow from operating activities before tax and net borrowing costs		**63,439**	**55,005**	**65,775**
Tax paid		3	-198	-427
Change in working capital requirement related to the business	5.3	-13,836	5,516	9,308
(A) NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES		**49,606**	**60,323**	**74,656**
Investment activities				
Proceeds from sales of fixed assets		1,397	1,290	635
Acquisition of fixed assets	5.4	-40,233	-53,002	-51,823
Change in liabilities on fixed assets	5.5	1,049	1,766	-1,032
Net impact of changes in scope, net of cash acquired	5.6	-6,022	-747	-376
(B) NET CASH FLOW USED IN INVESTMENT ACTIVITIES		**-43,809**	**-50,693**	**-52,596**
Financing activities				
Gaumont SA capital increase		48	-	76
Dividends paid to Gaumont SA shareholders		-1,281	-1,281	-1,281
Dividends paid to non-controlling interests in consolidated companies		-	-172	-136
Change in treasury shares		-350	-	-
Change in borrowings		-6,705	2,765	-10,702
Interest paid		-2,286	-3,141	-6,122
(C) NET CASH FLOW USED IN FINANCING OPERATIONS		**-10,574**	**-1,829**	**-18,165**
(D) IMPACT OF CHANGES IN FOREIGN EXCHANGE RATES		**198**	**-71**	**105**
NET CHANGE IN CASH & CASH EQUIVALENTS: (A) + (B) + (C) + (D)		**-4,579**	**7,730**	**4,000**
Cash and cash equivalents at beginning of period		9,413	5,819	3,723
Bank overdraft at beginning of period		-377	-4,513	-6,417
Cash position at beginning of period		**9,036**	**1,306**	**-2,694**
Cash and cash equivalents at end of period		4,457	9,413	5,819
Bank overdraft at end of period		-	-377	-4,513
Cash position at end of period		**4,457**	**9,036**	**1,306**
Net change in cash & cash equivalents		**-4,579**	**7,730**	**4,000**

Notes to the consolidated financial statements

1. The Gaumont group

1.1. Group's businesses

Gaumont specializes in motion picture production and distribution. The Group also produces television programs: cartoon films and series through Alphanim; television dramas through its subsidiaries, Léonis Productions, Gaumont Télévision and Gaumont International Television.

In addition, having combined its movie theater holdings with those of Pathé in early-2000, Gaumont holds a 34% interest in Les Cinémas Gaumont Pathé (formerly known as EuroPalaces), a large movie theater network in France, Switzerland and the Netherlands.

1.2. Scope of consolidation

1.2.1. Change in scope of consolidation

In the context of its strategy to develop its TV drama activities, Gaumont restructured its subsidiaries in 2010.

In France, Gaumont International SARL was renamed Gaumont Télévision, which will be responsible for all of the Group's activities in the TV segment in France.

On the international stage, a dedicated television production company, Gaumont International Television Llc, was formed in the United States to develop TV series for the American market with an international reach. This company is 88.14% owned by Gaumont TV Inc., a subsidiary of Gaumont SA. Gaumont is committed to investing $6 million, while the partner will provide industry-based contributions; however, the diluted impact of these transactions may not bring Gaumont's shareholding below 65% under any circumstances.

On December 16, 2010, Gaumont acquired a non-controlling interest of 37.48% of the capital of Légende SAS, a company involved in the production and distribution of features and television series, in the amount of €6.37 million, €5.99 million of which was payable on acquisition, with €0.37 million payable as earn-out by 2014 at the latest. The total cost of the transaction stands at €6.57 million, including €0.20 million in share purchase costs. Gaumont exerts significant influence in this company, which is consolidated according to the equity method from December 16. As the inclusion of the company in the scope of consolidation occurs close to December 31, no proportionate share of the income is taken into account by the Group for fiscal 2010.

The preliminary allocation of the purchase price is as follows:

(in thousands of euros)	
Cost of acquisition (A)	**6,572**
Net position after fair value adjustments	8,671
Interest acquired	37.48%
Net assets acquired after fair value adjustments (B)	**3,252**
Goodwill (G=A-B)	**3,320**

1.2.2. Main consolidated companies

Company and legal form	Registered office	Siren	% interest	% control	Consolidation method
Parent company:					
Gaumont SA	30, avenue Charles de Gaulle, 92200 Neuilly/ Seine	562 018 002	100.00		F.C.
French companies:					
Motion picture production and distribution:					
Les Films du Dauphin SARL	5, rue du Colisée, 75008 Paris	352 072 904	100.00	100.00	F.C.
Arkéion Films SAS	30, avenue Charles de Gaulle, 92200 Neuilly/ Seine	382 651 123	100.00	100.00	F.C.
Gaumont Vidéo SNC	30, avenue Charles de Gaulle, 92200 Neuilly/ Seine	384 171 567	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.
Légende SAS	5, rue Lincoln, 75008 Paris	449 912 609	37.48	37.48	E.
Légende Films SARL	5, rue Lincoln, 75008 Paris	491 159 109	37.48	37.48	E.
Production of television dramas and cartoon series:					
Gaumont Télévision SARL ex Gaumont International	30, avenue Charles de Gaulle, 92200 Neuilly/ Seine	340 538 693	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.
Léonis Productions SAS	30, avenue Charles de Gaulle, 92200 Neuilly/ Seine	484 734 371	75.00	75.00	F.C.
Alphanim SA	8, avenue des Minimes, 94300 Vincennes	411 459 811	100.00	100.00	F.C.
Alphanim Musique SARL	8, avenue des Minimes, 94300 Vincennes	411 459 811	100.00	100.00	F.C.
Alphanim Digital SAS	8, avenue des Minimes, 94300 Vincennes	431 232 099	100.00	100.00	F.C.
Movie theater operations:					
Les Cinémas Gaumont Pathé SAS ex EuroPalaces	2, rue Lamennais, 75008 Paris	392 962 304	34.00	34.00	E.
Bank of motion picture images:					
Gaumont Pathé Archives SAS	30, avenue Charles de Gaulle, 92200 Neuilly/ Seine	444 567 218	57,50	57,50	F.C.
Real estate:					
Forest SCI	30, avenue Charles de Gaulle, 92200 Neuilly/ Seine	785 421 801	100.00	100.00	F.C.
Foreign companies:					
USA:					
Gaumont Inc.	520 West 43rd 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	E.
Legende Films Inc.	15233 Ventura Blvd, Ste 610, Sherman Oaks, CA 91403	USA	37.48	37.48	E.
Gaumont Television Inc.	200 West Sunset Boulevard, West Hollywood, CA 90069	USA	100.00	100.00	F.C.
Gaumont International Television Llc	200 West Sunset Boulevard, West Hollywood, CA 90069	USA	91.57	88.14	F.C.

F.C: Full Consolidation.
E: Equity method.

2. Accounting principles and policies

2.1. General principles

In accordance with European Regulation no.1606/2002 of July 19, 2002, Gaumont's consolidated financial statements for the year ended December 31, 2010 were prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union and applicable on said date.

Accounting principles used to prepare the consolidated financial statements comply with IFRS and IFRS interpretations as adopted by the European Union at December 31, 2010 and available from the website: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

Accounting principles used are consistent with those used to prepare the annual consolidated financial statements for the year ended December 31, 2009, excluding the IFRS and IFRIC interpretations applicable at January 1, 2010. They result from the application:

- of all standards and interpretations endorsed by the European Union, mandatory as from January 1, 2010;
- options taken and exemptions used upon transition to IFRS:
  - fair value assessment at January 1, 2004 of certain land and buildings,
  - no restatement of business combinations prior to January 1, 2004,
  - recognition in opening equity of all cumulative actuarial gains and losses related to pensions and other employee benefits existing at January 1, 2004,
  - no restatement of stock options granted by the Group to certain employees or management on or before November 7, 2002,
  - cumulative translation adjustments for all foreign operations were deemed to be zero at January 1, 2004 with reclassification in consolidated reserves.

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

The Group's consolidated financial statements at December 31, 2010 were approved by the Board of Directors on March 1, 2011. They will be submitted for shareholder approval at the General Meeting of May 3, 2011.

2.2. Application of IFRS and IFRIC interpretations as from January 1, 2010

The accounting policies applied are consistent with those of the previous year, apart from the following amendments to IFRS and IFRIC interpretations, mandatory as from January 1, 2010:

- Revised IFRS 3 – Business Combinations;
- Revised IAS 27 – Consolidated and Separate Financial Statements;
- Amendments to IFRS 1 – Additional Exemptions for First-time Adopters;
- Amendments to IFRS 2 – Group Cash-settled Share-based Payment Transactions;
- Amendments to IFRS 5;
- Amendment to IAS 39 – Financial Instruments: Recognition and Measurement – Eligible Hedged Items;
- IFRIC 12 – Service Concession Arrangements;
- IFRIC 15 – Agreements for the Construction of Real Estate;
- IFRIC 16 – Hedges of a Net Investment in A Foreign Operation;
- IFRIC 17 – Distributions of Non-Cash Assets to Owners;
- IFRIC 18 – Transfers of Assets from Customers;
- Revised IFRS 1 – First Time Adoption of IFRS;
- Improvements to IFRSs (issued by IASB in May 2008);
- Improvements to IFRSs (Issued by IASB in April 2009).

The application of these standards or interpretations did not have any effect on the Group's consolidated financial statements at December 31, 2010.

2.3. Texts endorsed by the European Union not yet compulsory at December 31, 2010

With respect to the standards and interpretations endorsed by the European Union and not yet compulsory at December 31, 2010, Gaumont will not implement early application of:

- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments;
- Amendment to IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues;
- Revised IAS 24 – Related Party Disclosures;
- Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement;
- Amendments to IFRS 1 – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters;
- Improvements to IFRSs (Issued by IASB in May 2010).

At this stage, Gaumont considers that the impact of the application of these standards will not be significant.

2.4. Consequences for the Group of standards, amendments and interpretations published by the IASB and not yet endorsed by the European Union at 31 December 2010

The Gaumont group has decided not to use the early-adoption option proposed by the European Commission, as these standards published by the IASB are not yet included in the IFRS endorsed by the European Union at 31 December 2010. At 31 December 2010, the texts in question are as follows:

- IFRS 9 – Financial Instruments
- Amendments to IFRS 7 – Financial Instruments: Disclosures;
- Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters;
- Amendments to IAS 12 – Deferred tax: Recovery of Underlying Assets.

2.5. Basis of preparation of consolidated financial statements

Apart from certain categories of assets and liabilities, the consolidated financial statements have been drawn up on the basis of the historical cost principle in accordance with the rules laid down by IFRS. The relevant categories are detailed in the notes below.

2.6. Use of estimates

When preparing the consolidated financial statements, Group Management made estimates and assumptions that are liable to have an impact both on the amount of assets and liabilities at the reporting date and on the amount of income and expenses. The underlying estimates and assumptions are based on past experience 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 Gaumont's future consolidated financial statements may differ from the amounts currently estimated. Said estimates and assumptions are re-examined on an ongoing basis. The main estimates taken into account concern the valuation of tangible and intangible assets, the amortization of films(1), the assessment of impairments on trade and other receivables(2), the recognition of deferred tax assets(3), and current and non-current provisions(4).

2.7. Consolidation

IAS 27 defines a subsidiary as an entity controlled by the parent company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Revised IAS 27 presents the consolidated financial statements of a Group as those of a single economic entity with two categories of owners: The owners of the parent, on the one hand (Gaumont SA's shareholders), and the holders of non-controlling interests on the other (minority shareholders in the subsidiaries).

A non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

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

2.7.1. Investment 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 net assets and net profit attributable to non-controlling shareholders is shown separately as non-controlling interests on the consolidated statement of financial position and on the consolidated income statement.

Pursuant to the revised IAS 27, changes in the parent's interest share in a subsidiary which do not result in a loss of control only affect equity, because there is no change of control within the economic entity.

Accordingly, from January 1, 2010, in the case of acquiring an additional interest in a consolidated subsidiary, the Group recognizes the difference between the acquisition price and the book value of the minority shareholdings under changes in equity attributable to the shareholders in Gaumont SA.

For disposals that result in loss of control of an entity, the proceeds of the disposal are recognized relative to the entire previous holding. If appropriate, the residual holding retained is measured at fair value on the date of loss of control.

Moreover, from January 1, 2010, comprehensive income share is attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2.7.2. Investments in associates

In accordance with IAS 28, companies in which Gaumont directly or indirectly has a significant influence are accounted for using the equity method. A significant influence is presumed when Gaumont holds more than 20% of the voting rights. The companies in which the Group exercises joint control are also accounted for using the equity method.

Losses by an entity that exceed the value of the Group's interest in said entity are not recognized unless:

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

(1) Cf. note 2.11.
(2) Cf. note 2.16.
(3) Cf. note 2.22.
(4) Cf. note 3.11.

2.8. Foreign currency translation

2.8.1. Financial statements of foreign subsidiaries

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

Their statement of financial position is translated into euros at the closing rate; 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 recognized as translation adjustments in the consolidated equity.

2.8.2. Foreign currency transactions

IAS 21 "Effects of changes in foreign exchange rates" defines the recognition and measurement of transactions in foreign currencies. Pursuant to said standard, transactions denominated in foreign currencies are translated into euros at the exchange rate on the date of the transaction. Monetary items in the statement of financial position are translated at the closing rate at each reporting date. Relevant translation adjustments are recognized in income.

2.9. Business combinations

The Group has chosen not to restate business combinations prior to the date of transition (1 January 2004) in accordance with the option provided for under IFRS 1.

In accordance with IFRS 3, business combinations after January 1, 2004 are recognized according to the acquisition method.

The first time a controlled business is consolidated, identifiable assets acquired, liabilities and contingent liabilities assumed are measured at their acquisition-date fair values and recognised separately from goodwill.

A revision to this standard is applicable from January 1, 2010, without retroactive effect. As a result, the Group's acquisitions to December 31, 2009 remain measured according to the standards applicable on the acquisition dates.

Rules applicable to business combinations completed prior to December 31, 2009

The difference between the acquisition cost and the share of assets, liabilities and contingent liabilities measured at their fair value is recognized as goodwill.

Minority interests are measured according to their share in the identifiable net assets of the acquired company.

Subsequent earn outs give rise to recognition of goodwill.

The direct acquisition costs contribute to the total cost of the transaction and are included in goodwill.

In the case of staged acquisitions resulting in taking control of the entity, the proportionate shares of the staged acquisition are measured at the fair value of the elements of net assets, measured on the date of each acquisition. Shares previously held are not remeasured.

In the case of a change in the percentage of interest subsequent to taking control, while retaining control of the acquiree, additional goodwill is recognized for the newly acquired share.

Rules applicable to business combinations completed from January 1, 2010

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

Earn outs are included in the acquisition price at fair value on the date of taking control. Subsequent adjustments to this value are recognized in goodwill, if they occur within the 12-month measurement period, or in profit or loss beyond this date.

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

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

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

2.10. Goodwill

The Group finalizes the analysis of the acquisition price allocation during the 12-month period following the acquisition date and at the end of which the allocation of the purchase price is considered final.

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

Goodwill is not amortized but an impairment test is carried out at each annual reporting date. The impairment test is carried out for the cash generating unit(s) to which the goodwill is allocated by comparing the recoverable value and the carrying amount of the cash generating unit(s).

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

In the case of the cinema business and the cartoon films and series business:

- cash flow projections are based on two-year (minimum) business plans;
- cash flow projections beyond that timeframe are extrapolated by applying a "growth rate" of 2% to perpetuity;
- cash flows obtained are discounted using an appropriate rate for the type of business, i.e. 7.5% (the same rate as in 2009).

For the television dramas business:

- cash flow projections are based on two-year (minimum) business plans;
- cash flow projections beyond that timeframe are extrapolated over 7 years without any terminal value, by applying a "growth rate" of 2%;
- cash flows obtained are discounted using an appropriate rate for the type of business, i.e. 10.5%.

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

In the case of movie theater operations, the Group applies a method that is in line with industry practice, which consists of determining the fair value less costs to sell using two measurement methods:

- one based on a multiple of revenue;
- the other based on a multiple of standard EBITDA less net debt.

Impairment losses on goodwill are irreversible.

Goodwill relating to affiliates accounted for using the equity method is recognized on the "Investments accounted for using the equity method" line.

2.11. Tangible and intangible assets

In accordance with IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets", items are only recognized as assets if, and only if, it is probable that future economic benefits associated with the items will flow to the entity, and the cost can be measured reliably.

In accordance with IAS 36 "Impairment of assets", when events or changes to the market environment indicate a risk of impairment losses on intangible assets with definite useful lives and on tangible assets, such assets shall be reviewed in detail to determine whether their net carrying amount has fallen below their recoverable value defined as the higher of the fair value (less costs to sell) and the value in use. The value in use is determined by discounting the future cash flows expected from using the asset and from its sale.

In the event the recoverable amount is less than the net carrying amount, an impairment loss is recognized for the difference between these two amounts.

Impairment losses on intangible assets with definite useful lives and on tangible assets may be subsequently reversed where the net recoverable value rises back above the net carrying amount (by at most the amount of the initial impairment loss).

Gains or losses on the disposal of an intangible asset or a tangible asset are determined as the difference between the proceeds from the sale and the net carrying amount of the asset sold and is recognized under "Non-current operating income (loss)".

2.11.1. Films and audiovisual rights

2.11.1.1. Films and audiovisual rights

The gross value of films and audiovisual rights, recognized in the statement of financial position, corresponds to the following items:

- productions of films of which Gaumont is executive producer, meant to be marketed in France or abroad, by all audiovisual means;
- french or foreign co-production shares;
- acquisition of rights allowing marketing of an audiovisual work;

and includes, as from the end of filming:

- the amounts invested less contributions by co-producers to the films, when Gaumont was involved in the production as executive producer;
- the purchase amount of intangible and tangible rights when Gaumont was not involved in the production of the work.

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

Amortization is calculated by applying the estimated revenue value method, which takes the net book value as of January 1 and applies the ratio of net proceeds received for the year to total net proceeds. Total net proceeds include, over a period of ten years of operation from release date, the Group's share of net proceeds in the year and estimated net proceeds. Management reviews the estimated net proceeds regularly and adjusts them, if needs be, taking into account the operating profits of films, new contracts signed or planned and the audiovisual environment at the reporting date.

In the event the net value of the investment resulting from the application of this method exceeds the estimated net proceeds, additional amortization is recognized to cover the shortfall in proceeds.

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

2.11.1.2. Cartoon series and television dramas

The gross value of series includes the cost of the investment the Company made, less contributions by co-producers of series and dramas.

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

Amortization is calculated by applying the estimated revenue value method.

At the reporting date, the series is tested for impairment, consisting of comparing the net carrying amount of the series with the estimates of the Company's share of net proceeds. If the net carrying amount is less than estimated sales, the evaluation is deemed to be satisfactory. If, on the other hand, the net carrying amount exceeds the sales estimates, additional amortization or an impairment loss is recognized.

2.11.2. Preliminary costs

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

In accordance with IAS 38 "Intangible assets", these preliminary costs are expensed during the year.

2.11.3. Productions in progress

2.11.3.1. Movies

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

2.11.3.2. Cartoon series and audiovisual dramas

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

2.11.4. Other intangible assets

Other intangible assets include:

- purchased software, amortized over a period between one and three years;
- musical rights, amortized over two years: 75% the first year and 25% the next year or following the straight line method over five years in the case of the buyout of catalogs.

2.11.5. Property, plant and equipment

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

The Group took the option upon transition to IFRS to have land and buildings located in the heart of the Paris business district assessed at fair value. 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.

IAS 16 provides in particular for:

- the depreciation of fixed assets over their estimated useful life;
- the separate recognition and depreciation of major components of an asset.

The main depreciation periods used are as follows:

Duration of use *(in years)*	
• Buildings [1]	25 to 40 years
• Fittings and fixtures of buildings	5 to 10 years
• Operating equipment and other tangible assets	4 to 8 years

(1) Buildings that have been assessed at fair value, according to IFRS, are depreciated over 40 years as from the date of the reassessment.

2.12. Investments accounted for using the equity method

The item "Investment in affiliates accounted for using equity method" represents the share of net assets (including the net income of the year), taking into account the fair value of identifiable net assets, if any, allocated to the relevant companies.

Pursuant to IAS 28, this item also includes the goodwill relating to the companies accounted for using the equity method (see note 2.10).

In the event of impairment, impairment losses are recognized under "Share of net income of affiliates accounted for using equity method".

2.13. Other financial assets

This category includes:

- investments in non-consolidated companies.

  They represent the Group's interests in a non consolidated company.

  In accordance with IAS 39 "Financial instruments", equity interests in non consolidated companies are treated as being available for sale and are thus recognized at fair value. For listed securities, this

fair value corresponds to the stock market price. If the fair value cannot be reliably determined, the securities are recognized at historical purchase cost. Changes in fair value are recognized directly in equity. In the event of an objective indication of the impairment of financial assets (in particular significant or lasting decrease in the value of assets), an impairment loss is recognized in income. This loss will be reversed in the income statement only when the securities are sold.

- receivables from non consolidated entities, other loans, deposits and bonds.

  Their carrying amount in the statement of financial position, measured at amortized cost, includes the outstanding capital and the unamortized share of purchase costs. An impairment loss may be recognized if there is an objective indication of impairment. The impairment representing the difference between the net carrying amount and the recoverable value is recognized in income and is reversible where there is an upswing in the recoverable value.

2.14. Impairment of assets

Under IAS 36 "Impairment of assets", the carrying amount of goodwill, intangible assets and tangible assets is tested whenever there is an indication of impairment, and reviewed at each reporting date. This test is carried out at least once a year for assets with indefinite lives, a category that for the Group is limited to goodwill.

Where there is an indication of impairment, the Group estimates the recoverable value of the asset. Where the carrying amount of an asset exceeds its recoverable value, an impairment loss is recognized to bring the carrying amount down to the recoverable value.

2.15. Inventories

DVD inventories are assessed at the lower of the purchase cost of the inventory and the net recoverable value.

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

2.16. Trade receivables and other receivables

Receivables are recognized at their nominal value, less impairment for non recoverable amounts. Impairment is estimated when it is no longer probable that the full amount of receivables can be recovered. Receivables are written off when they are identified as being irrecoverable.

2.17. Cash and cash equivalents

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

In accordance with IAS 39 "Financial instruments", said short term investments are measured at fair value. Changes in fair value are systematically recognized in income (under "Income from cash and cash equivalents").

2.18. Treasury shares

Pursuant to IAS 32, own equity instruments, including treasury shares, are deducted from equity, based on their purchase cost.

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

2.19. Current provisions

In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", a provision for risks and charges is recognized when the Group has a present obligation as a result of a past event, and when it is probable that an outflow of resources will be required and a reliable estimate can be made of the amount of the obligation.

2.20. Non-current provisions

2.20.1. Provisions for post employment benefits

Provisions for post employment benefits relate to the Group's pension commitment to its employees.

This is limited to the pensions and other retirement benefits provided for under the collective agreements of the Group's companies. In accordance with IAS 19 "Employee Benefits", it is calculated, by independent actuaries, on the basis of the Projected Unit Credit Method having regard to the following assumptions:

- rights under agreements in relation to the seniority acquired by the various categories of personnel;
- an estimated retirement age of 63 for executives and supervisors and 62 for employees;
- the turnover rate;
- future salary and benefit levels that include a coefficient for applicable employer social security contributions;
- an annual rate of salary increase;
- mortality based on statistical tables;
- discount rate reviewed at each reporting date, based on long-term corporate bonds ("Euro zone AA rated corporate bonds +10 years").

The annual expense includes the current service cost and actuarial gains and losses recognized in income and is recognized under "Personnel costs".

The Company's policy is for all actuarial gains and losses generated over the current period to be systematically recognized in income.

2.20.2. Seniority bonus

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

2.21. Stock option plan

Stock options are granted to certain executives and employees of the Group which, at the time of their exercise, give rise to the issuance of new shares by means of a capital increase. In accordance with the terms of IFRS 2 "Share-based payment", the fair value of options granted is measured on the date they are granted based on the Black & Scholes model. Said fair value is recognized under "Personnel costs" on the basis of the straight-line method - over the vesting period – directly offset in equity.

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

2.22. Deferred tax

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

Deferred tax assets from tax losses are recognized when it is considered that they are likely to be recovered, based on recent business forecasts.

An impairment loss on deferred tax assets is recognized when it is unlikely that they will be used in the future.

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

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

With regard to the local business tax (contribution economique territoriale) introduced by France's 2010 Finance Act and in particular one of its two components, namely the contributions based on the added value of companies (CVAE), the Group considers it to be an operating expense which does not come under the scope of IAS 12. Consequently no deferred tax liability has been recognized.

2.23. Derivatives

The Group uses derivatives to manage and reduce its exposure to the risk of changes in interest rates and foreign exchange rates. Said instruments include interest rate swap agreements as well as foreign exchange options, which do not qualify as hedging instruments under IAS 39.

As a result, the fair value of derivatives is shown on the statement of financial position as "Other receivables" or "Other payables" (depending on whether it results in an unrealized capital gain or capital loss).

Changes in fair value are recognized in income.

2.24. Measurement of financial liabilities

In accordance with IAS 39, borrowings and other financial liabilities are measured at amortized cost, based on the effective interest rate of the transaction, including transaction costs.

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

For the "puts" issued up to December 31, 2009 the Group recognizes a financial liability offset by a reduction in the share attributable to minority shareholders and, where necessary, in goodwill for the remainder. Subsequent changes in the value of the liability, related to its discount rate, are recognized in financial expenses.

For the "puts" issued from January 1, 2010, pursuant to revised IAS 27, subsequent changes in the value are recognized as reclassified amounts in equity without having an impact on income.

2.25. Soficas

The "producers' shares" of Soficas guaranteed by Gaumont are recognized at their nominal value in line with IAS 20 under liabilities on the statement of financial position in "Other current liabilities". The payback of the share of proceeds to which they are entitled is directly allocated to this item.

2.26. Structure of the consolidated statement of financial position

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

The breakdown is as follows:

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

2.27. Operating segments

Segment information as defined by IFRS 8 must be based on internal management reporting, in particular the information made available to the Group's highest management body. After identifying its operating segments and the corresponding figures made available to executive management, the Group presents segment information which meets the requirements of IFRS 8 and which is similar to the segment information presented in previous years. The measurement methods for figures by operating segment are in line with the principles and policies used to prepare the consolidated financial statements.

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

- production and distribution of movies, which includes the various stages of marketing of a film: cinema distribution, sale to TV channels and on video both in France and internationally;
- audiovisual production and distribution of films, cartoon series and dramas via its subsidiaries Alphanim, Léonis Productions, Gaumont Television and Gaumont International Television Llc which have different financing methods and production principles;
- operation of movie theaters via its interest in the company Les Cinémas Gaumont-Pathé (ex EuroPalaces).

2.28. Revenue

2.28.1. Cinema production business (films)

Proceeds from movies are recognized once rights have vested in accordance with the following criteria:

Cinemas France

Film rentals to cinemas are recognized on a weekly basis in accordance with the weekly box office.

Video France

Revenue generated from the use of video rights is recognized based on monthly sales.

At the reporting date, a provision is recognized for estimated returns and discounts granted to customers. Said provision is charged against revenue.

Video on demand France

Revenue from video on demand is recognized on the basis of monthly payments.

Television France

In accordance with IAS 18.14, sales of broadcasting rights to French television channels are recognized once the risks and economic benefits have been transferred. This transfer is deemed to have taken place when the following cumulative conditions have been met:

- signature of contracts;
- acceptance of the broadcasting material;
- vesting of rights.

An exception is made in the case of pre-sales, for which the risks and economic benefits are transferred as from the first release of the work in cinemas, on condition that contracts have been signed and the broadcasting material has been accepted.

International

In accordance with IAS 18.14, proceeds related to the international sale of rights are recognized once the risks and economic benefits have been transferred. This transfer is deemed to have taken place when the following cumulative conditions have been met:

- signature of contracts;
- acceptance of the broadcasting material;
- vesting of rights;
- and, rendering of accounts when the contract provides for the payment of a percentage on proceeds generated by the customer's use of the work.

An exception is made in the case of pre-sales, for which the risks and economic benefits are transferred as from the first release of the work in cinemas, on condition that contracts have been signed and the broadcasting material has been accepted.

Until all the aforementioned recognition criteria have been satisfied, revenue is recognized as prepaid income on the statement of financial position under the "Other payables" item.

2.28.2. Audiovisual production business (cartoon series and dramas)

The proceeds from the sale of rights to series and audiovisual dramas are recognized in accordance with the following criteria:

Television France

In accordance with IAS 18.14, sales of broadcasting rights to French television channels are recognized once the risks and economic benefits have been transferred. This transfer is deemed to have taken place when the following cumulative conditions have been met:

- signature of contracts;
- acceptance of the broadcasting material;
- vesting of rights.

An exception is made in the case of pre-sales, for which the risks and economic benefits are transferred as from the delivery and acceptance of the distribution material, regardless of the rights period.

International

In accordance with IAS 18.14, proceeds related to the international sale of rights are recognized once the risks and economic benefits have been transferred. This transfer is deemed to have taken place when the following cumulative conditions have been met:

- signature of contracts;
- acceptance of the broadcasting material;
- vesting of rights;
- and, rendering of accounts when the contract provides for the payment of a percentage on proceeds generated by the customer's use of the work.

An exception is made in the case of pre-sales, for which the risks and economic benefits are transferred as from the delivery and acceptance of the distribution material, regardless of the rights period.

2.29. Financial support for the cinema industry and the audiovisual industry

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 recognized in tandem with the revenue of films that generate the support. It is recognized under assets on the statement of financial position in "Other receivables", offset by an operating subsidy. The support fund invested in the production of new films is charged against "Other receivables".

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

2.30. Subsidies

Subsidies received, insofar as they are definitively vested, are recognized in income as from the date of the first release of the relevant films in cinemas, and from the date of delivery and acceptance of series and dramas by television broadcasters for audiovisual works.

2.31. Audiovisual and cinema tax credit

The cinema tax credit granted as from 2004 to encourage production companies to develop and produce their audiovisual and cinema works in France is recognized pro rata to the economic amortization in the consolidated financial statements as current operating income as from the first release of the relevant film in cinemas and from the date of delivery and acceptance of the relevant audiovisual work.

2.32. Operating income

Operating income includes current operating income, other non-current operating income or expenses which include gains (losses) on the disposal of assets and impairment losses on non current intangible (including goodwill) and tangible assets.

2.33. Net borrowing costs

Net borrowing costs include the interest expense on gross financial liabilities and income from cash and cash equivalents.

2.34. Other financial income and expenses

Other financial income and expenses primarily include the changes in fair value of financial instruments (assets, liabilities and derivatives), foreign exchange gains or losses (other than those related to operating transactions, classified in current operating income), dividends received from non consolidated companies, gains (losses) on the disposal of assets and the impairment of non current financial assets.

2.35. Share of net income of affiliates accounted for using the equity method

Any impairment loss resulting from impairment tests on goodwill on affiliates accounted for using the equity method are included in the net income presented on this line.

2.36. Earnings per share

Earnings per share are determined by dividing the parent company's shareholders' share of earnings by the average weighted number of shares in circulation over the period ended.

Diluted earnings per share are calculated on the basis of the average weighted number of shares in circulation during the period ended, increased by the number of shares generated from the exercise of all dilutive stock options granted as of the reporting date. In particular, for stock options, the difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price must be treated as an issue of ordinary shares with a dilutive effect.

When annual earnings are negative, diluted earnings per share are calculated on the basis of the number of shares at the reporting date, considering the accretive nature of the exercise of stock options.

3. Notes on the consolidated statement of financial position

3.1. Goodwill

	12.31.10	Movemvents of the period +	-	Others [1]	12.31.09	12.31.08
Alphanim	15,794	-	-	-	15,794	15,794
Arkéion Films	241	-	-	-	241	241
Autrement Productions	53	-	-	-	53	53
Les Films du Dauphin	1,815	-	-	-	1,815	1,815
Léonis Productions	782	-	-40	-	822	-
LGM Participations	491	-	-	-	491	491
Gross value	**19,176**	**-**	**-40**	**-**	**19,216**	**18,394**
Les Films du Dauphin	-1,271	-	-	-	-1,271	-1,271
Amortization	**-1,271**	**-**	**-**	**-**	**-1,271**	**-1,271**
Alphanim	-2,000	-2,000	-	-	-	-
Arkéion Films	-241	-	-	-	-241	-
Autrement Productions	-53	-	-	-	-53	-
Les Films du Dauphin	-544	-	-	-	-544	-544
Impairment	**-2,838**	**-2,000**	**-**	**-**	**-838**	**-544**
NET VALUE	**15,067**	**-2,000**	**-40**	**-**	**17,107**	**16,579**

(1) Changes in scope.

At each reporting date[1], goodwill is tested for impairment, the sensitivity of which is analyzed. Increasing the discount rate by 1% without changing the growth rate, the recoverable values decrease by €4.07 million.

By contrast, a reduction of 1% in the discount rate would lead to an increase of €5.75 million in recoverable values.

No impairment losses on goodwill were recognized at December 31, 2010, apart from Alphanim.

3.2. Films and audiovisual rights

	12.31.10	Movements of the period +	-	Others [1]	12.31.09	12.31.08
Films and cinema rights	1,494,953	38,655	-24,972	192	1,481,078	1,444,255
Films and television rights	13,479	858	-772	-	13,393	9,066
Cartoon films and series	123,988	6,831	-	6,990	110,167	101,076
Video games	1,525	-	-	-	1,525	1,525
Movies in production	-	-	-	-192	192	450
Television dramas in production	-	-	-	-	-	-
Cartoon films and series in production	1,260	994	-	-6,990	7,257	2,963
Gross value	**1,635,205**	**47,338**	**-25,744**	**-**	**1,613,612**	**1,559,335**
Films and cinema rights	-1,422,080	-56,115	23,972	-	-1,389,937	-1,349,763
Films and television rights	-13,184	-860	772	-	-13,096	-8,288
Cartoon films and series	-118,169	-13,542	-	-	-104,626	-91,933
Video games	-1,525	-	-	-	-1,525	-1,525
Amortization	**-1,554,958**	**-70,517**	**24,744**	**-**	**-1,509,184**	**-1,451,509**
Films and cinema rights	-515	-515	-	-	-	-816
Impairment	**-515**	**-515**	**-**	**-**	**-**	**-816**
NET VALUE	**79,732**	**-23,694**	**-1,000**	**-**	**104,428**	**107,010**

(1) Changes in scope and allocation to fair value, transfers from item to item.

(1) See note 2.10.

At December 31, 2010, the increase in the gross value of films and cinema and audiovisual rights was mainly attributable to investments in films and series released during 2010 or those which have finished filming and that will be released during 2011.

Cartoon films and series in production consisted of series to be delivered in 2011 and 2012, notably *Pok & Mok 1* and *Spencer*.

At December 31, 2010 an impairment of €0.51 million was recognized for a film, the estimated proceeds of which do not cover production costs.

3.3. Other intangible assets

		Movements of the period				
	12.31.10	+	-	Others [1]	12.31.09	12.31.08
Franchises, patents, licences, brands, software	2,247	152	-374	4	2,465	2,156
Musical productions	2,819	-	-	-	2,819	2,819
Other intangible assets	172	-	-308	-	480	480
Other intangible assets in progress	-1	-	-34	-4	37	145
Gross value	**5,237**	**152**	**-716**	**-**	**5,800**	**5,598**
Franchises, patents, licences, brands, software	-1,840	-207	390	-	-2,023	-1,765
Musical productions	-2,733	-65	-	-	-2,668	-2,583
Other intangible assets	-94	-1	308	-	-401	-400
Impairment, depreciation	**-4,667**	**-273**	**698**	**-**	**-5,092**	**-4,748**
NET VALUE	**570**	**-121**	**-18**	**-**	**708**	**850**

(1) Transfers from item to item.

3.4. Property, plant and equipment

		Movements of the period				
	12.31.10	+	-	Others [1]	12.31.09	12.31.08
Land	20,260	-	-	-	20,260	20,289
Buildings and fittings	29,530	152	-41	-	29,419	29,797
Operating equipment	1,697	73	-2	1	1,625	1,634
Other tangible assets	5,042	344	-979	-	5,677	5,896
Tangible assets in progress	13	13	-	-	-	-
Gross value	**56,542**	**582**	**-1,022**	**1**	**56,981**	**57,615**
Land	-310	-	-	-	-310	-310
Buildings and fittings	-18,182	-948	48	-	-17,282	-16,561
Operating equipment	-1,498	-78	2	-1	-1,421	-1,361
Other tangible assets	-4,250	-309	705	-	-4,646	-4,412
Impairment, depreciation	**-24,240**	**-1,335**	**755**	**-1**	**-23,659**	**-22,644**
NET VALUE	**32,302**	**-753**	**-267**	**-**	**33,322**	**34,971**

(1) Changes in scope, foreign exchange fluctuations.

3.5. Investments accounted for using the equity method

Company	% interest at 12.31.10	12.31.10	12.31.09	12.31.08
Gaumont Pathé Cinemas	34.00%	203,101	185,529	170,213
Lincoln Cinema Associates (USA)	32.00%	509	421	463
Légende	37.48%	6,572	-	-
Gross value		**210,182**	**185,950**	**170,676**
Impairment		-	-	-
NET VALUE		**210,182**	**185,950**	**170,676**

On December 16, 2010, Gaumont acquired a 37.48% interest in the share capital of the Légende company, a feature film and television series production and distribution company, run by Alain Goldman.

The recoverable value of the company Cinémas Gaumont Pathé (ex EuroPalaces) is based on a multiple of EBITDA adjusted for net debt.

This monitoring does not show any impairment at December 31, 2010.

3.5.1. Material items

	Gaumont Pathé Cinemas	Lincoln Cinema Associates (USA)	Légende (1)
Percentage interest at 12.31.10	34.00%	32.00%	37.48%
Non-current assets	287,399	436	2,257
Current assets	43,809	107	8,782
Total assets	**331,209**	**543**	**11,039**
Equity	166,663	503	3,252
Non-current liabilities	75,610	-	3,840
Current liabilities	88,937	40	3,947
Total equity and liabilities	**331,209**	**543**	**11,039**
Revenue	217,853	1,692	7,999
Net income	24,639	527	1,035

(1) Consolidated financial data at 06.30.2010, readjusted with identified significant elements to the date of acquisition; taken from the accounting standards of the Group.

3.5.2. Transactions with equity affiliates

Transactions are exclusively with Gaumont SA.

	12.31.10	12.31.09	12.31.08
Trade receivables	1,296	202	316
Other receivables	406	-	-
Provisions for risks	-	-	-
Reversal of provisions for risks	-	-	-94
Other non-current liabilities	1,181	1,302	1,422
Other payables	169	120	120
Revenue and other current income	4,096	2,399	3,336
Other current expenses	-	-	81

3.6. Other financial assets

		Movements of the period				
	12.31.10	+	-	Others (1)	12.31.09	12.31.08
Non-consolidated entities	15	-	-	-	15	16
Loans	222	-	-44	-	266	306
Deposits and bonds	157	21	-54	-	190	224
Other financial assets	-	-	-	-	-	-
Gross value	**394**	**21**	**-98**	**-**	**471**	**546**
Non-consolidated entities	-12	-	-	-	-12	-15
Impairment	**-12**	**-**	**-**	**-**	**-12**	**-15**
NET VALUE	**382**	**21**	**-98**	**-**	**459**	**531**

(1) Changes in scope.

Impairment tests on the non-consolidated entities have not shown any unrealized losses.

3.6.1. Non-consolidated entities

The non-consolidated entities are not material having regard to the Group's assets and liabilities, financial position and results. They relate to companies in which the Group holds less than 10%, that are non-trading or that are being would up.

3.7. Inventories

	12.31.10	Movements of the period +	Movements of the period -	12.31.09	12.31.08
Gross value	1,020	203	-	817	869
Impairment	-504	-	151	-655	-598
NET VALUE	**516**	**203**	**151**	**162**	**271**

3.8. Trade receivables, other receivables, tax assets and other current financial assets

	12.31.10	12.31.09	12.31.08
Trade receivables	36,237	34,366	36,278
Current financial assets	440	3,234	1,233
Advances and down payments paid	590	641	539
Payroll receivables	9	45	31
Tax receivables	8,615	7,274	12,376
Current tax assets	1,588	2,770	2,420
Current accounts	8,913	8,904	9,100
Other receivables	17,165	12,760	9,365
Derivatives	-	-	-
Prepaid expenses	953	1,321	913
Gross value	**74,510**	**71,315**	**72,255**
Trade receivables	-93	-367	-355
Current accounts	-8,913	-8,904	-9,042
Other receivables	-1,657	-1,764	-1,509
Impairment	**-10,663**	**-11,035**	**-10,906**
NET VALUE	**63,847**	**60,280**	**61,349**
Maturities:			
- less than 1 year	72,950	69,773	70,639
- from 1 to 5 years	1,560	1,542	1,616
- over 5 years	-	-	-

3.8.1. Breakdown of impairment

	12.31.10	Movements of the period +	Movements of the period -	12.31.09	12.31.08
Trade receivables	-93	-63	337	-367	-355
Current accounts	-8,913	-9	-	-8,904	-9,042
Other receivables	-1,657	-32	139	-1,764	-1,509
IMPAIRMENT	**-10,663**	**-104**	**476**	**-11,035**	**-10,906**

3.9. Cash and cash equivalents

	12.31.10	12.31.09	12.31.08
Bank accounts and other cash on hand	4,457	9,413	5,819
TOTAL	**4,457**	**9,413**	**5,819**

3.10. Equity

3.10.1. Share capital of the parent company

Following the exercise of stock options in the first semester, Gaumont SA's share capital increased by 1,014 shares. At December 31, 2010, it consisted of 4,272,530 shares (including treasury shares) with a par value of €8, fully paid up.

	12.31.10	Movements of the period +	Movements of the period -	12.31.09	12.31.08
Number of shares	4,272,530	1,014	-	4,271,516	4,271,516
Par value	€8	€8	-	€8	€8
CAPITAL *(in euros)*	**34,180,240**	**8,112**	**-**	**34,172,128**	**34,172,128**

3.10.2. Treasury stock

At December 31, 2010, Gaumont SA holds 6,733 of its own shares, negotiated as part of the liquidity contract established during the year. They are recognized against equity.

3.10.3. Dividend distribution

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

(in euros)	12.31.10	12.31.09	12.31.08
Dividends paid	1,281,455	1,281,455	1,280,975
Dividends per share	0.30	0.30	0.30

3.10.4. Stock options

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

No new stock plans were established in 2010.

3.10.4.1. Record of the granting of stock option plans

The Combined Ordinary and Extraordinary General Meeting of Gaumont SA on Thursday, May 6, 2010 had a dividend of €0.30 per share paid on May 14, 2010, by drawing on the Company's free reserves. In accordance with the legal provisions to protect all employees' rights, the offer price and number of shares still to be subscribed were adjusted.

	Awards				Options		
	Initial		Adjusted				
Allocations	Price	Number	Price	Number	Canceled	Subscribed	Outstanding
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 (adjusted) (February 96)	€50.31	104,000	€49.39	105,962	38,718	59,192	8,052
Plan VI (adjusted) (March 98)	€64.03	168,000	€62.86	171,196	79,500	73,343	18,353
Plan VII (adjusted) (April 02)	€48.00	165,000	€47.13	168,198	104,816	39,458	23,924
Plan VIII (adjusted) (February 05)	€64.00	196,750	€62.95	200,515	72,610	2,039	125,866
TOTAL		**742,050**		**889,902**	**329,175**	**384,532**	**176,195**
Capital at December 31, 2010 = 4,272,530 shares							
As a percentage of capital				**20.82%**	**7.70%**	**9.00%**	**4.12%**

3.10.4.2. Change in the number of options

					Options							
					12.31.10		Movements of the period				12.31.09	
Allocations	Allocation date	Starting date of exercise of options	Exercise deadline	Remaining contractual life	Valid	Of which exercisable	Adjusted	Allocated	Canceled	Subscribed	Valid	Of which exercisable
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	8,052	8,052	48	-	-	-	8,004	8,004
Plan VI	03.12.98	03.12.03	03.11.48	45 years	18,353	18,353	107	-	-	-	18,246	18,246
Plan VII	04.09.02	04.09.06	04.08.46	40 years	23,924	23,924	147	-	-307	-1,014	25,098	25,098
Plan VIII	02.28.05	02.28.09	02.27.49	40 years	125,866	125,866	755	-	-8,904	-	134,015	134,015
TOTAL					**176,195**	**176,195**	**1,057**	**-**	**-9,211**	**-1,014**	**185,363**	**185,363**

					Options							
					12.31.09		Movements of the period				12.31.08	
Allocations	Allocation date	Starting date of exercise of options	Exercise deadline	Remaining contractual life	Valid	Of which exercisable	Adjusted	Allocated	Canceled	Subscribed	Valid	Of which exercisable
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	8,004	8,004	88	-	-3,039	-	10,955	10,955
Plan VI	03.12.98	03.12.03	03.11.48	45 years	18,246	18,246	176	-	-4,053	-	22,123	22,123
Plan VII	04.09.02	04.09.06	04.08.46	40 years	25,098	25,098	230	-	-12,852	-	37,720	37,720
Plan VIII	02.28.05	02.28.09	02.27.49	40 years	134,015	134,015	1,136	-	-45,816	-	178,695	-
TOTAL					**185,363**	**185,363**	**1,630**	**-**	**-65,760**	**-**	**249,493**	**70,798**

3.10.4.3. Impact of stock option plans on net income

The amount recognized as personnel costs corresponding to the fair value of services provided by the employees in consideration for equity instruments received under stock option plans is as follows:

Option plans	Allocation date	Length of time not available	Fair value	Personnel costs 2010	2009	2008
Plan VIII	02.28.05	4 years	3,095	-	-546	947

For the record, the vesting period is complete for all plans. Consequently, no charge is recognized in the income statement in this respect.

At December 31, 2010, the maximum expense for the fair value of options was €3.09 million.

Said expense was amortized over the vesting period, i.e. four years, which ended on February 28, 2009.

It was adjusted on the basis of the change in the probability of attaining the performance conditions or the rate of actual turnover 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 plans	Model used	Reference price	Exercise price	Expected volatility	Average maturity	Risk-free rate	Dividend payout ratio	Unitary fair value
Plan VIII	Black & Scholes	64	63.3	30%	6 years	4%	1%	21.27

3.10.5. Share attributable to minority shareholders

The share attributable to minority shareholders includes the share of minority shareholders in Gaumont Pathé Archives and Gaumont Television Llc. Furthermore, the Gaumont SA's binding commitment to buy out the securities of its subsidiary Léonis Productions that it does not yet hold, gives rise to a financial debt, assessed at fair value.

3.11. Current and non-current provisions

	12.31.10	Movements of the period +	- (1)	- (2)	Other (3)	12.31.09	12.31.08
Provision for pensions and similar commitments (4)	1,938	21	-98	-31	-	2,046	1,789
Non-current provisions	**1,938**	**21**	**-98**	**-31**	**-**	**2,046**	**1,789**
Provision for disputes (5)	740	640	-401	-252		753	415
Provision for risks on affiliates accounted for using the equity method (6)	-	-	-	-	-	-	-
Other provisions for risk (7)	1,412	733	-250	-131	-	1,060	1,083
Other provisions for expenses (8)	100	365	-513	-302		550	657
Current provisions	**2,252**	**1,738**	**-1,164**	**-685**	**-**	**2,363**	**2,155**
TOTAL	**4,190**	**1,759**	**-1,262**	**-716**	**-**	**4,409**	**3,944**
Impact on current operating income		1,759	-1,262	-716	-	-	-
Impact on non-current operating income		-	-	-	-	-	-
Impact on "Income from affiliates accounted for using the equity method item"		-	-	-	-	-	-

(1) Reversals used: wholly offset in expenses.
(2) Reversals for surplus provisions.
(3) Change in scope.
(4) See breakdown in note 3.11.1.
(5) The provisions for disputes relate to legal disputes.
(6) Provisions for risks are recognized, if necessary, for affiliates accounted for using the equity method with negative equity.
(7) The other provisions relate to the following risks:
Risks related to films: 737
Labor risks: 501
Other: 114
Total: 1,412
(8) Other provisions for expenses cover costs related to personnel.

3.11.1. Provision for pensions and similar commitments

	12.31.10	21.31.09	12.31.08
Pensions [1]	1,841	1,938	1,627
Seniority bonus	97	108	162
TOTAL	**1,938**	**2,046**	**1,789**

(1) The Group's policy is for all actuarial gains and losses generated over the current period to be systematically recognized in income.

3.11.1.1. Change in actuarial liability

	12.31.10			12.31.09			12.31.08		
	Pensions	Seniority bonus	Total	Pensions	Seniority bonus	Total	Pensions	Seniority bonus	Total
Actuarial liability at the beginning of the year	1,938	108	2,046	1,627	162	1,789	1,627	154	1,781
Current service cost	135	8	143	124	7	131	123	11	134
Discounting effect	91	5	96	95	5	100	81	8	89
Benefits paid out	-57	-10	-67	-5	-2	-7	-65	-1	-66
Amortization of the cost of past services	75	-	75	-	-	-	-	-	-
Actuarial (gains)/losses	-341	-14	-355	97	-64	33	-139	-10	-149
Changes in scope	-	-	-	-	-	-	-	-	-
ACTUARIAL LIABILITY AT THE END OF THE YEAR	**1,841**	**97**	**1,938**	**1,938**	**108**	**2,046**	**1,627**	**162**	**1,789**

3.11.1.2. Breakdown of the expense

	12.31.10			12.31.09			12.31.08		
	Pensions	Seniority bonus	Total	Pensions	Seniority bonus	Total	Pensions	Seniority bonus	Total
Current service cost	135	8	143	124	7	131	123	11	134
Discounting effect	91	5	96	95	5	100	81	8	89
Expected return on assets over the period	-	-	-	-	-	-	-	-	-
Amortization of the cost of past services	75	-	75	-	-	-	-	-	-
Amortization of actuarial gains/(losses)	-341	-14	-355	97	-64	33	-139	-10	-149
NET EXPENSE RECOGNIZED ON THE INCOME STATEMENT	**-40**	**-1**	**-41**	**316**	**-52**	**264**	**65**	**9**	**74**

3.11.1.3. Main actuarial assumptions

	Pensions			Seniority bonus		
	12.31.10	12.31.09	12.31.08	12.31.10	12.31.09	12.31.08
Discount rate	4.50%	5.00%	4.59%	4.50%	5.00%	4.59%
Expected return on assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Inflation rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Average expected increase in salaries	2.00%	2.00%	4.00%	2.00%	2.00%	4.00%

3.12. Financial liabilities

		Movements of the period				
	12.31.10	+	-	Autres [1]	12.31.09	12.31.08
Credit line	88,523	28	-3,082	297	91,280	83,043
Including accrued interest to be paid	*28*	*28*	*-82*	-	*82*	*141*
Loan on acquisition of Alphanim	9,868	6	-5,012	70	14,804	19,745
Including accrued interest to be paid	*6*	*6*	*-12*	-	*12*	*23*
Production loan for cartoon series	3,063	6,150	-4,618	-	1,531	1,935
Other loans	206	-	-219	31	394	-
Advances repayable on distribution proceeds	1,744	-	-21	-	1,765	1,748
Deposits received	130	3	-	-11	138	38
Bank overdraft	-		-377	-	377	4,513
TOTAL	**103,534**	**6,187**	**-13,329**	**387**	**110,289**	**111,023**
Maturities:						
- less than 1 year	98,396				100,427	96,045
- from 1 to 5 years	5,035				9,862	14,978
- over 5 years	103				-	-

(1) Changes in scope, depreciation of costs of loan.

3.12.1. Loan on acquisition of Alphanim

On December 21, 2007, Gaumont entered into an installment loan agreement for €25 million to finance the acquisition of Alphanim and the incidental costs.

Said loan is covered by the guarantees detailed in note 6.3.1.

It also includes the financial ratios detailed in note 6.4.1.

Said loan is repayable in ten half yearly installments of €2.5 million as from June 21, 2008 up to December, 21, 2012.

The hedging to which is was subject matured on December 21, 2010.

Effective interest rate

At December 31, 2010, the effective interest rate of borrowings stood at 2.92% (12.31.09: 2.38%, 12.31.08: 4.68%) before hedging instruments were taken into account. The hedging to which is was subject matured on December 21, 2010.

After hedging instruments were taken into account, the effective interest rate was 3.25% at December 31, 2009.

Average interest rate

In 2010, the average interest rate of said loan stood at 2.38% before hedging instruments were taken into account, compared with 2.90% in 2009, and 2.67% after hedging instruments were taken into account, compared with 3.74% in 2009.

3.12.2. Credit lines

On July 28, 2008 Gaumont entered into a revolving loan agreement with a bank syndicate, consisting of BNP Paribas, Natixis, West LB and Neuflize OBC Entreprise, for a maximum of €125 million, expiring on September 15, 2012. It is earmarked, firstly, to re-finance the revolving loan of up to €100 million arranged on December 20, 2005 and that expired on September 15, 2008 and, secondly, to meet its general requirements and those of its subsidiaries in the course of their audiovisual operation and production business.

Said loan is covered by the guarantees detailed in note 6.3.1.

It also includes the financial ratios detailed in note 6.4.1.

At December 31,2010, €89 million had been drawn down (€92 million at 12.31.09, €84 million at 12.31.08) under the credit line which is covered by €50 million in interest rate hedging instruments (€40 million at 12.31.09, €50 million at 12.31.08).

At December 31, 2010, Gaumont had a confirmed drawing right of €36 million.

The aggregate amount of drawing rights on the €125 million credit line is presented at less than one year considering the short-term draw-down terms, even if the revolving loan expires on September 15, 2012.

Effective interest rate

At December 31, 2010, the effective interest rate of the outstanding amount drawn down stood at 2.04% before hedging instruments were taken into account (12.31.09: 1.7%, 12.31.08: 3.95%) and at 2.24% after hedging instruments were taken into account (12.31.09: 2.57%, 12.31.08: 4.22%).

Average interest rate

In 2010, the average interest rate of said loan stood at 1.47% before hedging instruments were taken into account (12.31.09: 1.92%, 12.31.08: 5.23%), and 2.05% after hedging instruments were taken into account (12.31.09: 2.74%, 12.31.08: 5.25%).

3.12.3. Production loans for cartoon series

These include €3.06 million in Dailly sales of receivables out of an authorized total of €7 million to finance the production of cartoon films and series.

Effective interest rate

The effective interest rate of borrowings stood at 2.15% at Friday, December 31, 2010 (12.31.09: 2.45%, 12.31.08: 5.16%).

Average interest rate

In 2010, the average interest rate of borrowings stood at 1.90% (12.31.09: 2.97%, 12.31.08: 6.10%).

3.13. Other liabilities

	12.31.10	12.31.09	12.31.08
Tax liabilities	-	-	-
Current accounts	1,181	1,302	1,554
Payables on acquisitions	450	260	100
Other payables	-	-	-
Total other non-current liabilities	**1,631**	**1,562**	**1,654**
Trade payables	10,804	7,223	9,640
Liabilities on fixed assets (films)	10,688	9,769	7,963
Advances and down payments received	245	176	302
Payroll liabilities	4,989	4,470	3,171
Tax liabilities	2,194	1,413	2,318
Current tax liabilities	67	-	53
Current accounts	120	120	-
Payables on acquisitions	145	35	90
Liabilities on other fixed assets	215	50	-
Other payables	26,340	31,284	28,607
Derivatives	32	594	871
Prepaid income	12,068	21,402	17,593
Total other current liabilities	**67,907**	**76,536**	**70,608**
TOTAL	**69,538**	**78,098**	**72,262**
Maturities:			
- less than 1 year	67,907	76,536	70,740
- from 1 to 5 years	925	742	582
- over 5 years	706	820	940

3.14. Derivatives

	31.12.10		31.12.09		31.12.08	
Hedging	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate	-	32	-	594	-	871
Foreign exchange risk	-	-	-	-	-	-
TOTAL	**-**	**32**	**-**	**594**	**-**	**871**

The Group uses derivatives to manage and reduce its exposure to the risk of changes in interest rates and foreign exchange rates.

They do not qualify as hedging instruments under IAS 39. As a result, the fair value of these derivatives is shown on the statement of financial position as “Other receivables” or “Other payables” (depending on whether it results in an unrealized capital gain or capital loss).

Changes in fair value are recognized in income.

	12.31.10	Impact on income	12.31.09
Derivative instruments - assets	-	-	-
Derivative instruments - liabilities	-32	562	-594
TOTAL	**-32**	**562**	**-594**

4. Notes on the consolidated income statement

4.1. Revenue

	12.31.10	12.31.09	12.31.08
France	73,331	77,010	83,210
Export	28,620	16,656	21,853
TOTAL	**101,951**	**93,666**	**105,063**

4.2. Personnel costs

Personnel costs include salaries, bonuses, profit sharing, as well as pension expenses and similar commitments and those related to stock option plans.

	12.31.10	12.31.09	12.31.08
Salaries	-15,408	-15,685	-14,207
Social contributions	-6,487	-6,618	-6,450
Pensions and similar commitments	82	-257	-8
Share based payments expense	-	546	-947
TOTAL	**-21,813**	**-22,014**	**-21,612**

4.3. Other current operating income and expenses

	12.31.10	12.31.09	12.31.08
Costs of films	-	-	122
Centre National de la Cinématographie financial support	13,496	8,375	4,963
Subsidies	1,401	1,458	1,067
Cinema tax credit	2,595	2,484	1,243
Re-billing of overheads to films	931	2,316	2,263
Other income	11,522	16,586	12,708
Expense transfers	3,060	1,328	5,067
Foreign exchange gains on operating activities	669	112	72
Income	**33,674**	**32,659**	**27,505**
Purchase of rights and guaranteed minima	-8,914	-4,501	-5,964
Purchases of materials and supplies	-14,371	-10,739	-11,750
Subcontracting	-4,198	-4,432	-6,447
Rentals and rental expenses	-1,306	-1,467	-1,598
Maintenance and repairs	-928	-1,282	-1,958
Insurance premiums	-140	-170	-161
Other purchases of studies and services	-4,231	-4,908	-3,542
Outside personnel	-391	-366	-422
Fees	-5,935	-5,442	-5,399
Advertising, publications and public relations	-1,696	-1,307	-1,654
Transport	-342	-295	-370
Travel and entertainment expenses	-2,054	-1,473	-2,145
Postal costs and telecommunications costs	-393	-365	-399
Bank services	-228	-259	-1,418
Other external expenses	-155	-142	-141
Taxes and similar payments	-2,813	-2,080	-2,445
Other expenses	-8,279	-9,107	-485
Foreign exchange losses on operating activities	-219	-452	-174
Expenses	**-56,593**	**-48,787**	**-46,472**
TOTAL	**-22,919**	**-16,128**	**-18,967**

4.4. Impairment, depreciation, amortization and provisions

	12.31.10	12.31.09	12.31.08
Intangible assets			
- Reversals of impairment	67	816	2,066
- Allowance for depreciation	-62,932	-56,749	-68,459
- Allowance for impairment	-515	-361	-816
Subtotal	**-63,380**	**-56,294**	**-67,209**
Property, plant and equipment			
- Reversals of impairment	174	-	-
- Allowance for depreciation	-1,335	-1,564	-1,704
- Allowance for impairment	-	-174	-
Subtotal	**-1,161**	**-1,738**	**-1,704**
Current assets			
- Reversals of impairment	627	216	387
- Allowance for impairment	-95	-540	-796
Subtotal	**532**	**-324**	**-409**
Risks and expenses			
- Reversals of provisions	1,876	1,458	2,058
- Allowance for provisions	-1,738	-1,668	-1,201
Subtotal	**138**	**-210**	**857**
TOTAL	**-63,871**	**-58,566**	**-68,465**

The allowances for amortization of intangible assets in the income statement are adjusted to take account of allowances for amortization of fees paid to co-producers. These are recognized in assets but do not represent investments (12.31.10: €7.85 million, 12.31.09: €6.03 million, 12.31.08: €5.04 million).

4.5. Non-current operating income (loss)

	12.31.10	12.31.09	12.31.08
Income from sale of intangible and tangible assets	1,300	1,200	288
Carrying amount of intangible and tangible assets sold	-1,493	-232	-41
Impairment of goodwill	-2,000	-	-
Miscellaneous expenses	-11	-	-
Reversals of provisions for risks and expenses	-	-	-
Allowances for provisions for risks and expenses	-	-	-
TOTAL	**-2,204**	**968**	**247**

4.6. Other financial income and expenses

	12.31.10	12.31.09	12.31.08
Income from holdings	-	1	-
Interest expenses capitalized	661	1,172	3,238
Other interest and similar income	-	-	96
Income from sale of financial assets	-	-	-
Reversals of impairment and provisions	-	192	-
Foreign exchange gains	99	59	201
Unrealized gains related to changes in fair value	562	277	-
Income	**1,322**	**1,701**	**3,535**
Expenses of holdings	-	-	-
Interest and similar expenses	-20	-	-
Carrying amount of financial assets sold	-	-3	-125
Allowances for impairment and provisions	-9	-51	-
Foreign exchange losses	-1	-129	-91
Unrealized losses related to fair value changes	-	-	-744
Other interest expenses	-	-193	-
Expenses	**-30**	**-376**	**-960**
TOTAL	**1,292**	**1,325**	**2,575**

The capitalized interest expenses stem from productions during the year.

4.7. Share of net income of affiliates accounted for using the equity method

Company	Most recent % interest	12.31.010	12.31.09	12.31.08
Cinemas Gaumont Pathé SAS	34.00%	24,639	17,009	11,683
Gaumont Columbia TriStar Films EIG (1)	50.00%	-	-	13
Lincoln Cinema Associates (USA)	32.00%	527	466	431
Légende (2)	37.48%	-	-	-
TOTAL		**25,166**	**17,475**	**12,127**

(1) Winding up of Gaumont Columbia TriStar Films on September 30, 2008.
(2) Acquisition of Légende on December 16, 2010. No income over the period.

4.8. Income tax

4.8.1. Breakdown of the tax expense or income

Breakdown of income tax	12.31.10	12.31.09	12.31.08
Current income tax	-218	-86	-327
Deferred tax	154	497	701
TOTAL INCOME TAX	**-64**	**411**	**374**

At December 31, 2010 the tax burden stands at €0.06 million against income of €0.41 million in 2009 and €0.37 million in 2008.

4.8.2. Current income tax

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

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

The scope of tax consolidation did not change during 2010.

It includes the Gaumont SA companies, "Group head", Gaumont Télévision SARL, Les Films du Dauphin SARL, Prestations et Services SARL, Alphanim SA, Alphanim Digital SAS, Alphanim Musique SARL, Arkéion Films SAS, Gaumont Musiques SAS and Les Editions la Marguerite SARL.

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

Tax consolidation generated tax savings of €15,000 payable for the year.

4.8.3. Deferred tax

4.8.3.1. Deferred tax rate

	12.31.10	12.31.09	12.31.08
Standard tax rate	33.33%	33.33%	33.33%
Reduced rate	0.00%	0.00%	0.00%

4.8.3.2. Deferred tax recognized in the statement of financial position

	12.31.10	Change	Other changes (1)	12.31.09	12.31.08
Deferred tax assets	3,109	97	-282	3,294	2,886
Deferred tax liabilities	-2,773	57	282	-3,112	-3,235
of which long-term capital gains on Les Cinémas Gaumont Pathé shares	*-1,062*	-	-	*-1,062*	*-1,062*
TOTAL NET DEFERRED TAX	**336**	**154**	**-**	**182**	**-349**

(1) Changes in scope.

4.8.3.3. Origin of the deferred tax

	12.31.10	Change	Other changes [1]	12.31.09	12.31.08
Tax losses	14,480	-10,720	-	25,200	22,594
Fair value of films	-2,080	463	-	-2,543	-3,293
Fair value of land and buildings	-7,533	71	-	-7,604	-7,674
Accelerated amortization on films	-4,402	10,087	-	-14,489	-11,498
Long term capital gains on Les Cinémas Gaumont Pathé shares	-1,062	-	-	-1,062	-1,062
Other temporary differences	933	253	-	680	584
NET DEFERRED TAX	**336**	**154**	**-**	**182**	**-349**

(1) Changes in scope.

At December 31, 2010, the losses of the Gaumont tax consolidation group that could be carried over without limitation in time and against which there is a probability of charging future profits amounted to €88.26 million (12.31.09: €107.66 million, 12.31.08: €91.02 million). They have been recognized at €40.44 million (12.31.09: €72.04 million, 12.31.08: €63.25 million) so as to limit the net deferred tax assets of companies within the scope of tax consolidation to the amount of their net deferred tax liabilities, i.e. €2.77 million (12.31.09: €2.83 million, 12.31.08: €3.23 million).

At December 31, 2010 the losses of the companies Arkéion Films, Alphanim et Editions la Marguerite that could be carried over without limitation in time had been capitalized respectively for €0.19 million, €1.79 million and €0.09 million (12.31.09: €0.19 million, €2.88 million and €0.11 million, 12.31.08: €0.19 million, €5.00 million and €0.11 million).

At December 31, 2010, the net deferred tax assets of companies not within the scope of the tax consolidation group amounted to €0.34 million (compared to €0.19 million at 12.31.08).

4.8.4. Reconciliation of recorded tax and theoretical tax

Tax proof	12.31.10	12.31.09	12.31.08
Net income of companies before tax	12,420	10,407	1,917
Current tax rate applicable to the parent company	33.33%	33.33%	33.33%
Theoretical tax	**-4,140**	**-3,469**	**-639**
Effect of reduced rate tax rate differentials	-	-	-
Share of net income of affiliates accounted for using the equity method	8,213	5,670	3,899
Effect of permanent and temporary differences	-4,979	-2,589	-3,693
Effect of tax rate differentials between France and abroad	-38	-29	-29
Effect of the tax consolidation	15	-	-
Cinema tax credit [1]	865	828	836
EFFECTIVE TAX INCOME (EXPENSE)	**-64**	**411**	**374**
Effective tax rate	0.51%	-	-

(1) The cinema tax credit appears under the "Income tax" column in the separate financial statements. In the consolidated financial statements, it is reclassified under "Other current operating income and expenses".

4.8.5. Income tax on other comprehensive income

	12.31.10			12.31.09		
Other comprehensive income	Gross amount	Tax effect	Net amount	Gross amount	Tax effect	Net amount
Translation adjustments	**143**	**-**	**143**	**-84**	**-**	**-84**
Available for sale assets						
- Movements of the period	-	-	-	-	-	-
- Amounts reclassified to the income statement	-	-	-	-	-	-
Cash flow hedge						
- Movements of the period	-	-	-	-	-	-
- Amounts reclassified to the income statement	-	-	-	-	-	-
Asset revaluation	**-**	**-**	**-**	-	**-**	**-**
Actuarial gains and losses	**-**	**-**	**-**	-	**-**	**-**
Share in other comprehensive income of affiliates accounted for using the equity method	**-**	**-**	**-**	-	**-**	**-**
TOTAL	**143**	**-**	**143**	**-84**	**-**	**-84**

4.9. Earnings per share

Earnings per share are calculated on the basis of the net income (attributable to ordinary shareholders of the parent company) of the year and the average number of ordinary shares in circulation over the year.

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

	12.31.10	12.31.09	12.31.08
Number of shares on January 1	4,271,516	4,271,516	4,269,917
Capital increases relating to the exercise of subscription options *(prorata temporis)*	544	-	917
Average number of ordinary shares	**4,272,060**	**4,271,516**	**4,270,834**

Given moreover after the impact of the dilutive effect of the exercise of stock options. The effect on the number of shares is as follows:

	12.31.10	12.31.09	12.31.08
Average number of ordinary shares	4,272,060	4,271,516	4,270,834
Number of stock options with a dilutive effect	1,416	-	211,023
Average potential number of ordinary shares	**4,273,476**	**4,271,516**	**4,481,857**

The stock options of which the exercise price is higher than the average share price over the year are not taken into account for the purposes of calculating diluted net earnings per share attributable to shareholders of the parent company.

5. Notes on the statement of cash flows

5.1. Breakdown of net allowances for impairment, depreciation, amortization and provisions, excluding current assets

	12.31.10	12.31.09	12.31.08
Intangible assets			
- Reversals of impairment	67	816	2,066
- Allowance for depreciation	-62,932	-56,749	-68,472
- Allowance for impairment	-515	-67	-816
Subtotal	**-63,380**	**-56,000**	**-67,222**
Property, plant and equipment			
- Reversals of impairment	174	-	-
- Allowance for depreciation	-1,335	-1,564	-1,704
- Allowance for impairment	-	-174	
Subtotal	**-1,161**	**-1,738**	**-1,704**
Financial assets			
- Reversals of impairment	-	3	-
- Allowance for impairment	-	-	-
Subtotal	**-**	**3**	**-**
Risks and expenses			
- Reversals of provisions	1,876	1,458	2,057
- Allowance for provisions	-1,738	-1,668	-1,191
Subtotal	**138**	**-210**	**866**
TOTAL	**-64,403**	**-57,945**	**-68,060**

The allowances for amortization of intangible assets in the statement of cash flows are adjusted to take account of allowances for amortization of fees paid to co-producers. These are recognized in assets but do not represent investments (12.31.10: €7.85 million, 12.31.09: €6.03 million, 12.31.08: €5.04 million).

5.2. Dividends received from affiliates accounted for using the equity method

Company	Most recent % interest	12.31.10	12.31.09	12.31.08
Gaumont Pathé Cinemas	34.00%	7,067	1,693	-
Gaumont Columbia TriStar Films EIG (1)	50.00%	-	-	-81
Lincoln Cinema Associates (USA)	32.00%	471	492	423
Légende	37.48%	-	-	-
TOTAL		**7,538**	**2,185**	**342**

(1) Winding up of Gaumont Columbia TriStar Films on September 30, 2008.

5.3. Change in net operating working capital requirement

	12.31.10	12.31.09	12.31.08
Change in operating assets	-3,923	1,280	9,547
Change in operating liabilities	-9,610	3,868	-348
Current income tax expense	-218	-87	-326
Paid taxes	-3	198	427
Pensions and similar expenses	-82	257	8
TOTAL	**-13,836**	**5,516**	**9,308**

5.3.1. Change in operating assets

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

	12.31.10	Change in working capital requirement	Other changes (1)	12.31.09	Change in working capital requirement	Other changes (1)	12.31.08	Change in working capital requirement	Other changes (1)	12.31.07
Inventories	516	354	-	162	-108	-	270	270	-	-
Trade receivables	36,144	2,145	-	33,999	-1,973	50	35,922	-3,847	98	39,671
Current financial assets	440	-2,794	-	3,234	2,001	-	1,233	-418	-	1,651
Advances and down payments paid	590	-51	-	641	99	3	539	-249	-	788
Payroll receivables	9	-36	-	45	14	-	31	16	-	15
Tax receivables	8,615	1,341	-	7,274	-5,136	34	12,376	-5,298	33	17,641
Current tax assets	1,588	-1,182	-	2,770	350	-	2,420	-549	-	2,969
Current accounts	-	-	-	-	-59	-	59	59	-	-
Other receivables	15,508	4,514	-2	10,996	3,125	15	7,856	1,077	48	6,731
Prepaid expenses	953	-368	-	1,321	407	1	913	-607	-	1,520
ASSETS CONSTITUTING THE WORKING CAPITAL REQUIREMENT	**64,363**	**3,923**	**-2**	**60,442**	**-1,280**	**103**	**61,619**	**-9,547**	**180**	**70,986**

(1) Changes in scope, foreign exchange fluctuations.

A decrease in receivables is reflected in the cash position by a collection. As a result, the negative change above is represented as an inflow in the statement of cash flows.

An increase in receivables is reflected in the cash position by a non collection. As a result, the positive change above is represented as an outflow in the statement of cash flows.

5.3.2. Change in operating liabilities

The table below sets out the change in operating liabilities constituting the working capital requirement:

	12.31.10	Change in working capital requirement	Other changes [1]	12.31.09	Change in working capital requirement	Other changes [1]	12.31.08	Change in working capital requirement	Other changes [1]	12.31.07
Trade payables	10,804	3,406	175	7,223	-2,496	79	9,640	-4,292	208	13,724
Advances and down payments received	245	70	-1	176	-126	1	301	198	-	103
Payroll liabilities	4,989	519	-	4,470	1,227	71	3,172	168	33	2,971
Tax liabilities	2,194	781	-	1,413	-912	7	2,318	171	10	2,137
Current tax liabilities	67	67	-	-	-53	-	53	53	-	-
Current accounts	1,301	-121	-	1,422	-222	90	1,554	-109	-	1,663
Other payables	26,340	-4,999	55	31,284	2,793	-116	28,607	-1,042	-466	30,115
Prepaid income	12,068	-9,333	-1	21,402	3,657	152	17,593	4,505	6	13,082
LIABILITIES THAT CONSTITUTE THE WORKING CAPITAL REQUIREMENT	**58,008**	**-9,610**	**228**	**67,390**	**3,868**	**284**	**63,238**	**-348**	**-209**	**63,795**

(1) Changes in scope, foreign exchange fluctuations.

5.4. Breakdown of acquisition of fixed assets (excluding consolidated securities)

	Reference	12.31.10	12.31.09	12.31.08
Acquisition of intangible assets	Notes 3.2 and 3.3	39,631	52,683	50,638
Acquisition of tangible assets	Note 3.4	581	313	971
Acquisition of financial assets	Note 3.6	21	6	214
TOTAL	**-**	**40,233**	**53,002**	**51,823**

Acquisition of intangible assets in the statement of cash flows are adjusted to take account of fees paid to co-producers. These are recognized in assets but do not represent investments (12.31.10: €7.85 million, 12.31.09: €6.03 million, 12.31.08: €5.04 million).

5.5. Change in liabilities on fixed assets

	12.31.10	Variations	Change in scope	12.31.09	Variations	Change in scope	12.31.08	Change	12.31.07
Liabilities on fixed assets	10,903	1,084	-	9,819	1,856	-	7,963	-943	8,906
Payable on acquisition of Léonis Productions	120	-35	-40	195	-	195	-	-	-
Payable on acquisition of Arkéion Films	100	-	-	100	-90	-	190	-90	280
Payable on acquisition of Légende	375	-	375	-	-	-	-	-	-
TOTAL	**11,498**	**1,049**	**335**	**10,114**	**1,766**	**195**	**8,153**	**-1,033**	**9,186**

5.6. Impact of changes in scope

	12.31.10	12.31.09	12.31.08		
	Légende	Léonis Productions	Total	Editions La Marguerite	Autrement Productions
Price paid	6,022	585	3,281	416	2,865
Advance paid in 2007	-	-	-2,865	-	-2,865
Cash acquired	-	162	-40	-	-40
TOTAL	**6,022**	**747**	**376**	**416**	**-40**

6. Other information

6.1. Average workforce broken down by category

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

	12.31.10	12.31.09	12.31.08
Managers	90	89	88
Supervisors	36	37	42
Employees	42	43	40
TOTAL WORKFORCE	**168**	**169**	**170**

6.2. Compensation of corporate officers

Top management as defined by IAS 24 only includes individuals who are or were during the year members of the Supervisory Board, the Executive Board, the Board of Directors or the Executive Management.

The gross salaries and benefits prior to social security and tax deductions allocated by Gaumont with respect to the position of corporate officer broke down as follows:

(in thousands of euros)	12.31.10	12.31.09	12.31.08
Total gross compensation (1)	1,908	2,211	1,437
Post-employment benefits (2)	-	6	8
Termination or end of contract bonus	-	-	-
Other long term benefits	-	-	-
Share-based payments (3)	-	52	320

(1) Salaries, bonuses, indemnities, directors' fees and benefits in kind, payable for the year.
(2) Current service cost.
(3) Expense recognized in income for Gaumont stock option plans.

No compensation and no directors' fees, other than those mentioned above, were paid to corporate officers by the 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 contingent liabilities

6.3.1. Off balance sheet commitments stemming from ordinary business activities

	12.31.10	12.31.09	12.31.08
Commitments given	**117,685**	**110,646**	**120,479**
Pledges, mortgages of assets	90,013	90,013	90,013
Assignments of receivables as security for loans	-	-	-
Guarantees	23	28	22
Other commitments given:			
- Contracts to research and develop film projects	1,200	2,170	1,597
- Production of films and project development	26,449	18,435	28,147
- Purchase of current account shares	-	-	700
Commitments received	**51,633**	**52,467**	**81,880**
Undrawn credit line	36,000	33,000	41,000
Other commitments received:			
- Purchases of rights and financing of films and series	15,633	18,557	40,880
- Bills of exchange received as security for Trade receivables	-	910	-

At December 31, 2010, Gaumont had a confirmed €125 million credit line, of which €89 million had been drawn down.

At December 31, 2010 Gaumont and its subsidiaries had committed €26.44 million 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 of films of €15.63 million.

6.3.1.1. Pledging of assets

On December 21, 2007, to finance the purchase of all shares in the share capital of Alphanim and the incidental costs, Gaumont signed a redeemable loan agreement with Natixis and BNP Paribas for a principal amount of €25 million which is repayable in ten half-yearly installments of €2.5 million from June 21, 2008 and up to December 21, 2012.

As a security, Gaumont signed an agreement pledging a financial instruments account comprising all shares in Alphanim's capital (less six shares that can be freely disposed of) held by itself.

On July 28, 2008, Gaumont entered into a revolving loan agreement with a bank syndicate, consisting of BNP Paribas, Natixis, West LB and Neuflize OBC Entreprise, for a maximum of €125 million, expiring on September 15, 2012. It is earmarked, firstly, to re-finance the revolving loan of up to €100 million arranged on December 20, 2005 and that expired on September 15, 2008 and, secondly, to meet its general requirements and those of its subsidiaries in the course of their audiovisual operation and production business.

As security, Gaumont entered into an agreement pledging a financial instruments account to the lenders on all its shares in Cinémas Gaumont Pathé (i.e. 34% of the shares in Cinémas Gaumont Pathé).

Type of pledges/mortgages	Expiry of pledge	12.31.10	12.31.09	12.31.08
On intangible assets		-	-	-
On tangible assets		-	-	-
On financial assets	2012	90,013	90,013	90,013
TOTAL		**90,013**	**90,013**	**90,013**
Gaumont SA balance sheet total		233,413	256,543	249,468
Relevant percentage		38.56%	35.09%	36.08%

6.3.1.2. Mortgage commitments

The €25 million installment loan agreement includes financial covenants.

In the event one of the financial covenants 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 million plus 10% for interest, commission, interest for late payment, costs and incidental costs related to the guaranteed obligations.

6.3.1.3. Seller warranties received

Gaumont continues to benefit from seller warranties granted by the sellers of shares in:

- Arkéion Films, on July 6, 2007 for €907,000, which will expire on January 30, 2011;
- Productions de la Guéville, renamed Autrement Productions, and taken over in 2008, for €1.75 million, which will expire on January 15, 2011, reduced to €1.5 million as of January 1, 2010. This commitment includes a first demand guarantee from Fortis Banque France for up to €573,000 which was reduced to €287,000 on January 1, 2010 and running up to January 15, 2011;
- Léonis Productions, on January 6, 2009 for an amount of €210,000, which shall expire on January 6, 2012;
- Légende, on December 16, 2010, for € 1.2 million after taking into account an excess of € 94,000, which will expire on June 16, 2012 for claims that are not connected to third party claims and December 16, 2012 in other cases.

  Exceptionally, the guarantee is brought to €3.5 million with no excess, when the claim relates to the amount of the debt or the commitments off the balance sheet towards a third party, or to one of the accounting items.

6.3.2. Complex commitments

Gaumont Group had not entered into any complex commitments at December 31, 2010.

6.3.3. Other contractual obligations

		Payments owed per period		
Contractual obligations	Total	less than 1 year	from 1 to 5 years	over 5 years
Operating leases [1]	3,255	627	1,928	700
TOTAL	**3,255**	**627**	**1,928**	**700**

(1) Minimum future payments for operating leases in progress at the reporting date are listed in said column.

6.3.4. Individual training rights

Gaumont and its French subsidiaries grant their employees an individual training right of at least 20 hours per calendar year, which may be cumulated 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 built into the Group's training plan. As a result, no provision has been recognized in this respect at December 31, 2010.

The number of hours accumulated but not used at December 31, 2010 totalled 14,363 hours. The average use rate of rights was 15.17% over the last five years.

6.4. Risks

6.4.1. Liquidity risk

On December 21, 2007, to finance the purchase of all shares in the share capital of Alphanim and the incidental costs, Gaumont signed a redeemable loan agreement with Natixis and BNP Paribas for a principal amount of €25 million which is repayable in ten half-yearly installments of €2.5 million from June 21, 2008 and up to December 21, 2012.

On July 28, 2008 Gaumont entered into a revolving loan agreement with a bank syndicate, consisting of BNP Paribas, Natixis, West LB and Neuflize OBC Entreprise, for a maximum amount of €125 million, expiring on September 15, 2012.

It is earmarked, firstly, to re-finance the revolving loan of up to €100 million arranged on December 20, 2005 and that expired on September 15, 2008 and, secondly, to meet its general requirements and those of its subsidiaries regarding their audiovisual operation and production business. At December 31, 2010, €89 million had been used, i.e. a use rate of 71.2%.

Simultaneously, Gaumont signed a redeemable loan agreement of an amount, in principal of €25 million to bring some of the agreement's clauses into line with the terms of the new revolving loan agreement.

The €125 million credit line includes the following financial covenants, to be respected each half year:

Covenants to be respected	Situation at 12.31.10
R3: value of the Group's main assets (1) /net debt > = 2.5	7.62
R4: financial liabilities/equity < or = 1	0.45
R5: value of Cinémas Gaumont Pathé/outstanding amount authorized > or = 1.25	3.46

(1) Refers to, based on the Consolidated financial statements, the value of Les Cinémas Gaumont Pathé shares held by Gaumont, plus the value of the film catalog, plus the gross value of the Group's real-estate property, plus the acquisition price less impairment losses on Alphanim.

Said covenants were met at December 31, 2010.

The loan agreement for an initial €25 million includes the following financial covenants, to be met each half year:

Covenants to be respected	Situation at 12.31.10
R3: value of the Group's main assets (1) /net debt > = 2.5	7.62
R4: financial liabilities/equity < or = 1	0.45

(1) Refers to, based on the Consolidated financial statements, the value of Les Cinémas Gaumont Pathé shares held by Gaumont, plus the value of the film catalog, plus the gross value of the Group's real-estate property, plus the acquisition price less impairment losses on Alphanim.

Said covenants were met at December 31, 2010.

6.4.2. Interest rate risk

6.4.2.1. Schedule of financial assets and financial liabilities

		Maturity		
	12.31.10	1 year	from 1 to 5 years	over 5 years
Fixed-rate financial assets	-	-	-	-
Variable-rate financial assets	4,457	4,457	-	-
Financial assets not exposed	-	-	-	-
Financial assets (1)	**4,457**	**4,457**	**-**	**-**
Fixed-rate financial liabilities	-	-	-	-
Variable-rate financial liabilities	-101,454	-96,522	-4,932	-
Financial liabilities not exposed	-2,080	-1,874	-103	-103
Financial liabilities (2)	**-103,534**	**-98,396**	**-5,035**	**-103**

(1) Cash and cash equivalents.
(2) Financial debts.

The aggregate amount of drawing rights on the €125 million credit line is presented at less than one year considering the short-term draw-down terms, even if the revolving loan expires on September 15, 2012.

6.4.2.2. Interest rate derivatives

	12.31.10	Maturity 1 year	from 1 to 5 years	over 5 years	Market value
Interest rate swap	50,000	-	50,000	-	-32
TOTAL	**50,000**	**-**	**50,000**	**-**	**-32**

Gaumont manages its exposure to the rate risk by using interest rate swap contracts. They do not qualify as hedging instruments under IAS 39.

As a result, the fair value of derivatives is shown on the statement of financial position as "Other receivables" or "Other payables" (depending on whether it results in an unrealized capital gain or capital loss).

Changes in fair value are recognized in income.

On May 7, 2010, a contract for early exchange of interest rates was negotiated for the next two years from October 2010 to September 2012 for a credit line of €125 million.

The cover consists of a variable rate against a fixed rate swap for a linear commitment of €50 million.

6.4.2.3. Monitoring of interest rate risk and sensitivity

	Fixed rate	Variable rate	Not exposed	Total
Financial assets (1)	-	4,457	-	4,457
Financial liabilities (2)	-	-101,454	-2,080	-103,534
Net position before hedging	**-**	**-96,997**	**-2,080**	**-99,077**
"Hedging"	-50,000	50,000	-	-
Net position after hedging	**-50,000**	**-46,997**	**-2,080**	**-99,077**
Sensitivity (3)	-	-470	-	-470

(1) Cash and cash equivalents.
(2) Financial debts.
(3) Impact in full year.

Considering the interest rate "hedging" portfolio at December 31, 2010, the net position after variable-rate is a fixed-rate debt of €50 million and a variable-rate debt of €46.99 million.

Thus, an instantaneous change of 1% in the interest rate would have a negative impact on the financial result of €0.47 million, which would represent an increase of the cost of the net financial debt of 18.1% for the whole of the 2010 year.

6.4.3. Foreign exchange risk

Gaumont is exposed to foreign exchange risks on commercial transactions recognized in the statement of financial position and on probable future transactions.

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 this risk on a case-by-case basis (forward purchases or sales, options).

Monitoring and management of foreign exchange risks

	CAD	JPY	GBP	CHF	USD	ZAR	CZK	SEK	Total
Assets	205	15	48	39	6,608	11	26	13	6,965
Liabilities	-	-	-	-	-255	-	-	-	-255
Off balance sheet	-	-	-	-	-4,959	-	-	-	-4,959
Net position before hedging	**205**	**15**	**48**	**39**	**1,394**	**11**	**26**	**13**	**1,751**
"Hedging"	-	-	-	-	-	-	-	-	-
Net position after hedging	**205**	**15**	**48**	**39**	**1,394**	**11**	**26**	**13**	**1,751**
Sensitivity	-2	-	-	-	-14	-	-	-	-16

The net exposure in foreign currencies (counter value in euros at the closing prices) is €1.75 million.

The sensitivity of the overall net position in foreign currencies due to a uniform change in the euro cent against all relevant foreign currencies would have an impact of -€0.02 million.

During 2010, revenues invoiced in foreign currencies, the breakdown of which is set out below, amounted to €14.24 million i.e. 14% of consolidated revenues.

	AUD	CAD	CHF	USD	DKK	GBP	JPY	Miscellaneous	Total
Revenue	63	185	370	13,506	11	84	19	4	14,242

6.4.4. Credit risk

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

			Late					
	12.31.10	Outstanding amount	less than 30 days	from 31 to 60 days	from 61 to 90 days	from 91 to 180 days	from 181 to 360 days	more than 360 days
Short term								
Trade receivables	34,583	26,146	2,725	973	1,160	2,292	774	513
Other current assets	27,703	25,700	1,140	100	76	15	35	637
Long term								
Trade receivables	1,560	1,560	-	-	-	-	-	-
Other current assets	-	-	-	-	-	-	-	-
TOTAL CURRENT ASSETS	**63,846**	**53,406**	**3,865**	**1,073**	**1,236**	**2,307**	**809**	**1,150**

Gaumont operates in France and internationally with the main market players and in this respect its credit risk is very limited.

6.4.5. Share risk

Gaumont and its subsidiaries are not involved in speculation on the stock market.

At December 31, 2010, Gaumont holds 6,733 of its own shares, negotiated as part of a liquidity contract established during the year for an acquisition cost of €0.34 million recorded down against equity.

Until the end of 2009, Gaumont was not exposed to any risk of this kind. It only bought securities to invest surplus cash in currency open-end trusts.

6.5. Financial instruments

The table below compares, by category, the carrying amount and the fair value of all of the Group's financial instruments.

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

	12.31.10		Breakdown by category of instruments				
	Net carrying amount	Fair value	Fair value by income	Available for sale assets	Loans and receivables	Assets available Loans Debts for sale and receivables at amortized cost	Derivatives
Non consolidated entities	3	3		3			
Other non-current financial assets	380	380			380		
Other current financial assets	440	440			440		
Derivative assets	-	-					
Cash and cash equivalents	4,457	4,457	4,457				
FINANCIAL ASSETS	**5,280**	**5,280**	**4,457**	**3**	**820**	**-**	**-**
Non–current financial liabilities	5,138	5,138				5,138	
Current financial liabilities	98,396	98,396				98,396	
Derivative instruments - liabilities	32	32				-	32
FINANCIAL LIABILITIES	**103,566**	**103,566**	**-**	**-**	**-**	**103,534**	**32**

	12.31.09		Breakdown by category of instruments				
	Net carrying amount	Fair value	Fair value by income	Available for sale assets	Loans and receivables	Assets available Loans Debts for sale and receivables at amortized cost	Derivatives
Non consolidated entities	3	3		3			
Other non-current financial assets	456	456			456		
Other current financial assets	3,234	3,234			3,234		
Derivative assets	-	-					
Cash and cash equivalents	9,413	9,413	9,413				
FINANCIAL ASSETS	**13,106**	**13,106**	**9,413**	**3**	**3,690**	**-**	**-**
Non–current financial liabilities	9,862	9,862				9,862	
Current financial liabilities	100,427	100,427				100,427	
Derivative instruments - liabilities	594	594					594
FINANCIAL LIABILITIES	**110,883**	**110,883**	**-**	**-**	**-**	**110,289**	**594**

	12.31.08		Breakdown by category of instruments				
	Net carrying amount	Fair value	Fair value by income	Available for sale assets	Loans and receivables	Assets available Loans Debts for sale and receivables at amortized cost	Derivatives
Non consolidated entities	1	1		1			
Other non-current financial assets	530	530			530		
Other current financial assets	1,233	1,233			1,233		
Derivative assets	-	-					
Cash and cash equivalents	5,819	5,819	5,819				
FINANCIAL ASSETS	**7,583**	**7,583**	**5,819**	**1**	**1,763**	**-**	**-**
Non–current financial liabilities	14,978	14,978				14,978	
Current financial liabilities	96,045	96,045				96,045	
Derivative instruments - liabilities	871	871					871
FINANCIAL LIABILITIES	**111,894**	**111,894**	**-**	**-**	**-**	**111,023**	**871**

6.6. Operating segments

Segment information as defined by IFRS 8 must be based on internal management reporting, in particular the information made available to the Group's highest management body. After identifying its operating segments and the corresponding figures made available to executive management, the Group presents segment information which meets the requirements of IFRS 8 and which is similar to the segment information presented in previous years. The measurement methods for figures by operating segment are in line with the principles and policies used to prepare the consolidated financial statements.

6.6.1. Operating segments

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

- the production and distribution of movies, which includes the various stages of marketing of a film: cinema distribution, TV and video sales both in France and internationally;
- audiovisual production and distribution of films, cartoon series and dramas via its subsidiaries Alphanim, Léonis Productions, Gaumont Television and Gaumont International Television Llc which have different financing methods and production principles;
- operation of movie theaters via its interest in the company Les Cinémas Gaumont-Pathé (ex-EuroPalaces).

Any segment used for financial information is related to an operating segment. The contribution of each operating segment is as broken down in the following tables:

6.6.1.1. Income statement

2010 *(in thousands of euros)*	Cinema production	Television production	Cinema operation	Non allocated	Total
Revenue	**93,235**	**8,717**	**-**	**-**	**101,951**
Current operating net income (loss)	-10,676	1,434	-	-	-9,242
Non-current operating income (loss)	-196	-2,008	-	-	-2,204
Net borrowing costs	-	-	-	-2,593	-2,593
Other Financial income and expenses	-	-	-	1,293	1,293
Share of net income of affiliates accounted for using the equity method	-	-	25,166	-	25,166
Income tax	-218	-	-	154	-64
NET INCOME	**-11,090**	**-574**	**25,166**	**-1,146**	**12,356**
Profit (loss) - movies and television series	10,184	5,798			15,982
Overheads	-20,860	-4,364			-25,224
Current operating net income (loss)	**-10,676**	**1,434**	**-**	**-**	**-9,242**

2009 *(in thousands of euros)*	Cinema production	Television production	Cinema operation	Non allocated	Total
Revenue	**79,499**	**14,167**	**-**	**-**	**93,666**
Current operating net income (loss)	-6,669	744	-	-	-5,925
Non-current operating income (loss)	964	4	-	-	968
Net borrowing costs	-	-	-	-3,437	-3,437
Other Financial income and expenses	-	-	-	1,325	1,325
Share of net income of affiliates accounted for using the equity method	-	-	17,475	-	17,475
Income tax	-86	-	-	497	411
NET INCOME	**-5,791**	**748**	**17,475**	**-1,615**	**10,817**
Profit (loss) - movies and television series	13,353	4,808	-	-	18,161
Overheads	-20,022	-4,064	-	-	-24,086
Current operating net income (loss)	**-6,669**	**744**	**-**	**-**	**-5,925**

2008 *(in thousands of euros)*	Cinema production	Television production	Cinema operation	Non allocated	Total
Revenue	**94,611**	**10,452**	**-**	**-**	**105,063**
Current operating net income (loss)	-7,544	634	-	-	-6,910
Non-current operating income (loss)	247	-	-	-	247
Net borrowing costs	-	-	-	-6,122	-6,122
Other Financial income and expenses	-	-	-	2,575	2,575
Share of net income of affiliates accounted for using the equity method	-	-	12,127	-	12,127
Income tax	-327	-	-	701	374
NET INCOME	**-7,624**	**634**	**12,127**	**-2,846**	**2,291**
Profit (loss) - movies and television series	14,696	4,286	-	-	18,982
Overheads	-22,240	-3,652	-	-	-25,892
Current operating net income (loss)	**-7,544**	**634**	**-**	**-**	**-6,910**

6.6.1.2. Consolidated statement of financial position

2010 *(in thousands of euros)*	Cinema production	Television production	Cinema operation	Non allocated	Total
Goodwill	491	14,575	-	-	15,066
Films and audiovisual rights	72,729	7,003	-	-	79,732
Other intangible assets	569	2	-	-	571
Property, plant and equipment	32,104	198	-	-	32,302
Investments accounted for using the equity method	6,572	-	203,610	-	210,182
Other financial assets	293	89	-	-	382
Non-current deferred tax assets	-	-	-	3,109	3,109
Inventories	516	-	-	-	516
Trade receivables	29,956	6,188	-	-	36,144
Current tax assets	1,588	-	-	-	1,588
Other receivables and current financial assets	16,781	9,336	-	-	26,117
Cash and cash equivalents	-	-	-	4,457	4,457
TOTAL ACTIF	**161,599**	**37,391**	**203,610**	**7,566**	**410,166**
Equity	**-**	**-**	**-**	**230,130**	**230,130**
Non-current provisions	1,797	141	-	-	1,938
Non-current deferred tax liabilities	-	-	-	2,773	2,773
Non–current financial liabilities	-	-	-	5,138	5,138
Other non-current liabilities	1,631	-	-	-	1,631
Current provisions	1,558	695	-	-	2,253
Current financial liabilities	-	-	-	98,396	98,396
Fournisseurs	20,278	1,214	-	-	21,492
Current tax liabilities	67		-	-	67
Other payables	42,260	4,088	-	-	46,348
TOTAL LIABILITIES	**67,591**	**6,138**	**-**	**336,437**	**410,166**
Investments in films and audiovisual rights	30,878	8,601	-	-	39,479

2009 *(in thousands of euros)*	Cinema production	Television production	Cinema operation	Non allocated	Total
Goodwill	491	16,615	-	-	17,106
Films and audiovisual rights	91,708	12,720	-	-	104,428
Other intangible assets	676	32	-	-	708
Property, plant and equipment	33,116	206	-	-	33,322
Investments accounted for using the equity method	-	-	185,950	-	185,950
Other financial assets	394	65	-	-	459
Non-current deferred tax assets	-	-	-	3,294	3,294
Inventories	162	-	-	-	162
Trade receivables	30,000	3,999	-	-	33,999
Current tax assets	2,732	38	-	-	2,770
Other receivables and current financial assets	16,196	7,315	-	-	23,511
Cash and cash equivalents	-	-	-	9,413	9,413
TOTAL ASSETS	**175,475**	**40,990**	**185,950**	**12,707**	**415,122**
Equity	**-**	**-**	**-**	**219,214**	**219,214**
Non-current provisions	1,875	171	-	-	2,046
Non-current deferred tax liabilities	-	-	-	3,112	3,112
Non–current financial liabilities	-	-	-	9,862	9,862
Other non-current liabilities	1,562	-	-	-	1,562
Current provisions	2,363	-	-	-	2,363
Current financial liabilities	-	-	-	100,427	100,427
Trade payables	15,811	1,181	-	-	16,992
Current tax liabilities	-	-	-	-	-
Other payables	23,595	35,949	-	-	59,544
TOTAL LIABILITIES	**45,206**	**37,301**	**-**	**332,615**	**415,122**
Investments in films and audiovisual rights	35,532	16,911	-	-	52,443

2008 *(in thousands of euros)*	Cinema production	Television production	Cinema operation	Non allocated	Total
Goodwill	785	15,794	-	-	16,579
Films and audiovisual rights	94,904	12,106	-	-	107,010
Other intangible assets	829	21	-	-	850
Property, plant and equipment	34,680	292	-	-	34,972
Investments accounted for using the equity method	-	-	170,675	-	170,675
Other financial assets	470	63	-	-	533
Non-current deferred tax assets	-	-	-	2,886	2,886
Inventories	271	-	-	-	271
Trade receivables	30,765	5,158	-	-	35,923
Current tax assets	2,090	330	-	-	2,420
Other receivables and current financial assets	19,180	3,826	-	-	23,006
Cash and cash equivalents	-	-	-	5,819	5,819
TOTAL ASSETS	**183,974**	**37,590**	**170,675**	**8,705**	**400,944**
Equity	**-**	**-**	**-**	**210,480**	**210,480**
Non-current provisions	1,607	182	-	-	1,789
Non-current deferred tax liabilities	-	-	-	3,235	3,235
Non–current financial liabilities	-	-	-	14,979	14,979
Other non-current liabilities	666	988	-	-	1,654
Current provisions	2,155	-	-	-	2,155
Current financial liabilities	-	-	-	96,044	96,044
Trade payables	15,836	1,858	-	-	17,694
Current tax liabilities	53	-	-	-	53
Other payables	19,723	33,138	-	-	52,861
TOTAL LIABILITIES	**40,040**	**36,166**	**-**	**324,738**	**400,944**
Investments in films and audiovisual rights	37,243	13,085	-	-	50,328

6.6.2. Geographic areas

6.6.2.1. Revenue

Revenue is broken down as follows:

	12.31.10	12.31.09	12.31.08
France	**73,331**	**77,010**	**83,210**
- Europe	18,875	11,951	16,684
- Americas	5,387	2,479	2,642
- Asia/Russia	1,965	1,021	1,293
- Africa/Middle East	752	413	582
- Rest of the world	1,641	792	652
International	**28,620**	**16,656**	**21,853**
TOTAL	**101,951**	**93,666**	**105,063**

6.6.2.2. Non-current assets

Non-current assets (other than financial instruments, deferred tax assets, assets relating to post-employment benefits) are broken down depending on where the consolidated companies are located.

At December 31, 2010, the geographical distribution of non-current assets was as follows:

12.31.10	France	Americas	Total
Goodwill	15,066	-	15,066
Films and audiovisual rights	79,732	-	79,732
Other intangible assets	571	-	571
Property, plant and equipment	32,263	39	32,302
Investments accounted for using the equity method	210,182	-	210,182
Other financial assets	361	21	382
NON-CURRENT ASSETS	**338,175**	**60**	**338,235**

Until December 31, 2009 no non-current assets were realized outside France.

6.6.3. Breakdown of revenue by customer

The Group's top ten customers, primarily French television channels, represent almost 44% of the Group's consolidated revenue. The breakdown of revenue from these ten customers varies greatly from one year to the next. In 2010 no single client accounted for more than 10% of consolidated revenue.

6.7. Statutory Auditors' fees

The fees of the statutory auditors and members of their network paid by the Group in 2009 and 2010 are as follows:

	Total				Advolis				Ernst & Young Audit			
	Amount		%		Amount		%		Amount		%	
(in thousands of euros)	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Auditing												
Statutory audit fees, certification, review of separate and consolidated financial statements												
- Parent company	225	246	56%	70%	78	90	58%	94%	147	156	56%	61%
- Consolidated subsidiaries	106	105	27%	30%	7	6	5%	6%	99	99	38%	39%
Other work and services directly related to the statutory auditing												
- Parent company	68	-	17%	0%	50	-	37%	0%	18	-	7%	0%
- Consolidated subsidiaries	-	-	0%	0%	-	-	0%	0%	-	-	0%	0%
Subtotal	**399**	**351**	**100%**	**100%**	**135**	**96**	**100%**	**100%**	**264**	**255**	**100%**	**100%**
Other services												
Legal, tax, labor												
- Parent company	-	-	0%	0%	-	-	0%	0%	-	-	0%	0%
- Consolidated subsidiaries	-	-	0%	0%	-	-	0%	0%	-	-	0%	0%
Other												
- Parent company	-	-	0%	0%	-	-	0%	0%	-	-	0%	0%
- Consolidated subsidiaries	-	-	0%	0%	-	-	0%	0%	-	-	0%	0%
Subtotal	**-**	**-**	**0%**	**0%**	**-**	**-**	**0%**	**0%**	**-**	**-**	**%**	**0%**
TOTAL	**399**	**351**	**100%**	**100%**	**135**	**96**	**100%**	**100%**	**264**	**255**	**100%**	**100%**

The Group deems that the information foreseen by Decree 2008-1487 of December 30, 2008 responds to the stipulations of article 222–8 of the Financial Markets Authority General Regulations.

6.8. Events after the accounts closing date

No major event has taken place at Gaumont since January 1, 2011.

Report of the Statutory Auditors

For the year ended Friday, December 31, 2010

Dear shareholders,

In accordance with the assignment entrusted to us by your General Meeting, we hereby report to you, for the year ended December 31, 2010, on:

- the auditing of the accompanying consolidated financial statements of Gaumont;
- the basis for our assessment;
- the special check required by law.

The consolidated financial statements have been prepared by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group and of its operating performance for the year then ended in accordance with.

II. Basis for our assessment

In accordance with the requirements of Article L. 823-9 of the French Commercial Code on the basis for our assessment, we would draw attention to the following matters:

- As stated in note 2.11 of the financial statements annex “Intangible and tangible assets”, your Group recognizes as an intangible asset all costs of films that meet the criteria provided for under the IFRS as adopted by the European Union. We have reviewed profitability forecasts underlying the appropriateness of this recognition, as well as policies applied for their depreciation and amortization and for the review of their recoverable value and we have checked that note 2.11 contains appropriate disclosures.
- Your Group, at each year-end, systematically carries out an impairment test on goodwill and assets with indefinite lives (see notes 2.10 and 2.11) and also assesses whether there are indications of impairment of non-current assets in light, in particular, of the relevant cash flow forecasts. We have assessed the data and assumptions used for their estimates, particularly, the cash flow forecasts drawn up in the current economic environment, reviewed the calculations made and the sensitivity of the main values in use and assessed the principles and methods for determining fair values, compared the accounting estimates of previous periods with the relevant actual amounts and examined the procedures the Group’s management used to approve said estimates.
- Your Group recognized provisions in accordance with the policies described in 2.19 “Current provisions” and in note 2.20 “Non-current provisions”. We have reviewed the procedures that your Group uses to draw up the inventory, measurement and recognition thereof.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and thus contributed to the opinion we formed which is expressed in the first part of this report.

III. Special check

As required by law we have also checked the information in accordance with professional standards applicable in France.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris and Paris-La Défense, March 8, 2011

The Statutory Auditors

ADVOLIS	ERNST & YOUNG Audit
Olivier Salustro	Bruno Bizet

3 ADDITIONAL INFORMATION

Persons responsible for information

Person responsible for the Annual Report

Name and position of the person responsible for the report

Sidonie Dumas,

Chief Executive Officer.

Certificate

I certify, having taken all reasonable relevant measures, that the information contained within this Registration document is, to the best of my knowledge, in accordance with the facts, with no omissions likely to affect its import.

I certify that, to the best of my knowledge, the statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and results of the Company and all consolidated companies, and that the management report set out on pages 9 to 34 presents a true image of the business performance, results and financial position of the Company and all consolidated companies, as well as a description of the major risks and uncertainties facing them.

I have obtained from the statutory auditors a completion report, in which they state that they have verified the information relating to the financial position and the accounts given in this Annual Report as well as read the whole document.

Neuilly-sur-Seine, April 21, 2010

Sidonie Dumas
Chief Executive Officer

Persons responsible for auditing

Statutory Auditors

Advolis	Ernst & Young Audit
• Member of the Compagnie régionale de Paris • Address: 13, avenue de l'Opéra 75001 Paris	• Member of the Compagnie régionale de Versailles • Address: Faubourg de l'Arche 11, allée de l'Arche 92037 Paris-La Défense Cedex
• Represented by Olivier Salustro	• Represented by Bruno Bizet
• 1st nomination: General Meeting of May 2, 2005, in lieu of KPMG, formerly RSM Salustro Reydel, represented by Jean-Michel Charpentier.	• 1st nomination: General Meeting of June 2, 1988.

Substitute Statutory Auditors

Patrick Iweins	Dominique Thouvenin
• Member of the Compagnie régionale de Paris • Address: 21, rue du Général-Foy 75008 Paris	• Member of the Compagnie régionale de Versailles • Address: Faubourg de l'Arche 11, allée de l'Arche 92037 Paris-La Défense Cedex
• 1st nomination: General Meeting of May 2, 2005, in lieu of Hubert Luneau.	• 1st nomination: General Meeting of June 2, 1988.

The terms of all statutory auditors will expire after the General Meeting called to rule on the statements of the year ending on December 31, 2010.

The Executive Board meeting of March 1, 2011 decided to propose the renewal of mandates of all the statutory auditors.

Person responsible for financial information

Fabrice Batieau,

Chief Financial Officer

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

Telephone: 01 46 43 24 24

Fax: 01 46 43 21 25

Email: fbatieau@gaumont.fr

30 avenue Charles de Gaulle 92200, Neuilly-sur-Seine, France - Tel: 33 (0)1 46 43 20 00 - Fax: 33 (0)1 46 43 21 68 - www.gaumont.fr

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