



2006 REFERENCE DOCUMENT



Pursuant to Article 212-13 of the General Regulations of the *Autorité des Marchés Financiers* (AMF), this reference document was filed with the AMF on June 6, 2007. It may be used in support of a financial operation if accompanied by a “note d’opération” (securities note) approved by the AMF.

Pursuant to Article 28 of European Commission (EC) Regulation 809/2004, the following information is included in this reference document by way of reference:

- The consolidated and individual financial statements for the fiscal year ended December 31, 2004, as well as the related statutory auditors’ reports, appear on pages 45 to 94 of the reference document filed with the AMF on June 10, 2005 under number D.05-871.
- The consolidated and individual financial statements for the fiscal year ended December 31, 2005, as well as the related statutory auditors’ reports, appear on pages 46 to 100 of the reference document filed with the AMF on June 9, 2006 under number D. 06-0546.

Copies of this document are available at the business address of Gameloft S.A.– 14, rue Auber – 75009 Paris and at the company’s registered office.

Registered office: 81 rue de Réaumur 75002 Paris
French corporation with capital of 3,537,829.20 euros
Tel.: (33) 1 58 16 20 40
Paris Corporate and Trade Register No. 429 338 130 - NAF code 722 A

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1 PERSONS RESPONSIBLE FOR THE DOCUMENT AND FOR THE AUDIT OF THE FINANCIAL STATEMENTS

1.1 Person responsible for the document

Mr. Michel Guillemot
Chief Executive Officer of Gameloft S.A. (hereinafter the "Company" or "Gameloft")

1.2 Certification of the person responsible for the document

“We hereby certify, after taking all reasonable measures in this respect, that the information contained in this document is, to our knowledge, true and correct and that there are no omissions that could impair its meaning.

We have obtained from the statutory auditors a letter of audit completion in which they indicate that they have, in accordance with the accounting literature and professional standards applicable in France, audited the information concerning the financial position and financial statements presented in this reference document, and have read the reference document in its entirety.”

Paris, June 5, 2007
Mr. Michel Guillemot
Chief Executive Officer and Chairman of
the Board of Directors

1.3 Names and addresses of Gameloft S.A.'s auditors

1.3.1 Principal auditors

	Date of 1 st appointment	Term and expiration date
Audit AMLD 27A Bvd Solférino 35000 Rennes	June 29, 2006	Six fiscal years expiring after the Ordinary General Meeting called to approve the financial statements for the fiscal year ended December 31, 2011
MB Audit 23, rue Bernard Palissy 35000 Rennes	June 29, 2006	Six fiscal years expiring after the Ordinary General Meeting called to approve the financial statements for the fiscal year ended December 31, 2011

1.3.2 Alternate auditors

	Date of 1 st appointment	Term and expiration date
Mr. Pierre Borie 15, rue Charles Le Goffic 35700 Rennes	December 1, 1999	Six fiscal years expiring after the Ordinary General Meeting called to approve the financial statements for the fiscal year ended December 31, 2011
Compagnie Consulaire d'Expertise Comptable Jean Delquie 84, boulevard de Reuilly 75012 Paris	December 1, 1999	Six fiscal years expiring after the Ordinary General Meeting called to approve the financial statements for the fiscal year ended December 31, 2011

1.4 Person responsible for financial communications

Mr. Michel Guillemot
Chief Executive Officer
14, Rue Auber
75009 Paris
Phone: (33) 1 58 16 20 40
Fax: (33) 1 58 16 20 41

1.5 Financial communications schedule

Publication of 2007 half-year revenue: July 26, 2007

2 GAMELOFT S.A. AND ITS CAPITAL

2.1 *General information about Gameloft S.A.*

2.1.1 Corporate name (Article 1 of the Articles of Incorporation)

The corporate name of the company is Gameloft.

2.1.2 Registered office (Article 2 of the Articles of Incorporation)

The company's registered office is located at the following address: 81, rue Réaumur, 75002 Paris (France).

2.1.3 Legal form (Article 1 of the Articles of Incorporation)

The company is a corporation under French law administered by a Board of Directors and is subject to the French Commercial Code and the decree of March 23, 1967 and subsequent laws regarding commercial corporations.

2.1.4 Nationality

French.

2.1.5 Date created and duration

The company was founded on December 1, 1999 for a duration of 99 years starting on the date of its registration in the French Corporate and Trade Register, i.e. until February 22, 2099, barring its extension or early dissolution.

2.1.6 Corporate purpose (Article 3 of the Articles of Incorporation)

The company's purpose in France and abroad, whether direct or indirect, is as follows:

- The design, creation, publication and distribution of games and services related to video games and, more generally, of all software, products or services intended for users of digital terminals, including in particular digital television and related activities, and portable telephones and intelligent portable electronic devices, such as portable devices using Wireless Application Protocol or any other communication standards allowing the processing and high and low-speed exchange of text and data;
- The creation of online services and content intended for enthusiasts of video games and new technologies and all related activities;
- The purchase, sale and, in general, the trade in any manner by lease or otherwise of all multimedia, audiovisual and computer products, as well as all image and sound reproduction products;
- The company's participation in all operations related to its corporate purpose through the creation of new companies, the subscription or purchase of shares or rights of ownership, merger or other means;

And, more generally, all operations directly or indirectly related to the aforementioned corporate purpose or all similar or related purposes which are likely to contribute to the company's development.

2.1.7 Corporate and Trade Register

Paris Corporate and Trade Register: 429 338 130
APE code: 722 A

2.1.8 Consultation of documents and information concerning the company

Shareholders may exercise their permanent right to be informed in accordance with applicable laws and regulations at the company's business address: 14, rue Auber 75009 Paris.

2.1.9 Accounting period (Article 8 of the Articles of Incorporation)

The accounting period begins on January 1 and ends on December 31 of each year.

2.1.10 General Meetings (Article 14 of the Articles of Incorporation)

2.1.10.1 Convening and holding of General Meetings

The General Meetings are convened and proceedings held under the conditions established by law.

2.1.10.2 Access to Meetings - Powers

All shareholders are entitled to participate in Meetings, upon proof of identity, by attending the meeting in person, returning a vote-by-mail ballot or designating a proxy in accordance with the applicable laws and regulations, under the following conditions:

- Holders of registered shares must be listed in the company's records under their own name;
- Holders of bearer shares must file at the place indicated in the meeting notice a certificate issued by an authorized intermediary showing that their shares listed in the records are non-transferable up to the Meeting date.

Said formalities must be completed at least five days prior to the Meeting.

The Board of Directors may reduce the above period through a general measure benefiting all shareholders.

Under the conditions specified above, legal representatives of legally incompetent shareholders and natural persons representing shareholders which are legal persons may participate in the Meetings, whether or not they are personally shareholders.

At General Meetings, voting rights attached to shares in which a beneficial interest is held are exercised by the beneficial owner.

2.1.10.3 Attendance list – Meeting committee - Minutes

An attendance list, duly signed by the shareholders in attendance and proxies, and to which are attached the powers granted to each proxy and, if applicable, the vote-by-mail ballots, is certified correct by the Meeting committee.

Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a member of the Board of Directors specially designated by the Board of Directors for this purpose. In their absence, the Meeting itself designates the Chairperson.

The function of supervisor is filled by the two shareholders, who are present and so accept, who, both personally and as proxies, hold the largest number of votes.

The meeting committee thus formed designates a secretary, who may be chosen from among non-shareholders.

The minutes are drawn up and copies or extracts of the proceedings are issued and certified in accordance with the law.

2.1.10.4 Ordinary and Extraordinary General Meetings

The Ordinary and Extraordinary General Meetings, voting in accordance with the quorum and majority conditions required by the applicable laws and regulations, exercise the powers granted to them by law.

The same is true for constitutive meetings, i.e. those called to decide on the approval of a contribution in kind or the granting of a specific perquisite.

2.1.11 Rights and obligations attached to shares (Articles 7 and 8 of the Articles of Incorporation)

Each share gives a right to ownership of the corporate assets and liquidating dividend in proportion to the percentage of capital it represents.

Whenever a shareholder is required to own several shares in order to exercise a right of any kind, such as in case of a share-for-share exchange or a consolidation or allotment of shares, or following a share capital increase or reduction regardless of the terms and conditions thereof, a merger or any other operation, the owners of fewer shares than those required may exercise their rights only if they take it upon themselves to pool their shares and, if necessary, to purchase or sell the number of shares or rights forming the odd lot needed.

On February 24, 2000, Gameloft's Extraordinary General Meeting granted double voting rights to fully-paid registered shares (Article 8 of the Articles of Incorporation). This double voting right was granted only to shares that were shown to be registered to the same shareholder for at least two years.

This double voting right is also granted at the time of issue, in case of a share capital increase by capitalization of reserves, earnings or issue premiums, to registered shares allotted free of charge to a shareholder in exchange for old shares for which this right was enjoyed (Article 8 of the Articles of Incorporation).

In accordance with Article L. 225-124 of the French Commercial Code, double voting rights are automatically revoked if the share is converted to a bearer share. They are also revoked if ownership of the shares is transferred. However, transfers resulting from succession, liquidation of communal property between spouses or gifts *inter vivos* in favor of a spouse or parent who is entitled to inherit do not result in loss of the acquired right and do not interfere with the two-year period.

2.1.12 Buyback by the company of its own shares

At present, Gameloft does not have a share buyback program.

2.1.13 Holdings outside the statutory thresholds (Article 6 of the Articles of Incorporation)

Any shareholder acting alone or in concert, without prejudice to the laws applicable to exceeding or falling below the thresholds referred to in Article L. 233-7 of the French Commercial Code, who comes to hold directly or indirectly at least 1% of the company's capital or voting rights or a multiple of this percentage up to and including 4% must inform the company within the time period stipulated in Article L. 233-7 of said code by registered letter with return receipt.

The notification referred to in the preceding paragraph for exceeding the threshold by a multiple of 1% of the capital or voting rights also applies if the percentage of capital or voting rights falls below the aforementioned threshold.

Failure to declare the legal or statutory thresholds results in the loss of voting rights under the conditions referred to in Article L. 233-14 of the French Commercial Code, at the request of one or more shareholders who together hold at least 5% of the company's capital or voting rights.

2.1.14 Year-end financial statements – Allocation and distribution of profit - Payment of dividends (Article 16 of the Articles of Incorporation)

Net profit is equal to income during the year minus operating expenses, depreciation and provisions.

The following amounts are subtracted from the annual profits, less prior year losses, if any:

- Sums added to reserves as provided by law or the Articles of Incorporation and, in particular, at least 5% to supply the legal reserve fund. This deduction ceases to be mandatory once said fund equals one-tenth of the share capital, but again becomes mandatory if the legal reserve falls below this level for any reason.
- Sums which the General Meeting, on the recommendation of the Board of Directors, considers appropriate to allocate to all extraordinary or special reserves or to carry forward.

The balance is distributed to the shareholders. However, except in case of a reduction of capital, no distribution may be made to shareholders if, following said distribution, the shareholders' equity is or would be less than the amount of capital plus reserves which may not be distributed under the law or the Articles of Incorporation.

Pursuant to Article L. 232-18 of the French Commercial Code, the meeting may propose an option by which the dividend or interim dividends are paid in whole or in part through the delivery of new shares of the company.

2.2 General information about the share capital

2.2.1 Capital

2.2.1.1 Share capital

- *Share capital increase*

- The Extraordinary General Meeting of March 29, 2002 approved a resolution to authorize the Board of Directors to grant options giving a right to subscribe for new Gameloft shares. The Combined General Meeting of September 4, 2002 approved a resolution to authorize the Board of Directors to issue start-up company stock purchase warrants (BSPCE). At its meeting of October 25, 2002, the Board of Directors used these authorizations to issue 1,271,000 BSPCE to Gameloft S.A. employees and 774,674 stock options to employees of the group's foreign subsidiaries. At its meeting of March 21, 2003, the Board of Directors used these authorizations to issue 220,000 BSPCE to Gameloft S.A. employees and 714,000 stock options to employees of the group's foreign subsidiaries.

The Combined General Meeting of June 27, 2003 approved a resolution to authorize the Board of Directors to issue start-up company stock purchase warrants (BSPCE). At its meeting of September 15, 2003, the Board of Directors used these authorizations to issue 1,422,500 BSPCE to Gameloft S.A. employees and 1,544,500 stock options to employees of the group's foreign subsidiaries.

The Combined General Meeting of June 8, 2004 approved a resolution to authorize the Board of Directors to issue start-up company stock purchase warrants (BSPCE). At its meeting of December 3, 2004, the Board of Directors used these authorizations to issue 1,486,500 BSPCE to Gameloft S.A. employees and 1,585,800 stock options to employees of the group's foreign subsidiaries.

After exercising the share rights attached to these stock options and BSPCE, the Gameloft Group's employees applied for 1,906,268 shares during the fiscal year ended December 31, 2006. This share capital increase was noted by the Board of Directors on January 3, 2007. The company's share capital increased by 95,313.40 euros through the issue of 1,906,268 new shares with a par value of 0.05 euros following the exercise of share rights attached to stock purchase warrants and BSPCE issued by the company.

- *Share capital at December 31, 2006*

At December 31, 2006, Gameloft S.A.'s share capital consisted of 70,756,584 shares, each with a par value of 0.05 euros, for a total of 3,537,829.20 euros.

2.2.1.2 Unissued authorized capital

The Extraordinary General Meeting of June 29, 2006, in its eleventh and twelfth resolutions, authorized the Board of Directors to issue, on one or more occasions, with or without pre-emptive rights of shareholders, shares and securities of any kind granting entitlement to the company's capital, including shares with or without stock purchase warrants or warrants granting to their holders the right to subscribe for shares representing a portion of the company's capital. The Extraordinary General Meeting resolved that the nominal amount of potential share capital increases could not exceed 5 million euros.

Authorization is thus granted to the Board of Directors for a period of 26 months starting on June 29, 2006, and the previous authorization granted by the Combined General Meeting of June 27, 2005 in its sixth and seventh resolutions is terminated.

2.2.1.3 Potential capital

Summary of stock option and BSPCE issues

Type of instrument	Issue date	Strike price	Discount/premium	Exercise period	Number of shares to which these instruments give a right at the issue date	Potential dilution at the issue date
BSPCE	10/25/02	0.50 euros	0%	10/25/05 to 10/25/07	1,271,000	2.02%
Stock options	10/25/02	0.50 euros	0%	10/25/05 to 10/25/07	774,674	1.23%
BSPCE	03/21/03	1.25 euros	-17%	03/21/06 to 03/21/08	220,000	0.35%
Stock options	03/21/03	1.25 euros	-17%	03/21/06 to 03/21/08	714,000	1.13%
BSPCE	09/15/03	1.75 euros	+7%	09/15/06 to 09/15/08	1,422,500	2.26%
Stock options	09/15/03	1.75 euros	+7%	09/15/06 to 09/15/08	1,544,500	2.46%
BSPCE	12/03/04	2.40 euros	0%	03/31/06 to 12/03//09	1,486,500	2.30%
Stock options	12/03/04	2.40 euros	0%	03/31/06 to 12/03//09	1,585,800	2.46%
Stock options	01/11/06	5.61 euros	0%	01/11/08 to 01/11/12	612,000	0.86%
Stock options	01/11/06	5.35 euros	-4.9%	01/11/08 to 01/11/12	2,790,300	3.79%
Stock options	06/07/06	5.37 euros	-4.9%	06/07/10 to 06/07/12	40,200	0.005%

Stock options and BSPCE not exercised at 12/31/06

	Potential shares	Potential capital (in €)
BSPCE not exercised	2,216,103	110,805.15
Stock options not exercised	5,198,506	259,925.30
Total	7,414,609	370,730.45

At December 31, 2006, the exercise of all the warrants and options, namely 7,414,609 shares, would result in a potential dilution of 9.49%.

• Stock option plans approved from 2002 to 2006

Stock option plans approved in 2002, 2003 and 2004

Board of Directors	10/25/02	03/21/03	09/15/03	12/03/04		
Number of shares eligible for subscription:	774,674	714,000	1,544,500	1,585,800		
Number of people concerned:	35	39	96	91		
including managers	0	0	0	0		
Start of exercise	10/25/2005	03/21/2006	09/15/2006	03/31/2006	03/31/2007	03/31/2008
End of exercise	10/25/2007	03/21/2008	09/15/2008	12/03/2009	12/03/2009	12/03/2009
Subscription price	0.50 euros	1.25 euros	1.75 euros	2.40 euros		
Options cancelled at 12/31/06	152,000	161,000	348,500	81,000	138,000	138,000
Options exercised at 12/31/06	622,674	388,744	347,000	267,950	-	-
Options not yet exercised at 12/31/06	-	164,256	849,000	179,650	390,600	390,600

Options cancelled at 05/31/07*	152,000	161,000	348,500	81,000	139,800	158,000
Options exercised at 05/31/07*	622,674	490,872	707,000	314,550	143,000	-
Options not yet exercised at 05/31/07	-	62,128	489,000	133,050	245,800	370,600

* cumulative data

Stock option plans approved in 2006

Board of Directors	01/11/2006			01/11/2006				06/07/2006	
Number of shares eligible for subscription:	612,000			2,790,300				40,200	
Number of people concerned:	33			101				2	
including managers	0			5				0	
Start of exercise	01/11/08	01/11/09	01/11/10	01/11/08	01/11/09	01/11/10	01/11/11	06/07/10	06/07/11
End of exercise	01/11/12	01/11/12	01/11/12	01/11/12	01/11/12	01/11/12	01/11/12	06/07/12	06/07/12
Subscription price (€)	5.61	5.61	5.61	5.35	5.35	5.35	5.35	5.37	5.37
Options cancelled at 12/31/06	48,000	48,000	48,000	17,700	17,700	28,200	10,500	-	-
Options exercised at 12/31/06	-	-	-	-	-	-	-	-	-
Options not yet exercised at 12/31/06	156,000	156,000	156,000	303,200	303,200	1,206,500	903,300	20,100	20,100
Options cancelled at 05/31/07*	83,000	83,000	83,000	36,000	36,000	46,500	10,500	-	-
Options exercised at 05/31/07*	-	-	-	-	-	-	-	-	-
Options not yet exercised at 05/31/07	121,000	121,000	121,000	284,900	284,900	1,188,200	903,300	20,100	20,100

* cumulative data

- *Issue of start-up company stock purchase warrants (BSPCE) approved from 2002 to 2004*

BSPCE plans approved in 2002, 2003 and 2004

Board of Directors	10/25/02	03/21/03	09/15/03	12/03/04		
Number of BSPCE granted:	1,271,000	220,000	1,422,500	1,486,500		
Number of people concerned:	28	9	36	32		
including managers	0	0	0	0		
Start of exercise	10/25/2005	03/21/2006	09/15/2006	03/31/2006	03/31/2007	03/31/2008
End of exercise	10/25/2007	03/21/2008	09/15/2008	12/03/2009	12/03/2009	12/03/2009
Subscription price	0.50 euros	1.25 euros	1.75 euros	2.40 euros		
BSPCE cancelled at 12/31/06	92,000	60,000	52,000	-	19,900	19,900
BSPCE exercised at 12/31/06	1,154,000	160,000	305,650	320,447	-	-

Warrants not yet exercised at 12/31/06	25,000	-	1,064,850	175,053	475,600	475,600
BSPCE cancelled at 05/31/07*	92,000	60,000	52,000	-	19,900	31,500
BSPCE exercised at 05/31/07*	1,179,000	160,000	688,900	381,600	48,700	-
Warrants not yet exercised at 05/31/07	-	-	681,600	113,900	426,900	464,000

* cumulative data

● *Stock options granted after the close of the year*

The Combined General Meeting of June 29, 2006 authorized the Board of Directors to grant stock options to the group's employees, on the condition that the number of shares resulting from the stock options not exceed 5% of the total shares comprising the share capital at the time of use of the authorization by the Board of Directors.

In exercise of the authorization granted by the Combined General Meeting of June 29, 2006, the company's Board of Directors decided at its meeting of January 3, 2007 to grant stock options to the group's employees involving 3,521,100 shares.

Board of Directors	01/03/07			01/03/07		
Number of shares eligible for subscription:	2,811,000			710,100		
Number of people concerned:	127			39		
including managers	4			0		
Start of exercise	01/03/2009	01/03/2010	01/03/2011	01/03/2009	01/03/2010	01/03/2011
End of exercise	01/03/2013	01/03/2013	01/03/2013	01/03/2013	01/03/2013	01/03/2013
Subscription price	4.10 euros			4.30 euros		
Options cancelled at 05/31/07	8,400	8,400	8,400	25,100	25,100	25,100
Options exercised at 05/31/07	-	-	-	-	-	-
Options not yet exercised at 05/31/07	366,900	366,900	2,052,000	211,600	211,600	211,600

After exercising share rights attached to stock options and BSPCE, the Gameloft Group's employees applied for 1,169,831 additional shares after the closing date of the fiscal year ended December 31, 2006. In addition, 293,800 options were cancelled between January 1, 2007 and May 31, 2007 as a result of employee departures. The following table therefore shows the status at May 31, 2007 of the stock option and BSPCE plans based on the options and warrants exercised and cancelled and the stock option plan of January 3, 2007.

Summary of stock option and BSPCE plans at 05/31/07

	Potential shares	Potential capital (in €)
Warrants not yet exercised	1,686,400	84,320.00
Stock options not yet exercised	7,785,678	382,083.90
Total	9,472,078	466,403.90

The exercise of all the warrants and options, namely 9,472,078 shares, would result in a potential dilution of 11.65%.

2.2.1.4 *Change in share capital over the last three fiscal years*

The Extraordinary General Meeting of September 6, 2004 resolved to reduce the capital by a nominal amount of 44,622,623.15 euros, lowering it from 47,765,061.40 euros to 3,142,438.25 euros in order to clear a portion of the losses recorded in the "Balance brought forward" account of the company's balance sheet after allocation of profits for the fiscal year ended December 31, 2003, which amounted to 4,523,337.61 euros. As a result, "Losses brought forward" were reduced to -43,841,638.74 euros. The share par value was reduced from 0.76 euros to 0.05 euros to allow this reduction of capital.

*

Based on the decision of the Extraordinary General Meeting of November 16, 2004 and following the Board of Directors' meeting of November 17, 2004, the company's share capital was increased by 3,899,999.66 euros, issue premium included, through the issue of 1,718,058 new shares with a par value of 0.05 euros, without pre-emptive rights, to Guillemot Brothers S.A. and Messrs. Michel, Claude, Christian, Gérard and Yves Guillemot. Since then, the share capital increase in a nominal amount of 85,902.91 euros was completed, thus raising the total share capital to 3,228,341.15 euros. The shares subscribed for were paid by offsetting liquid, due claims held against the company by Guillemot Brothers S.A. and Messrs. Michel, Claude, Christian, Gérard and Yves Guillemot.

In accordance with the minutes of the Combined General Meeting of June 27, 2005 and the minutes of the Board of Directors' meeting of June 28, 2005, the company's share capital was increased by 10,362,019.20 euros, issue premium included, through the issue of 2,623,296 new shares with a par value of 0.05 euros, without pre-emptive rights, to Guillemot Brothers S.A. and Messrs. Sébastien Pissavy and Jérôme Stolfo. Since then, the share capital increase in a nominal amount of 131,164.80 euros was completed, thus raising the total share capital to 3,359,505.95 euros. The shares subscribed for were paid by offsetting liquid, due claims held against the company by Guillemot Brothers S.A. and Messrs. Michel, Claude, Christian, Gérard and Yves Guillemot.

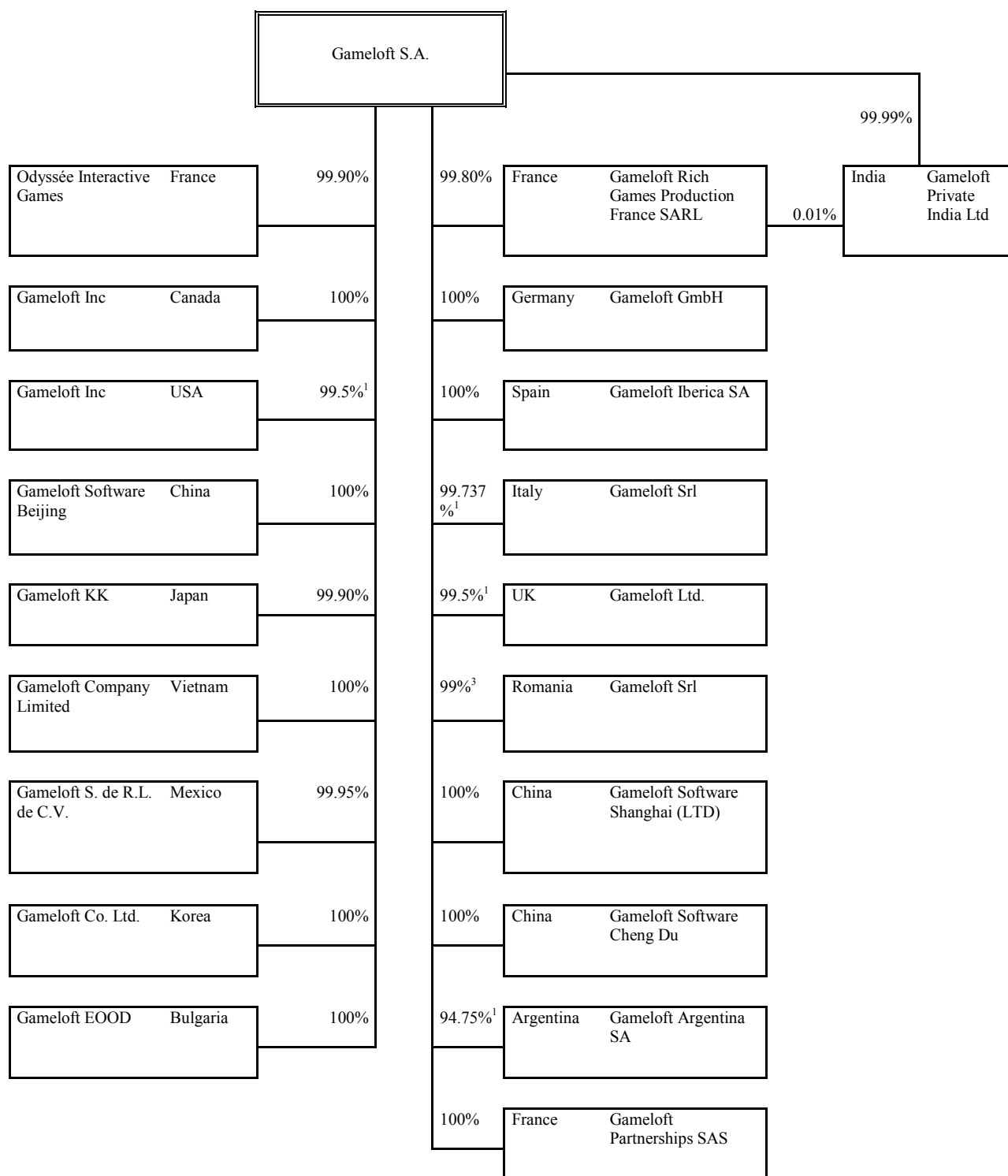
After exercising share rights attached to stock options and BSPCE, the Gameloft Group's employees applied for 1,660,197 shares during the fiscal year ended December 31, 2005. This share capital increase was noted by the Board of Directors on January 9, 2006. The company's share capital increased by 83,009.85 euros through the issue of 1,660,197 new shares with a par value of 0.05 euros following the exercise of share rights attached to stock purchase warrants and BSPCE issued by the company.

After exercising the share rights attached to these stock options and BSPCE, the Gameloft Group's employees applied for 1,906,268 shares during the fiscal year ended December 31, 2006. This share capital increase was noted by the Board of Directors on January 3, 2007. The company's share capital increased by 95,313.40 euros through the issue of 1,906,268 new shares with a par value of 0.05 euros following the exercise of share rights attached to stock purchase warrants and BSPCE issued by the company.

At December 31, 2006, Gameloft S.A.'s share capital consisted of 70,756,584 shares, each with a par value of 0.05 euros, for a total of 3,537,829.20 euros.

Date	Type of operation	No. of shares	Total no. of shares	Share par value	Issue premium			
						By cash contribution	By contribution in kind	Total capital
09/06/04	Reduction of capital by reducing the par value	62,848,765	62,848,765	€ 0.05				€ 3,142,438.25
11/17/04	Share capital increase reserved for specific people	1,718,058	64,566,823	€ 0.05	€ 3,814,096.75	€ 3,899,999.66		€ 3,228,341.15
06/28/05	Share capital increase reserved for specific people	2,623,296	67,190,119	€ 0.05	€ 10,230,854.40	€ 10,362,019.20		€ 3,359,505.95
12/31/05	Share capital increase noted after exercise of stock options and BSPCE in 2005	1,660,197	68,850,316	€ 0.05	€ 747,088.65	€ 830,098.50		€ 3,442,515.80
12/31/06	Share capital increase noted after exercise of stock options and BSPCE in 2005	1,906,268	70,756,584	€ 0.05	€ 3,203,145.40	€ 3,298,458.80		€ 3,537,829.20

2.2.2 Structure of the Gameloft Group at December 31, 2006



¹ balance owned by the Guillemot family.

³ 1% owned by Rusu Laurentiu.

The following companies owned by Gameloft S.A. are in the process of liquidation:

Gameloft.com Ltda (Brazil)

Gameloft.com S.A. (Spain)

The final liquidation depends on the administrative time periods specific to each of these countries.

2.2.3 Distribution of capital and voting rights

<i>At December 31, 2004</i>		<i>Capital and voting rights</i>		
	Number of shares	% of capital	Voting rights	% voting rights
Guillemot family	22,566,266	34.95%	38,440,944	45.066%
<i>Guillemot Brothers S.A.</i>	11,163,973	17.291%	20,901,150	24.504%
<i>Christian Guillemot</i>	2,022,095	3.132%	3,184,153	3.733%
<i>Claude Guillemot</i>	2,263,706	3.506%	3,426,767	4.017%
<i>Michel Guillemot</i>	2,327,225	3.604%	3,487,630	4.089%
<i>Yves Guillemot</i>	2,181,049	3.378%	3,341,453	3.917%
<i>Gérard Guillemot</i>	2,278,188	3.528%	3,439,731	4.033%
<i>Yvette Guillemot</i>	210,030	0.325%	420,060	0.492%
<i>Marcel Guillemot</i>	120,000	0.186%	240,000	0.281%
Ubisoft Entertainment S.A.	18,522,923	28.688%	23,319,933	27.339%
Guillemot Corporation S.A.	7,047,314	10.915%	7,047,314	8.262%
Treasury shares	-	-	-	-
Public	16,430,320	25.447%	16,489,491	19.332%
Total	64,566,823	100%	85,297,682	100%

<i>At December 31, 2005</i>		<i>Capital and voting rights</i>		
	Number of shares	% of capital	Voting rights	% voting rights
Guillemot family	15,473,581	22.474%	24,976,357	31.857%
<i>Guillemot Brothers S.A.</i>	6,053,855	8.793%	9,484,130	12.097%
<i>Claude Guillemot</i>	2,208,706	3.208%	3,371,767	4.301%
<i>Michel Guillemot</i>	1,749,050	2.540%	2,909,455	3.711%
<i>Yves Guillemot</i>	1,626,049	2.362%	2,786,453	3.554%
<i>Gérard Guillemot</i>	2,223,188	3.229%	3,384,731	4.317%
<i>Christian Guillemot</i>	1,347,703	1.957%	2,509,761	3.201%
<i>Yvette Guillemot</i>	170,030	0.247%	340,060	0.434%
<i>Marcel Guillemot</i>	95,000	0.138%	190,000	0.242%
Ubi Soft Entertainment S.A.	13,367,923	19.416%	13,367,923	17.050%
Guillemot Corporation S.A.	68,023	0.099%	68,023	0.087%
IN CONCERT	28,909,527	41.989%	38,412,303	48.994%
Treasury shares	-	0.000%	-	-
Cominvest Asset Management	4,069,000	5.910%	3,229,000	4.118%
			840,000	1.071%
Dexia Asset Management	2,945,000	4.277%	2,945,000	3.756%
Public	32,926,789	47.824%	32,976,210	42.060%
Total	68,850,316	100%	78,402,513	100%

<i>At December 31, 2006</i>		<i>Capital and voting rights</i>		
	Number of shares	% of capital	Voting rights	% voting rights
Guillemot family	14,937,947	21.000%	23,837,248	27.437%
<i>Guillemot Brothers S.A.</i>	6,448,221	9.113%	9,878,496	12.394%
<i>Claude Guillemot</i>	2,102,706	2.972%	3,192,872	4.006%
<i>Michel Guillemot</i>	1,643,050	2.322%	2,730,560	3.426%
<i>Yves Guillemot</i>	1,120,049	1.583%	1,968,558	2.470%

<i>Gérard Guillemot</i>	2,117,188	2.992%	3,205,836	4.022%
<i>Christian Guillemot</i>	1,241,703	1.755%	2,330,866	2.924%
<i>Yvette Guillemot</i>	170,030	0.240%	340,060	0.427%
<i>Marcel Guillemot</i>	95,000	0.134%	190,000	0.238%
Ubi Soft Entertainment S.A.	13,367,923	18.893%	13,367,923	16.772%
Guillemot Corporation S.A.	68,023	0.096%	68,023	0.085%
IN CONCERT	28,373,893	40.101%	37,273,194	46.764%
Treasury shares	-	0.000%	-	-
Cominvest Asset Management	5,101,591	7.210%	5,101,591	6.401%
Dexia Asset Management	4,400,167	5.524%	4,400,167	5.521%
DWS Investment (Deutsche Bank)	3,908,300	5.524%	3,908,300	4.903%
SG Asset Management	688,723	0.973%	688,723	0.864%
Public	28,283,910	47.824%	32,976,210	42.060%
Total	70,756,584	100%	78,402,513	100%

The administrative bodies, represented by the directors Christian, Claude, Gérard, Michel, Yves and Marcel Guillemot, own, directly and indirectly, 40.101% of the capital and 46.764% of the voting rights. Ubisoft Entertainment and Guillemot Corporation own 18.893% and 0.096% of the capital, respectively. Guillemot Brothers, Ubisoft Entertainment SA, Guillemot Corporation SA and the members of the Guillemot family control Gameloft jointly.

2.2.4 Summary of the operations referred to in Article L. 621-18-2 of the French Monetary and Financial Code

Reported by:		Mr. Michel Guillemot		
Title:		Director and Chief Executive Officer		
Description of the financial instrument:		Shares		
Place of operation:		Paris		
Type of operation	Date of operation	Number of shares	Price	Amount of operation
Sale	01/31/2006	106,000	€ 6.00	€ 636,000.00

Reported by:		Mr. Christian Guillemot		
Title:		Director and Executive Vice President		
Description of the financial instrument:		Shares		
Place of operation:		Paris		
Type of operation	Date of operation	Number of shares	Price	Amount of operation
Sale	01/31/2006	106,000	€ 6.00	€ 636,000.00

Reported by:		Mr. Yves Guillemot		
Title:		Director and Executive Vice President		
Description of the financial instrument:		Shares		
Place of operation:		Paris		
Type of operation	Date of operation	Number of shares	Price	Amount of operation
Sale	01/31/2006	106,000	€ 6.00	€ 636,000.00
Sale	02/21/2006	400,000	€ 5.81	€ 2,324,000.00

Reported by:		Mr. Claude Guillemot		
Title:		Director and Executive Vice President		
Description of the financial instrument:		Shares		
Place of operation:		Paris		
Type of operation	Date of operation	Number of shares	Price	Amount of operation
Sale	01/31/2006	106,000	€ 6.00	€ 636,000.00

Reported by:		Mr. Gérard Guillemot		
Title:		Director and Executive Vice President		
Description of the financial instrument:		Shares		
Place of operation:		Paris		
Type of operation	Date of operation	Number of shares	Price	Amount of operation
Sale	01/31/2006	106,000	€ 6.00	€ 636,000.00

Reported by:		Guillemot Brothers Société Anonyme		
Person related to:		Mr. Christian Guillemot Title: Director and Chief Executive Officer		
Description of the financial instrument:		Shares		
Place of operation:		Paris		
Type of operation	Date of operation	Number of shares	Price	Amount of operation
Sale	02/08/2006	4,000	€ 5.95	€ 23,800.00
Sale	02/09/2006	6,365	€ 5.905	€ 37,585.32
Sale	02/10/2006	21,000	€ 5.918	€ 124,278.00
Sale	02/13/2006	11,000	€ 5.905	€ 64,955.00
Sale	02/21/2006	5,000	€ 5.915	€ 29,575.00
Sale	02/24/2006	52,635	€ 5.964	€ 313,915.14
Sale	05/16/2006	50,000	€ 5.75	€ 287,500.00
Sale	05/17/2006	5,969	€ 5.76	€ 34,381.44
Sale	05/29/2006	32,799	€ 5.75	€ 188,594.25
Sale	06/02/2006	11,232	€ 5.76	€ 64,696.32
Sale	06/05/2006	10,000	€ 5.80	€ 58,000
Sale	06/30/2006	634	€ 5.81	€ 3,683.54
Sale	11/07/2006	17,060	€ 4.39	€ 74,893.40
Sale	11/08/2006	40,475	€ 4.30	€ 174,042.50
Sale	11/09/2006	20,457	€ 4.30	€ 87,965.10
Sale	11/10/2006	16,000	€ 4.30	€ 68,800
Sale	12/14/2006	21,990	€ 4.31	€ 94,776.90
Sale	12/15/2006	33,560	€ 4.31	€ 144,643.60
Sale	12/18/2006	11,686	€ 4.30	€ 50,249.80
Sale	12/20/2006	21,000	€ 4.30	€ 90,300.00
Sale	12/21/2006	44,000	€ 4.30	€ 189,200.00
Sale	12/22/2006	35,445	€ 4.32	€ 153,122.40
Sale	12/27/2006	39,615	€ 4.32	€ 171,136.80
Sale	12/28/2006	23,712	€ 4.34	€ 102,910.08

2.2.5 Provision causing a delay in change in control

None.

2.2.6 Clause establishing approval requirement

None.

2.2.7 Provision governing changes in capital when these conditions are stricter than those provided by law

None.

2.2.8 Amendments to the Articles of Incorporation

The Articles of Incorporation are amended upon a decision of the Extraordinary General Meeting.

2.2.9 Change in share price since January 2002

Month	Maximum price (in euros)	Minimum price (in euros)	Average price (in euros)	Trading volume
January 2002	0.83	0.67	0.75	428,905
February 2002	0.92	0.71	0.80	387,496
March 2002	0.97	0.89	0.93	177,147
April 2002	1.02	0.91	0.95	156,241
May 2002	0.85	0.60	0.79	3,005,127
June 2002	0.63	0.58	0.60	209,727
July 2002	0.59	0.50	0.54	42,243
August 2002	0.55	0.48	0.52	3,078,830
September 2002	0.53	0.47	0.51	29,368
October 2002	0.54	0.46	0.49	58,515
November 2002	1.08	0.54	0.72	167,140
December 2002	2.00	1.23	1.67	1,557,377
January 2003	1.70	1.47	1.56	155,084
February 2003	1.56	1.50	1.53	66,967
March 2003	1.53	1.39	1.48	357,417
April 2003	1.43	1.21	1.32	92,589
May 2003	1.46	1.20	1.31	154,196
June 2003	1.40	1.28	1.34	102,912
July 2003	1.94	1.29	1.44	730,184
August 2003	1.60	1.50	1.55	298,816
September 2003	2.20	1.55	1.93	1,992,889
October 2003	3.76	2.18	2.82	5,215,184
November 2003	3.54	2.77	3.10	6,255,894
December 2003	3.10	2.79	2.88	1,508,395
January 2004	3.37	2.95	3.13	3,116,655
February 2004	3.23	2.89	3.08	2,353,320
March 2004	3.29	2.76	3.11	1,968,772
April 2004	3.42	3.04	3.18	1,773,525
May 2004	3.12	2.73	2.94	917,346
June 2004	3.16	2.72	2.95	1,233,280
July 2004	2.93	2.41	2.76	630,750
August 2004	2.69	2.23	2.31	556,059
September 2004	2.74	1.87	2.31	1,648,408
October 2004	2.38	1.91	2.15	1,268,153
November 2004	2.59	2.08	2.36	2,110,916
December 2004	2.99	2.36	2.59	4,786,075
January 2005	3.28	2.80	2.99	3,939,845
February 2005	3.33	3.00	3.14	3,631,429
March 2005	3.30	3.06	3.16	3,173,801
April 2005	3.45	3.13	3.27	1,916,459
May 2005	3.69	3.30	3.43	2,529,419
June 2005	4.37	3.63	3.95	6,273,050
July 2005	4.71	4.35	4.49	5,026,254
August 2005	5.63	4.87	5.35	4,883,138
September 2005	6.03	4.80	5.45	5,900,940
October 2005	6.67	5.17	5.98	7,050,297
November 2005	5.88	5.43	5.61	3,049,662
December 2005	6.00	5.37	5.77	3,644,802
January 2006	6.25	5.25	5.76	6,465,875
February 2006	6.17	5.76	5.91	3,491,625
March 2006	6.32	5.71	6.12	4,542,751
April 2006	5.99	5.63	5.77	3,675,523
May 2006	6.00	5.34	5.64	5,524,010
June 2006	5.85	5.00	5.50	1,923,253
July 2006	5.80	3.39	4.82	6,748,607
August 2006	4.66	3.98	4.28	3,096,354
September 2006	4.52	3.82	4.16	2,653,158
October 2006	4.60	4.02	4.33	4,043,799
November 2006	4.47	4.05	4.23	3,439,302
December 2006	4.53	4.04	4.26	4,001,477
January 2007	5.34	4.45	4.88	5,268,025

February 2007	5.28	4.65	5.14	5,136,589
March 2007	5.25	4.65	5.01	6,998,819
April 2007	5.57	4.93	5.12	4,228,299

Source: Euronext

2.2.10 Commitment to retain shares

To date, there is no longer a commitment to retain shares.

2.2.11 Dividends

The company has not distributed any dividends since its creation and does not intend to distribute dividends in the near future.

2.2.12 Shareholders' agreement

To date, there is no shareholders' agreement.

2.2.13 Pledged shares and assets

None.

2.2.14 Agenda of the Combined General Meeting of June 28, 2007

I. Matters dealt with by the Ordinary General Meeting

Resolution One (*Approval of the individual financial statements for the fiscal year ended December 31, 2006*)

The General Meeting, voting in accordance with the quorum and majority conditions required for ordinary general meetings and having read the Board of Directors' management report and the auditors' general report for the fiscal year ended December 31, 2006, approves the individual financial statements for said fiscal year, as presented, which show a net profit of 23,394,687.31 euros, as well as the transactions reflected in these financial statements or summarized in these reports.

The General Meeting notes that no expense or charge referred to in Article 39-4 of the French General Tax Code was incurred by the company for the fiscal year ended December 31, 2006.

The General Meeting therefore approves the performance of the members of the Board of Directors for said fiscal year.

Resolution Two (*Approval of the consolidated financial statements for the fiscal year ended December 31, 2006*)

The General Meeting, voting in accordance with the quorum and majority conditions required for ordinary general meetings and having read the Board of Directors' management report and the auditors' report on the consolidated financial statements for the fiscal year ended December 31, 2006, approves the consolidated financial statements for said fiscal year, as presented, which show a net profit of 16,258,180 euros, as well as the transactions reflected in these financial statements or summarized in these reports.

Resolution Three (*Allocation of profit*)

The General Meeting, voting in accordance with the quorum and majority conditions required for ordinary general meetings and having read the Board of Directors' management report and the auditors' general report for the fiscal year ended December 31, 2006, resolves to charge the profit totaling 23,394,687.31 euros at December 31, 2006 against losses carried forward.

The General Meeting also notes that no dividends were distributed during the last three fiscal years.

Resolution Four (*Approval of the agreements referred to in Article L. 225-38 of the French Commercial Code*)

The General Meeting, voting in accordance with the quorum and majority conditions required for ordinary general meetings and having read the auditors' special report on the agreements referred to in Articles L. 225-38 to L. 225-42 of the French Commercial Code, approves the findings of said report and the agreements mentioned therein.

Resolution Five (*Authorization granted to the Board of Directors to allow the company to trade in its own shares*)

The General Meeting, voting in accordance with the quorum and majority conditions required for ordinary general meetings and having read the Board of Directors' report, and in accordance with Articles L. 225-209 et seq. of the French Commercial Code, authorizes the Board of Directors to trade in the company's shares on the stock exchange.

The maximum number of shares that the company may purchase cannot exceed 10% of the total number of shares comprising the capital on the date of said purchases. In theory, the maximum number of shares that may be purchased based on the number of shares that currently exist is 7,075,658.

The maximum purchase price per share is set at 10 euros. The total amount that the company can spend to buy back its own shares may not exceed 70,756,580 euros.

However, in the event of transactions on the company's capital, including in particular a share capital increase through the capitalization of reserves, bonus issue of shares, stock split or consolidation of shares, the above prices will be adjusted by a multiplier equal to the ratio of the number of shares comprising the capital before the operation to the number of shares after the operation.

The General Meeting resolves that shares may be purchased in order to:

- cancel them through a reduction of capital within the limits established by law, subject to adoption of resolution seven below;
- allot them to the group's employees and managers, such as to allow employees to benefit from the company's growth or for the purpose of purchase options, group savings plans or bonus issues, under the terms and conditions provided by law;
- deliver these shares at the time of exercise of rights attached to securities granting entitlement, by conversion, exercise, redemption, exchange or otherwise, to the issue of the company's shares, in accordance with stock exchange regulations;
- retain and deliver them in exchange or as payment for future external growth operations initiated by the company, through a tender offer or otherwise;
- ensure the liquidity of Gameloft's stock and stimulate the market on which it is traded through a liquidity contract with an investment services provider that complies with the ethics charter recognized by the AMF; and
- implement any market practice allowed by the AMF.

The shares may be purchased, sold, exchanged or transferred either on the market, by private agreement or otherwise, by any means and, in particular, through transfers of blocks of shares, options transactions or by using any derivative instrument, and at the times chosen by the Board of Directors, including in the event of a tender offer, in accordance with the regulations in force and within the limits specified therein.

This authorization is granted for a maximum of 18 months.

To ensure that this authorization is carried out, all powers are vested in the Board of Directors, with authority to sub-delegate, to place all stock orders or sign all agreements, particularly for the purpose of maintaining records of share purchases and sales, make all declarations to the AMF and any other entity, complete all other formalities and, in general, take whatever action is necessary.

Resolution Six (*Powers for legal formalities*)

The General Meeting grants the bearer of a copy or excerpt of the minutes of this Meeting full powers to file all documents and complete all formalities required by law wherever necessary.

II. Matters dealt with by the Extraordinary General Meeting

Resolution Seven (*Authorization granted to the Board of Directors to reduce the company's share capital*)

The General Meeting, voting in accordance with the quorum and majority conditions required for extraordinary general meetings and having read the Board of Directors' report and the auditors' report, and in accordance with Article L. 225-209 of the French Commercial Code, authorizes the Board of Directors, for a maximum period of 18 months from the date of this meeting:

- to cancel, at its own discretion and on one or more occasions, the company's shares that it owns as a result of the implementation of stock option plans approved by the company, within the limit of 10% of the total number of shares comprising the capital per 24-month period, and to reduce the share capital accordingly by allocating the difference between the cost price of the cancelled shares and their par value to the premium and/or available reserves accounts, and, up to 10% of the cancelled capital, to the legal reserve;

- to note the completion of the reduction(s) of capital, amend the Articles of Incorporation accordingly, and complete all necessary formalities;
- to delegate all powers needed to implement its decisions, and all of the above in accordance with the laws in force at the time this authorization is used.

Resolution Eight (*Authorization granted to the Board of Directors to approve an increase in the company's share capital, on one or more occasions, through the issue of shares and/or securities of any kind granting entitlement to the company's capital, with pre-emptive rights*)

The General Meeting, voting in accordance with the quorum and majority conditions required for extraordinary general meetings and having read the Board of Directors' report and the auditors' special report, and in accordance with the provisions of Articles L. 225-129 to L. 225-129-6, L. 228-91 and L. 228-92 of the French Commercial Code:

1 – Authorizes the Board of Directors to approve a share capital increase, on one or more occasions and at its sole discretion, in France and abroad, in the proportion and at the times it deems appropriate, in euros or foreign currencies, through the issue, with shareholders' pre-emptive rights, of ordinary shares of the company and securities of any kind granting entitlement to the company's capital, whether issued in return for payment or free of charge, and governed by Articles L. 228-91 et seq. of the French Commercial Code, with the stipulation that the shares and other securities may be subscribed for either in cash or by offsetting of claims, or in whole or in part by capitalization of reserves, earnings or issue premiums.

2 – Sets the term during which the authorization granted under this resolution is valid at 26 months starting on the date of this General Meeting.

3 – Resolves to set as follows the limits of the amounts of the authorized share capital increases in the event that the Board of Directors uses this authorization:

(i) The maximum nominal amount of the share capital increases that may be carried out, immediately or in the future, under this authorization is set at five million euros, with the stipulation that the nominal amount of any share capital increase resulting, or liable to result in the future, from issues approved in accordance with resolution nine of this General Meeting will be included in this amount;

To the above maximum amount will be added, where relevant, the par value of any shares that may be issued, in case of new financial operations, to protect the rights of holders of securities granting entitlement to the company's capital.

(ii) The maximum nominal amount of securities representing claims which may be issued under this authorization may not exceed 30 million euros, or the equivalent of this amount if they are issued in a foreign currency or a currency unit based on several currencies. The maximum nominal amount of securities representing claims issued in accordance with resolution nine of this General Meeting will be included in this amount.

4 – In the event that this authorization is used by the Board of Directors:

- resolves that the issue(s) will be reserved preferably for shareholders, who may subscribe on a non-reducible basis proportional to the number of shares already held by them;

- notes that the Board of Directors can establish a right to subscribe on a reducible basis;

- notes that this authorization automatically implies, for the benefit of holders of securities issued granting entitlement to the company's capital, the waiver by shareholders of their pre-emptive right to the shares to which these securities will grant entitlement immediately or in the future;

- notes that, if the subscriptions on a non-reducible and, where relevant, a reducible basis, do not take up the entire share capital increase, the Board of Directors may, under the conditions provided by law and in the order that it deems appropriate, use one or more of the following powers:

- limit the share capital increase to the amount of the subscriptions received, on the condition that this amount is at least three-fourths of the approved increase;

- freely distribute all or part of the shares or, in the case of securities granting entitlement to the capital, said securities for which the issue was approved but which were not subscribed for;

- offer to the public, through a public offering, all or part of the shares or, in the case of securities granting entitlement to the capital, said unsubscribed securities, on the French market and/or abroad and/or on the international market;

- resolves that stock purchase warrants for the company's shares may be issued through a subscription offer as well as through bonus issues to owners of old shares;

- resolves that, in case of a bonus issue of detachable stock warrants, the Board of Directors will be able to decide that the allotment rights forming an odd lot will not be negotiable and that the corresponding shares will be sold.

5 – Resolves that the Board of Directors will have full powers, with authority to sub-delegate under the conditions provided by law, to use this authorization for purposes that include:

- to approve the share capital increase and determine the securities to be issued;
- to approve the amount of the share capital increase, the issue price and the amount of the premium that, if applicable, may be requested at the time of issue;
- to determine the dates and terms and conditions of the share capital increase and the nature and characteristics of the securities to be created; to decide, moreover, whether or not bonds or other debt securities (including securities allowing their holders to receive debt securities, as provided by Article L. 228-91 of the French Commercial Code) are subordinated (and, if applicable, their rank of subordination, pursuant to Article L. 228-97 of the French Commercial Code); to set their interest rate (in particular, fixed or variable rate or zero coupon or indexed), their term (fixed or indefinite), and the other terms and conditions of issue (including whether to grant them guarantees or sureties) and amortization (including redemption by delivery of the company's assets); if necessary, these shares may include warrants allowing their holders to receive, acquire or subscribe for bonds or other securities representing claims or may take the form of complex bonds, as understood by the stock market authorities (for example, as a result of their payment or repayment terms or other rights such as indexing or possibility of options); and to amend, during the term of such shares, the aforementioned terms and conditions, in accordance with applicable regulations;
- to determine the method of payment of the shares or securities granting entitlement to the capital to be issued immediately or in the future;
- to establish, where applicable, the terms and conditions under which the rights attached to the shares or securities granting entitlement to the capital to be issued may be exercised and, in particular, to decide on the date, which may be retroactive, from which the new shares will entitle the holder to dividends, to determine the terms and conditions under which the rights, where applicable, to conversion, exchange and redemption may be exercised, including by delivery of the company's assets, such as securities already issued by the company, as well as all other terms and conditions of the share capital increase;
- to set the terms and conditions under which the company will be able, if necessary, to purchase or exchange on the stock exchange, at any time or during specific periods, the securities issued or to be issued immediately or in the future in order to cancel or not cancel them, in accordance with applicable laws;
- to provide for the ability to suspend, if necessary, the exercise of the rights attached to said securities in accordance with applicable laws and regulations;
- solely on its initiative, to charge the share capital increase expenses to the amount of the premiums related thereto and to deduct from this amount the necessary sums to supply the legal reserve;
- to determine and proceed with all adjustments aimed at taking into account the impact of operations on the company's capital, such as a change in the share's par value, share capital increase through capitalization of reserves, bonus issues of shares, stock splits or consolidation of shares, distribution of reserves or any other assets, amortization of the capital, or any other operation related to shareholders' equity, and to establish the terms and conditions under which the rights of holders of securities granting entitlement to the capital will be protected, if necessary;
- to note the completion of each share capital increase and to amend the Articles of Incorporation accordingly;
- in general, to enter into any agreement, particularly to ensure the successful completion of the proposed issues, and to take all measures and complete all formalities required for the issue, listing and financial servicing of the shares issued under this authorization and for the exercise of the rights attached thereto.

6 – Resolves that this authorization nullifies any previous authorization related to the immediate or future issue of shares of the company with pre-emptive rights, including resolution ten of the General Meeting of June 29, 2006.

7 - Notes that, in the event that the Board of Directors uses the authorization granted to it in this resolution, the Board of Directors will report to the next Ordinary General Meeting, as provided by law and the applicable regulations, on the use made of the authorizations granted by this resolution.

Resolution Nine (*Authorization granted to the Board of Directors to approve an increase in the company's share capital, on one or more occasions, through the issue of shares and/or securities of any kind granting entitlement to the company's capital, without pre-emptive rights*)

The General Meeting, voting in accordance with the quorum and majority conditions required for extraordinary general meetings and having read the Board of Directors' report and the auditors' special report, and in accordance with the provisions of Articles L. 225-129 et seq. of the French Commercial Code, including in particular Articles L. 225-129-2, L. 225-135, L. 225-136 and L. 228-92:

1 – Authorizes the Board of Directors to approve a share capital increase, on one or more occasions and at its sole discretion, in the proportion and at the times it deems appropriate, in accordance with the provisions of Article L. 225-129-3 of the French Commercial Code, in France and abroad, in euros or foreign currencies, through the issue of ordinary shares of the company and securities of any kind granting entitlement to the company's capital, whether issued in return for payment or free of charge, and governed by Articles L. 228-91 et seq. of the French Commercial Code, with the stipulation that the shares and other securities may be subscribed for either in cash or by offsetting of claims, or in whole or in part by capitalization of reserves, earnings or issue premiums. These securities may be issued, in particular, to pay either for shares contributed to the company as part of an exchange offer initiated by the company

under the conditions set out in Article L. 225-148 of the French Commercial Code or, based on a report of the capital contributions auditor and within the limit of 10% of the company's share capital as of the date of this meeting, for contributions in kind made to the company consisting of shares or securities granting entitlement to the capital, when the conditions of Article L. 225-148 of the French Commercial Code are not applicable.

2 – Sets the term during which the authorization granted under this resolution is valid at 26 months starting on the date of this General Meeting.

3 – Resolves to set as follows the limits of the amounts of the authorized share capital increases in the event that the Board of Directors uses this authorization:

(i) The maximum nominal amount of the share capital increases that may be carried out, immediately or in the future, under this authorization is set at five (5) million euros, with the stipulation that the nominal amount of any share capital increase resulting, or liable to result in the future, from issues approved in accordance with resolution eight of this General Meeting will be included in this amount;

To the above maximum amount will be added, where relevant, the par value of any shares that may be issued, in case of new financial operations, to protect the rights of holders of securities granting entitlement to the company's capital.

(ii) The maximum nominal amount of securities representing claims which may be issued under this authorization may not exceed thirty (30) million euros, or the equivalent of this amount if they are issued in a foreign currency or a currency unit based on several currencies. The maximum nominal amount of securities representing claims issued in accordance with resolution eight of this General Meeting will be included in this amount.

4 – Resolves to cancel pre-emptive rights of shareholders to the shares and other securities issued pursuant to this resolution, while however leaving it to the Board of Directors' discretion to grant shareholders, for a period and under the terms and conditions established by it and in accordance with the provisions of Article L. 225-135, paragraph 2, and for all or part of a completed issue, a preferred subscription right which does not result in the creation of negotiable rights and which must be exercised in proportion to the number of shares owned by each shareholder and may be supplemented by a right to subscribe on a reducible basis, with the stipulation that, at the end of the period of said right, any unsubscribed shares will be made available to the public.

5 – Notes that this authorization automatically implies, for the benefit of holders of securities issued granting entitlement to the company's capital, an express waiver by shareholders of their pre-emptive right to the shares to which these securities give a right.

6 - Notes that the amount of the consideration received or potentially received at a later date by the company for each share issued or to be issued pursuant to this authorization, given the issue price of detachable stock warrants if such warrants are issued, will be at least equal to the minimum price stipulated by the applicable laws and regulations as of the date of issue.

7 - Notes that, if the subscriptions have not taken up the entire issue, the Board of Directors may limit the issue under the conditions provided by law.

8 – Resolves that the Board of Directors will have full powers, with authority to sub-delegate under the conditions provided by law, to use this authorization for purposes that include:

- to approve the share capital increase and determine the securities to be issued;
- to approve the amount of the share capital increase, the issue price and the amount of the premium that, if applicable, may be requested at the time of issue;
- to determine the dates and terms and conditions of the share capital increase and the nature and characteristics of the securities to be created; to decide, moreover, whether or not bonds or other debt securities (including securities allowing their holders to receive debt securities, as provided by Article L. 228-91 of the French Commercial Code) are subordinated (and, if applicable, their rank of subordination, pursuant to Article L. 228-97 of the French Commercial Code); to set their interest rate (in particular, fixed or variable rate or zero coupon or indexed), their term (fixed or indefinite), and the other terms and conditions of issue (including whether to grant them guarantees or sureties) and amortization (including redemption by delivery of the company's assets); if necessary, these shares may include warrants allowing their holders to receive, acquire or subscribe for bonds or other securities representing claims or may take the form of complex bonds, as understood by the stock market authorities (for example, as a result of their payment or repayment terms or other rights such as indexing or possibility of options); and to amend, during the term of such shares, the aforementioned terms and conditions, in accordance with applicable regulations;
- to determine the method of payment of the shares or securities granting entitlement to the capital to be issued immediately or in the future;
- to establish, where applicable, the terms and conditions under which the rights attached to the shares or securities granting entitlement to the capital to be issued may be exercised and, in particular, to decide on the date, which may be retroactive, from which the new shares will entitle the holder to dividends, to determine the terms and conditions under which the rights, where applicable, to conversion, exchange and redemption may be exercised, including by delivery of the company's assets, such as securities already issued by the company, as well as all other terms and conditions of the share capital increase;

- to set the terms and conditions under which the company will be able, if necessary, to purchase or exchange on the stock exchange, at any time or during specific periods, the securities issued or to be issued immediately or in the future in order to cancel or not cancel them, in accordance with applicable laws;
- to provide for the ability to suspend, if necessary, the exercise of the rights attached to said securities in accordance with applicable laws and regulations;
- solely on its initiative, to charge the share capital increase expenses to the amount of the premiums related thereto and to deduct from this amount the necessary sums to supply the legal reserve;
- to determine and proceed with all adjustments aimed at taking into account the impact of operations on the company's capital, such as a change in the share's par value, share capital increase through capitalization of reserves, bonus issues of shares, stock splits or consolidation of shares, distribution of reserves or any other assets, amortization of the capital, or any other operation related to shareholders' equity, and to establish the terms and conditions under which the rights of holders of securities granting entitlement to the capital will be protected, if necessary;
- to note the completion of each share capital increase and to amend the Articles of Incorporation accordingly;
- in general, to enter into any agreement, particularly to ensure the successful completion of the proposed issues, and to take all measures and complete all formalities required for the issue, listing and financial servicing of the shares issued under this authorization and for the exercise of the rights attached thereto.

9 – Resolves that this authorization nullifies any previous authorization related to the immediate and/or future issue of shares of the company without pre-emptive rights and the ability to grant a priority period, including resolution eleven of the General Meeting of June 29, 2006.

10 - Notes that, in the event that the Board of Directors uses the authorization granted to it in this resolution, the Board of Directors will report to the next Ordinary General Meeting, as provided by law and the applicable regulations, on the use made of the authorizations granted by this resolution.

Resolution Ten (*Authorization granted to the Board of Directors to increase the number of shares to be issued in case of a share capital increase, with or without pre-emptive rights*)

The General Meeting, voting in accordance with the quorum and majority conditions required for extraordinary general meetings and having read the Board of Directors' report and the auditors' special report, and in accordance with the provisions of Article L. 225-135-1 of the French Commercial Code:

1 – Authorizes the Board of Directors, with authority to sub-delegate, under the conditions provided by law and subject to terms and conditions that comply with the laws and regulations in force at the time of the issue, to increase the number of shares to be issued in case of the issue of shares or securities granting entitlement to the capital with or without pre-emptive rights, as described in resolutions eight and nine, within the limit of 15% of the number of shares in the primary issue, with the stipulation that the issue price will be the same as that of the primary issue.

2 – Resolves that the nominal amount of the additional share capital increase that may be carried out pursuant to this resolution will, if applicable, be included:

- in the maximum nominal amount set in resolution eight in case of the issue of shares with pre-emptive rights;
- in the maximum nominal amount set in resolution nine in case of the issue of shares without pre-emptive rights.

3 – Resolves, moreover, that the nominal amount of the additional issue of debt securities granting entitlement to the company's capital which may be carried out pursuant to this resolution will, if applicable, be included:

- in the maximum nominal amount set in resolution eight in case of the issue of shares with pre-emptive rights;
- in the maximum nominal amount set in resolution nine in case of the issue of shares without pre-emptive rights.

The authorization thus granted to the Board of Directors is valid for the same term as that granted in resolutions eight and nine, namely 26 months starting on the date of this meeting.

Resolution Eleven (*Authorization granted to the Board of Directors to decide on a share capital increase through the issue of shares reserved for those enrolled in a company savings plan*)

The General Meeting, voting in accordance with the quorum and majority conditions required for extraordinary general meetings and having read the Board of Directors' report and the auditors' special report, and in accordance with the provisions of Articles L. 225-129-6 and L. 225-138-1 of the French Commercial Code and Articles L. 444-1 et seq. of the French Labor Code:

1 - Authorizes the Board of Directors to proceed with a share capital increase, on one or more occasions and at its sole discretion, in the proportion and at the times it deems appropriate, through the issue of shares or securities granting entitlement to the capital reserved for employees of the company and its affiliates who are enrolled in a company savings plan.

2 – Sets the term during which the authorization granted under this resolution is valid at 26 months starting on the date of this General Meeting.

3 – Resolves to set the maximum nominal amount of the shares that may be subscribed for by employees pursuant to this authorization at 300,000 euros.

4 – Resolves to cancel pre-emptive rights of shareholders to the shares to be issued to the aforementioned persons.

5 – Resolves that the subscription price of the shares issued pursuant to this authorization will be set in accordance with the provisions of Article L. 443-5 of the French Labor Code.

6 – Grants full powers to the Board of Directors, with authority to sub-delegate, to use this authorization for purposes that include:

- to establish the seniority conditions required to participate in the operation, within the legal limits, and, where applicable, the maximum number of shares for which each employee may subscribe;
- to set the number of new shares to be issued and their dated date;
- to set, within the legal limits, the issue price of the new shares as well as the periods during which employees may exercise their rights;
- to set the periods and terms and conditions of payment of the new shares;
- solely on its initiative, to charge the share capital increase expenses to the amount of the premiums related thereto and to deduct from this amount the sums needed to bring the legal reserve to one-tenth of the new capital after each share capital increase;
- to note the completion of the share capital increase(s) and to amend the Articles of Incorporation accordingly;
- to carry out all operations and complete all formalities made necessary by the completion of the share capital increase(s).

7 - Resolves that this authorization nullifies the authorization granted by the General Meeting of June 29, 2006 in its thirteenth resolution.

Resolution Twelve (*Authorization given to the Board of Directors to grant stock options to employees*)

The General Meeting, voting in accordance with the quorum and majority conditions required for extraordinary general meetings and having read the Board of Directors' report and the special auditors' report, and in accordance with the provisions of Articles L. 225-177 to L. 225-186 of the French Commercial Code:

1 – Authorizes the Board of Directors to grant, on one or more occasions and at its sole discretion, to managers and employees of the company and its affiliates, under the conditions set out in Article L. 225-180 of the French Commercial Code, options giving a right to subscribe for new shares of the company or to purchase shares of the company.

2 – Sets the term during which this authorization is valid at 38 months starting on the date of this General Meeting.

3 – Notes that, pursuant to the provisions of Article L. 225-178 of the French Commercial Code, this authorization implies, for the benefit of the stock option recipients, an express waiver by shareholders of their pre-emptive right to the shares issued as and when the options are exercised.

4 – Resolves that the total number of options granted pursuant to this authorization may not entitle the recipients to purchase or subscribe for a number of new shares in excess of 5% of the total number of shares comprising the share capital as of the date of the Board of Directors' decision.

5 – Resolves that the share subscription or purchase price paid by the option recipients will be set by the Board of Directors on the date on which it grants the options to the recipients, and that:

- if subscription options are granted: said price may not be less than 80% of the average opening price quoted during the 20 trading sessions preceding the date on which the subscription options are granted;
- if share purchase options are granted: said price may not be less than 80% of the average purchase price of the shares held by the company pursuant to Articles L. 225-208 and L. 225-209 of the French Commercial Code.

6 – Grants full powers to the Board of Directors, with authority to sub-delegate, to use this authorization for purposes that include:

- to set the dates on which the options will be granted;
- to establish the terms and conditions under which the options will be granted and to draw up the list of recipients, as described above;
- to determine the exercise periods of the options thus granted, with the stipulation that the period during which the options are valid may not exceed 10 years from the date on which they are granted;
- solely on its initiative, to charge the share capital increase expenses to the amount of the premiums related thereto and to deduct from this amount the sums needed to bring the legal reserve to one-tenth of the new capital after each share capital increase;

- to note the completion of the share capital increase(s) and to amend the Articles of Incorporation accordingly;
- to carry out all operations and complete all formalities made necessary by the completion of the share capital increase(s).

7 - Resolves that this authorization nullifies, as of this day and for the portion not yet used, if applicable, the authorization granted by the General Meeting of June 29, 2006 in its fourteenth resolution.

Resolution Thirteen (*Authorization granted to the Board of Directors to issue bonus shares of the company to the group's employees and managers*)

The General Meeting, voting in accordance with the quorum and majority conditions required for extraordinary general meetings and having read the Board of Directors' report and the auditors' special report, and in accordance with the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code:

1 – Authorizes the Board of Directors to issue free of charge, on one or more occasions and at its sole discretion, to paid employees and managers of the company or its affiliates, under the conditions set out in Article L. 225-197-2 of the French Commercial Code, existing or new shares of the company through the capitalization of premiums, reserves, earnings or other items that may be capitalized.

2 – Sets the term during which this authorization is valid at 38 months starting on the date of this General Meeting.

3 - Resolves that the total number of bonus shares that may be issued under this authorization may not exceed 5% of the total number of shares comprising the share capital as of the date of the Board of Directors' decision, with the stipulation that this number will be included in the maximum amount defined in this meeting's twelfth resolution concerning stock options;

4 – Resolves that the issue of these shares to their recipients will become final at the end of a minimum purchase period of two years and that the minimum period during which the shares must be retained by recipients is set at two years from the final issue date of said shares;

5 – Authorizes the Board of Directors to make adjustments, as needed, during the purchase period to the number of shares related to any transactions involving the company's capital in order to protect the rights of the recipients;

6 – Notes that, with regard to the bonus shares to be issued, this decision implies, in favor of the recipients of bonus shares, an express waiver by shareholders of their pre-emptive right to the shares whose issue through the capitalization of premiums, reserves, earnings or other items is thus authorized and, where applicable, to their pre-emptive right to subscribe for the shares that may be issued;

7 - Resolves that this authorization nullifies, as of this day and for the portion not yet used, if applicable, the authorization granted by the General Meeting of June 27, 2005 in its tenth resolution.

8 – Grants full powers to the Board of Directors, with authority to sub-delegate, to use this authorization for purposes that include:

- to draw up the list of recipients of bonus shares;
- to establish the final issue and retention periods of the shares in accordance with the minimum periods defined above;
- to establish the conditions and, if applicable, the criteria for allotting the shares;
- to establish and approve the conditions under which the shares that may be issued under this authorization are issued;
- to note the completion of the share capital increase(s) and to amend the Articles of Incorporation accordingly;
- to carry out all operations and complete all formalities made necessary by the completion of the share capital increase(s).

Resolution Fourteen (*Amendment of Article 14 of the Articles of Incorporation*)

The General Meeting, voting in accordance with the quorum and majority conditions required for extraordinary general meetings and having read the Board of Directors' report, resolves, pursuant to Decree no. 2006-1566 of December 11, 2006, to amend Article 14 of the Articles of Incorporation, which will now read as follows:

“The General Meeting is made up of all shareholders, regardless of the number of shares they own, provided that the required payments have been made and that the voting rights have not been revoked.

The right to participate in the company's general meetings is evidenced by the registration of the shares in the name of the shareholder or the intermediary acting on his/her behalf (under the conditions provided by law) by 12:00 a.m. Paris time of the third business day preceding the meeting:

- for registered shareholders: in the registered securities accounts maintained by the company,
- for bearer shareholders: in the bearer securities accounts maintained by the authorized intermediary, under the conditions provided by applicable regulations.

In addition, owners of registered or bearer shares must, at least three days prior to the meeting, have filed a proxy form or vote-by-mail form, or the single-copy document used in lieu of it, or, if the Board of Directors has so decided, an admission card application. However, the Board of Directors will, if it deems appropriate, have the power at all times to shorten this period. It will also have the power to authorize the remote transmission (including by electronic means) to the company of the proxy and vote-by-mail forms under the conditions provided by the laws and regulations in force.

When an electronic signature is used, said signature must be in a form that meets the conditions defined in the first sentence of paragraph two of Article 1316-4 of the French Civil Code.

A general meeting that has met the quorum requirement represents the totality of shareholders.

Ordinary and extraordinary general meetings and, where applicable, special meetings, are called, are held and deliberate under the conditions provided by law and these Articles of Incorporation.

Meetings will be held at the registered office or at any other place indicated by the author of the meeting notice, including outside the registered office or the department in which the registered office is located.

Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by the Vice President or the oldest Vice President on the Board of Directors if one or more Vice Presidents have been appointed, or otherwise by a director specially authorized by the Board for this purpose. In the event of the inability of the Vice President(s), if appointed, to chair the meeting, or if the Board has not authorized a director, the meeting itself elects a Chairperson.

The two members of the meeting who have the largest number of votes and accept said function will act as vote tellers of the general meeting. The meeting committee designates the secretary, who may be chosen from among non-shareholders.

If the Board of Directors decides to use such telecommunications media and the decision is published in the meeting notice, for calculating the quorum and majority, shareholders participating in the meeting via videoconference or telecommunication media by which they can be identified under the conditions provided by the regulations in force are deemed to be present.”

Resolution Fifteen (*Powers for legal formalities*)

The General Meeting grants the bearer of a copy or excerpt of the minutes of this meeting full powers to file all documents and complete all formalities required by law wherever necessary.

3 PRESENTATION OF THE COMPANY AND THE GROUP

3.1 *Credentials*

Created in December 1999, Gameloft develops and publishes games for mobile devices. This high-technology activity is centered mainly on Java and Brew games that consumers can download directly to their mobile telephone. The company publishes an extensive, diversified game catalogue and has established itself as one of the world leaders in the mobile games market. Today, Gameloft works with all the key players in this market, including telephone manufacturers such as Nokia and Motorola and telecom operators such as Verizon and Vodafone. Gameloft currently employs some 3,000 people in 16 countries around the world, including France, Germany, the United Kingdom, Italy, Spain, Bulgaria, the United States, Canada, Japan, China, Vietnam, Argentina, Mexico, India, Korea and Romania.

3.2 *Gameloft's activity*

3.2.1 **Mobile telephone games**

The use of mobile telephones has spread very quickly throughout the world. The number of worldwide mobile subscribers was estimated at more than 2.3 billion in October 2006¹ versus only 100 million 10 years earlier in 1996².

For a game developer and publisher, this user base represents a unique opportunity to sell its products to a population that is considerably larger than that of traditional video games. For this reason, the Gameloft Group has positioned itself in this market since 2000, where it has become a major player thanks to a diversified game catalogue, strong licenses and one of the largest customer and distributor networks in the market.

The arrival in 2002 of Java and Brew technologies applied to portable telephones completely revolutionized the mobile phone games market. These two technologies paved the way for three major advances in the mobile games industry:

- Today, consumers can download action games similar in quality to Nintendo's Gameboy games directly onto their portable phones. "Over the air" downloading, i.e. through a mobile phone directly on a telecom network, gives consumers flexibility and total freedom when purchasing and saving games. These games can be kept on the phones for as long as the consumer wants, at no additional cost. Depending on the model of the phone, consumers can store from 10 to 50 games on their telephone.
- The downloading of a game and the game itself are not dependent on the quality of the telecom networks. Current GSM networks allow consumers to download a game in less than one minute. So-called "third generation" UMTS networks, therefore, do not need to be implemented to download a Gameloft game. Moreover, once the game is downloaded, consumers play directly on their telephone without being connected to the network. This means that a game cannot be interrupted as a result of network failures. In addition, there is no connection cost for the consumer to play a downloadable game. The price of a downloadable Gameloft game is therefore limited to its sale and download price, which generally runs between three and six euros.
- Java and Brew technologies are standards to which all telephone manufacturers are now being forced to adhere. This standardization allows Gameloft to run its games at a low cost on a vast majority of the new telephones sold today. This widespread adherence to the Java and Brew standards also gives Gameloft significant growth potential. In March 2007, the number of Java telephones worldwide was 1.2 billion compared to 1 billion in 2006 and 579 million in 2005³.

Gameloft was one of the first companies in the world to develop games for Java and Brew telephones and has offered an extensive catalogue of downloadable games since the end of 2001. This catalogue is compatible with most Java and Brew telephones sold today. The games run on Nokia, Motorola, Samsung, Sony Ericsson, Sharp, LG, Mitsubishi and Sagem telephones, to name a few. All in all, the company currently offers more than 130 Gameloft games which can be

¹ Source: Merrill Lynch, January 2007

² Source: CSFB, July 2002

³ Source: Sun Microsystems, Ovum, March 2007

downloaded onto nearly 1,000 different models of mobile phones.

Gameloft uses three distinct channels to distribute its mobile games: telecom operators, logo and ringtone portals and media companies, and telephone and mobile console manufacturers.

1. Gameloft games are distributed by more than 170 telecom operators in over 70 countries around the world. The number of potential consumers to which Gameloft has direct access via these operators is more than 1.5 billion. To date, none of Gameloft's competitors has a comparable worldwide distribution network. Mobile subscribers can purchase and download Gameloft games from their operator's portal. Purchasing Java and Brew games is a fast, simple process which costs the consumer a mere three to six euros on average. The operator's portal provides access to Gameloft's game catalogue. This catalogue describes the games and indicates their price. Consumers simply select the game and ask to have it downloaded to their telephone. Billing is handled by the operator with the cost of the game included in the consumer's telephone bill. In this case, the operator acts as a distributor of Gameloft games and the revenues generated are shared between the operator-distributor and Gameloft.

2. Since downloading mobile games is the perfect addition to the product offering of Audiotel and Internet portals for downloading logos, music and ringtones, these portals have distributed Gameloft games since 2002 through their web portals and Audiotel services. These companies operate, among other things, toll-call phone numbers and SMS services which consumers can use to download games onto their telephone. The length of a call on a toll-call phone number is about three minutes, which means a cost for the consumer of three to six euros on average. Consumers receive the game directly onto their telephone as soon as the call is completed; for greater transparency, they are billed only after downloading has finished. When consumers use toll-call SMS services, they simply send a toll-call SMS message with the game's code to automatically receive the game on their telephone. The revenues are shared between the portal and Gameloft. To date, Gameloft has set up a network of nearly 150 partners that sell its games via various types of media, including magazines, daily newspapers, websites, television, radio, and so on. Gameloft works in partnership with TextMarketer and MonsterMob in the United Kingdom, MediaFusion in Spain, Pixtel, NRJ, Universal Mobile and AOL in France, Zingy and Motricity in the United States, to name a few. Gameloft also operates its own Audiotel number in several European countries, including France, the UK, Germany, Italy and Spain.

3. The telephone manufacturers that are currently Gameloft customers and partners are Nokia (the world's largest producer of telephones in 2006), Motorola (second largest), Samsung (third largest), Sony-Ericsson (fourth largest), LG (fifth largest), Sagem, Mitsubishi, Alcatel, etc. These manufacturers buy Java and Brew games from Gameloft at a fixed price and integrate them directly into their telephones. The game can therefore be used by the consumer immediately at no additional cost.

Since 2004, Gameloft has also adapted one of its mobile games, *Asphalt: Urban GT*, to Nintendo's handheld console, the Nintendo DS, which was released in the United States and Japan in the fourth quarter of 2004 and in Europe in the first quarter of 2005. The launch of *Asphalt: Urban GT* on the DS was a major success for Gameloft, with this game ranking among the four best-selling games for Nintendo's handheld console in the United States and Europe. Gameloft was the only company specializing in mobile games to be selected by Nintendo to develop games for its new console. Following the success of *Asphalt: Urban GT*, Gameloft released *Tom Clancy's Splinter Cell* on Nintendo's handheld console in 2005. Several new DS games will be released by the company in fiscal year 2007. DS games are sold in stores as game cartridges at a price of 30 to 40 euros.

Gameloft also positioned itself recently on the Apple iPod with the launch in May 2007 of *Lost*, its mobile game based on the popular TV series, for fifth generation iPods. *Lost* iPod is sold at 5 euros on iTunes, Apple's download platform.

3.2.2 The Internet

Until June 2006, Gameloft continued to operate the Jeuxvideo.com website, which was later sold to Hi Media for a cash sum of 22.9 million euros. This sale reflects Gameloft's desire to focus on its core business – mobile games – while at the same acquiring the additional financial resources it needs to become the worldwide leader in the mobile games sector. This website accounted for 1% of Gameloft's revenue in 2006.

3.2.3 Business analysis and comments on FY 2006 earnings

Key figures for FY 2006

Gameloft's key figures for the fiscal year ended December 31, 2006 are as follows:

In million euros	2006	2005
Revenue	68.4	46.8
Operating income on ordinary activities*	2.5	2.3
Operating income	19.2	1.2
Net financial income/expense	(1.6)	0.8
Tax	(1.3)	(0.5)
Net profit (group share)	16.3	1.4
Shareholders' equity	44.2	22.2

* before recognition of share-based payments

Change in quarterly revenue

Revenue in million euros*	2006	2005	Change
1 st quarter	14.8	9.9	+ 49%
2 nd quarter	15.8	10.5	+ 50%
3 rd quarter	16.1	11.0	+ 47%
4 th quarter	21.8	15.5	+ 41%
Total fiscal year	68.4	46.8	+ 46%

* rounded figures

For 2006 as a whole, consolidated revenue increased by 46% to 68.4 million euros. The mobile game activity generated 99% of annual revenue, up 51% compared to 2005. Within this activity, sales of downloadable games, which are the company's core business and represent 91% of its total annual revenue, increased by 78%.

Internet revenue generated by the Jeuxvideo.com website accounted for 1% of total FY 2006 revenue. This business was sold on June 10, 2006 for a cash amount of 22.9 million euros.

Over FY 2006 as a whole, the group's sales became more evenly distributed between Europe, North America and the rest of the world. Europe accounted for 43% of the company's revenue in 2006, North America 41% and the rest of the world 17%. In 2005, Europe, North America and the rest of the world represented 57%, 29% and 13% of Gameloft's total revenue, respectively.

The sharp growth in 2006 was made possible by the extensive distribution network that Gameloft has created since 2000. This direct distribution network – the largest in the mobile games sector with more than 160 telecom operators in over 70 countries – puts the company's games within reach of consumers worldwide as soon as they are released.

In addition, the number of Java and Brew telephones continues to increase, which contributes to the growth of the mobile games market. More than one billion mobile phones were sold worldwide in 2006 alone⁴. This enables Gameloft to target an ever-growing number of consumers.

Comments on FY 2006 earnings

The company saw its operating margin from ordinary activities rise dramatically over the last six months of FY 2006. In the second half of the year, this figure was 11.4% compared with -5.9% during the first half. This marked improvement in operational profitability during the second half resulted, as anticipated, from slower growth in personnel and a sharp upturn in sales. Over FY 2006 as a whole, operating income (before recognition of stock options) was therefore 2.5 million euros, slightly up from 2005.

The annual expense for options granted to employees was 3.0 million euros. This expense had no impact on the company's equity or cash position.

⁴ Source: Strategy Analytics

The sale of its interest in the Jeuxvideo.com website allowed Gameloft to realize a net capital gain of 20.4 million euros. Operating income for FY 2006 was therefore 19.2 million euros compared with 1.2 million euros in 2005. Net financial loss was 1.6 million euros and consisted mainly of foreign exchange losses linked to the fall in the US dollar.

FY 2006 net profit amounted to 16.3 million euros, up significantly compared with FY 2005.

3.3 *The group's strategy and future outlook*

3.3.1 The group's strategy

Gameloft's objective is to become the world leader in games for mobile telephones. The company is pursuing this goal by:

- creating a diversified, high-quality mobile game catalogue
- making this catalogue available on the largest number of portable phones
- including world-renowned licenses in its catalogue
- implementing the most extensive distribution network in the world.

In 2006, the company continued to build its mobile game development teams: to date, more than 2,600 Gameloft Group employees work exclusively on developing mobile phone games. This expanded workforce has allowed the company to develop a catalogue of nearly 130 mobile games covering all genres, including casual, action, sport, puzzle and adventure games, to name a few. The development activity includes the creation of new games and porting, which entails adapting each new game to all models of portable telephones. The greatest barrier to penetrating the mobile game sector is this large number of telephone models on the market. All mobile phone manufacturers develop their own lines of phones which differ from their competitors' models. Although the technology used is the same from one telephone to another (Java or Brew), the screens differ in size, the processors have different characteristics, and so on. Each mobile game must therefore be adapted to many models of phones in order to reach the largest number of consumers. Today, Gameloft's catalogue covers nearly 1,000 different telephones in 12 languages, making it accessible to almost all owners of Java or Brew phones.

Gameloft currently records development costs as expenses at the time they are incurred. Each year, the company develops and places on various operators' sites thousands of versions of its games covering the nearly 1,000 different models of mobile telephones on the market and the 12 languages it supports. Given this extreme fragmentation and the more general nature of the sales-related information received from operators, Gameloft is not in a position to reliably calculate the development costs and residual value of each of these versions, which is one of the criteria of IAS 38 for capitalizing development costs. Since Gameloft does not meet all the capitalization criteria set out in IAS 38, the company will continue to record its development costs as expenses next year.

3.3.1.1 *The only game catalogue of its kind in the world*

Gameloft has developed a catalogue of nearly 130 mobile games entirely in house. The company's goal is to continue to expand its game catalogue by publishing 60 to 80 new games per year over the coming years. This catalogue is available on nearly 1,000 different telephone models.

Gameloft's game catalogue

Action/Adventure	Mass market/Arcade	Sport
Air Strike 1944: Flight For Freedom	1000 Words	Asphalt: Urban GT
America's Army	Deal or No Deal	Asphalt: Urban GT 3D
Assault Wings 1944	Block Breaker Deluxe	Asphalt: Urban GT II
Brothers in Arms 3D	Brain Challenge	Asphalt: Urban GT II 3D
Brothers in Arms: Earned in Blood	Bubble Bash	Asphalt 3: Street Rules
Cartel Wars	Chessmaster	Asphalt 3: Street Rules 3D
Diamond Rush	Christmas Pool	Derek Jeter Pro Baseball 2005
Earth Invasion	Cluster Pirate	Derek Jeter Pro Baseball 2006
Gangstar: Crime City	Desperate Housewives	Derek Jeter Pro Baseball 2005 3D
Tom Clancy's Ghost Recon 2	Dogz	Derek Jeter Pro Baseball 2006 3D
Tom Clancy's Ghost Recon Jungle Storm 3D	Domino Fever	Derek Jeter Pro Baseball 2007
Gulo's Tale	Football Trivia	Marcel Desailly Pro Soccer
Horse Riding Academy	Gameloft Backgammon	2004 Real Football
King Kong	Gameloft Casino	2005 Real Football
Lost	Gameloft's Solitaire	2006 Real Football
Medieval Combat: Age of Glory	Holiday Midnight Pool	2006 Real Football 3D
Might and Magic	King Kong Pinball	2007 Real Football
Mission: Impossible 3	Lock'em Up	2007 Real Football 3D
Nightmare Creatures	Love Triangle: Dating Challenge	Ultimate Street Football
Open Season	Lumines Block Challenge	And1 Streetball
Planet Zero	Meteos Astro Blocks	Kevin Pietersen Pro Cricket 2007
Prince of Persia: The Two Thrones	Miami Nights: Singles in the City	Massive Snowboarding 3D
Prince of Persia: Harem Adventures	Midnight Bowling	Vijay Singh Pro Golf 2005
Prince of Persia: Sands of Time	Midnight Bowling 3D	Vijay Singh Pro Golf 2005 3D
Prince of Persia: Warrior Within	Midnight Casino	Vijay Singh Pro Golf 2007
Rail Rider	Midnight Hold'em Poker	Vijay Singh Pro Golf 2007 3D
Tom Clancy's Rainbow Six: Raven Shield	Midnight Hold'em Poker 3D	Rayman Golf
Tom Clancy's Rainbow Six: Broken Wing	Midnight Pool	Rayman Kart
Tom Clancy's Rainbow Six: Urban Crisis	Midnight Pool 3D	Reggie Bush Pro Football 2007
Rayman 3	Mystery Mansion Pinball	Vans Skate and Slam
Rayman Raving Rabbids	Naval Battle Mission Commander	Skate and Slam
Siberian Strike	New York Nights: Success in the City	Speed Devils
Siberian Strike, Ep2	Paris Hilton's Diamond Quest	Summer Volley
Special Crime Unit	Platinum Kakuro	Tennis Open 2007
Tom Clancy's Splinter Cell	Platinum Mahjong	
Tom Clancy's Splinter Cell: Chaos Theory	Platinum Solitaire	
Tom Clancy's Splinter Cell: Chaos Theory 3D	Platinum Sudoku	
Tom Clancy's Splinter Cell: Double Agent	Rayman Bowling	
Tom Clancy's Splinter Cell: Pandora Tomorrow	Sexy Blocks	
Tom Clancy's Splinter Cell: Pandora 3D	Sexy Poker 2004	
Tom Clancy's Ghost Recon: Jungle Storm	Sexy Poker 2005	
Tom Clancy's Rainbow Six 3	Sexy Poker 2006	
Tom Clancy's Rainbow Six: Lockdown	Sexy Poker Manga	
Tom Clancy's Rainbow Six: Vegas	Sexy Vegas	
Totally Spies	Spring Break: Cancun Goes Wild	
War of the Worlds	The OC	
XIII	Tropical Madness	

Source: Gameloft, March 2007

The games created by Gameloft were particularly well-received by consumers and market professionals alike, as evidenced by the many international awards won by the company:

- In 2006, the five leading websites – IGN, PocketGamer, AirGamer, MobileGamesFAQs and Play2Go – presented no less than 75 awards (Editor's Choice: Bronze-silver-gold award, etc.) to one of the 50 Gameloft games released during the year.
- Lumines® was chosen as best mobile game at E3 2006.
- Real Football 2006 was chosen as best game of 2006 in Korea by GMCA.

In addition, Gameloft games consistently receive the highest ratings from magazines and websites specializing in video games. Since 2002, the year in which the first Java games were released, the average rating received by the games in the trade press has always exceeded 80% (source: IGN / Pocket Gamer / MobileGamesFAQS / Play2Go).

- *Real Football 2007*: 8/10 and Silver Award from Pocket Gamer

- *Real Football 2006*: 9/10 from Pocket Gamer, 92% from MobileGame and 91% from Air Gamer
- *Might and Magic*: 9/10 from IGN, 4.5/5 from Wireless World and 9/10 from Gamespot
- *Prince of Persia: Warrior Within*: 4.5/5 from Wireless World, 9.2/10 from Gamespot and 9.6/10 from IGN
- *Splinter Cell: Pandora Tomorrow*: 10/10 from IGN
- *Tennis Open 2007*: 90% from Air Gamer, 4/5 from Modojo
- *Lost*: 9/10 from Play2Go and 80% from Air Gamer
- *Special Crime Unit*: 8/10 and Editor's Choice from IGN, 86% from Air Gamer and Bronze Award from Pocket Gamer
- *Tom Clancy's Rainbow Six: Vegas*: 91% from Air Gamer
- *Spring Break: Cancun Goes Wild*: 8/10 and Silver Award from Pocket Gamer
- *Desperate Housewives*: 86% and award from Air Gamer
- *Pro Golf 2007 Feat. Vijay Singh*: 88% and award from Air Gamer, 8/10 from Pocket Gamer
- *Brothers in Arms: Earned in Blood*: 9.5/10 from IGN
- *Brain Challenge*: 8.3/10 from IGN
- *Splinter Cell: Double Agent*: 9/10 from IGN
- *Air Strike 1944*: 9/10 & Gold Award from Play2Go and 90% from Air Gamer
- *The OC*: 91% and Gold Award from Mobile Games, 9/10 from Midlet Review
- *Diamond Rush*: 10/10 from Cell Freak, 90% and award from Air Gamer
- *Tropical Madness*: 9/10 and Gold Award from Play2Go, Bronze Award from Pocket Gamer
- Etc.

Overview of Gameloft's Java and Brew games

Bubble Bash™	Lost™
	
Asphalt 3: Street Rules™ 3D	Derek Jeter Pro Baseball 2006
	

Source: Gameloft, March 2007

3.3.1.2 A catalogue of strong licenses

The Gartner research firm estimates that there will be nearly 500 million mobile device players by the end of 2007, clearly positioning Gameloft in a mass market. The use of world-renowned licenses and trademarks is therefore crucial for gaining a foothold in today's mobile game market. Gameloft has entered into many license agreements since

January 2004 in an effort to enhance its mobile game catalogue and ensure its leadership in this field. For example, the company owns the exclusive rights to the following licenses for mobile game development:

- *Lost, Desperate Housewives, Heroes* and *The OC* are some of the most watched TV series in the world, with audience ratings consistently surpassing 20 million viewers in the US alone.
- *Deal or No Deal* and *1 vs. 100*: these two TV games produced by Endemol are among the biggest hits on television today.
- *Lumines* and *Meteos*: these games from Japan are two of the best-selling games in their genre on Nintendo DS and Sony PSP.
- *Shrek The Third*: produced by the DreamWorks Animations studios, *Shrek The Third* is one of the three most highly-anticipated films of 2007.
- *Mission Impossible 3*: Tom Cruise stars in one of the blockbusters of 2006 produced by Viacom.
- *King Kong*: the latest film by Peter Jackson (director of the Lord of the Rings trilogy) was released at Christmas 2005 and distributed by Universal.
- *War of the Worlds*: Steven Spielberg and Tom Cruise teamed up for this spectacular film, which was the blockbuster of the summer of 2005.
- *Open Season*: Sony Pictures Studios' first animation film had its worldwide release in the fall of 2006.
- *FIFPRO Foundation*: this license allows Gameloft to use all the official names of FIFA soccer players and teams.
- *Vijay Singh*: winner of 19 PGA Tour golf tournaments, Vijay Singh is ranked number 1 worldwide and has won the most tournaments on the PGA Tour.
- *Reggie Bush*: one of American football's greatest stars lends his image to Gameloft's latest production.
- *Derek Jeter*: considered one of the top baseball players, Derek Jeter has won four championship titles in his 10-year career. His talent on the field has earned him some of the most impressive team and individual awards (World Series and Rookie of the Year, 2004 Golden Glove Award and twice MVP - Most Valuable Player).
- *Steven Gerrard, Patrick Vieira* and *Carlos Puyol*: Gameloft's 2007 *Real Football* is based on the license for these three international soccer players who currently play for the top European teams.
- *Geoff Rowley*: voted skateboarder of the year in 2001, Geoff Rowley is regarded as one of the best skateboarders of his generation.
- *Totally Spies*: broadcast in nearly 200 countries on every continent, this series is scheduled on major channels which air it at strategic times for the target audience (Cartoon US, TF1, Jetix Europe, Pro7, Channel 4, Mediaset Rete Italia 4, ITV, Teletoon Canada, Nickelodeon Australia, TV Tokyo and so on).
- *Vans*: this trendy skateboarding and surfing clothing brand was created in the late 1970s in California. Vans is very well known among 10-24 year olds and is associated with Gameloft's latest skateboarding game under the Geoff Rowley license.
- *FHM (EMAP)*: The top-selling FHM magazine played a part in Gameloft's release of its *FHM Sexy Poker* game.
- *Ford, GM, Jaguar, Lotus, Lamborghini, Nissan, Audi, Aston Martin, TVR, Morgan Motors, Volkswagen*: all these automobile manufacturers are Gameloft partners for the *Asphalt: Urban GT* game, which was released in the fourth quarter of 2004 on Nokia's N-Gage and the Nintendo DS.
- *BMW, Daimler-Chrysler, Ducati, GM, Lamborghini, Nissan, Aston Martin, TVR, McLaren, Mercedes-Benz, Mitsubishi Motors, Triumph Designs, Volkswagen*: all these automobile manufacturers are Gameloft partners for the *Asphalt Urban GT 2* game, which was released in the fourth quarter of 2005 for portable telephones and the Nintendo DS.
- *BMW, Ducati, Ford, GM, Lamborghini, Nissan, Aston Martin, Kawasaki, Pagani, Ruf*: all these automobile manufacturers are Gameloft partners for the *Asphalt 3: Street Rules* game released in 2006.
- Etc.

Under the exclusive agreement made with Ubisoft at the time of Gameloft's creation, the company has had access since 2000 to world-renowned licenses that have made it one of the leaders in this market. The company has used the Ubisoft licenses since January 2004 to launch a number of products, including Tom Clancy's *Splinter Cell: Double Agent*, *Prince of Persia: Warrior Within*, Tom Clancy's *Rainbow Six: Lockdown*, *Rayman Raving Rabbids* and *Might and Magic*.

3.3.1.3 The most extensive distribution network in the industry

With more than 170 operators distributing its games in over 70 countries, Gameloft now has the most complete telecom distribution network in the mobile game sector. All major European, North and South American and Asian operators currently work with Gameloft. The company also now works with the four largest Japanese operators following the signing in March 2006 of a distribution agreement with NTT DoCoMo, Japan's leading operator. As a result, the

company now has a presence among all major telecom operators worldwide. The company will, however, continue to diversify its operator distribution network in 2007, mainly by targeting India, the Middle East and Africa.

Gameloft's telecom operator partners

<i>North America</i>		<i>Asia Pacific</i>	
United States	Verizon, Sprint, Cingular, Nextel, T-Mobile, US Cellular, Midwest Wireless, Boost, Alltel, Metro PCS, Cricket, Virgin, Disney Mobile, Heilo	Hong Kong	Hutchison, Sunday, Starhub, Peoples, Smartone, CSL
Canada	Rogers, Telus, Bell Mobility, Fido	China	China Mobile, China Unicom
<i>Europe</i>		Japan	KDDI, Vodafone, DoCoMo, Willcom
Germany	Vodafone, T-Mobile, E-Plus, O2	Malaysia	Maxis, Celcom
United Kingdom	Vodafone, T-Mobile, O2, Orange, H3G	Singapore	SingTel, M1, StarHub
France	Orange France, SFR, Bouygues Telecom	Philippines	Globe Telecom
Italy	TIM, Omnitel Vodafone, Wind, H3G	South Korea	SKT, KTF, LG Telecom
Spain	Telefonica, Vodafone, Amena	Thailand	Orange, Dtac, AIS
Netherlands	T-Mobile, O2, Vodafone, KPN	Australia	Vodafone, Optus, Telstra, H3G
Belgium	Mobistar, Proximus, Base	Indonesia	Indosat
Portugal	Optimus, TMN, Vodafone	New Zealand	Vodafone, Telecom NZ
Sweden	Telia, Vodafone, Tele2, H3G	<i>South America</i>	
Norway	Elisa, Sonera	Brazil	Vivo, Claro, Oi
Ireland	Vodafone, O2, H3G	Argentina	Movistar, CTI Movil
Luxembourg	Vodafone, VoxMobile	Guatemala	BellSouth
Austria	T-Mobile, Mobilkom, One, H3G	Venezuela	Telcom Movinet
Switzerland	Swisscom, Orange	Peru	BellSouth, Telefonica
Greece	Vodafone, Cosmote	Ecuador	Concel, BellSouth
Czech Republic	Eurotel, T-Mobile	Panama	BellSouth
Slovakia	Eurotel	Mexico	Telcel, USACell, Movistar
Hungary	T-Mobile, Vodafone, Pannon	Chile	BellSouth, Movitel
Poland	T-Mobile	Bolivia	Entel
Finland	Elisa, Telia	Colombia	BellSouth, Columbia Movil
Lithuania	Bité, Omnitel	Puerto Rico	Verizon, Centennial
Estonia	Radiolinja Eesti, Tele 2	Nicaragua	Bell South
Romania	Orange, Vodafone	<i>Rest of the world</i>	
Croatia	VIPnet, HT Mobile	Israel	Orange, Cellcom, Pelephone
Slovenia	SiMobil, Mobitel	Turkey	Turkcell
Serbia	Telekom Srbija	Egypt	Vodafone
Bulgaria	Mobitel	Reunion	Orange, SFR
Denmark	Telia	Dominican Republic	Orange, Codetel
Iceland	Iceland Telecom	Malta	Vodafone
Russia	MTS	Morocco	Meditel
Malta	Go Mobile	Caribbean	Orange
		Georgia	GeoCell, MagtiCom

		India	Airtel, Hutchinson
		UAE	Qanawat, Cellempower
		Jordan	MobileCom
		South Africa	MTN, Vodafone
		Algeria	Wataniya

Source: Gameloft

The company also continues to actively distribute its games through media companies, such as resellers of logos, music and ringtones for portable telephones. To date, Gameloft has set up a network of nearly 150 partners that sell its games via various types of media, including magazines, daily newspapers, websites, television, radio, etc.

3.3.2 Future outlook and recent developments

3.3.2.1 *The group's future outlook*

At the end of 2006, Gameloft had slightly more than 2,600 employees, up 36% compared with the end of 2005. With its current workforce, Gameloft is able to support the growing number of telephone models selected by operators and release between 60 and 80 new games each year. This production force – unparalleled in the mobile game sector – coupled with the quality of the company's creations should allow Gameloft to continue to increase its revenue in 2007 and acquire new market share.

As a result, Gameloft's revenue forecast for 2007 is 95 to 100 million euros. This new growth will be driven by the company's release of 60 to 80 new mobile games in 2007 and by recurring revenues generated by the thousands of versions of games placed online by Gameloft over the past several years.

The company is therefore better positioned than ever to become the number-one player in a market of four billion potential consumers by 2010 and for which it has invested heavily since 2002.

However, it should be noted that:

- Since Gameloft games are downloaded primarily onto Java and Brew telephones, the penetration rate of these phones will affect the success of Gameloft's offering in the mobile telephony market. Given that a very large proportion of portable telephones currently sold by manufacturers are Java- or Brew-enabled, the company forecasts strong growth in the installed base of telephones capable of downloading games.
- The strong growth in the downloadable games market should bring about more intense competition. Gameloft's ability to consolidate its current position among the market leaders will impact the growth of its business. Today, however, Gameloft has a significant edge over a number of its competitors. This is evidenced by the company's distribution network – the most far-reaching in the market –, one of the most popular and diversified game catalogues available, and the use of world-renowned licenses that are currently unparalleled in the mobile telephony market.

3.3.2.2 *Recent developments*

Publication of quarterly revenue from January 1, 2007 to March 31, 2007 (millions of euros)

First quarter	FY 2007	FY 2006	Growth
Revenue	22.7	14.8	+54%

Source: Gameloft

The better-than-expected growth in its business activity during the first three months of 2007 has prompted the company to fine-tune its 2007 revenue target. Gameloft now forecasts annual revenue of 95 to 100 million euros for 2007 (versus the previous estimate of 90 to 100 million euros), for annual growth of 39% to 46%.

3.3.3 Growth and investment strategy

Growth

The group's growth over the short term will be driven mainly by internal growth, with outside developers called upon to expand its game catalogue, as needed.

Growth by acquisition as a way of supplementing this internal growth is also planned and will be implemented based on opportunities and the market.

Investments

Breakdown of Gameloft's 2003-2006 investments (in € K)

Fiscal year	2004	2005	2006
Tangible investments	1,003	2,526	2,380
Intangible investments	49	112	3,059
Financial investments	184	590	469
TOTAL	1,236	3,228	5,908

Source: Gameloft

Tangible investments consist primarily of computer equipment and furniture (€ 2,041,000). The increase in these investments is linked to the significant growth in the company's staff. Intangible investments consist of purchases of licenses (€ 2,873,000) and computer software. Financial investments pertain to the creation of subsidiaries and guarantee deposits.

The company believes that the level of investment required over the next two fiscal years should even out to levels comparable to those of 2006. The amount of this investment, primarily in tangible assets, is expected to be as follows:

Gameloft's 2007/08 investments (in € K)

Fiscal year	2007e	2008e
Mobile games	5,000	5,000
TOTAL	5,000	5,000

Source: Gameloft

3.4 The group's management and organization

3.4.1 Central functions

Gameloft is organized into game development subsidiaries and marketing subsidiaries. The Gameloft Group's management, based in France, informs its subsidiaries of the strategic directions to follow and oversees their implementation.

The company is structured around three international departments:

- the Development department;
- the Publishing department;
- the Administrative department.

These three central departments are, in turn, overseen by Mr. Michel Guillemot, Gameloft's Chief Executive Officer.

The Board of Directors establishes the group's general policies and strategic choices. These policies and choices are then applied and put into practice by the group's management. Management informs the Board of Directors at regular intervals of the progress made in this regard.

3.4.2 Subsidiaries

In addition to the French-based parent company, which coordinates the business of the various subsidiaries and develops mobile phone games, the Gameloft Group has active subsidiaries in 16 different countries:

- Gameloft, Inc., a wholly-owned subsidiary based in Canada, is a mobile games development studio.
- Gameloft Srl, a 99%-owned subsidiary based in Romania, is a mobile games development studio.
- Gameloft EOOD, a wholly-owned subsidiary based in Bulgaria, is a mobile games development studio.
- Gameloft Software Beijing, a wholly-owned subsidiary based in China, is a mobile games development studio.
- Gameloft Software Shanghai, a wholly-owned subsidiary based in China, is a mobile games development studio.
- Gameloft Software Cheng Du, a wholly-owned subsidiary based in China, is a mobile games development studio.
- Gameloft Company Limited, a wholly-owned subsidiary based in Vietnam, is a mobile games development studio.
- Gameloft Rich Games Production France SARL, a 99.8%-owned subsidiary based in France, is a mobile games development studio.
- Gameloft Partnerships SAS, a wholly-owned subsidiary based in France, markets mobile games.
- Odyssée Interactive Games, a 99.90%-owned subsidiary based in France, is a mobile games development studio.
- Gameloft Software Private Limited, a 99.99%-owned subsidiary based in India, is a mobile games development studio.
- Gameloft S. de RL de C.V., a 99.95%-owned subsidiary based in Mexico, is a mobile games development studio.
- Gameloft Argentina S.A., a 94.75%-owned subsidiary based in Argentina, is a mobile games development studio.
- Gameloft, Inc., a 99.5%-owned subsidiary based in the United States, markets mobile games.
- Gameloft GmbH, a wholly-owned subsidiary based in Germany, markets mobile games.
- Gameloft Ltd., a 99.5%-owned subsidiary based in the United Kingdom, markets mobile games.
- Gameloft Iberica S.A., a wholly-owned subsidiary based in Spain, markets mobile games.
- Gameloft Srl, a 97.5%-owned subsidiary based in Italy, markets mobile games.
- Gameloft KK, a 99.9%-owned subsidiary based in Japan, markets and develops mobile games.
- Gameloft Company Limited, a wholly-owned subsidiary based in South Korea, markets and develops mobile games.

Each of the Gameloft Group's subsidiaries is a profit centre headed by a subsidiary manager who operates independently but comes under the authority of the three central departments.

Each subsidiary manager reports to the three central departments on a regular basis:

- A weekly report is sent to the Publishing and Production departments.
- A monthly financial analysis report is sent to the Administrative department.

3.4.3 The company's administrative and financial organization

The Administrative department's areas of responsibility include cash flow management, monitoring of accounting and management rules, legal affairs, identifying external growth investments, finance, and relations with the financial community and shareholders. It also coordinates the company's corporate policy. Each manager of a development or marketing subsidiary is a signatory on the subsidiary's bank account and manages independently its expenses and physical investments (limited for the most part to computer equipment). Every month, however, each subsidiary manager sends a detailed monthly income statement and a cash flow report to the Administrative department, which can then monitor very closely changes in income and expenses on a global scale. For cash fund management, management control and tracking of accounts payable and trade receivables, the company has installed an accounting software package which the Finance department uses to track changes in the various accounts on a daily basis.

3.4.4 Partnership agreements

Gameloft has signed numerous partnership agreements with all the major players in the telecom market. The company's partners include manufacturers such as Nokia, Motorola, Siemens, Samsung, Sony Ericsson, Sagem, LG, Alcatel, Mitsubishi, etc., and operators such as Orange, SFR, Bouygues Telecom, Vodafone, Verizon, Alltel, Sprint, Cingular, Nextel, O2, T-Mobile, Swisscom, Optimus, TIM, Wind, Telefonica, Amena, Omnitel, E-Plus, Sonera, Telstra, TMN, Oniway, Singtel, M1, StarHub, Sunday, Simobil, China Unicom, China Mobile, BellSouth, PT, Maxis, and so on.

3.4.5 Gameloft's strengths and weaknesses

The rapid growth and the size of the installed base of Java and Brew telephones represent a golden opportunity for the Gameloft Group.

The company also has very extensive expertise in the area of mobile phone games, as well as one of the best game catalogues in the market with nearly 130 games available on some 1,000 different models of telephones.

Gameloft's mobile phone games distribution network is the most far-reaching in the market and enables the company to sell its games in over 70 countries around the world.

The main risk for the group is the newness of the Java and Brew phone games market and the lack of visibility which this newness entails. Despite the excellent results posted by Gameloft since the launch of its downloadable game offering, it remains to be seen whether the mobile phone games market will become a mass market in the years to come.

Given the growth potential of the mobile phone games market, it is very likely that a number of major players in the traditional video games market will become Gameloft's competitors in the medium term. Publishers such as Activision and Sony have high-potential licenses and could pose serious competition for Gameloft.

3.5 Risk factors

3.5.1 Risk related to failure to implement the development plan

Gameloft forecasts a significant increase in sales and profits in the coming year. Failure to achieve this anticipated success within a certain time period could adversely affect the market value of Gameloft's shares. Moreover, because of its short history, the company has only limited experience and perspective in terms of foreseeing future trends that could have a negative impact on its activity.

3.5.2 Risk related to employee departures

The company's success is closely linked to its ability to maintain a relationship with its key employees. If, for whatever reason, they leave or become unavailable for an extended period, this could have an impact on the company.

The company's future success will also depend on its ability to attract, train, retain and motivate very technically skilled employees.

Losing one or more key employees or managers, or failing to attract new highly-skilled staff, could have a significant negative impact on the company's revenue, earnings and financial position.

3.5.3 Risk related to recruitment problems

The group's success hinges on such factors as the performance and training of its production teams. The development of new technology and the desire to produce more effective and innovative games require specific expertise. Gameloft could face challenges in terms of recruiting experienced individuals with specialized technical skills at its studios to ensure its growth.

The company is organized today in such a way as to minimize risk related to the departure or extended unavailability of key employees or managers. One measure aimed at reducing this risk is stock options plans.

3.5.4 Dependence on strategic partners and indirect sales networks

Gameloft operates in a market dominated by telephone manufacturers and telecom operators that partially control access to the end consumer. Gameloft's success depends on its ability to maintain a partnership with these companies.

3.5.5 Risk related to the termination of a licensing partnership

Each year, Gameloft signs various partnership contracts, often with prestigious partners such as those mentioned on page 38, which enable it to develop its game catalogue and increase its revenue. In this way, Gameloft benefits from its

partners' reputation to ensure that its games have excellent sales potential. The possible termination of certain partnerships for any reason – either at Gameloft's initiative or that of its partners – could have a negative impact on the company's future revenue and operating income, to the extent that this impact is not offset by other new licenses. Licenses represented 39% of all downloads in 2006.

3.5.6 General legal risks

Gameloft's game catalogue is protected by intellectual property rights. Gameloft's brands are protected through registrations in Europe and internationally (for France: the *Institut National de la Propriété Industrielle* in Paris; for Europe: the Office for Harmonization in the Internal Market; internationally: the World Intellectual Property Organization, and for the North American market, the US Patent and Trademark Office in Washington).

This catalogue's success, however, could lead to attempts at copying and piracy. To prevent this risk, the company must implement a permanent monitoring system and act quickly when illegal copies are placed online.

3.5.7 Risk related to the need for additional capital

For companies doing business in fast-growing markets, and in particular in the mobile phone games market, it is often impossible to make precise medium or long-term financial forecasts. Given the rapid changes brought about by competition, repositioning or strategic changes, Gameloft may need additional working capital.

The company believes that the growth of its activity could require it to turn to the financial markets. Since some shareholders would not take part in a share capital increase of this type, this could result in stock dilution.

3.5.8 Risk related to the nature of the positive statements about the future

This document contains certain positive statements about the future. These statements refer to future events or the company's future financial performance. They also refer to known and unknown risks, uncertainties and other factors that could lead to a discrepancy between the actual results of Gameloft or of the sector in which it operates in general and those explicitly or implicitly contained in these statements in terms of business volumes, performance and success. These statements are merely forecasts, and the actual results or data may prove to be different. Several elements, including the risks emphasized in the "risk factors" section, must be taken into consideration when assessing these statements. These factors may result in differences between Gameloft's actual results and any of the statements contained in this document.

Although Gameloft believes that the prospects expressed in these positive statements about the future are reasonable, it cannot guarantee the company's future earnings, business volumes, performance or success.

3.5.9 Risk related to growth management

The company's ability to manage its growth effectively will require it to implement, improve and make effective use of all its resources. Any significant growth in activity could subject the company, its managers and its teams to a great deal of pressure. In particular, the company must continue to develop its infrastructure and financial and operating procedures, replace or upgrade its information systems and recruit, train, motivate, manage and retain key employees. The management team's inability to manage growth effectively would have a significant negative impact on the company's revenue, earnings and financial position.

3.5.10 Foreign exchange risk

The group is exposed to foreign exchange risk on its operating cash flow and its investments in its foreign subsidiaries. The group relies mainly on natural hedges resulting from two-way transactions (i.e. development expenses in foreign currencies offset by royalties received from subsidiaries in the same currency).

3.5.11 Risk related to computer security

Despite the many integration systems implemented, Gameloft is not totally protected from computer abuse, intrusions, problems with network user identification, and so on. Changes in regulations, the implementation of new mobility solutions, the spread of viruses and increased use of the Internet are just a few reasons why global security solutions need to be put in place. Information is a strategic resource of considerable value, and must therefore be protected in an

appropriate manner. Information system security protects information from these threats to ensure business continuity. Security measures are aimed at guaranteeing the confidentiality, integrity and availability of information.

3.5.12 Risk related to changes in technology

Like all publishers, Gameloft is dependent on technological advances. However, Gameloft remains proficient in the necessary technologies and has the resources it needs to adapt to future technological changes.

3.6 *Exceptional events and lawsuits*

To the company's knowledge, there are no exceptional events, lawsuits or arbitration proceedings which are likely to have or have recently had a significant negative impact on the activity, earnings, financial position or assets of the company and its subsidiaries.

3.7 *Insurance*

The group carries professional civil liability insurance with worldwide coverage, except for the USA and Canada.

Each foreign subsidiary tailors and manages its local coverage based on its activity and each country's specific requirements.

Gameloft has signed a personal assistance contract for employees on business-related assignments in France and abroad. This contract covers all employees of French sites who require assistance and foreign repatriation. The group's activity in itself does not pose an exceptional risk with regard to work-related accidents.

The company does not have business interruption insurance.

3.8 *Commitments*

The company's management has made no firm commitments on future investments.

4 FINANCIAL INFORMATION REGARDING GAMELOFT

4.1 Consolidated financial statements at December 31, 2006

4.1.1 Consolidated balance sheet at December 31, 2006 (in € K) – 12-month fiscal year

ASSETS	Notes	Net	Net
		12-month fiscal year	12-month fiscal year
		12/31/06	12/31/05
Goodwill	I	-	927
Other intangible assets	II	2,816	1,555
Tangible assets *	III	3,551	2,688
Non-current financial assets	IV	963	672
Deferred tax assets	V	821	783
Non-current assets		8,151	6,625
Inventory and work in progress	VI	111	241
Advance payments made	VII	88	-
Trade receivables and related accounts	VIII	26,283	16,999
Financial assets **	IX	-	-
Other receivables and accruals	X	5,067	5,330
Cash and cash equivalents	XI	18,691	8,848
Current assets		50,240	31,418
Total Assets		58,391	38,042

* including assets under a financial lease: € 110,000

** including advances to affiliates not fully or proportionately consolidated at December 31, 2006: € 000

LIABILITIES	Notes	12-month fiscal year	12-month fiscal year
		12/31/06	12/31/05
Capital		3,538	3,443
Additional paid-in capital		58,592	55,389
Consolidated reserves		-40,939	-42,295
Other reserves		6,715	4,324
Consolidated profit		16,258	1,364
Shareholders' equity (group share)	XII	44,165	22,225
Minority interests	XIII	-	210
Total shareholders' equity		44,165	22,435
Provisions for contingencies and charges	XIV	11	11
Employee benefits	XV	46	33
Financial debts	XVI	118	5,108
Advance payments received		27	-
Deferred tax liabilities	XVII	834	807
Non-current liabilities		1,036	5,959
Provisions for contingencies and charges	XIV	30	43
Financial debts *	XVI	96	34
Trade payables and related accounts	XVIII	6,975	5,660
Tax and social security liabilities	XIX	5,385	3,837
Other debts	XIX	704	74
Current liabilities		13,190	9,648
Total Liabilities		58,391	38,042

* including advances received by affiliates not fully or proportionately consolidated at December 31, 2006: - € 000

4.1.2 Consolidated income statement at December 31, 2006 (in € K)

	Notes	12-month fiscal year 12/31/06	12-month fiscal year 12/31/05
Revenue	I	68,421	46,841
Other business-related income	II	566	131
Cost of sales	III	4,999	4,297
Research & Development costs	IV	41,207	26,425
Commercial expense	V	17,276	12,379
Overhead costs	VI	6,110	4,325
Change in inventory of finished products	VII	130	-150
Provisions	VIII	32	70
Other operating income and expenses		267	179
Operating income on ordinary activities		-500	-195
Other non-recurring income and expenses	IX	19,672	1,378
Operating income		19,172	1,183
Cash and cash equivalents income		333	147
Cost of gross financial debt		135	-443
Cost of net financial debt		199	591
Financial income		207	227
Financial expense		1,986	31
Net financial income/expense	X	-1,580	787
Tax expense	XI	1,297	529
Share in earnings of equity-accounted companies		-	-
Net profit before income from businesses discontinued or being sold		16,258	1,364
Income from businesses discontinued or being sold		-	-
Net profit:			
Of the consolidated group		16,258	1,364
Minority interests		37	77
Earnings per share		0.23	0.02
Diluted earnings per share		0.22	0.02

* including

- financial income from affiliates not fully or proportionately consolidated at December 31, 2006: € 000
- financial expenses related to affiliates not fully or proportionately consolidated at December 31, 2006: € 47,000

4.1.3 Consolidated cash flow statement at December 31, 2006 (in € K)

	12-month fiscal year	12-month fiscal year
	12/31/06	12/31/05
Cash flow from operating activities		
Net profit	16,258	1,364
Depreciation of tangible and intangible assets	3,229	904
Change in provisions	-27	-2,341
Change in deferred taxes	-2	-3
Income related to stock options and similar	3,029	2,475
Capital gains and losses	-20,349	170
Cash from operations	2,138	2,569
Change in inventories	130	-143
Change in trade receivables	-9,140	-12,099
Change in operating liabilities	2,640	4,719
Change in non-trade receivables	-	-
Change in non-operating liabilities	-	-
Total cash flow	-6,370	-7,523
Investment-related cash flow		
Purchases of intangible assets	-186	-112
Purchases of tangible assets	-2,171	-2,530
Purchases of financial assets	-	-
Purchases of other financial assets	-469	-590
Acquisition of advances on licenses	-2,174	-1,771
Sales of assets/Deconsolidation	21,561	32
Repayment of loans and other financial assets	153	56
Repayment of advances on licenses	204	583
Change in reporting entity: net assets	-1,003	241
Other cash flows	-	-
Total investment-related cash flows	15,916	-4,091
Cash flow from financing activities		
New long and medium-term loans	88	83
Repayment of loans	-54	-5
Share capital increase	95	88
Increase in issue premium	3,203	1,105
Change in shareholders' current accounts	-4,982	13,961
Other cash flows	-	-
Total cash flows from financing activities	-1,649	15,231
Impact of translation gains and losses	-217	186
Change in cash and cash equivalents	9,819	6,372
Net cash and cash equivalents at start of fiscal year	8,840	2,468
Net cash and cash equivalents at end of fiscal year	18,660	(1) 8,840

(1) including € 2,330,000 in short-term investment securities

4.1.4 Statement of changes in consolidated shareholders' equity

	Capital	Additional paid-in capital	Consolidated reserves and earnings	Reserves related to financial instruments	Consolidated reserves stock options	Other		Shareholder s' equity	Minority interests	Total shareholders' equity
						Translation gains and losses	Directly held stocks			
Position at December 31, 2003	47,765	40,597	-87,105		0	15	-	1,272	84	1,356
IFRS 2: Share-based payment			-355		355			0		0
IAS 38: Intangible assets			-37					-37		-37
IAS 21: Effect of changes in foreign exchange rates			-208			176		-32		-32
Other restatements			113			-8		105		105
Changes in accounting methods			-487	0	355	168		37	0	37
Position at January 1, 2004	47,765	40,597	-87,592	0	355	183		1,308	84	1,392
Change in capital of the consolidating company	-44,537	3,814	44,623					3,900		3,900
Consolidated fiscal year profit (Gameloft SA net profit: € 1,625,000)			282					282		282
Change in translation gains and losses	-	-	-			69		69		69
Other changes	-		162		1,036			1,198	49	1,247
Position at December 31, 2004	3,228	44,411	-42,525	0	1,391	252	-	6,757	133	6,890
Change in capital of the consolidating company	214	10,978						11,192		11,192
Consolidated fiscal year profit (Gameloft SA net profit: € 3,102,000)			1,364					1,364		1,364
Other changes	-		231		2,475	206		2,912	77	2,989
Position at December 31, 2005	3,443	55,389	-40,930	0	3,866	458	0	22,225	210	22,435
Change in capital of the consolidating company	95	3,203						3,298		3,298
Consolidated fiscal year profit (Gameloft SA net profit: € 23,395,000)			16,258					16,258		16,258
Other changes	-		-8		3,029	-638		2,383	-210	2,173
Position at December 31, 2006	3,538	58,592	-24,680	0	6,895	-180	0	44,165	-	44,165

4.2 Notes to the consolidated financial statements

The following notes and tables are presented in thousands of euros.

4.2.1 Highlights of the fiscal year

- Creation and acquisition:

A new company, Gameloft Partnerships, was created in France. Gameloft SA also acquired 99.90% of the shares of Odyssee Interactive Games from Jeuxvideo.com.

- Sale:

Jeuxvideo.com was sold to Hi Media for € 22.9 million. This income was recorded as non-recurring income and expenses on the income statement.

- Change in reporting entity:

On June 1, 2006, Jeuxvideo.com was removed from the scope of consolidation.

Gameloft Software Cheng Du was added to the scope of consolidation as of January 1, 2006 and Gameloft Partnerships was added at the time of its creation.

- Share capital increase:

Gameloft carried out a share capital increase through the exercise of stock options and start-up company stock purchase warrants in the amount of € 3,298,000, issue premiums included. The share capital is currently € 3,538,000.

4.2.2 Compliance statement

The company's financial statements for the fiscal year ended December 31, 2006 include the company and its subsidiaries.

The financial statements were approved by the Board of Directors on March 15, 2007.

In accordance with EU Regulation 1606/2002 of July 19, 2002, Gameloft's consolidated financial statements at December 31, 2006 were prepared in accordance with the accounting and valuation principles of the International Financial Reporting Standards (IFRS) applicable at December 31, 2006, as approved by the European Union.

4.2.3 Comparability of accounts

For FY 2006, the Gameloft Group made the decision to change the way in which its consolidated financial statements are presented.

The income statement is now presented by function according to three main functions:

- Research & Development costs (R&D): all expenses related to game development,
- Commercial expense (S&M): all costs related to mobile game distribution,
- Overhead costs: all expenses related to the administrative area.

Expenses not directly allocated to a particular category (depreciation, taxes, etc.) have been spread out among the various functions on a prorated basis.

Several restatements were made on the consolidated financial statements of December 31, 2005:

- subsidies received from the Canadian government (€ 2,405,000), which had originally been accounted for as other business income, were recognized as a deduction from personnel expenses;
- short-term investment securities have been included in cash and cash equivalents rather than under change in non-trade receivables on the cash flow statement.

At December 31, 2006, no pro forma financial statements had been presented following the deconsolidation of Jeuxvideo.com given its limited impact on the consolidated financial statements (the Internet business represented approximately 4% of the group's revenue).

To ensure comparability of the accounts, the income statement of December 31, 2005 was drawn up by function and audited.

4.2.4 Valuation methods and consolidation principles

The companies are fully consolidated when there is exclusive control resulting from the direct or indirect ownership by Gameloft S.A. of 50% of the consolidated companies' voting rights or at least 40% of the rights if no other shareholder has a higher percentage of control.

Any of the group's companies that are in the process of liquidation and do not contribute to its revenue or whose activity is insignificant are not part of the Gameloft Group's consolidation scope. The criteria for consolidation are roughly € 300,000 in sales and/or a minimum of five employees during the year.

All intra-group operations for all the group's companies have been eliminated according to the rules applicable to consolidation.

All significant transactions between the consolidated companies as well as unrealized inter-company earnings included in the fixed assets have been eliminated.

Moreover, certain rules specific to first-time adoption, as defined by IFRS 1, have been applied.

The options used are as follows:

- Fair value or revaluation used as presumed cost (IAS 16, 17, 38):

The group has not used the option to revalue tangible or intangible assets at fair value.

- Recognition of financial instruments ((IAS 32, 39):

The group opted to apply IAS 32 and 39 in advance of January 1, 2004; however, the impact on Gameloft's balance sheet was insignificant.

- Recognition of stock options (IFRS 2):

The group decided to apply the standard related to equity instruments issued after 11/07/02.

Earnings of companies that have become part of the consolidated group are consolidated as of each company's acquisition date or creation date. Liquidated companies and companies in the process of liquidation or whose revenue is insignificant are not included in the scope of consolidation.

4.2.4.1 Subsidiaries

A subsidiary is an entity controlled by Gameloft SA. Control exists when the company has the power to guide, either directly or indirectly, the entity's financial and operational policies in order to obtain benefits from its activities.

To assess control, potential voting rights that are currently exercisable or convertible are taken into account.

Subsidiaries' financial statements are included in the consolidated financial statements from the date on which control begins until the date on which it ends.

4.2.4.2 Estimates and judgment

Preparation of the consolidated financial statements requires that the group's management use judgment and make estimates and assumptions which have an impact on the application of the accounting methods and amounts stated in the financial statements.

These underlying estimates and assumptions are made and reviewed continuously based on past experience and other factors regarded as reasonable given the circumstances. Actual values may be different from estimated values.

4.2.4.3 *Transactions eliminated in the consolidated financial statements*

Balance sheet balances, unrealized gains and losses and income and expenses resulting from intra-group transactions are eliminated when the consolidated financial statements are prepared.

Unrealized gains resulting from transactions with affiliates and jointly-controlled entities are eliminated in proportion to the group's percentage of interest in the entity.

Unrealized losses are eliminated in the same manner as unrealized gains, but only to the extent that they do not represent an impairment.

4.2.4.4 *Goodwill*

Goodwill is the difference between the acquisition cost and the fair value of the assets, liabilities and contingent liabilities identified as of the date of acquisition.

Consolidated goodwill is not amortized, but annual impairment tests are performed at the end of each closing of accounts. The recoverable amount of goodwill is then estimated either on the basis of market value or value in use. Value in use is defined as the sum of discounted cash flows relative to the cash-generating units with which the goodwill is associated. When the market value or value in use is less than the book value, a provision for impairment is recorded and cannot be reversed.

The cash-generating units used to calculate the impairment tests correspond to the subsidiary in question.

Negative goodwill (which according to IFRS 3 is defined as follows: "excess of the acquirer's interest in the fair value of the assets, liabilities and contingent liabilities acquired relative to their cost") is recognized immediately in the income statement.

4.2.4.5 *Other intangible assets*

In accordance with IAS 38 "Intangible Assets", only those assets whose cost can be measured reliably and for which it is probable that future benefits exist are recognized as assets.

No borrowing costs were added to the costs of the assets.

Other intangible assets include trademarks, licenses and office software:

- Office software is amortized over a 12-month period according to the straight-line method.
- Licenses cover distribution and reproduction rights acquired from third-party publishers. The signing of license agreements results in the payment of guaranteed amounts. These amounts are recorded as advances and installments paid on a prorated basis for sales of products. If the sums have not yet been recognized in full, an off-balance sheet commitment is recorded for the unrecognized amounts. At the end of the fiscal year, the amount not yet amortized is compared to future sales forecasts. If these sales forecasts are insufficient, additional amortization is applied accordingly.

4.2.4.6 *Tangible assets*

Assets are shown on the balance sheet at their acquisition cost less cash discounts and any investment subsidies granted. Given the types of assets owned, no component separate from the principal assets has been identified.

No borrowing costs were added to the costs of the assets.

The depreciation calculated on the basis of rates consistent throughout the group is determined according to the following methods and useful life:

- Fixtures and facilities: 5 years (straight-line method)
- Transportation equipment: 5 years (straight-line method)
- Computer and telephony equipment: 2 and 3 years (straight-line and diminishing balance method)
- Furniture: 10 years (straight-line method)

4.2.4.7 *Assets acquired through direct financing leases*

Lease contracts that transfer nearly all risks and benefits inherent to ownership of the asset are considered direct financing leases.

Assets financed through direct financing leases are restated in the consolidated financial statements as if the company had acquired them directly and financed them through loans.

The amount recorded on the asset side is equal to the lower of the fair value of the leased asset or the present value of the minimum lease payments, less amortization cost and total impairment.

4.2.4.8 *Non-current financial assets*

- Equity holdings and long-term investments are recorded as “assets available for sale” since they are not held for the purpose of realizing short-term profits. These assets are shown on the balance sheet at their fair value. Changes in fair value are recorded under shareholders’ equity.

- Other financial market securities are valued at their historical cost, exclusive of incidental expenses.

- Deposits and guarantees are recorded under “Loans and receivables”. They are measured at the fair value of the consideration received and discounted if the impact is significant.

These are primarily current account advances granted to the group’s non-consolidated subsidiaries. A provision is set up for these advances if the subsidiary’s revalued net position, reduced to the percentage owned, becomes negative.

4.2.4.9 *Deferred tax and current tax*

Deferred taxes are recognized according to revised IAS 12.

Insofar as it is probable that a taxable profit will exist, a deferred tax asset is recorded for:

- deductible timing differences,
- the carry-forward of unused tax losses,
- the carry-forward of unused tax credits.

A deferred tax liability is recorded for taxable timing differences unless otherwise provided by revised IAS 12.

Timing differences are differences between the book value of an asset or liability on the balance sheet and its tax value.

Deferred taxes are measured at the used or partially used tax rate that is expected to be applied during the fiscal year in which the asset will be realized or the liability paid.

The impact of changes in the tax rates on previously recorded deferred taxes is recorded under shareholders’ equity.

Deferred taxes are shown on the balance sheet as separate items from current tax assets and liabilities and are recorded as current and non-current items.

Current tax is calculated on the net profit for the period at the rate in effect at the balance sheet date.

4.2.4.10 *Inventory*

In accordance with IAS 2, inventory is recorded at the cost of the goods and supplies or at the net realizable value, whichever is lower.

Inventory is valued using the FIFO method. The gross value of goods and supplies includes the purchase price and incidental expenses. Financial costs are excluded from inventory valuation in all cases.

A provision for depreciation is set up when the probable net realizable value is less than the book value. Any write-back of depreciation of inventory is recorded as a reduction of the inventory amount recorded as an expense during the fiscal year in which the write-back occurs.

4.2.4.11 *Trade receivables and related accounts*

Trade receivables and related accounts were measured at their fair value at the time they were recorded. Since receivables are due in less than one year, they are not discounted. Where applicable, a provision for depreciation is set up based on the expected collectibility of the receivables at year-end.

4.2.4.12 *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand, demand deposits and cash equivalents as defined by IAS 7: short-term investments, generally less than three months, that are readily convertible to an amount of cash and are not subject to significant risk of change in value. They are entered on the balance sheet at their fair value and changes are recorded under income/expense.

4.2.4.13 *Conversion of items expressed in foreign currencies*

Conversion to euros of items of French companies expressed in foreign currencies

Income and expenses from transactions in foreign currencies are recorded at their equivalent value as of the transaction date.

Assets and liabilities are generally converted at the closing rate, and exchange differentials resulting from this conversion are entered on the income statement.

Conversion to euros of the financial statements of foreign subsidiaries

Gameloft's foreign subsidiaries keep their books in local currency.

The foreign subsidiaries' financial statements are converted from their working currency to that of the consolidating company according to the closing rate method. This method consists in converting the assets and liabilities of the foreign subsidiaries, including goodwill and adjustments to fair value, at the exchange rate in effect at the close of the fiscal year, and income statement items at the rate close to the exchange rates on the transaction dates. Shareholders' equity is kept at the historical rate. Translation gains and losses are recorded under shareholders' equity.

4.2.4.14 *Provisions for contingencies and charges*

A provision is recorded when:

- the company has a present obligation (legal or constructive) resulting from a past event;
- it is probable that an outflow of resources representing economic benefits will be needed to settle the obligation;
- the amount of the obligation can be measured reliably.

If these conditions are not met, no provision is recorded.

At December 31, 2006, provisions for contingencies and charges included a provision to offset the risk of non-compliance with the period of non-transferability related to the stock options and a provision for charges associated with the liquidation costs of certain subsidiaries.

4.2.4.15 *Benefits granted to employees*

- Retirement commitments: in accordance with each country's laws and practices, Gameloft participates in retirement, social security and pension plans, the benefits of which depend on various factors, such as seniority, salaries and payments made to mandatory public plans.

These may be cost-based plans or benefit-based plans:

- For cost-based plans, the pension supplement is determined by the accumulated capital resulting from the contributions made by the employee and the company to external funds. Expenses refer to the contributions made during the fiscal year. The group has no subsequent obligation to its employees. For Gameloft, public pension plans or cost-based plans are generally used.

- For benefit-based schemes (or plans), the employee receives from the group a payment on retirement determined according to parameters such as age, length of employment and salary. Within the group, this is the practice applied in France.

Based on the way each plan works, an actuarial calculation has been used to measure the employer's future obligations. This method entails determining the value of each employee's probable and discounted future benefits at the time of his/her retirement. The assumptions made as of December 31, 2006 are as follows:

	France
Rate of growth in salaries	1 to 3%
Discount rate	2.00%
Retirement initiated by the employee	65 years

- Share-based payment: the benefit granted to employees at the time of issuance of stock options (value of the option as of the grant date) and start-up company stock purchase warrants constitutes additional compensation recorded as a payroll expense and spread out over the benefit vesting period.

For stock option and BSPCE plans, the accounting expense represents the valuation of the options as of the grant date of each plan. The fair value of the options therefore depends on the date on which they are vested. The recognition of this deferred compensation is spread out over the vesting period.

In accordance with IFRS 2, only plans issued after November 7, 2002 and for which vesting had not occurred on January 1, 2005 are measured and recorded as payroll expense. Prior plans are not measured and not recorded. A plan is accounted for by the recognition of a payroll expense as an offset to an increase in shareholders' equity.

4.2.4.16 *Trade payables and related accounts*

Trade payables and related accounts are valued at the amortized cost.

4.2.4.17 *Development costs*

Gameloft records development costs as expenses at the time they are incurred. Each year, the company develops and places on various operators' sites thousands of versions of its games covering the 500 different models of mobile telephones on the market and the 10 languages it supports. Given this extreme fragmentation and the more general nature of the sales-related information received from operators, Gameloft is not in a position to reliably calculate the development costs and residual value of each of these versions, which is one of the criteria of IAS 38 for capitalizing development costs. Since Gameloft does not meet all the capitalization criteria set out in IAS 38, the company will continue to record its development costs as expenses next year.

4.2.4.18 *Revenue*

According to IAS 18, revenue is the gross inflow of economic benefits during the fiscal year from a company's ordinary activities when said inflows result in an increase in shareholders' equity other than increases related to the participants' contributions to shareholders' equity.

In accordance with IAS 18, all revenue is measured at the fair value of the consideration received or receivable, net of rebates, discounts, reductions and cash discounts.

4.2.4.19 *Operating income before non-recurring operations and total operating income*

Operating income on ordinary activities is defined as the difference between all income and expenses not resulting from financial activities, equity-accounted companies, businesses discontinued or being sold, or taxes.
Total operating income includes operating income on ordinary activities and other operating income and expenses.
Other operating income and expenses are few in number and correspond to unusual, abnormal and infrequent events.

4.2.4.20 *Cost of financing and other financial income and expenses*

Net financial income/expense consists of the cost of net financial debt and other financial income and expenses.

The cost of net financial debt includes:

- cash and cash equivalents income, which includes income from sales of short-term investment securities and interest income;
- the cost of gross financial debt, which includes all interest expense on financing operations.

Other financial income and expenses include profit/loss on sales of non-consolidated shares, changes in fair value of financial instruments (assets, liabilities and derivatives), foreign exchange gains and losses and other financial income and expenses.

4.2.4.21 *Sector information*

In light of the group's organizational structure and the commercial links among the various subsidiaries, we proceed on the basis that the group operates in a single market in several geographic areas (Europe, North America and the rest of the world).

4.2.4.22 *Earnings per share*

The group calculates earnings per share using, on the one hand, net profit and, on the other hand, net profit of the consolidated group before taxes and minority interests.

* Earnings per share:

This is the ratio of net profit to the weighted average number of outstanding shares.

* Diluted earnings per share:

These earnings are calculated by dividing:

- net profit before dilution plus the after-tax amount of savings in financial costs resulting from the conversion of the diluting instruments;
- by the average weighted number of outstanding common shares, plus the number of shares that would be created as a result of the conversion of the convertible instruments into shares and the exercise of rights.

Net profit at December 31, 2006	€ 16,258,000
Dividends paid to shareholders:	€ 000
Financial costs related to bond issues net of tax:	€ 000
Restated net profit	€ 16,258,000

Number of outstanding shares at December 31, 2006:	70,756,584
Potential shares:	
BSPCE	1,430,941
Stock options	<u>980,548</u>
Average weighted number of shares after exercise of the rights attached to the diluting instruments	73,168,073

Diluted earnings per share at December 31, 2006 = € 0.22220

4.2.5 Scope of consolidation

4.2.5.1 Companies included in the Gameloft Group's consolidated financial statements at December 31, 2006

Company	Country	Acquisition/creation date	Activity - Sector	Consolidated company	Percentage of interest	Percentage of control	Method	Annual criteria used
Gameloft SA 429 338 130	France	1999	Mobile Distribution / Production	Yes	-	Parent company	Full Consolidation	
Gameloft Inc.	USA	2000	Mobile Distribution / Production	Yes	100.00%	100%	Full Consolidation	Revenue > € 300,000
Gameloft Inc. Divertissements	Canada	2000	Mobile Distribution / Production	Yes	100.00%	100%	Full Consolidation	Employees > 5 Revenue > € 300,000
Gameloft Ltd.	United Kingdom	2001	Mobile Distribution / Production	Yes	99.50%	100%	Full Consolidation	Revenue > € 300,000
Gameloft GMBH	Germany	2001	Mobile Distribution	Yes	100.00%	100%	Full Consolidation	Revenue > € 300,000
Gameloft Iberica SA	Spain	2001	Mobile Distribution / Production	Yes	100.00%	100%	Full Consolidation	Revenue > € 300,000
Gameloft SRL	Italy	2001	Mobile Distribution	Yes	99.74%	100%	Full Consolidation	Employees > 5 Revenue > € 300,000
Gameloft SRL	Romania	2001	Mobile Production / Distribution	Yes	99.00%	100%	Full Consolidation	Employees > 5 Revenue > € 300,000
Gameloft Software Beijing Ltd	China	2003	Mobile Production / Distribution	Yes	100.00%	100%	Full Consolidation	Employees > 5 Revenue > € 300,000
Gameloft Software Shanghai Ltd.	China	2004	Mobile Production	Yes	100.00%	100%	Full Consolidation	Employees > 5
Gameloft Rich Games Production France 450 415 237	France	2003	Mobile Production	Yes	99.80%	100%	Full Consolidation	Employees > 5
Gameloft EOOD Bulgaria	Bulgaria	2004	Mobile Production / Distribution	Yes	100.00%	100%	Full Consolidation	Employees > 5
Gameloft KK	Japan	2004	Mobile Production / Distribution	Yes	100.00%	100%	Full Consolidation	Revenue > € 300,000 Employees > 5
Gameloft Ltd. Vietnam	Vietnam	2004	Mobile Production	Yes	100.00%	100%	Full Consolidation	Employees > 5
Gameloft S. de R.L. de C.V.	Mexico	2005	Mobile Production / Distribution	Yes	99.85%	100%	Full Consolidation	Employees > 5
Odyssée Interactive Games 483 443 743	France	2005	Mobile Production	Yes	99.90%	100%	Full Consolidation	Employees > 5
Gameloft Private Ltd.	India	2005	Mobile Production / Distribution	Yes	99.00%	100%	Full Consolidation	Employees > 5
Gameloft Co. Ltd.	Korea	2005	Mobile Distribution / Production	Yes	100.00%	100%	Full Consolidation	Employees > 5
Gameloft Argentina	Argentina	2005	Mobile Production / Distribution	Yes	100.00%	100%	Full Consolidation	Employees > 5 Revenue > € 300,000
Gameloft Partnerships 488 934 506	France	2006	Mobile Distribution	Yes	100.00%	100%	Full Consolidation	Employees > 5
Gameloft Software Cheng Du	China	2006	Mobile Production	Yes	100.00%	100%	Full Consolidation	Employees > 5

The annual balance sheet date for consolidated companies is December 31.

Non-consolidated companies in which a majority interest is held are in the process of liquidation or do not meet the consolidation criteria.

The consolidation criteria in 2006 were € 300,000 in non-group revenue and/or a minimum of five employees.

4.2.5.2 Change in reporting entity

The consolidation scope used for fiscal year 2006 differs from that of the 2005 period as a result of certain consolidation criteria having been met and the sale of a subsidiary. Two of the group's subsidiaries met the criteria required for admission to the scope of consolidation and another was removed following its sale. Gameloft Software Cheng Du was added to the scope of consolidation as of January 1, 2006 and Gameloft Partnerships was added at the time of its creation. The Jeuxvideo.com subsidiary was removed on May 31, 2006 following its sale.

4.2.6 Notes to the balance sheet

I. GOODWILL

	Date of acquisition of shareholdings	At 12/31/05 Gross	Increases	Decreases	Change in reporting entity	At 12/31/06 Gross
Jeuxvideo.com	04/28/2000	927			- 927	0
TOTAL		927	-	-	- 927	0

On December 31, 2006, Jeuxvideo.com was removed from the scope of consolidation.

II. OTHER INTANGIBLE ASSETS

Other intangible assets at December 31, 2006 were as follows:

Assets	At 12/31/05 Gross	Increases	Decreases	Change in reporting entity	Exchange differential	At 12/31/06 Gross
Software	168	186	12	- 8	- 2	332
Advance payments on licenses	1,486	2,873	205	-	- 25	4,129
TOTAL	1,654	3,059	217	- 8	- 27	4,461

Amortization	At 12/31/05 Cumulative	Increases	Decreases	Change in reporting entity	Exchange differential	At 12/31/06 Cumulative
Software	99	130	10		34	253
Advance payments on licenses	-	1,390			2	1,392
TOTAL	99	1,520	10	-	36	1,645

Advance payments on licenses pertain to license agreements signed with various automobile manufacturers, top-ranked athletes such as Reggie Bush (American football player), Lleyton Hewitt, Olivier Kahn, Djibril Cissé, Shevshenko, FIFPRO (International Federation of Professional Footballers) and so on.

Over the fiscal year, new license agreements were signed with Paris Hilton, Q Entertainment, Viacom for the film Mission: Impossible 3, TV series and games such as Lost, Desperate Housewives, Deal or No Deal, and others.

The increase in amortization on advance payments on licenses was the result of royalties prorated based on sales of the various licensed products or amortized on a straight-line basis according to the term of the agreements for flat fees. In light of the weak sales outlook for certain games, additional depreciation in the amount of € 51,000 was recorded at December 31, 2006.

At December 31, 2006, no impairment test had been performed given the lack of indicators of impairment on the other intangible assets.

III. TANGIBLE ASSETS

Tangible assets are as follows:

Assets	At 12/31/05 Cumulative	Increases	Decreases	Change in reporting entity	Exchange differential	At 12/31/06 Cumulative
Plant and equipment	825	336	75	108	-181	1,012
Transportation equipment	6	3	6		-1	2
Computer equipment and furniture	3,186	2,005	183	170	90	5,268
Leased computer equipment	83	36			-9	110
Construction work in progress	1	116	117			-
TOTAL	4,101	2,496	381	278	-101	6,393

The increase in tangible assets was due to:

- the addition to the scope of consolidation of the Chinese company, a mobile game production subsidiary;
- the expansion of the other production studios;
- the purchases of portable telephones used for game creation and capitalized as a result of the increase in the length and number of developments.

The reductions in computer equipment stemmed from the sale of equipment at Gameloft Divertissements Inc. and Gameloft SA, and from the disposal of equipment at Gameloft SA.

Reductions in general facilities mainly explain the disposal at Gameloft Srl Romania and Gameloft SA resulting from the relocation in 2006.

The change in reporting entity pertains to Gameloft Software Cheng Du, Gameloft Partnerships and Jeuxvideo.com.

Depreciation	At 12/31/05 Cumulative	Increases	Decreases	Change in reporting entity	Exchange differential	At 12/31/06 Cumulative
Plant and equipment	181	182	40	4	-61	266
Transportation equipment	1	-	1			-
Computer equipment and furniture	1,220	1,139	151	24	294	2,526
Leased computer equipment	12	30			8	50
TOTAL	1,414	1,351	192	28	241	2,842

IV. NON-CURRENT FINANCIAL ASSETS

Assets	At 12/31/05 Cumulative	Increases	Decreases	Change in reporting entity	Exchange differential	At 12/31/06 Cumulative
Non-consolidated companies (gross values)	113					113
Deposits and guarantees	672	469	153	1	-26	963
TOTAL	785	469	153	1	- 26	1,076

The increases in deposits and guarantees mainly concern Gameloft Co. Ltd. (€ 174,000), Gameloft SA (€ 158,000), Gameloft Divertissements Inc. (€ 42,000), Gameloft EOOD Bulgaria (€33,000) and Gameloft Ltd. (€ 30,000).

The decreases pertain mainly to Gameloft SA (€ 21,000), Gameloft Srl Romania (€ 42,000), Gameloft Divertissements Inc. (€ 23,000), Gameloft KK (€ 17,000), Gameloft Inc. (€ 16,000) and Gameloft Software Beijing (€ 12,000).

Provisions	At 12/31/05 Cumulative	Increases	Decreases	Change in reporting entity	At 12/31/06 Cumulative
Non-consolidated companies	113				113
TOTAL	113	-	-	-	113

Percentage of ownership of non-consolidated companies:

Company	Acquisition cost of shares in € K	Percentage of ownership	Shareholders' equity in foreign currencies	Net profit in foreign currencies	Net book value in € K
Gameloft.com S.A. (Spain)	60	100.00%	456	-	0
Gameloft.com Ltda (Brazil)*	53	99.00%	34,424	-	0
* Amounts in foreign currencies	113				0

Companies in which the group has no significant influence are not included in the scope of consolidation. The other companies are excluded from the scope of consolidation either because they are in the process of liquidation or because they do not meet the conditions for inclusion in the group's scope of consolidation (threshold: annual non-group revenue > € 300,000 and/or minimum of five employees).

V. DEFERRED TAX ASSETS

	12/31/06	12/31/05
Capitalized losses	905	779
Timing differences	- 84	4
TOTAL	821	783

Deferred tax assets are recorded if they are likely to be recovered, in particular if taxable income is expected during the period in which the deferred tax assets are valid.

Timing differences mainly concern provisions for accrued expenses and deferred depreciation.

The expiration periods of the tax losses are as follows:

- 10 years: € 12,000
- 7 years: € 300,000
- 5 years: € 593,000

Capitalized/non-capitalized losses:

	12/31/06		12/31/05
In € K	capitalized losses	non-capitalized losses	capitalized losses
Gameloft Divertissements Inc.	300		694
Gameloft KK			29
Gameloft Co. Ltd.	86		12
Gameloft Argentina	324		31
Gameloft S de RL de CV	12		13
Gameloft SRL Romania	182		
Gameloft Srl Italy	1		
Gameloft SA		12,482	-
Gameloft Rich Games Production France		5	-
Gameloft Partnerships		12	-
Gameloft GMBH		541	-
TOTAL	905	13,040	779

VI. INVENTORY

Description	At 12/31/05	Gross value	Provision	At 12/31/06
Asphalt Nintendo DS cartridges	241	111	-	111
TOTAL	241	111	-	111

Asphalt Nintendo DS cartridges are sold worldwide.

The inventory has not been put up as collateral.

VII. ADVANCE PAYMENTS MADE

	At 12/31/05	Increase	Decrease	At 12/31/06
Advance payments made	-	88	-	88
TOTAL	-	88	-	88

VIII. TRADE RECEIVABLES AND RELATED ACCOUNTS

At 12/31/06	Gross	Provision	Net	At 12/31/05
Trade receivables and related accounts	26,324	41	26,283	16,999
Total	26,324	41	26,283	16,999

The increase in trade receivables is linked to the growth in activity throughout 2006.

The average term of payment of the Gameloft Group's customers is 90 days.

All trade receivables are due in less than one year and the impact of discounting is not significant and not recorded.

IX. CURRENT FINANCIAL ASSETS

Assets	At 12/31/05 Cumulative	Increases	Decreases	Change in reporting entity	Exchange differential	At 12/31/06 Cumulative
Current account advances	0					0
TOTAL	0	-	-	-	-	0

In FY 2006, no advances were made to non-consolidated subsidiaries.

X. OTHER RECEIVABLES AND ACCRUALS

Other receivables are as follows:

	Gross value	Provision	Net at 12/31/06	12/31/05
VAT	1,148	-	1,148	979
Other tax and social security claims (2)	2,832	-	2,832	2,628
Credit notes from suppliers	377	-	377	69
Receivables from suppliers	75	-	75	23
Other	43	7	36	1,042
Pre-paid expenses	475	-	475	589
Called-up share capital (issue premium included)	124	-	124	-
TOTAL	5,074	7	5,067	5,330

All other receivables are payable within a period of less than one year.

(2) Of which tax claims = € 2,811,000, due mainly to the tax credit related to the operating subsidies of Gameloft Canada.

Social security claims = € 21,000

The receivable related to called-up share capital stems from the exercise of BSPCE and stock options at December 31, 2006 and includes capital and issue premium.

XI. CASH AND CASH EQUIVALENTS

The "cash assets" item includes bank account balances totaling € 11,573,000 at December 31, 2006 compared with € 6,354,000 at December 31, 2005.

Short-term investment securities consist of the following:

Description	Name	Number	12/31/06			12/31/05
			Gross value € K	Fair value € K	Capital gain/loss € K	Net value € K
Mutual	Negotiable CD	1	7,000	7,119	119	2,002

fund					
Unit trust	CAM – Capital Institution Cash	-	-	-	492
TOTAL		7,000	7,119	119	2,494

The change in net cash breaks down as follows:

Cash detail	12/31/06	12/31/05
Cash on hand	11,573	6,354
Short-term investment securities	7,119	2,494
Foreign currency advances	-	-
Bank overdrafts and short-term credit	-43	-8
TOTAL	18,649	8,840

XII. SHAREHOLDERS' EQUITY

Capital

At December 31, 2006, Gameloft S.A.'s share capital consisted of 70,756,584 shares, each with a par value of 0.05 euros, for a total of 3,537,829.20 euros.

Gameloft carried out share capital increases through the exercise of stock options and start-up company stock purchase warrants that were due to expire on October 25, 2005 (€ 58,000), as well as those due to expire on March 21, 2006 (€ 686,000), on March 31, 2006 (€ 1,412,000), issue premiums included, and on September 15, 2006 (€ 1,142,000).

Number of Gameloft S.A. shares

	Par value €	Number of shares	Amount in € K
At 09/01/00	0.7622	23,994,925	18,289
Offsetting of claims	0.7622	2,458,125	1,874
At 08/31/01	0.7622	26,453,050	20,164
Reserved share capital increase of 12/07/01	0.7622	18,563,502	14,150
Capital reduction with transition to euro			-101
Takeover merger of Ludigames on 03/29/02	0.76	17,832,213	13,552
At 12/31/02	0.76	62,848,765	47,765
No operation over the period			-
At 12/31/03	0.76	62,848,765	47,765
Reduction of par value	0.05	62,848,765	3,142
Offsetting of claims 11/17/04	0.05	1,718,058	86
At 12/31/04	0.05	64,566,823	3,228
Offsetting of claims 06/28/05	0.05	2,623,296	131
Reserved share capital increase of 10/25/05	0.05	1,660,197	83
At 12/31/05	0.05	68,850,316	3,443
Reserved share capital increase of 10/25/05	0.05	116,477	6
Reserved share capital increase of 03/21/06	0.05	548,744	27
Reserved share capital increase of 03/31/06	0.05	588,397	29
Reserved share capital increase of 09/15/06	0.05	652,650	33
At 12/31/06	0.05	70,756,584	3,538

Stock options and BSPCE

The conditions under which stock options and BSPCE may be exercised are as follows:

Date of Board of Directors' meeting	10/25/02	Balance at 12/31/05	Balance at 12/31/06
Number of shares eligible for subscription:	774,674	217,377	-
Number of shares cancelled:			
Number of people concerned:	35		
including managers	0		
Start of exercise	10/25/2005	10/25/2005	10/25/2005
End of exercise	10/25/2007	10/25/2007	10/25/2007
Subscription price	0.5 euros	0.5 euros	0.5 euros

Date of Board of Directors' meeting	03/21/03	Balance at 12/31/06
Number of shares eligible for subscription:	714,000	164,256
Number of shares cancelled:		161,000
Number of people concerned: including managers	39 0	
Start of exercise	03/21/2006	03/21/2006
End of exercise	03/21/2008	03/21/2008
Subscription price	1.25 euros	1.25 euros

Date of Board of Directors' meeting	09/15/03	Balance at 12/31/06
Number of shares eligible for subscription:	1,544,500	849,000
Number of shares cancelled:		348,500
Number of people concerned: including managers	96 0	
Start of exercise	09/15/2006	09/15/2006
End of exercise	09/15/2008	09/15/2008
Subscription price	1.75 euros	1.75 euros

Date of Board of Directors' meeting	12/03/04	Balance at 12/31/06
Number of shares eligible for subscription:	1,585,800	960,850
Number of shares cancelled:		357,000
Number of people concerned: including managers	91 0	
Start of exercise	03/31/2006	03/31/2006
End of exercise	12/03/2009	12/03/2009
Subscription price	2.40 euros	2.40 euros

Date of Board of Directors' meeting	01/11/06	Balance at 12/31/06
Number of shares eligible for subscription:	2,790,300	2,716,200
Number of shares cancelled:		74,100
Number of people concerned: including managers	101 5	
Start of exercise	01/11/2008	01/11/2008
End of exercise	01/11/2012	01/11/2012
Subscription price	5.35 euros	5.35 euros

Date of Board of Directors' meeting	01/11/06	Balance at 12/31/06
Number of shares eligible for subscription:	612,000	468,000
Number of shares cancelled:		144,000
Number of people concerned: including managers	33 0	
Start of exercise	01/11/2008	01/11/2008
End of exercise	01/11/2012	01/11/2012
Subscription price	5.61 euros	5.61 euros

Date of Board of Directors' meeting	06/07/06	Balance at 12/31/06
Number of shares eligible for subscription:	40,200	40,200
Number of shares cancelled:	-	-
Number of people concerned: including managers	2 0	2 0
Start of exercise	06/07/2010	06/07/2010
End of exercise	06/07/2012	06/07/2012
Subscription price	5.37 euros	5.37 euros

Date of Board of Directors' meeting	10/25/02	Balance at 12/31/05	Balance at 12/31/06
Number of BSPCE allotted:	1,271,000	168,100	25,000
Number of shares cancelled:			92,000
Number of people concerned: including managers	28 0		
Start of exercise	10/25/2005	10/25/2005	10/25/2005
End of exercise	10/25/2007	10/25/2007	10/25/2007
Subscription price	0.50 euros	0.50 euros	0.50 euros

Date of Board of Directors' meeting	03/21/03	Balance at 12/31/06
Number of BSPCE allotted:	220,000	-
Number of shares cancelled:		60,000
Number of people concerned: including managers	9 0	
Start of exercise	03/21/2006	03/21/2006
End of exercise	03/21/2008	03/21/2008
Subscription price	1.25 euros	1.25 euros

Date of Board of Directors' meeting	09/15/03	Balance at 12/31/06
Number of BSPCE allotted:	1,422,500	1,064,850
Number of shares cancelled:		52,000
Number of people concerned: including managers	36 0	36 0
Start of exercise	09/15/2006	09/15/2006
End of exercise	09/15/2008	09/15/2008
Subscription price	1.75 euros	1.75 euros

Date of Board of Directors' meeting	12/03/04	Balance at 12/31/06
Number of BSPCE allotted:	1,486,500	1,126,253
Number of shares cancelled:		39,800
Number of people concerned: including managers	32 0	
Start of exercise	03/31/2006	03/31/2006
End of exercise	12/03/2009	12/03/2009
Subscription price	2.40 euros	2.40 euros

In total, at December 31, 2006, a maximum of 7,414,609 shares may be created through the exercise of stock options and BSPCE.

XIII. Minority interests

	At 12/31/05	Increases	Decreases	Change in reporting entity	At 12/31/06
Jeuxvideo	210	-	-	- 210	0
TOTAL	210	-	-	- 210	0

Gameloft S.A. sold its 88% share of the capital of Jeuxvideo.com to Hi-Media on May 31, 2006.

XIV. PROVISIONS FOR CONTINGENCIES AND CHARGES

Non-current liabilities:

	At 12/31/05	Allocations for the year	Write-backs for the year	At 12/31/06
			Amount used during the year	Amount not used during the year
Provisions for contingencies and charges				
For other risks	-			-
For charges	11			11
Total	11	-	-	11

Current liabilities:

	At 12/31/05	Allocations for the year	Write-backs for the year	At 12/31/06
			Amount used during the year	Amount not used during the year
Provisions for contingencies and charges				

For other risks	43	5		18	30
For charges	-		-		-
Total	43	5	-	18	30

A provision to offset the potential risk of non-compliance with the period of non-transferability for exercise of the stock options related to the plan of 12/03/2004 was written back based on Gameloft SA's share price at December 31, 2006.

XV. EMPLOYEE BENEFITS

	At 12/31/05	Allocations	Write-backs	Exchange differential	Change in reporting entity	At 12/31/06
Provisions for retirement	33	15	-	-	- 2	46
TOTAL	33	15	-	-	- 2	46

The definition and rules for measuring and recording these benefits are described in note 5.3.13 "Accounting principles - Benefits granted to employees".

The provision for retirement indemnities was increased by € 15,000 during the year.

XVI. FINANCIAL DEBTS

Non-current financial debts are as follows:

	12/31/06	12/31/05
Loans	-	-
Bank overdrafts	-	-
Loans resulting from restatement of financial leases	44	52
Partners' current accounts	74	5,056
Financial debts	118	5,108

Bank overdrafts are used to fund occasional cash flow shortages.

Current financial debts are as follows:

	12/31/06	12/31/05
Loans	-	-
Bank overdrafts	32	8
Loans resulting from restatement of financial leases	64	26
Partners' current accounts	-	-
Financial debts	96	34

	12/31/06	12/31/05
Financial debts excluding government advances	118	5,108
Financial debts excluding government advances	96	34
Cash on hand	-11,573	-6,354
Short-term investment securities	-7,119	-2,494
Net financial debt	-18,478	-3,706

At the year-end closing of December 31, 2006, there was a net financial surplus of € 18,478,000 versus € 3,706,000 at December 31, 2005.

All financial debts are based on a fixed rate.

The breakdown of financial debts by currency is as follows:

	12/31/06	12/31/05
Euros	106	5,064

Canadian dollars	108	78
Financial debts	214	5,142

XVII. DEFERRED TAX LIABILITIES

	12/31/06	12/31/05
Subsidies to be received	834	807
TOTAL	834	807

Our Canadian subsidiary receives multimedia credits. As these credits are taxable in the year in which they are received but recorded on a fiscal year basis, the company must recognize a future tax liability for this item.

XVIII. TRADE PAYABLES AND RELATED ACCOUNTS

	12/31/06	12/31/05
Trade payables	6,747	5,639
Trade payables on assets	228	21
Total	6,975	5,660

The average period for paying our suppliers is 60 days.

XIX. TAX AND SOCIAL SECURITY LIABILITIES AND OTHER DEBTS

Other debts are as follows:

	12/31/06	12/31/05
Amounts owed to customers	87	30
Social security liabilities	2,431	1,945
Tax liabilities	2,954	1,892
Other debts	153	43
Unearned income	464	1
TOTAL	6,089	3,911

Tax liabilities pertain mainly to Gameloft Inc. (€ 784,000), Gameloft Ltd. (€ 316,000), Gameloft Rich Games Production France (€ 225,000), Gameloft SA (€ 473,000), Gameloft Software Beijing (€ 262,000), Gameloft Iberica (€ 208,000), Gameloft S de RL (€ 164,000), Gameloft EOOD Bulgaria (€ 100,000), Gameloft Inc. Divertissements (€ 52,000) and Gameloft GMBH (€ 132,000).

Social security liabilities mainly concern Gameloft SA (€ 700,000), Gameloft Inc. Divertissements (€ 480,000), Gameloft SRL Romania (€ 278,000), Gameloft Rich Games Production France (€ 253,000), Odyssee Interactive Games (€ 95,000), Gameloft Software Beijing (€ 87,000), Gameloft Partnerships (€ 78,000) and Gameloft Software Shanghai (€ 83,000).

Unearned income is income related to the relocation of Gameloft SA, which is spread out over the lease term (nine years), as well as co-marketing income earned in 2007.

4.2.7 Notes to the income statement

Net income on ordinary activities includes all ordinary activities carried out by Gameloft as part of its business, as well as any related activities undertaken by it which are incidental to or in line with its ordinary activities.

I. REVENUE

The breakdown of revenue by geographic area is as follows:

	12-month fiscal year		12-month fiscal year	
	12/31/06		12/31/05	
	€ K	%	€ K	%
Europe	29,293	43%	26,752	57%
North America	27,830	41%	13,779	29%
Rest of the world	11,298	16%	6,310	13%
Total	68,421	100%	46,841	100%

The breakdown of revenue by activity is as follows:

	12-month fiscal year		12-month fiscal year	
	12/31/06		12/31/05	
	€ K	%	€ K	%
Internet	966	1%	2,027	4%
Mobile	67,455	99%	44,814	96%
Total	68,421	100%	46,841	100%

The mobile phone games activity represents the company's core business and holds the greatest potential for growth in the group's revenue.

The Internet business was sold with the sale of Jeuxvideo.com on May 31, 2006.

II. OTHER BUSINESS-RELATED INCOME

Other operating income is as follows:

	12/31/06	12/31/05
Write-backs of provisions on liabilities	18	-
Transfer of charges	18	
	548	131
TOTAL	566	131

Transfers of charges mainly concern the re-invoicing of costs.

III. COST OF SALES EXCLUDING CHANGE IN INVENTORY OF FINISHED PRODUCTS

Cost of sales is as follows:

	12/31/06	12/31/05
Purchases of goods	465	2 080
Expenses related to cost of sales	1,057	726
Costs of royalties	3,477	1,491
TOTAL	4,999	4,297

Purchases of goods refer to purchases of game cartridges for *Asphalt: Urban GT* on Nintendo DS.

Expenses related to cost of sales represent all costs incurred on the sale of games based on the various download options.

Costs of royalties are related to the sale of licensed games.

IV. RESEARCH & DEVELOPMENT COSTS

Research and development costs are as follows:

	12/31/06	12/31/05
Purchases of studies, services and other supplies	785	798
Other external expenses	8,255	6,006
Employee compensation	26,814	16,718
Operating subsidy	-3,114	-2,196
Social security charges	6,180	3,806

Taxes	674	498
Depreciation of assets	1,613	795
TOTAL	41,207	26,425

Research and Development costs pertain to the mobile games development area.

At December 31, 2006, the R&D area had 2,305 employees.

R&D staff increased by 46% over the period.

The compensation and social security charges items doubled, mainly as a result of the creation of new production studios between December 31, 2005 and December 31, 2006 and the recognition of personnel expenses related to stock options and BSPCE. These expenses totaled € 1,476,000 in FY 2005 versus € 1,785,000 in FY 2006.

The Canadian subsidies are indexed on production-related salaries.

Depreciation increased following the purchase of a large amount of computer equipment at all the group's subsidiaries, as well as the renovation of several sites in 2005 and the increase in R&D staff between the two periods.

V. COMMERCIAL EXPENSE

Sales & Marketing costs are as follows:

	12/31/06	12/31/05
Purchases of studies, services and other supplies	-	248
Other external expenses	10,336	7,255
Employee compensation	5,615	3,978
Operating subsidy	-111	-67
Social security charges	1,245	857
Taxes	56	42
Depreciation of assets	135	66
TOTAL	17,276	12,379

Commercial expenses pertain to the mobile game distribution area (marketing, advertising, trade shows like E3, GSM, etc.).

At December 31, 2006, the S&M area had 192 employees.

Advertising, marketing and trade show expenses for the fiscal year totaled € 7,496,000 compared with € 4,410,000 over the same period.

Staff increased by 46% between the two periods, which impacted the compensation and social security charges items, as well as the recognition of personnel expenses related to stock options and BSPCE. These expenses totaled € 681,000 in FY 2005 versus € 731,000 in FY 2006.

Operating subsidies are multimedia credits granted by the Canadian government for certain types of functions, including the Sales & Marketing function.

Depreciation increased following the purchase of a large amount of computer equipment at all the group's subsidiaries, as well as the renovation of several sites in 2005 and the increase in S&M staff between the two periods.

VI. OVERHEAD COSTS

Administrative costs are as follows:

	12/31/06	12/31/05
Purchases of studies, services and other supplies	26	8
Other external expenses	2,192	1,667
Employee compensation	3,277	2,149
Operating subsidy	-200	-99
Social security charges	679	531
Taxes	40	26
Depreciation of assets	97	42
TOTAL	6,110	4,325

Overhead costs pertain to the administrative area.

At December 31, 2006, the administrative area had 138 employees.

The compensation and social security charges items nearly doubled, mainly as a result of the creation of new studios, which required the hiring of administrative employees to develop the structures more quickly between December 31, 2005 and December 31, 2006, the increase in the group's business volume and the recognition of personnel expenses related to stock options and BSPCE. These expenses totaled € 318,000 in FY 2005 compared with € 514,000 in FY 2006.

Operating subsidies are multimedia credits granted by the Canadian government for certain types of functions, including the administrative function.

Depreciation increased following the purchase of a large amount of computer equipment at all the group's subsidiaries, as well as the renovation of several sites in 2005 and the increase in administrative staff between the two periods.

VII. CHANGE IN INVENTORY OF FINISHED PRODUCTS

	12/31/06	12/31/05
Change in inventories: Asphalt DS	130	- 150
TOTAL	130	- 150

VIII. PROVISIONS

	12/31/06	12/31/05
Provisions	32	70
TOTAL	32	70

Provisions pertain to the recognition of a retirement commitment (€ 16,000), provisions for trade receivables (€ 5,000), provisions for other receivables (€ 7,000), and a provision for risk related to stock options (€ 4,000).

IX. NON-RECURRING INCOME AND EXPENSE

Non-recurring operations are as follows:

	12/31/06	12/31/05
Income from the sale of assets	20,349	- 170
Other non-recurring income	-	2,165
Other non-recurring expenses	677	617
TOTAL	19,672	1,378

Sale income refers to the sale of 88% of Jeuxvideo.com to Hi-Media on May 31, 2006 (€ 20,355,000) and expense related to sales of tangible assets (€ 6,000).

Other non-recurring expenses pertain to the payment of the rent allowance (€ 54,000), replenishment of Gameloft Srl Italy's shareholders' equity (€ 15,000), and the first-time consolidation of Gameloft Software Cheng Du (€ 608,000).

X. NET FINANCIAL INCOME/EXPENSE

Net financial income/expense breaks down as follows:

	12/31/06	12/31/05
Cost of net financial debt	199	591
<i>Cash and cash equivalents income</i>	332	58
<i>Income from the sale of cash equivalents</i>	1	89
<i>Interest on financing activities</i>	135	- 101
<i>Income from currency hedges on cash and cash</i>	-	544

<i>equivalents</i>		
Financial income	207	227
<i>Dividends</i>	-	-
<i>Foreign exchange gains</i>	178	31
<i>Other financial income</i>	29	197
Financial expense	1,986	31
<i>Foreign exchange losses</i>	1,986	2
<i>Other financial expenses</i>	-	29
TOTAL	- 1,580	787

The company has financial debts in euros and Canadian dollars.

The company had no interest rate or foreign currency hedge at December 31, 2006.

Income from the sale of cash equivalents pertains to sales of open-ended investment trusts (SICAV) held by Jeuxvideo.com.

Other financial income mainly concerns the recognition of the write-back of a provision for other securities held by Gameloft Srl Romania (€ 29,000).

The interest on financing activities item includes financial expenses related to payment of the Guillemot Brothers' current account advance (€ 47,000) and the financial expenses related to the short-term loan financed by BMO Bank in Canada to fund the occasional cash flow shortages of Gameloft Divertissements Inc. (€ 68,000).

XI. INCOME TAX

Income tax consists of the following:

	12/31/06	12/31/05
Current tax	1,669	623
Deferred tax	- 372	- 94
Total	1,297	529

- Current tax:

The tax was calculated for all companies reporting a profit based on the tax rates in effect in each country.

- Deferred tax:

	12/31/06	12/31/05
Deferred tax assets (see detail VI)	821	783
Deferred tax liabilities (see detail XVII)	834	807

Current tax consists primarily of corporate income tax on Jeuxvideo.com and Odyssée Interactive Games, which reported a profit, at a rate of 33.33% (€ 187,000), Gameloft Ltd. (€ 95,000), Gameloft Inc. (€ 796,000), Gameloft Divertissements Inc. (€ 307,000), and Gameloft Iberica (€ 131,000).

Given the large amount of tax losses at December 31, 2006, the company does not expect to pay a significant amount of tax in the coming fiscal year.

Tax reconciliation:

	12/31/06	12/31/05
Earnings before tax	17,555	2,288
Notional tax	5,852	774
Use of tax losses:		
Gameloft SA: 4,650 * 33.33%	- 1,550	- 213
Gameloft KK		- 36
Charge to LT capital losses: 9,020 * 33.33%	- 3,006	
Add-back:		
Jeuxvideo.com		4
OIGames	1	
Total	1,297	529

4.2.8 Sector information

In light of the group's organizational structure and the commercial links among the various subsidiaries, we proceed on the basis that the group operates in a single market in several geographic areas.

Breakdown of net profit by geographic area at December 31, 2006:

	Europe*	North America	Rest of the world	Total at 12/31/06
Revenue	29,293	27,830	11,298	68,421
Other business-related income	21	-	545	566
Cost of sales	4,403	329	267	4,999
Research & Development costs	10,079	10,942	20,186	41,207
Commercial expense	10,796	4,503	1,977	17,276
Overhead costs	2,823	1,723	1,564	6,110
Change in inventory of finished products	130	-	-	130
Provisions	32	-	-	32
Other operating income and expenses	36	8	223	267
Operating income on ordinary activities	1,087	10,341	-11,928	-500
Non-recurring expenses	20,280	-	-608	19,672
Operating income	21,367	10,341	-12,536	19,172
Cash and cash equivalents income	262	64	7	333
Cost of gross financial debt	55	68	11	134
Cost of net financial debt	207	-4	-4	199
Financial income	-154	180	181	207
Financial expense	1,024	710	252	1,986
Net financial income/expense	-971	-534	-75	-1,580
Tax expense	418	1,103	-224	1,297
Share in earnings of equity-accounted companies	-	-	-	-
Net profit before income from businesses discontinued or being sold	-	-	-	-
Income from businesses discontinued or being sold	-	-	-	-
Net profit:				
Of the consolidated group	19,941	8,704	-12,387	16,258
Minority interests	37	-	-	37

- within the meaning of the European Union

Breakdown of net assets by activity:

Assets	Intangible		Tangible		Financial		Total
	Amount	As %	Amount	As %	Amount	As %	Amount
Mobile	2,816	100.00%	3,551	100.00%	962	100.00%	7,329
TOTAL	2,816	100.00%	3,551	100.00%	962	100.00%	7,329

Geographic breakdown of assets (gross values):

Assets	Europe*		North America		Rest of the world		Total
	Amount	As %	Amount	As %	Amount	As %	Amount
Office software	41	12.35%	136	40.96%	155	46.69%	332
Advances	3,758	91.01%	371	8.99%	-	-%	4,129
General facilities	92	9.09%	473	46.74%	447	44.17%	1,012
Transportation equipment	-	-	-	-	2	100.00%	2
Computer equipment and furniture	1,357	25.76%	1,242	23.58%	2,669	50.66%	5,268
Assets in CB	-	-	110	100.00%	-	-	110
TOTAL	5,248	48.36%	2,332	21.49%	3,273	30.15%	10,853

- * within the meaning of the European Union

Geographic breakdown of fixed assets (net values):

Assets	Europe*		North America		Rest of the world		Total
	Amount	As %	Amount	As %	Amount	As %	Amount
Office software	10	5.10%	20	50.00%	48	44.90%	78
Advances	2,538	88.71%	200	11.14%	-	0.15%	2,738
General facilities	65	8.77%	300	43.02%	381	48.21%	746
Transportation equipment	-	-	-	-	2	100.00%	2
Computer equipment and furniture	754	9.62%	523	30.94%	1,465	59.44%	2,742
Assets in CB	-	-	60	100.00%	-	-	60
TOTAL	3,367	47.06%	1,103	26.71%	1,896	26.23%	6,366

* within the meaning of the European Union

Breakdown of consolidated assets (net value) by geographic area at December 31, 2006:

ASSETS	Europe*	North America	Rest of the world	Total at 12/31/06
Other intangible assets	3,799	507	155	4,461
- Amort. intangible assets	-1,251	-287	-107	-1,645
Tangible assets *	1,449	1,825	3,118	6,393
- Depr. tangible assets	-630	-942	-1,270	-2,842
Holdings in affiliates	113	-	-	113
- Provisions in affiliates	-113	-	-	-113
Non-current financial assets	203	90	669	963
Deferred tax assets	2	447	372	821
Non-current assets	3,573	1,640	2,938	8,151
Inventory and work in progress	111	-	-	111
Trade receivables and related accounts	15,101	8,753	2,469	26,324
- Provisions for trade receivables	-41	-	-	-41
Financial assets **	-	-	-	-
Other receivables and accruals	1,833	2,761	568	5,162
- Provisions for other receivables	-7	-	-	-7
Cash and cash equivalents	11,835	5,552	1,305	18,691
Current assets	28,832	17,066	4,342	50,240
Total Assets	32,405	18,706	7,280	58,391

• within the meaning of the European Union

Geographic breakdown of investments during the fiscal year (gross values):

Assets	Europe*		North America		Rest of the world		Total
	Amount	As %	Amount	As %	Amount	As %	Amount
Office software	17	4.65%	76	51.16%	95	44.19%	188
General facilities	68	35.16%	35	8.79%	277	56.04%	380
Transportation equipment	-	-	-	-	2	-	2
Computer equipment and furniture	866	15.28%	237	17.88%	1,177	66.84%	2,280
Assets in CB	-	-	36	100.00%	-	-	36
Other financial assets	203	-	52	-	219	-	474
TOTAL	1,154	100.00%	436	100.00%	1,770	100.00%	3,360

* within the meaning of the European Union

4.2.9 Additional information

1. Off-balance sheet commitments

Guarantees given: none

Collateral provided: none

Guarantees received: none

Off-balance sheet commitments:

* Gameloft SA has commitments toward certain licensors:

- USD 910,333 toward holders of trademarks and licenses used in some of the company's mobile games;
- € 81,500 toward holders of trademarks and licenses used in some of the company's mobile games;

* Gameloft SA has commitments toward some of the group's subsidiaries:

- Authorization of a first demand guarantee commitment in favor of Divertissement Canada Inc. under a framework lease agreement made between Gameloft Canada and Dell Financial Services Canada Ltd. in the amount of CAD 8,000,000, plus the interest and fees stipulated in the guarantee;
- Authorization of a bond agreement in favor of Gameloft Argentina SA, the company's subsidiary in Argentina, for the signing of a lease concerning the offices in Buenos Aires (Argentina) with Irsa Inversiones y Representaciones SA in the amount of USD 144,000.

Notes receivable discounted: none

Financial leases: none

Other commitments: the law of May 4, 2004 gives French employees an individual right to training. This new right entitles them, at their request but with the employer's approval, to take part in training courses.

Each year, based on the agreements applicable at companies, full-time employees acquire a right to 20 to 21 hours of training.

The rights acquired annually may be accumulated over a six-year period.

There are no other significant off-balance sheet commitments.

2. Compensation of senior executives

The total gross compensation paid to senior executives in 2006 by both the company and its subsidiaries was € 313,000.

No directors' fees were paid.

No advance or credit was extended to the group's senior executives pursuant to Article L. 225-43 of the French Commercial Code.

3. Events subsequent to year end

No other event is likely to have an impact on the financial statements.

4. Personnel

The workforce at December 31, 2006 breaks down as follows:

a) Breakdown by geographic area:

	08/31/00	08/31/01	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06
Europe	33	28	45	61	86	159	139
North America	91	30	15	53	247	370	335
Rest of the world	17		21	64	389	1,255	2,161
Total	141	58	81	178	722	1,784	2,635

b) Breakdown by department:

	08/31/00	08/31/01	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06
Administration	25	11	6	9	31	83	138
Sales and Marketing	45	12	14	23	39	108	192
Internet development	71	16	10	10	12	23	-
Interactive television development	0	19	-	-	-	-	-
Mobile phone development	-	-	51	136	640	1,570	2,305
Total	141	58	81	178	722	1,784	2,635

The sharp increase in personnel between December 31, 2004 and December 31, 2005 was due to both the company's rapid expansion and the addition of subsidiaries to the scope of consolidation. In FY 2006, the workforce increased by 47%; however, this growth resulted from the addition of new subsidiaries to the scope of consolidation and the expansion of the studios.

5. Items pertaining to affiliates

	12/31/06	12/31/05
Assets (in € K)		
Equity holdings	113	113
Trade receivables and related accounts	-	-
Prov. for trade receivables	-	-
Other receivables	-	-
Prov. for other receivables	-	-
Receivables from suppliers	-	-
Liabilities (in € K)		
Trade payables and related accounts	-	9
Financial debts	-	5,044
Net financial income/expense (n € K)		
Financial income	-	-
Financial expense	-	90

6. Market risk:

Interest rate risk: since Gameloft SA's debts are based on a fixed rate, its income is not impacted by rate variations.

Foreign exchange risk: Gameloft has not implemented a foreign exchange hedging strategy.

7. Non-consolidated subsidiaries

	COUNTRY	Currency	Capital	Reserves and retained earnings before allocation of profit	Share of capital held	Book value of shares held in thousands of euros		Loans and advances granted by the company and not yet repaid	Guarantees and security given by the company	Previous fiscal year pre-tax revenue	Previous fiscal year profit	Dividends collected
Detailed information on subsidiaries and equity holdings in non-consolidated companies whose value exceeds € 100,000												
SUBSIDIARIES CAPITAL HELD AT LEAST 50%			in foreign currency, thousands	in thousands of euros		gross	net	in thousands of euros		in thousands of euros	in thousands of euros	
Other subsidiaries						113	-	-				
EQUITY HOLDINGS CAPITAL HELD BETWEEN 10 AND 50%												
GRAND TOTAL						113	-	-				

4.2.10 Auditors' report on the consolidated financial statements

Pursuant to the mission entrusted to us by your General Meeting, we have audited the consolidated financial statements of Gameloft SA for the fiscal year ended December 31, 2006, as attached to this report.

The consolidated financial statements were approved by your Board of Directors. It is our task, on the basis of our audit, to express an opinion on these financial statements.

I - Opinion on the consolidated financial statements

We have conducted our audit in accordance with the accounting standards applicable in France. These standards require the use of due diligence to provide reasonable assurance that the consolidated financial statements do not contain any significant misstatements. An audit consists in examining, on a test basis, the evidence supporting the information contained in the financial statements. It also consists in assessing the accounting principles applied, the significant estimates used in preparing the financial statements and their overall presentation. We believe that our audit forms a reasonable basis for the opinion expressed below.

We certify that the consolidated financial statements for the fiscal year are, from the standpoint of IFRS standards as adopted in the European Union, true and in good order and fairly present the assets, financial position and profit of the group comprised of the consolidated companies.

II - Basis for the assessments

In accordance with Article L. 823-9 of the French Commercial Code related to the basis for our assessments, we wish to bring the following points to your attention:

- As part of our assessment of the accounting principles and methods, we examined, among other things, the conditions under which the licenses described in Note 5.4.5 are capitalized and the estimates of future sales justifying the reasonableness of the provisions.
- As indicated in Note 5.3, the company is presenting its income statement by function and not by type. As part of our audit, we verified that the allocations made are accurate and that the method used complies with IFRS standards.

Our assessments were made within the context of our audit of the year-end financial statements as a whole, and therefore provided a basis for the unqualified opinion expressed by us in the first part of this report.

III - Specific verification

We also verified the information provided in the report concerning the group's management. We have no comments regarding the fairness of the information and its consistency with the consolidated financial statements.

Rennes, May 29, 2007

The Auditors

AMLD AUDIT
André Métayer

MB AUDIT
Roland Travers

Auditors' fees for the audit of the 2002 financial statements:

Audit € K	Cabinet Métayer	%	Cabinet Travers	%
Audit of the accounts and certification of the year-end and consolidated financial statements	45.3		45.3	
Additional tasks	3.5		-	
Subtotal	48.8	100%	45.3	100%
Other services				
Legal, fiscal, social	-		-	
Subtotal	0	0%	0	0%
TOTAL	48.8	100%	45.3	100%

Auditors' fees for the audit of the 2003 financial statements:

Audit € K	Cabinet Métayer	%	Cabinet Travers	%
Audit of the accounts and certification of the year-end and consolidated financial statements	38.5		38.5	
Additional tasks	-		-	
Subtotal	38.5	100%	38.5	100%
Other services				
Legal, fiscal, social	-		-	
Subtotal	0	0%	0	0%
TOTAL	38.5	100%	38.5	100%

Auditors' fees for the audit of the 2004 financial statements:

Audit € K	Cabinet Métayer	%	Cabinet Travers	%
Audit of the accounts and certification of the year-end and consolidated financial statements	46.5		46.5	
Additional tasks	-		-	
Subtotal	46.5	100%	46.5	100%
Other services				
Legal, fiscal, social	-		-	
Subtotal	0	0%	0	0%
TOTAL	46.5	100%	46.5	100%

Auditors' fees for the audit of the 2005 financial statements:

Audit € K	Cabinet Métayer	%	Cabinet Travers	%
Audit of the accounts and certification of the year-end and consolidated financial statements	64.5		64.5	
Additional tasks	-		4	
Subtotal	64.5	100%	68.5	100%
Other services				
Legal, fiscal, social	-		-	
Subtotal	0	0%	0	0%
TOTAL	64.5	100%	68.5	100%

Auditors' fees for the audit of the 2006 financial statements:

Audit € K	Audit AMLD	%	MB Audit	%
Audit of the accounts and certification of the year-end and consolidated financial statements	75.0		75.0	
Additional tasks	2.6		-	
Subtotal	77.6	100%	75.0	100%
Other services				
Legal, fiscal, social	-		-	
Subtotal	0	0%	0	0%
TOTAL	77.6	100%	75.0	100%

4.3 Individual financial statements at December 31, 2006

4.3.1 Balance sheet at December 31, 2006 (in € K) (12-month fiscal year)

ASSETS		12/31/06	12/31/06	12/31/06	12/31/05
	Notes	Gross € K	Amort/dep € K	12-month fiscal year Net € K	12-month fiscal year Net € K
Intangible assets	I	5,616	3,079	2,537	1,148
Tangible assets	II	1,140	460	680	146
Financial assets	III	6,713	344	6,369	4,953
Long-term assets		13,469	3,883	9,586	6,247
Inventories of goods	IV	111	-	111	241
Advance payments made	V	4	-	4	7
Trade receivables and related accounts	VI	32,447	5	32,442	17,815
Other receivables	VII	8,591	91	8,500	2,641
Short-term investment securities	IX	7,119	-	7,119	2,002
Cash on hand	X	1,728	-	1,728	2,187
Current assets		50,000	96	49,904	24,893
Accruals	XI	588	-	588	148
Total Assets		64,057	3,979	60,078	31,288

LIABILITIES		12/31/06	12/31/05
	Notes	12-month fiscal year € K	12-month fiscal year € K
Capital		3,538	3,443
Additional paid-in capital		58,592	55,389
Reserves		-39,013	-42,116
Fiscal year profit		23,395	3,102
Shareholders' equity	XII	46,512	19,818
Provisions for contingencies and charges	XV	1,329	202
Misc. financial debts (1)	XVI	106	5,555
Trade payables and related accounts	XVII	10,021	4,321
Tax and social security liabilities	XVIII	1,173	1,178
Debts on assets	XIX	168	8
Other debts	XX	233	39
Total debts		11,701	11,101
Accruals	XXI	536	167
Total Liabilities		60,078	31,288
(1) including partners' current accounts		74	5,547

4.3.2 Income statement at December 31, 2006 (in € K)

	Notes	12-month fiscal year ended 12/31/06	12-month fiscal year ended 12/31/05
Sales of goods	I	660	3,383
Production for the year	I	47,241	32,203
Other operating income and transfers of charges	II	4,036	1,117
Total operating income		51,937	36,703
Purchases	III	35,104	24,554
Change in inventories	IV	130	-150
Other purchases and external charges	V	8,095	7,392
Taxes		304	238
Personnel expenses	VI	5,443	4,776
Other expenses		200	82
Depreciation and provisions	VII	1,517	233
Total operating expense		50,794	37,125
Operating profit		1,143	-422
Income from other securities and receivables from long-term assets (1)		-	-
Other interest and similar income (1)		260	75
Write-backs of provisions		15,296	2,021
Foreign exchange gains		200	754
Net income from sales of short-term investment securities		=	89
Total financial income		15,756	2,939
Provisions		1,493	471
Other interest and similar expenses (2)		436	104
Foreign exchange losses		540	451
Net expenses on sales of short-term investment securities		=	=
Total financial expense		2,469	1,026
Net financial income/expense	VIII	13,287	1,913
Profit from ordinary activities		14,430	1,491
Extraordinary profit	IX	8,964	1,630
Pre-tax income		23,395	3,121
Income tax	X	-	19
Net fiscal year profit		23,395	3,102
(1) including income related to affiliates:		14	39
(2) including expenses related to affiliates:		436	101

4.3.3 Cash flow statement at December 31, 2006 (in € K)

	12/31/2006	12/31/2005
	12-month fiscal year	12-month fiscal year
Cash flow from operating activities		
Net profit	23,395	3,102
Depreciation of tangible and intangible assets	1,487	102
Change in provisions	-13,756	-3,389
Capital gains and losses	-9,018	171
Cash from operations	2,108	-13
Change in inventory	130	-143
Change in trade receivables	-20,923	-10,215
Change in operating liabilities	5,558	1,337
Change in non-trade receivables	-	-
Change in non-operating liabilities	-	-
Total cash flow	-15,234	-9,021
Investment-related cash flow		
Purchases of intangible assets	-6	-9
Acquisition of advances on intangible assets	-1,910	
Purchases of tangible assets	-664	-134
Purchases of equity holdings	-248	-2,452
Purchases of other financial assets	-158	-
Sales of assets	22,897	29
Repayments of loans and other financial assets	23	-
Total investment-related cash flows	19,934	-2,525
Cash flow from financing activities		
New long- and medium-term loans		
Repayments of loans		
Share capital increase	95	88
Increase in issue premium	3,203	1,105
Change in shareholders' current accounts	-5,473	13,968
Other cash flows		
Total cash flows from financing activities	-2,174	15,160
Change in cash and cash equivalents	4,634	3,601
Net cash and cash equivalents at start of fiscal year	4,181	580
Net cash and cash equivalents at end of fiscal year (1)	8,815	4,181

(1) including € 2,002,000 in short-term investment securities in 12/2005

4.4 Notes to the individual financial statements

The following notes and tables, presented in thousands of euros, form an integral part of the year-end financial statements for the year ended December 31, 2006 and constitute the appendix to the balance sheet (before distribution of earnings), which shows a total of 60.1 millions euros, and to the income statement, which shows a profit of 23.4 million euros.

4.4.1 Highlights of the fiscal year

- Creation and acquisition:

A new company, Gameloft Partnerships, was created in France. Gameloft SA also acquired 99.90% of the shares of Odyssée Interactive Games from Jeuxvideo.com.

Gameloft SA paid up the capital of Gameloft Software Cheng Du.

- Sale:

Jeuxvideo.com was sold to Hi Media for € 22.9 million. This income was recorded as non-recurring income and expenses on the income statement.

- Share capital increase:

Gameloft carried out a share capital increase through the exercise of stock options and start-up company stock purchase warrants in the amount of € 3,298,000, issue premiums included. The share capital is currently € 3,538,000.

- Other:

Gameloft SA wrote off the debt of its Gameloft Srl Italy subsidiary in order to replenish its shareholders' equity.

4.4.2 Comparability of accounts

Several restatements were made on the individual financial statements of December 31, 2005:

- on advance payments on licenses that can be defined as a long-term asset, which are now recognized as intangible assets;
- on short-term investment securities included in cash and cash equivalents rather than under change in non-trade receivables on the cash flow statement.

Given the nature of the assets, no component has been identified. In addition, since the service life previously used for calculating amortization is the same as the useful life, the change in accounting regulations has no impact on fiscal year profit and on shareholders' equity at the start of the year.

4.4.3 Accounting principles

General accounting conventions have been applied based on the principle of conservatism in accordance with the following basic rules:

- continuity of operation,
- consistency of the accounting methods used from one year to the next,
- fair presentation, consistency, accuracy,
- time-period concept,

and in accordance with the general rules regarding the preparation and presentation of year-end financial statements.

The basic method used to determine the value of the items accounted for is the historical cost method.

The accounting methods used conform to the practices of the sector and no future change in method is planned at this time.

Gameloft's year-end financial statements comply with the provisions of Regulation 99-03, approved by the Order of June 22, 1999, regarding individual financial statements, Regulation 2000-06 regarding liabilities adopted by the French Accounting Regulations Committee (CRC), and Regulation R. 2002-10 regarding assets, applicable since January 1, 2003.

4.4.4 Accounting rules and methods

4.4.4.1 Intangible assets

Intangible assets include brands, licenses and office software:

- Office software is amortized over a 12-month period according to the straight-line method.
 - Brands acquired by the company are valued at the end of each year based on their contribution to commercial activity. This contribution is measured using criteria such as the presence among the top-selling brands on their market and revenue likely to be generated in the future. At year-end, if their valuation is less than their book value, a provision is recorded.
 - Licenses cover distribution and reproduction rights acquired from third-party publishers. The signing of license agreements results in the payment of guaranteed amounts. These amounts are recorded as advances and installments paid on a prorated basis for sales of products. If the sums have not yet been recognized in full, an off-balance sheet commitment is recorded for the unrecognized amounts.
- At the end of the fiscal year, the net book value is compared to the future sales forecasts to which the terms of the contract are applied. If these sales forecasts are insufficient, additional amortization is then applied accordingly.

4.4.4.2 Tangible assets

These are accounted for at their historical cost.

Long-term assets must be identifiable, provide future economic benefits which the company controls and be used over a period of time. Assets are shown on the balance sheet at their acquisition cost less cash discounts and any investment subsidies granted. Given the types of assets owned, no component separate from the principal assets has been identified. The company regards the practical life of the assets as their useful life.

The following depreciation rates are applied:

- | | |
|-------------------------------------|--|
| - Fixtures and facilities: | 5 years (straight-line method) |
| - Transportation equipment: | 5 years (straight-line method) |
| - Computer and telephony equipment: | 2 and 3 years (straight-line and diminishing balance method) |
| - Furniture: | 10 years (straight-line method) |

4.4.4.3 Financial assets

Equity holdings are recorded at their historical cost, exclusive of incidental expenses.

The value of the equity holding is assessed at the end of each fiscal year based on the share of the subsidiary's net position as of that date and its medium-term growth prospects. If the inventory value is less than the gross value, a provision for depreciation is set up to cover the difference.

4.4.4.4 Inventory

Inventories are valued based on the cost price determined under normal business conditions. It is valued using the FIFO method.

The gross value of goods includes the purchase price and incidental expenses. Financial costs are excluded from inventory valuation in all cases.

Inventory as of December 31, 2006 consisted of game cartridges for *Asphalt: Urban GT* on Nintendo DS.

A provision for depreciation is set up when the probable net realizable value is less than the book value.

4.4.4.5 Trade receivables and related accounts

These are measured at their face value. Where applicable, receivables are depreciated through a provision for depreciation based on the likelihood of their collection at the balance sheet date.

4.4.4.6 Conversion of debts and receivables in foreign currencies

These are converted at the rate in effect at December 31, 2006. The resulting translation gain or loss is recorded on the balance sheet under a specific item. A provision for foreign exchange risk is recorded if the conversion results in unrealized losses.

4.4.4.7 Other receivables

These are primarily current account advances granted to the group's subsidiaries. A provision is set up for these advances if the subsidiary's revalued net position, reduced to the percentage owned, becomes negative. The provision would then be equal to the negative amount obtained.

4.4.4.8 Short-term investment securities

Shares of listed companies are valued at the average market price of the last closing month. A provision is set up for unrealized capital losses (Chart of Accounts Article 332.6).

Securities in short-term investment funds are valued at their purchase price or market price, whichever is lower.

4.4.4.9 Cash on hand

Cash on hand consists of bank account balances.

4.4.4.10 Provisions for contingencies and charges

Provisions for contingencies and charges are set up when contingencies and charges whose object is clearly specified but which are not certain to occur are made likely by events that have occurred or are in progress.

At December 31, 2006, provisions for contingencies and charges pertained to foreign exchange risk related to the discounting of receivables and debts in foreign currencies, provisions for retirement benefits taken into account since January 1, 2003, provisions for subsidiaries that show a net loss or are in the process of being liquidated, and a provision for contingencies concerning stock options.

4.4.4.11 Development costs

Gameloft currently records development costs as expenses at the time they are incurred. Each year, the company develops and places on various operators' sites thousands of versions of its games covering the 200 different models of mobile telephones on the market and the 10 languages it supports. Given this extreme fragmentation and the more general nature of the sales-related information received from operators, Gameloft is not in a position to reliably calculate the development costs and residual value of each of these versions. Since Gameloft does not meet all the capitalization criteria set out in the accounting standards, the company records its development costs as expenses.

4.4.5 Notes to the balance sheet

I. Intangible assets

Intangible assets are as follows:

Assets

	At 12/31/05 Gross	Reclassifications	Increases	Decreases	At 12/31/06 Gross
Software	38		6	10	34
Brands	1,829				1,829
Advance payments made/licenses	-	1,144	2,609		3,753
TOTAL	1,867	1,144	2,615	10	5,616

Advance payments on licenses pertain to license agreements signed with various automobile manufacturers, top-ranked athletes such as Reggie Bush (American football player), Lleyton Hewitt, Olivier Kahn, Djibril Cissé, Shevshenko, FIFPRO (International Federation of Professional Footballers) and so on.

Over the fiscal year, new license agreements were signed with Paris Hilton, Q Entertainment, Viacom for the film Mission: Impossible 3, TV series and games such as Lost, Desperate Housewives, Deal or No Deal, and others.

Costs related to the filing of brands are now recognized as expenses in accordance with applicable rules.

Amortization and provisions

	At 12/31/05 Cumulative	Increases	Decreases	At 12/31/06 Cumulative
Software	34	9	10	33
Brands	1,829			1,829
Advance payments made/licenses	-	1,217		1,217
TOTAL	1,863	1,226	10	3,079

The increase in amortization on advance payments on licenses is the result of royalties prorated based on sales of the various licensed products or amortized on a straight-line basis over the term of the agreement for flat fees.

In light of the weak sales outlook for certain games, additional depreciation in the amount of € 51,000 was recorded at December 31, 2006.

II. Tangible assets

Tangible assets are as follows:

Assets

	At 12/31/05 Gross	Increases	Decreases	At 12/31/06 Gross
Plant and equipment	13	62	7	68
Transportation equipment	-			-
Computer equipment and furniture	466	763	157	1,072
TOTAL	479	825	164	1,140

The increases in tangible assets pertain to the purchase of mobile phones and the replacement of computers, as well as the expenses related to renovating our new site.

Mobile phones are capitalized because of their longer useful life as a result of:

- longer game development times,
- an increase in the number of games developed on each phone.

The decreases in tangible assets pertain to the sale of computer equipment (€ 60,000) and the disposal of obsolete computer equipment.

Depreciation

	At 12/31/05 Cumulative	Increases	Decreases	At 12/31/06 Cumulative
Plant and equipment	7	11	6	12
Transportation equipment	-			-
Computer equipment and furniture	326	253	131	448
TOTAL	333	264	137	460

Starting in fiscal year 2006, investments in computer equipment are depreciated on a straight-line basis.

III. Financial assets

Financial assets are as follows:

Assets

	Gross At 12/31/05	Increases	Decreases	Gross At 12/31/06
Equity holdings	20,178	248	13,852	6,574
Other long-term investments	-			-
Deposits and guarantees	2	158	21	139
TOTAL	20,180	406	13,873	6,713

The increase in equity holdings relates to the creation of the Gameloft Software Cheng Du Ltd. and Gameloft Partnerships subsidiaries (€ 156,000 and € 37,000, respectively) and the acquisition of the Odyssee Interactive Games subsidiary from Jeuxvideo.com (€ 55,000).

The decrease in equity holdings resulted from the sale of Jeuxvideo.com to Hi-Media last June.

The increase in deposits and guarantees resulted from the transfer of our place of business.

Provisions

	At 12/31/05 Cumulative	Increases	Decreases	At 12/31/06 Cumulative
Equity holdings	15,227	190	15,073	344
TOTAL	15,227	190	15,073	344

The increases refer to the shares of Gameloft Software Cheng Du (€ 156,000) and Gameloft Partnerships (€ 34,000).

The write-backs of provisions concern Jeuxvideo.com (€ 12,301,000), Gameloft Inc. (€ 2,317,000), Gameloft Srl Italy (€ 98,000), Gameloft KK (€ 78,000), Gameloft Co. Ltd. (€ 62,400), Gameloft Iberica (€ 60,200), Gameloft EOOD Bulgaria (€ 53,000), Gameloft S. de R.L. de C.V. (€ 49,700), Gameloft GMBH (€ 25,000), Gameloft Argentina (€ 15,000), Gameloft Rich Games Production France (€ 7,000), Gameloft Software Shanghai (€ 4,700) and Gameloft Software Private Ltd. (€ 2,000).

Subsidiaries and equity holdings:

In € K	Subsidiaries		Equity holdings	
	French	Foreign	French	Foreign
Book value of shares held:				
- gross	99	6,474	-	-
- net	65	6,165	-	-
Total loans and advances granted	1	1,368	-	-
Total security and guarantees provided	-	-	-	-
Total dividends collected	-	-	-	-

Subsidiaries and equity holdings:

	Currency	Capital in foreign currencies	SE other than capital in foreign currencies	Share of capital held (%)	Book value of shares (gross in €)	Book value of shares (net in €)	Total loans and advances granted In €	Total security and guarantees	Revenue at 12/31/06 in foreign currencies	Earnings at 12/31/06 in foreign currencies	Dividends distributed
SUBSIDIARIES											
CAPITAL HELD AT LEAST 50%											
Gameloft Inc. Divertissements (Canada)	CAD	3,971,142	986,598	100.00%	2,855,807	2,855,807	9,576	-	16,555,757	989,983	-
Gameloft Inc. (USA)	USD	2,001,000	809,893	99.50%	2,316,726	2,316,726	-	-	38,415,568	4,129,752	-
Gameloft Ltd.	£	1,000	211,939	99.50%	1,666	1,666	-	-	7,158,106	57,104	-
Gameloft GMBH	€	25,000	-1,221,361	100.00%	25,000	25,000	-	-	1,603,965	-5,880	-
Gameloft Iberica SA (Spain)	€	60,200	185,101	100.00%	60,201	60,201	-	-	6,492,230	685,214	-
Gameloft SRL (Romania)	RON	191,600	-1,442,541	99.00%	99,000	99,000	-	-	23,197,770	-2,154,838	-
Gameloft.com S.A. (Spain)	€	60,101	-59,645	100.00%	60,101	-	-	-	-	-	-
Gameloft.com Ltda (Brazil)	BRL	102,616	-68,192	99.00%	53,312	-	-	-	-	-	-
Gameloft SRL (Italy)	€	96,900	236,156	99.74%	97,870	97,870	-	-	1,904,633	219,707	-
Gameloft Software Beijing Ltd.	RMB	1,663,264	16,749,417	100.00%	173,340	173,340	-	-	36,802,433	2,328,777	-
Gameloft Rich Games Production France SARL	€	7,500	-19,909	99.80%	7,485	7,485	-	-	2,910,410	21,499	-
75 001 Paris - 450 415 237 00012											
Gameloft KK	JPY	10,000,000	-60,505,116	99.90%	78,720	78,720	208,788	-	316,974,649	-36,838,947	-
Gameloft Software Shanghai Ltd.	RMB	1,655,320	-6,201,558	100.00%	166,661	166,661	-	-	13,679,490	-6,151,710	-
Gameloft Software Cheng Du	RMB	1,603,220	-12,114,988	100.00%	155,678	-	-	-	7,202,464	-5,867,448	-
Gameloft Ltd. (Vietnam)	\$	50,000	-400,554	100.00%	40,317	-	83,523	-	340,000	-320,121	-
Gameloft EOOD (Bulgaria)	€	52,510	-319,334	100.00%	53,000	53,000	-	-	978,916	-247,467	-
Gameloft S. de R.L. de C.V.	\$ PESO	1,997,000	133,680	99.95%	140,028	140,028	-	-	30,458,216	998,217	-
Gameloft Private Ltd.	INR	103,026	-7,724,900	99.99%	1,977	1,977	-	-	30,590,439	-5,140,888	-
Gameloft Co. Ltd.	KRW	100,000,000	-344,125,063	100.00%	80,111	80,111	760,568	-	524,649,887	-265,102,630	-
Gameloft Argentina	ARS	50,000	-2,844,012	95.00%	14,500	14,500	305,310	-	4,465,576	-2,770,571	-
Odyssee Interactive Games	€	1,000	63,793	99.90%	54,945	54,945	1,208	-	1,595,952	61,624	-
15 000 Aurillac – 483 443 743 00024											
Gameloft Partnerships SAS	€	37,000	-34,547	100.00%	37,000	2,453	-	-	168,597	-34,547	-
75 008 Paris – 488 934 506 00020											
EQUITY HOLDINGS											
CAPITAL HELD BETWEEN 10 AND 50%											

IV. Inventory

Description	At 12/31/05	Gross value	Provision	At 12/31/06
Asphalt game cartridge	241	111	-	111
TOTAL	241	111	-	111

V. Advance payments made

	At 12/31/05	Reclassifications	Increase	Decrease	At 12/31/06
Advance payments made	7	-7	4		4
TOTAL	7	- 7	4		4

This reclassification was recognized as other receivables.

VI. Trade receivables and related accounts

	At 12/31/05	Gross value	Provision	At 12/31/06
Trade receivables and related accounts	17,815	32,447	5	32,442
TOTAL	17,815	32,447	5	32,442

Provisions for trade receivables are set up in an amount equal to our subsidiaries' negative shareholders' equity. At December 31, 2006, provisions for trade receivables concerned only third-party customers.

The increase in trade receivables is linked to the sharp growth in our activity during FY 2006 compared with 2005; however, nearly one-half of the trade receivables item consists of intra-group receivables.

All trade receivables are due in less than one year.

VII. Due dates of receivables and debts

STATUS OF RECEIVABLES	Gross amount	less than 1 year	more than 1 year
Receivables on current assets			
Inventory	111	111	
Advance payments made	4	4	
Trade receivables and similar accounts	32,447	32,447	
Government (VAT credit, etc.)	740	740	
Group and partners	1,369	1,369	
Credit notes from suppliers	1,309	1,309	
Receivables from suppliers	5,035	5,035	
Other misc. debtors	14	14	
Called-up share capital (issue premium included)	124	124	
TOTAL	41,153	41,153	
STATUS OF DEBTS	Gross amount	less than 1 year	more than 1 year
Loans & similar accounts	32	32	
Trade payables and related accounts	10,021	10,021	
Tax and social security liabilities	1,173	1,173	
Other debts	233	233	
Debts on assets	168	168	
Group and partners	74	74	
TOTAL	11,701	11,701	

Provisions in the amount of € 84,000 were recorded at December 31, 2006 for current account advances of subsidiaries. The interest rate on these advances is 2.5%.

For subsidiaries that are not in the process of being liquidated, a provision is recorded for the share of the subsidiary's net negative position.

In FY 2006, the company received current account advances from its majority shareholders (€ 47,000) and from its Jeuxvideo.com subsidiary (€ 5,000). During the year, it also repaid € 5,525,000 following a share capital increase through the sale of the Jeuxvideo.com subsidiary.

The interest rate on advances on partners' current accounts is 2.5% for € 500,000 and 2% for € 5,000,000.

The receivable related to called-up share capital (issue premium included) stems from the exercise of BSPCE and stock options at December 31, 2006.

VIII. Revenue accruals

	12/31/06	12/31/05
Credit notes from suppliers	1,309	124
Customers, Unbilled income	8,389	4,761
Government, revenue accruals	-	2
TOTAL	9,698	4,887

IX. Short-term investment securities

Short-term investment securities are recorded at their acquisition cost. At year-end closing, a provision is set up for any capital losses.

Short-term investment securities consist of the following:

Description	Net 12/31/05	Gross value at 12/31/06	Provision at 12/31/06	Net at 12/31/06	Value per share shown on the balance sheet	Share price at 12/31/06	% of ownership at 12/31/06
Negotiable CD	2,002	7,000	-	7,000	7,119	7,119	-
TOTAL	2,002	7,000	-	7,000	7,119	7,119	-

The value shown on the balance sheet is € 7,119,000, including € 119,000 in accrued interest.

X. Cash on hand

The "Cash on hand" item includes bank account balances totaling € 1,728,000 at December 31, 2006 compared with € 2,187,000 at December 31, 2005.

XI. Accruals

	12/31/06	12/31/05
Pre-paid expenses	113	130
Translation adjustments	475	18
Total	588	148

The translation loss pertains mainly to the discounting of trade receivables (€ 421,000).

XII. Shareholders' equity

	Balance at 12/31/05	Share capital increase	Change in share capital	Result 12/31/05	Result 12/31/06	Balance at 12/31/06
Capital	3,443	95				3,538
Issue premium	54,765	3,203				57,968
Merger premium	624					624
Other reserves	-42,116			3,102		-39,013
Fiscal year result	3,102			-3,102	23,395	23,395
TOTAL	19,818	3,298	-	-	23,395	46,512

Number of Gameloft S.A. shares

	Par value €	Number of shares	Amount in € K
At 09/01/00	0.7622	23,994,925	18,289
Offsetting of claims	0.7622	2,458,125	1,874
At 08/31/01	0.7622	26,453,050	20,164
Reserved share capital increase of 12/07/2001	0.7622	18,563,502	14,150
Capital reduction with transition to euro			-101
Takeover merger of Ludigames on 03/29/02	0.76	17,832,213	13,552
At 12/31/02	0.76	62,848,765	47,765
No operation over the period	-	-	-
At 12/31/03	0.76	62,848,765	47,765
Reduction of par value	0.05	62,848,765	3,142
Offsetting of claims	0.05	1,718,058	86
At 12/31/04	0.05	64,566,823	3,228
Offsetting of claims	0.05	2,623,296	131
Reserved share capital increase SO and BSPCE	0.05	1,660,197	83
At 12/31/05	0.05	68,850,316	3,443
Reserved share capital increase of 10/25/2005	0.05	116,477	6
Reserved share capital increase of 03/21/2006	0.05	548,744	27
Reserved share capital increase of 03/31/2006	0.05	588,397	29
Reserved share capital increase of 09/15/2006	0.05	652,650	33
At 12/31/06	0.05	70,756,584	3,538

At December 31, 2006, the share capital consisted of 70,756,584 shares with a par value of 0.05 euros, for a total of 3,537,829.20 euros.

Stock options and BSPCE

As a reminder, the conditions under which the stock options and BSPCE may be exercised are as follows:

Date of Board of Directors' meeting	10/25/02	Balance at 12/31/05	Balance at 12/31/06
Number of shares eligible for subscription:	774,674	217,377	-
Number of shares cancelled:			
Number of people concerned:	35		
including managers	0		
Start of exercise	10/25/2005	10/25/2005	10/25/2005
End of exercise	10/25/2007	10/25/2007	10/25/2007
Subscription price	0.5 euros	0.5 euros	0.5 euros

Date of Board of Directors' meeting	03/21/03	Balance at 12/31/06
Number of shares eligible for subscription:	714,000	164,256
Number of shares cancelled:		161,000
Number of people concerned:	39	
including managers	0	
Start of exercise	03/21/2006	03/21/2006
End of exercise	03/21/2008	03/21/2008
Subscription price	1.25 euros	1.25 euros

Date of Board of Directors' meeting	09/15/03	Balance at 12/31/06
Number of shares eligible for subscription:	1,544,500	849,000
Number of shares cancelled:		348,500
Number of people concerned:	96	
including managers	0	
Start of exercise	09/15/2006	09/15/2006
End of exercise	09/15/2008	09/15/2008
Subscription price	1.75 euros	1.75 euros

Date of Board of Directors' meeting	12/03/04	Balance at 12/31/06
Number of shares eligible for subscription:	1,585,800	960,850
Number of shares cancelled:		357,000
Number of people concerned:	91	
including managers	0	
Start of exercise	03/31/2006	03/31/2006
End of exercise	12/03/2009	12/03/2009
Subscription price	2.40 euros	2.40 euros

Date of Board of Directors' meeting	01/11/06	Balance at 12/31/06
Number of shares eligible for subscription:	2,790,300	2,716,200
Number of shares cancelled:		74,100
Number of people concerned: including managers	101 5	
Start of exercise	01/11/2008	01/11/2008
End of exercise	01/11/2012	01/11/2012
Subscription price	5.35 euros	5.35 euros

Date of Board of Directors' meeting	01/11/06	Balance at 12/31/06
Number of shares eligible for subscription:	612,000	468,000
Number of shares cancelled:		144,000
Number of people concerned: including managers	33 0	
Start of exercise	01/11/2008	01/11/2008
End of exercise	01/11/2012	01/11/2012
Subscription price	5.61 euros	5.61 euros

Date of Board of Directors' meeting	06/07/06	Balance at 12/31/06
Number of shares eligible for subscription:	40,200	40,200
Number of shares cancelled:	-	-
Number of people concerned: including managers	2 0	
Start of exercise	06/07/2010	06/07/2010
End of exercise	06/07/2012	06/07/2012
Subscription price	5.37 euros	5.37 euros

Date of Board of Directors' meeting	10/25/02	Balance at 12/31/05	Balance at 12/31/06
Number of BSPCE allotted:	1,271,000	168,100	25,000
Number of shares cancelled:			92,000
Number of people concerned: including managers	28 0		
Start of exercise	10/25/2005	10/25/2005	10/25/2005
End of exercise	10/25/2007	10/25/2007	10/25/2007
Subscription price	0.50 euros	0.50 euros	0.50 euros

Date of Board of Directors' meeting	03/21/03	Balance at 12/31/06
Number of BSPCE allotted:	220,000	-
Number of shares cancelled:		60,000
Number of people concerned: including managers	9 0	
Start of exercise	03/21/2006	03/21/2006
End of exercise	03/21/2008	03/21/2008
Subscription price	1.25 euros	1.25 euros

Date of Board of Directors' meeting	09/15/03	Balance at 12/31/06
Number of BSPCE allotted:	1,422,500	1,064,850
Number of shares cancelled:		52,000
Number of people concerned: including managers	36 0	
Start of exercise	09/15/2006	09/15/2006
End of exercise	09/15/2008	09/15/2008
Subscription price	1.75 euros	1.75 euros

Date of Board of Directors' meeting	12/03/04	Balance at 12/31/06
Number of BSPCE allotted:	1,486,500	1,126,253
Number of shares cancelled:		39,800
Number of people concerned: including managers	32 0	
Start of exercise	03/31/2006	03/31/2006
End of exercise	12/03/2009	12/03/2009
Subscription price	2.40 euros	2.40 euros

In total, at December 31, 2006, a maximum of 7,414,609 shares may be created through the exercise of stock options and BSPCE.

XIII. Accrued expenses

	12/31/06	12/31/05
Bank charges payable	2	3
TOTAL Loans and Financial Debts	2	3
Suppliers, invoices pending	3,225	1,187
Rebates, discounts, reductions pending	145	-
Tax liabilities	473	514
Social security liabilities	700	663
TOTAL	4,545	2,367

XIV. Items pertaining to affiliates

	12/31/06	12/31/05
Assets		
Equity holdings	6,574	20,178
Trade receivables and related accounts	18,940	15,409
Prov. for trade receivables	-	3,011
Other receivables	1,369	752
Prov. for other receivables	84	130
Receivables from suppliers	4,970	1,310
Liabilities		
Trade payables and related accounts	3,854	810
Financial debts	-	5,547
Net financial income/expense		
Financial income	14	39
Financial expense	389	101

XV. Provisions recorded on the balance sheet

	At 12/31/05	Allocations for the year	Write-backs for the year	At 12/31/06
Provisions for contingencies and charges				
For foreign exchange risk	18	475	18	475
For other risks	30	14		44
For charges	154	774	117	811
Total	202	1,263	135	1,330
Provisions for depreciation				
of trademarks	1,829			1,829
of equity holdings	15,227	190	15,073	344
of inventories	-			-
of trade receivables	3,011	5	3,011	5
of other receivables	130	66	105	91
of short-term investment securities	-			-
Total	20,197	261	18,189	2,269
Total	20,400	1,524	18,324	3,599

The provision for retirement indemnities was increased by € 14,000 during the year.

The provisions for charges pertain to subsidiaries with negative shareholders' equity (€ 770,000) and to the risk related to exercise of the stock options (€ 4,000).

The write-backs of provisions for charges pertain to subsidiaries whose shareholders' equity was negative (€ 99,000) and to the risk related to exercise of the stock options (€ 18,000).

The provisions for equity holdings refer to the shares of Gameloft Software Cheng Du (€ 156,000) and Gameloft Partnerships (€ 34,000).

The write-backs of provisions for equity holdings concern Jeuxvideo.com (€ 12,301,000), Gameloft Inc. (€ 2,317,000), Gameloft Srl Italy (€ 98,000), Gameloft KK (€ 78,000), Gameloft Co. Ltd. (€ 62,400), Gameloft Iberica (€ 60,200), Gameloft EOOD Bulgaria (€ 53,000), Gameloft S. de R.L. de C.V. (€ 49,700), Gameloft GMBH (€ 25,000), Gameloft Argentina (€ 15,000), Gameloft Rich Games Production France (€ 7,000), Gameloft Software Shanghai (€ 4,700) and Gameloft Software Private Ltd. (€ 2,000).

The provisions for trade receivables concern third-party customers (€ 5,000).

The write-backs on trade receivables pertain to the receivables of Gameloft GMBH (€ 1,190,000), Gameloft Inc. (€ 1,112,000), Gameloft Iberica (€ 440,000) and Gameloft Srl Italy (€ 269,000).

The provisions for other receivables concern the advance granted to Gameloft Vietnam (€ 58,000) as well as other receivables (€ 7,000).

The write-backs of provisions for depreciation of other receivables concern Gameloft KK (€ 98,000) and Gameloft Argentina (€ 7,000).

XVI. Financial debts

Financial debts are as follows:

	12/31/06	12/31/05
Loans & similar accounts	32	8
Current account advances	74	5,547
Financial debts	106	5,555

	less than 1 year	1 year to 5 years	more than 5 years
Amounts still due at 12/31/06	106	-	-

Financial debt:

	12/31/06	12/31/05
Financial debts	106	5,555
Cash on hand	-1,728	-2,187
Short-term investment securities	-7,119	-2,002
Net financial debt	-8,741	1,366

At December 31, 2006, there was a net financial surplus of € 8,741,000 versus a net financial debt of € 1,366,000 at December 31, 2005.

All financial debts are based on a fixed rate and are in euros.

XVII. Trade payables and related accounts

	12/31/06	12/31/05
Trade payables	10,021	4,321
Total	10,021	4,321

The average period for paying our suppliers is 60 days.

The increase in trade payables is linked to the sharp growth in the company's activity during FY 2006 but is offset by the debts of the group's subsidiaries which total € 3.8 million.

XVIII. Tax and social security liabilities

	12/31/06	12/31/05
Tax liabilities	473	514
Social security liabilities	700	663
Total	1,173	1,177

XIX. Debts on assets

	12/31/06	12/31/05
Debts on assets	168	8
Total	168	8

The increase in debts on assets is mainly due to the change in the methods pertaining to advances on licenses, which are now recognized as intangible assets.

XX. Other debts

	12/31/06	12/31/05
Customers – credit notes pending	145	2
Credit balances of customer accounts	86	23
Other debts	2	14
Total	233	39

XXI. Accruals

	12/31/06	12/31/05
Unearned income	351	-
Translation adjustments	185	167
Total	536	167

The translation gain pertains mainly to the discounting of trade payables (€ 180,000).

4.4.6 Notes to the income statement

Net income on ordinary activities includes all ordinary activities carried out by Gameloft as part of its business, as well as any related activities undertaken by it which are incidental to or in line with its ordinary activities.

Development costs are recorded as expenses over the entire year.

Production cost therefore consists of the cost of “supplies” (other materials and supplies) plus other costs incurred by the company in the course of game production.

I. Revenue

The breakdown of revenue by business activity at December 31, 2006 is as follows:

	12/31/06		12/31/05	
	€ K	%	€ K	%
Mobile	47,901	100%	35,586	100%
Provision of services	-	- %	-	- %
Total	47,901	100%	35,586	100%

The breakdown of revenue by geographic area at December 31, 2006 is as follows:

	12/31/06		12/31/05	
	€ K	%	€ K	%
Europe	26,560	55%	22,764	64%
<i>including France</i>	<i>10,501</i>	<i>22%</i>	<i>8,756</i>	<i>25%</i>
North America	18,620	39%	9,972	28%
Other	2,721	6%	2,850	8%
Total	47,901	100%	35,586	100%

II. Other operating income and transfer of charges

Other operating income is as follows:

	12/31/06	12/31/05
Write-backs of provisions	3,029	1,093
Transfer of charges	668	10
Other income	339	14
Total	4,036	1,117

The transfer of charges concerns the re-invoicing of overhead costs (€ 603,000).

The write-backs of provisions pertain to the trade receivables of the Gameloft Group's subsidiaries (€ 3,011,000) and to the risk related to exercise of the stock options (€ 18,000).

Other income mainly pertains to a rent exemption in the amount of € 314,000.

III. Purchases and other supplies

Cost of goods sold consist of purchases of products and goods intended for resale (€ 461,000), mobile game development costs (€ 33,976,000) and related expenses (€ 686,000).

IV. Change in inventory of finished products

	12/31/06	12/31/05
Change in inventories: Asphalt DS	130	- 150
TOTAL	130	- 150

The change in inventory resulted from the removal from inventory of Asphalt DS game cartridges.

V. Other operating expenses

Other operating expenses consist primarily of telecommunication and small equipment costs (€ 353,000), advertising and marketing expenses (€ 2,515,000), conference and trade fair expenses (€ 228,000), travel expenses (€ 506,000), administrative subcontracting and marketing expenses, commissions and brokerage fees on sales (€ 787,000), royalties on advances already amortized (€ 1,936,000) and professional fees (€ 342,000).

VI. Personnel expenses

At December 31, 2006, the company had 36 employees.

The share of personnel expenses corresponding to game production is € 2,862,000.

VII. Operating depreciation and provisions

Depreciation and provisions are as follows:

	12/31/06	12/31/05
Amortization of intangible assets	9	9
Amortization of intangible assets - licenses	1,214	-
Depreciation of tangible assets	264	93
Provisions	30	131
TOTAL	1,517	233

Amortization of intangible assets concerns the amortization of software and of advances on licenses amortized according to sales volume or on a straight-line basis based for flat fees, depending on the contracts.

Depreciation of tangible assets increased significantly as a result of the capitalization of purchases of mobile phones used for research and development purposes and the renovation of the new site.

Provisions pertain to the recognition of a retirement commitment (€ 14,000), provisions for trade receivables (€ 5,000), provisions for other receivables (€ 7,000), and a provision for risk related to stock options (€ 4,000).

VIII. Net financial income/expense

Net financial income/expense breaks down as follows:

	12/31/06	12/31/05
Financial income:		
Income from other securities and receivables from long-term assets	-	-
Other interest and similar income	260	75
Write-backs of provisions	15,296	2,021
Foreign exchange gains	200	754
Net income from sales of short-term investment securities	-	89
	15,756	2,939
Financial expense:		
Provisions	1,493	471
Other interest and similar expenses	436	104
Net expenses on sales of short-term investment securities	-	-
Foreign exchange losses	540	451
	2,469	1,026
Net financial income/expense	13,287	1,913

The write-backs of provisions pertain to provisions for current account advances (€ 105,000), equity holdings (€ 15,073,000), including € 12,301,000 in write-backs on Jeuxvideo.com at the time of its sale, Gameloft Inc. (€ 2,317,000), shares of Gameloft Srl Italy (€ 98,000), Gameloft KK (€ 79,000), Gameloft Co. Ltd. (€ 62,000), etc., and on foreign exchange losses (€ 18,000) and the provision on subsidiaries with negative shareholders' equity (€ 100,000).

Provisions consist mainly of a provision for equity holdings (€ 190,000), including on Gameloft Cheng Du (€ 156,000), a provision for current account advances (€ 58,000), a provision for subsidiaries with negative shareholders' equity (€ 770,000), including Gameloft Cheng Du (€ 689,000), and a provision for foreign exchange losses (€ 475,000).

Other interest and similar expenses pertain to interest expenses (€ 53,000) and write-off of the debt of Gameloft Srl Italy (€ 383,000).

All of Gameloft's debts are based on a fixed rate and are in euros. The company has no hedging strategy since its intra-group operations, current account advances made to subsidiaries, invoicing of the parent company for the subsidiaries' expenses and invoicing of the subsidiaries for royalties are done in foreign currencies (US dollar, Canadian dollar and pound sterling), and since income in foreign currencies offsets the company's expenses in foreign currencies.

The company had no interest rate or foreign currency hedge at December 31, 2006.

IX. Extraordinary profit/loss

Extraordinary items are income or expenses resulting from events or transactions that are clearly distinct from the company's ordinary activities and are therefore not expected to recur on a frequent or regular basis.

Extraordinary profit/loss breaks down as follows:

	12/31/06	12/31/05
Extraordinary income:		
Write-backs of provisions	-	2,173
Extraordinary income from management operations	22,897	
Extraordinary income from capital transactions		29
	22,897	2,202
Extraordinary expenses:		
Extraordinary expenses on management operations	54	372
Extraordinary expenses on capital transactions	13,879	200
Depreciation and provisions	-	-
	13,933	572
Total extraordinary profit/loss	8,964	1,630

Extraordinary income from capital transactions refers to the sale of computer equipment (€ 25,000) and the sale of the Jeuxvideo.com subsidiary (€ 22,872,000).

Extraordinary expenses on capital transactions pertain to the net book value of tangible assets (€ 27,000) and the sale of the Jeuxvideo.com subsidiary (€ 13,852,000).

Extraordinary expenses on management operations (€ 54,000) pertain to the agreement signed to terminate our former commercial lease prior to the expiration date.

X. Corporate income tax

There was no income tax for this year as a result of tax losses and provisions from previous years.

	12/31/06	12/31/05	12/31/04	12/31/03	12/31/02	08/31/01	08/31/00
Carry-over losses*	-	-	-	-	13,801	14,409	-
TOTAL	-	-	-	-	13,801	14,409	-

* non-cumulative data

In FY 2006, the reductions and increases in the future tax burden were as follows:

Future tax burden	Basis	Tax
Organic provision for the year	71	24
Tax on tourism and company vehicles	5	2
Contribution to housing tax	15	5
Unrealized foreign exchange gains	185	62
TOTAL REDUCTIONS	276	93

The tax rate in effect at December 31, 2006 was 33.33%.

Income tax consists of the following:

At 12/31/06	Accounting basis	Corporate tax
Pre-tax profit/loss on ordinary activities	14,430	0
Extraordinary profit/loss	8,964	0
Profit/loss before tax	23,395	0

At January 1, 2007, the company had € 28,210,000 in non-lapsing losses carried forward plus € 9,234,000 in deferred depreciation.

4.5 Additional information

1. Consolidating company

Gameloft SA – 81 rue Réaumur 75 002 Paris

2. Personnel

In FY 2006, Gameloft SA's staff consisted on average of 39 employees, including 33 men and six women.

3. Financial commitments and other information

Guarantees given: none

Collateral provided: none

Guarantees received: none

Off-balance sheet commitments:

* Gameloft SA has commitments toward certain licensors:

- USD 738,333 toward holders of trademarks and licenses used in some of the company's mobile games;
- € 81,500 toward holders of trademarks and licenses used in some of the company's mobile games;

* Gameloft SA has commitments toward some of the group's subsidiaries:

- Authorization of a first demand guarantee commitment in favor of Divertissement Canada Inc., the company's subsidiary in Canada, in the amount of CAD 250,000;
- Authorization of a first demand guarantee commitment in favor of Divertissement Canada Inc. under a framework lease agreement made between Gameloft Canada and Dell Financial Services Canada Ltd. in the amount of CAD 8,000,000, plus the interest and fees stipulated in the guarantee;
- Authorization of a bond agreement in favor of Gameloft Argentina SA, the company's subsidiary in Argentina, for the signing of a lease concerning the offices in Buenos Aires (Argentina) with Irsa Inversiones y Representaciones SA in the amount of USD 144,000.

Gameloft S.A. sent a letter of intent to the Gameloft Ltd. Vietnam subsidiary on December 31, 2006 as shareholder regarding the continued operation of its financially troubled companies.

Notes receivable discounted: none

Other commitments:

The law of May 4, 2004 gives French employees an individual right to training. This new right entitles them, at their request but with the employer's approval, to take part in training courses.

Each year, based on the agreements applicable at the company, full-time personnel employed under open-ended contracts who have at least one year of seniority at the company acquire a right to 20 hours of training. Employees with one year of seniority as of May 7, 2005 may benefit from this law.

The rights acquired annually may be accumulated over a six-year period.

4. Events subsequent to close of year

No other event is likely to have an impact on the financial statements.

5. Compensation of senior executives

Compensation paid to the administrative bodies during FY 2006 was € 255,000.

No advance or credit was extended to the group's senior executives pursuant to Article L. 225-43 of the French Commercial Code.

4.6 Proposed allocation of profit

The Board of Directors has proposed allocating the net profit of € 23,394,687.31 to losses carried forward.

4.7. Auditors' report

4.7.1 General Auditors' report for the fiscal year ended December 31, 2006

Pursuant to the mission entrusted to us by your General Meeting, we present to you our report for the fiscal year ended December 31, 2006 regarding:

- the audit of the year-end financial statements of Gameloft SA, as attached to this report;
- the basis for our assessments;
- the specific verifications and information required by law.

The year-end financial statements were approved by your Board of Directors. It is our task, on the basis of our audit, to express an opinion on these financial statements.

I - Opinion regarding the year-end financial statements

We have conducted our audit in accordance with the accounting standards applicable in France. These standards require the use of due diligence to provide reasonable assurance that the year-end financial statements do not contain any significant misstatements. An audit consists in examining, on a test basis, the evidence supporting the information contained in the financial statements. It also consists in assessing the accounting principles applied, the significant estimates used in preparing the financial statements and their overall presentation. We believe that our audit forms a reasonable basis for the opinion expressed below.

We certify that the year-end financial statements are, from the standpoint of French accounting rules and principles, true and in good order and fairly present the company's net profit from operations during the previous fiscal year, as well as its financial position and assets at the end of said year.

II - Basis for the assessments

In accordance with Article L. 823-9 of the French Commercial Code related to the basis for our assessments, we wish to bring the following points to your attention:

- As part of our assessment of the accounting estimates, we felt it appropriate to verify the estimates of the intangible and financial assets, Notes 4.5 I and 4.5 III of the appendix, respectively. The company provided us with information concerning these estimates, including in particular the evidence requested concerning the reasonableness of the valuation of the provisions.
- As part of our assessment of the accounting rules and principles applied by your company, we verified the relevance of the changes in presentation made during the fiscal year, as described in paragraph 4.2 "Comparability of accounts" of the appendix.

Our assessments were made within the context of our audit of the year-end financial statements as a whole, and therefore provided a basis for the unqualified opinion expressed by us in the first part of this report.

III - Specific verifications and information

In accordance with the professional standards applicable in France, we also conducted the specific verifications required by law.

We have no comments regarding:

- the fairness and consistency with the year-end financial statements of the information provided in the Board of Directors' management report and in the documents sent to shareholders pertaining to the financial position and year-end financial statements;
- the fairness of the information provided in the management report regarding the compensation and benefits paid to the company managers in question and the commitments made to them at the time of the assumption, termination or change in their duties or subsequent thereto.

In accordance with the law, we have verified that all information relative to acquisitions of shareholdings and control and to the identity of holders of capital and voting rights was provided to you in the management report.

Rennes, May 29, 2007

The Auditors

AMLD AUDIT
André Métayer

MB AUDIT
Roland Travers

4.7.2 Special Auditors' report for the fiscal year ended December 31, 2006

In our capacity as your company's auditors, we present to you our report on regulated agreements.

1) **AGREEMENTS MADE DURING THE FISCAL YEAR AND PREVIOUSLY AUTHORIZED**

Pursuant to Article L. 225-40 of the French Commercial Code, we have been advised of the agreements for which prior authorization was granted by your Board of Directors.

It is not our responsibility to determine the possible existence of other agreements, but rather to inform you, based on the information provided to us, of the characteristics and essential terms and conditions of those brought to our attention, without our being required to comment on their usefulness and relevance. According to the provisions of Article R. 225-58 of the French Commercial Code, it is your responsibility to assess whether it is in your interest to enter into these agreements before approving them.

1-1 Distribution contract signed with Longtail Studios Inc.

Directors concerned

Messrs. Christian and Gérard Guillemot.

Nature and purpose

On January 20, 2006, your Board of Directors authorized the signing of a contract with Longtail Studios Inc. for the distribution of "Love Triangle: Dating Challenge", a video game for portable telephones. Under the terms of this contract, Longtail Studios Inc. grants worldwide distribution rights to the "Love Triangle: Dating Challenge" mobile

game to Gameloft S.A. in return for the payment of a royalty equal to 50% of the revenues earned by Gameloft S.A. on sales of the game. This license contract took effect retroactively as of July 1, 2005.

Terms and conditions

During the fiscal year, the total royalties owed amounted to 338,011.53 euros.

2) AGREEMENTS APPROVED IN PRIOR FISCAL YEARS AND REMAINING IN FORCE DURING THE PAST FISCAL YEAR:

In addition, pursuant to the provisions of Article R. 225-57 of the French Commercial Code, we have been informed that the following agreements, approved in prior fiscal years, remained in force during the past fiscal year.

2-1 Sublease agreement with Ubisoft World Studios

Nature and purpose

On February 28, 2000, your Board of Directors authorized the signing of a contract with Ubisoft World Studio SAS for the subletting of a site located at 35 rue Grenéta in Paris.

Terms and conditions

The rent paid by your company during the fiscal year totaled 96,574.01 euros, exclusive of tax.

Occupancy expenses related to the lease totaled 27,336.87 euros, exclusive of tax.

This contract was cancelled on August 31, 2006.

2-2 Trademark license contract made with Ubisoft Entertainment

Nature and purpose

On August 24, 2003, your Board of Directors authorized the signing of a trademark license contract with Ubisoft Entertainment S.A. under which Ubisoft Entertainment granted to your company a license to operate trademarks that it owns or for which it was granted a license to operate. This license contract took effect retroactively as of April 1, 2002.

Terms and conditions

The trademark license was granted in return for the payment of royalties proportional to the revenue earned by Gameloft SA.

During the fiscal year, the total royalties owed by your company amounted to 808,838.92 euros, exclusive of tax.

2-3 Repayment of the current account advances made by Odyssée Interactive Jeuxvideo.com SAS

Nature and purpose

At its meetings of March 15, 2004 and December 16, 2004, your Board of Directors authorized the signing of two agreements with Odyssée Interactive Jeuxvideo.com SAS for current account advances totaling 500,000 euros.

Terms and conditions

These advances were repaid at a rate of 2.5%.

During the fiscal year, total interest amounted to 5,172 euros.

2-4 Repayment of the current account advances made by Guillemot Brothers S.A.

Nature and purpose

Your General Meeting of June 29, 2006 approved an agreement for current account advances with Guillemot Brothers SA which was made on July 26, 2005.

This agreement was not approved by your Board of Directors given the fact that all the directors were concerned and that the law prohibits them in such cases from participating in the vote regarding the requested authorization.

Terms and conditions

These advances were repaid at a rate of 2%.

During the fiscal year, total interest related to these advances was 47,222.22 euros.

Rennes, May 29, 2007

THE AUDITORS,

Audit AMLD
André Métayer

MB AUDIT

Roland Travers

5 CORPORATE GOVERNANCE

5.1 The group's Board of Directors and management

● THE GROUP'S MANAGEMENT:

Name	Start date of term	Expiration date of term
Michel Guillemot Chief Executive Officer	December 3, 2001 Term renewed on June 27, 2003	At the end of the AGM called to approve the financial statements for the fiscal year ended December 31, 2008
Christian Guillemot Executive Vice President Administration	Statutory meeting of December 1, 1999 Term renewed on June 27, 2003	At the end of the AGM called to approve the financial statements for the fiscal year ended December 31, 2008
Claude Guillemot Executive Vice President Technology	Statutory meeting of December 1, 1999 Term renewed on June 27, 2003	At the end of the AGM called to approve the financial statements for the fiscal year ended December 31, 2008
Yves Guillemot Executive Vice President Strategy and Development	Statutory meeting of December 1, 1999 Term renewed on June 27, 2003	At the end of the AGM called to approve the financial statements for the fiscal year ended December 31, 2008

● BOARD OF DIRECTORS:

Name	Start date of term	Expiration date of term
Michel Guillemot Chairman of the Board of Directors	December 3, 2001 Term renewed on June 27, 2003	At the end of the AGM called to approve the financial statements for the fiscal year ended December 31, 2008
Christian Guillemot Director	Statutory meeting of December 1, 1999 Term renewed on June 27, 2003	At the end of the AGM called to approve the financial statements for the fiscal year ended December 31, 2008
Claude Guillemot Director	Statutory meeting of December 1, 1999 Term renewed on June 27, 2003	At the end of the AGM called to approve the financial statements for the fiscal year ended December 31, 2008
Yves Guillemot Director	Statutory meeting of December 1, 1999 Term renewed on June 27, 2003	At the end of the AGM called to approve the financial statements for the fiscal year ended December 31, 2008
Gérard Guillemot Director	Statutory meeting of December 1, 1999 Term renewed on June 27, 2003	At the end of the AGM called to approve the financial statements for the fiscal year ended December 31, 2008
Marcel Guillemot Director	Statutory meeting of December 1, 1999 Term renewed on June 27, 2003	At the end of the AGM called to approve the financial statements for the fiscal year ended December 31, 2008

5.2 Other offices held within the group by members of the administrative and managing bodies in the last five years

a) Offices currently held

Member	Offices currently held
Michel Guillemot	Manager of Gameloft Rich Games Production France SARL President of Gameloft Partnerships SAS Mgr of Odyssée Interactive Games SARL President and Director of Gameloft Inc. (United States) President and Director of Gameloft Inc. (Canada) President and Director of Gameloft Limited (Great Britain) President of Gameloft Srl (Romania) President and Director of Gameloft KK (Japan) President of Gameloft Software (Beijing) Company Ltd. (China) President of Gameloft Software (Shanghai) Company Ltd. (China) President of Gameloft Software (Chengdu) Company Ltd. (China) President and Director of Gameloft Company Ltd. (Vietnam) President and Director of Gameloft Iberica SA (Spain) Manager of Gameloft GmbH (Germany) Manager of Gameloft Srl (Italy) Manager of Gameloft EOOD (Bulgaria) Manager of Gameloft S. de R.L. de C.V. (Mexico) President and Director of Gameloft Argentina S.A. (Argentina) President and Director of Gameloft Private India (India) President and Director of Gameloft Co. Ltd. (Korea)
Claude Guillemot	Director of Gameloft Inc. (United States) Director of Gameloft Iberica SA (Spain) Director of Gameloft Inc. (Canada) Director of Gameloft Limited (England)
Yves Guillemot	Director of Gameloft Inc. (United States) Director of Gameloft Inc. (Canada)
Gérard Guillemot	Director of Gameloft Inc. (United States) Director of Gameloft Inc. (Canada)
Christian Guillemot	Director of Gameloft Inc. (United States) Director of Gameloft Iberica SA (Spain) Director of Gameloft Inc. (Canada) Director of Gameloft Limited (England)

b) Expired terms

Member	Expired terms
Michel Guillemot	Manager of Ludigames Srl (Italy) President of Ludiwap Inc. (United States) Director of Jeuxvideo.com S.A. Director and Chief Executive Officer of Ludigames SA
Claude Guillemot	Director and Vice President of Ludigames SA Director of Ludiwap Inc. (United States) Director of Gameloft.com Limited (Great Britain)
Yves Guillemot	Director of Ludiwap Inc. (United States) Director and Vice President of Ludigames SA Director of Jeuxvideo.com S.A.
Gérard Guillemot	Executive Vice President of Gameloft SA

	Director and Vice President of Ludigames SA Director of Jeuxvideo.com S.A. President of Gameloft AG (Germany) Director of Ludiwap Inc. (United States) Director of Gameloft.com Limited (Great Britain) President of Gameloft.com AS (Denmark) President of Gameloft.com AB (Sweden) President and Director of Gameloft.com España (Spain) Director of Gameloft.com Pty Limited (Australia)
Christian Guillemot	Director of Ludiwap Inc. (United States) Director of Gameloft AG (Germany) Director of Gameloft.com AS (Denmark) Director of Gameloft.com AB (Sweden) Director of Gameloft.com España (Spain) Director of Gameloft.com Pty Limited (Australia) Director of Jeuxvideo.com S.A.
Marcel Guillemot	Director and Vice President of Ludigames SA

5.3 *Other offices held outside the group by members of the administrative and managing bodies in the last five years*

a) Offices currently held

Michel Guillemot	Director and Executive Vice President of Guillemot Brothers SA Manager of Ubisoft Studios Srl (Italy) Manager of Ubi Studios SL (Spain) Director and Executive Vice President of Ubisoft Entertainment SA Director of Ubisoft Ltd. (Hong Kong) Director of Ubisoft Inc. (United States) Director of Ubisoft Holdings Inc. (United States) Director of Shanghai Ubi Computer Software Company Ltd. (China) Director of Ubisoft SA (Spain) Director of Ubisoft KK (Japan) Director of Advanced Mobile Applications Ltd. (Great Britain) Director and Executive Vice President of Guillemot Corporation SA Director of Guillemot Inc. (United States) Director of Guillemot Limited (Great Britain) Director of Guillemot Inc. (Canada)
Claude Guillemot	Director and Executive Vice President of Guillemot Brothers SA Director and Executive Vice President of Ubisoft Entertainment SA Director and Vice President of Ubisoft Divertissements Inc. (Canada) Director of Ubisoft Canada Inc. (Canada) Director of Ubisoft Music Inc. (Canada) Director of Ubisoft Music Publishing Inc. (Canada) Director of Ubisoft Ltd. (Hong Kong) Director of Ubisoft Inc. (United States) Director of Ubisoft Holdings Inc. (United States) Director of Ubisoft Sweden A/B (Sweden) Director of Ubisoft Entertainment Ltd. (Great Britain) Director of Ubisoft Nordic A/S (Denmark) Director of Shanghai Ubi Computer Software Company Ltd. (China) Director of Advanced Mobile Applications Ltd. (Great Britain) President of Hercules Thrustmaster SAS Chief Executive Officer of Guillemot Corporation SA President and Director of Guillemot Inc. (Canada) President and Director of Guillemot Recherche et Développement Inc. (Canada)

	President and Director of Guillemot Inc. (United States) Manager of Guillemot GmbH (Germany) Director of Guillemot Limited (Great Britain) Director of Guillemot Corporation (HK) Limited (Hong Kong) Director of Guillemot SA (Belgium) Director of Guillemot Srl (Italy) Director of Guillemot Romania Srl (Romania)
Yves Guillemot	Director and Executive Vice President of Guillemot Brothers SA Chief Executive Officer of Ubisoft Entertainment SA itself President of: Ludi Factory SAS Ubisoft Books and Records SARL Ubisoft Design SAS Ubisoft Emea SAS Ubisoft Graphics SAS Ubisoft Manufacturing & Administration SAS Ubisoft Organisation SAS Ubisoft Pictures SAS Ubisoft Productions France SAS Ubisoft Simulations SAS President of Ubisoft France SAS President of Ubisoft World SAS President of Ubisoft World Studios SAS President of Tiwak SAS President and Director of Ubisoft Ltd. (Great Britain) President of Ubisoft Norway A/S (Norway) President of Ubi Games SA (Switzerland) President of Ubisoft Finland OY (Finland) President and Director of Ubisoft SpA (Italy) President and Director of Ubisoft SA (Spain) President and Director of Ubisoft KK (Japan) President and Director of Ubisoft Ltd. (Hong Kong) President and Director of Ubisoft Divertissements Inc. (Canada) President and Director of Ubisoft Canada Inc. (Canada) President and Director of Ubisoft Music Inc. President and Director of Ubisoft Music Publishing Inc. Vice President and Director of Ubisoft Inc. (United States) President and Director of Ubisoft Holdings Inc. (United States) President and Director of Red Storm Entertainment Inc. (United States) Vice President and Director of Shanghai Ubi Computer Software Company Ltd. (China) Manager of Ubisoft Computing SARL Manager of Ubisoft Production Montpellier SARL Manager of Ubisoft Production Annecy SARL Manager of Ubisoft Development SARL Manager of Ubisoft Editorial SARL Manager of Ubisoft Support Studios SARL Manager of Ubisoft Paris Studios SARL Manager of Ubisoft Castelnau SARL Manager of Ubisoft Sarl (Morocco) Manager of Ubisoft BV (Netherlands) Manager of Ubisoft GmbH (Germany) Manager of Blue Byte GmbH (Germany) Manager of Ubisoft Warenhandels GmbH (Austria) Director of Ubisoft Entertainment Ltd. (Great Britain) Director and Executive Vice President of Guillemot Corporation SA Director of Guillemot Inc. (United States) Director of Guillemot Limited (Great Britain) Director of Guillemot Inc. (Canada) Director of Red Storm Entertainment Ltd. (Great Britain) President and Director of Ubisoft Nordic A/S (Denmark) Director of Ubisoft Pty Ltd. (Australia)

	Director of Ubisoft Sweden AB (Sweden) Director of Advanced Mobile Applications Ltd. (Great Britain)
Gérard Guillemot	Director and Executive Vice President of Guillemot Brothers SA President of Longtail Studios Inc. (United States) Director of Advanced Mobile Applications Ltd. (Great Britain) Director and Executive Vice President of Ubisoft Entertainment SA Director of Ubisoft Ltd. (Hong Kong) Director of Ubisoft KK (Japan) Director of Shanghai Ubi Computer Software Company Ltd. (China) Director of Ubisoft Inc. (United States) Director of Ubisoft Holdings Inc. (United States) Director of Ubisoft SA (Spain) Director and Executive Vice President of Guillemot Corporation SA Director of Guillemot Limited (Great Britain) Director of Guillemot Inc. (United States) Director of Guillemot Inc. (Canada)
Christian Guillemot	Chief Executive Officer of Guillemot Brothers SA President and Director of Advanced Mobile Applications Ltd. (Great Britain) Director and Executive Vice President of Ubisoft Entertainment SA Director of Ubisoft Nordic A/S (Denmark) Director of Ubisoft Ltd. (Great Britain) Director of Ubisoft Ltd. (Hong Kong) Director of Shanghai Ubi Computer Software Company Ltd. (China) Director of Ubisoft Inc. (United States) Director of Ubisoft Holdings Inc. (United States) Director of Ubisoft Sweden AB (Sweden) Manager of Guillemot Administration et Logistique SARL Director and Executive Vice President of Guillemot Corporation SA Director of Guillemot Inc. (United States) Director of Guillemot Limited (Great Britain) Director of Guillemot Corporation (HK) Limited (Hong Kong) Director of Guillemot SA (Belgium) Director of Guillemot Inc. (Canada) Director of Guillemot Recherche et Développement Inc. (Canada)
Marcel Guillemot	Director of Guillemot Corporation SA Director of Guillemot Brothers SA Director of Guillemot SA (Belgium)

b) Expired terms

Member	Expired terms
Michel Guillemot	Director of Ubi Soft France SA Director of Ubi.com SA Director of Ubi World SA Director of Ubi Soft Marketing & Communication SA Director of Ubisoft SpA (Italy) Director and Vice President of Ubisoft Divertissements Inc. (Canada) Director of Ubisoft Canada Inc. (Canada) Director of Ubi Computer Software Beijing Company Ltd. (China) Director of Hercules Technologies SA Director of Thrustmaster SA Director of Guillemot Online.com Inc. (United States) Director of Hercules Technologies Inc. (United States) Director of Thrustmaster Inc. (United States)
Claude Guillemot	Director of Ubi Soft France SA Director of Ludimédia SA Director of Ubi Studios SA

	Director of Ubi World SA Director of Ubisoft SpA (Italy) Director of Ubi Studios Ltd. (United Kingdom) President of Hercules Technologies SAS President of Thrustmaster SAS President and Director of Guillemot Online.com Inc. (United States) President and Director of Hercules Technologies Inc. (United States) President and Director of Thrustmaster Inc. (United States) Manager of Guillemot Studio Graphique SARL Manager of Guillemot Support Technique SARL Manager of Guillemot Recherche et Développement Sarl Director of Guillemot B.V. (Netherlands) Director of Guillemot SA (Spain)
Yves Guillemot	President and Director of Ubi.com SA President and Director of Wolfpack Inc. (United States) President and Director of Blue Byte Software Inc. (United States) President of Ubisoft Marketing & Communication SAS Manager of Ubi Animation SARL Manager of Ubi Administration SARL Manager of Ubi Research & Development SARL Manager of Ubi Marketing Research SARL Manager of Ubi Info Design SARL Manager of Ubi Sound Studio SARL Manager of Ubi World Studios SARL Manager of Ubisoft SprL (Belgium) Manager of Ubi Color SARL Manager of Ubisoft Simulations SARL Director of Ludimédia SA Director of Ubi World SA Director of Ubi.com Inc. (United States) Director of Blue Byte Software Ltd. (United Kingdom) Director of Ubi Studios Ltd. (United Kingdom) Director of Sinister Games Inc. (United States) President and Director of Ubi Computer Software Beijing Company Ltd. (China) Manager of Ubisoft Books and Records SARL Manager of Ubisoft Manufacturing & Administration SARL Manager of Ubisoft Pictures SARL Manager of Ubisoft Emea SARL Manager of Ubisoft Design SARL Manager of Ubisoft Graphics SARL Manager of Ubisoft Organisation SARL Manager of Ubisoft Productions France SARL Co-Manager of Ludi Factory SARL Manager of Ubisoft Sprl (Belgium) Director of Guillemot France SA Director of Hercules Technologies SA Director of Thrustmaster SA Director of Guillemot Online.com Inc. (United States) Director of Hercules Technologies Inc. (United States) Director of Thrustmaster Inc. (United States)
Gérard Guillemot	President of Ludimédia SAS President and Director of Ubi Soft Entertainment Inc. (New York) President and Director of Ubi Voices Inc. (United States) Director of Ubi Soft France SA Director of Ubi Studios SA Director of Ubi World SA Director of Ubisoft SpA (Italy) President and Director of Ubisoft Music Inc. (Canada) President and Director of Ubisoft Music Publishing Inc. (Canada) Co-Manager of Ludi Factory SARL Director of Ubisoft Divertissements Inc. (Canada)

	Director of Ubisoft Canada Inc. (Canada) Director of Guillemot France SA Director of Hercules Technologies SA Director of Thrustmaster SA Director of Guillemot Online.com Inc. (United States) Director of Hercules Technologies Inc. (United States) Director of Thrustmaster Inc. (United States)
Christian Guillemot	Director of Ubisoft France SA Director of Ludimédia SA Director of Ubi Studios SA Director of Ubi World SA Director of Ubi.com SA Director of Sinister Games Inc. (United States) Director of Ubi.com Inc. (United States) Director of Ubisoft SpA (Italy) Director of Ubisoft Divertissements Inc. (Canada) Director of Ubisoft Canada Inc. (Canada) Director of Ubisoft Music Inc. (Canada) Director and Vice President of Ludigames SA President and Director of Guillemot Logistique Inc. (Canada) Manager of Guillemot Administration SARL Manager of Guillemot Logistique SARL Manager of Guillemot Conditionnement SARL Manager of Guillemot Logistique France SARL Director and Executive Vice President of Guillemot France SA Director and Vice President of Hercules Technologies SA Director and Vice President of Thrustmaster SA Director of Guillemot Logistics Ltd. (Hong Kong) Director of Guillemot Online.com Inc. (United States) Director of Hercules Technologies Inc. (United States) Director of Thrustmaster Inc. (United States)

5.4 Fraud conviction, liquidation proceeding, sanctions imposed on members of the Board of Directors

To the company's knowledge, over the last five years:

- None of the members of the Board of Directors has been convicted of fraud;
- None of the members of the Board of Directors has been associated with a bankruptcy, receivership or court-ordered liquidation proceeding;
- No official public incrimination and/or sanction has been delivered by a statutory or regulatory authority against any of the members of the Board of Directors.

To the company's knowledge, in the last five years no member of the Board of Directors has been prohibited by a court from acting in his capacity as a member of an issuer's administrative, management or supervisory body or from being involved in the management or running of an issuer's business.

5.5 Possible conflicts of interest involving members of the Board of Directors

To the company's knowledge, there is no potential conflict of interest between any of the members of the company's Board of Directors' obligations toward the company and their own private interests.

Messrs. Michel, Claude, Yves, Gérard and Christian Guillemot are members of the Management and Board of Directors of Gameloft SA and Ubisoft Entertainment SA. As such, there may be potential conflicts of interest when these two companies have occasion to work together on certain projects.

The companies are bound by a trademark license contract under which Ubisoft Entertainment SA granted to Gameloft

SA a license to operate trademarks that it owns or for which it was granted a license to operate. The trademark license was granted in return for the payment of royalties proportional to the revenue earned by Gameloft SA. This agreement is one of Gameloft SA's regulated agreements.

In addition, the two companies collaborated on the launch of Nintendo DS games in FY 2004, 2005 and 2006. Since Gameloft SA had developed several titles on Nintendo DS but lacked the necessary experience and know-how to distribute them physically, Ubisoft Entertainment SA handled sales of the games among the distribution chains. Gameloft SA's Nintendo DS games were distributed in return for the payment to Ubisoft Entertainment SA of royalties proportional to the revenue earned.

Gérard Guillemot is Director of Gameloft SA and Longtail Studios Inc. Christian Guillemot is Director of Gameloft SA and Longtail Studios Inc. Gameloft SA distributed to its telecom operator customers the "Love Triangle" mobile game developed by the design studios at Longtail Studios Inc.

5.6 Interest of the senior executives

5.6.1 Compensation of the company managers

The following table gives a summary of the total gross compensation and benefits of any kind paid or owed for FY 2006 to each company manager either by Gameloft S.A. itself or by the controlled companies pursuant to Article L. 233-16 of the French Commercial Code or the companies that control it.

No credit or advance was extended to the company's senior executives pursuant to Article L. 225-43 of the French Commercial Code.

Amounts in euros	Gameloft Inc.	Gameloft SA	Ubisoft Entertainment SA		Guillemot Brothers SA	TOTAL compensation for 2006
	Gross fixed compensation	Gross fixed compensation	Gross fixed compensation	Benefits in kind	Gross fixed compensation	
Michel Guillemot	0	60,000	109,200	0	45,600	214,800
Claude Guillemot	0	60,000	109,200	0	45,600	214,800
Gérard Guillemot	58,322	15,000	109,200	0	7,600	190,122
Yves Guillemot	0	60,000	109,200	0	45,600	214,800
Christian Guillemot	0	60,000	109,200	0	45,600	214,800

Mr. Marcel Guillemot is not paid for his duties as a director within the Gameloft Group. Currently, no directors' fees are paid.

5.6.2 Obligations of any kind assumed by the company in favor of the company managers

No obligation has been assumed in favor of the members of the Board of Directors with regard to compensation, financial consideration or benefits owed or likely to be owed as a result of the discontinuation or change in their duties or subsequent to said duties, except as described in paragraph 15.1.

5.6.3 Stock option plan

In FY 2006, stock options were granted to the senior executives and members of the Board of Directors.

	BSPCE	Stock options	Date of Board of Directors' meeting	Expiration date	Price	Plan No.
STOCK OPTIONS GRANTED DURING THE FISCAL YEAR						
Options granted to company managers						
- Mr. Michel Guillemot	-	90,000	01/11/2006	01/11/2012	€ 5.35	6
- Mr. Yves Guillemot	-	90,000	01/11/2006	01/11/2012	€ 5.35	6
- Mr. Christian Guillemot	-	90,000	01/11/2006	01/11/2012	€ 5.35	6
- Mr. Claude Guillemot	-	90,000	01/11/2006	01/11/2012	€ 5.35	6
- Mr. Gérard Guillemot	-	90,000	01/11/2006	01/11/2012	€ 5.35	6
STOCK OPTIONS EXERCISED DURING THE FISCAL YEAR						

Shares subscribed for or purchased by each of the company managers by exercising their options	None	None		-	-	-
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5.6.4 Information regarding transactions carried out with members of the administrative and managing bodies

None.

5.6.5 Loans and guarantees granted to or established in favor of the administrative and managing bodies

None.

5.7 *Employee profit-sharing*

5.4.1 Incentive contract and profit-sharing agreement

The company has not established an incentive contract or profit-sharing agreement.

5.4.2 Options granted to personnel regarding the company's shares

The Combined General Meeting of June 29, 2006 authorized the Board of Directors to create stock option plans (cf. paragraph 2.2.1.3).

5.4.3 Stock option plan

The Combined General Meeting of June 29, 2006 approved the issuance of stock options (cf. paragraph 2.2.1.3).

5.8 *Chairman's report on the conditions under which the Board of Directors' work is prepared and organized and on the internal control procedures implemented by the company*

This report, prepared pursuant to Articles L. 225-37 paragraph 6 and L. 225-68 of the French Commercial Code, introduced by Financial Security Act 2003-706 and amended by Law 2005-842 of July 26, 2005 for economic confidence and modernization, reports on the conditions under which the work of the Board of Directors is prepared and organized, as well as the internal control procedures implemented by the company.

1. Preparation and organization of the Board of Directors' work

At December 31, 2006, the company's Board of Directors consisted of six directors, none of which is independent as defined in the 2002 Bouton report. Given Gameloft's small size, it did not seem necessary to appoint independent directors to the Board of Directors in 2006. In view of the company's adherence to the principles of corporate governance, it is possible that one or more independent directors may be appointed to Gameloft's Board of Directors in the future based on the company's growth. Please refer to sections VII-1, VII-2 and VII-3 of the Management Report for information regarding the composition of Gameloft's Board of Directors and the offices held by its directors during the last five fiscal years.

Directors are appointed, reappointed or removed by the Ordinary General Meeting. Directors are appointed for six years. Their terms of office expire at the end of the Ordinary General Meeting called to approve the financial statements of the preceding fiscal year and held during the year in which their terms expire.

The Board of Directors defines the company's general strategic policies, which are in turn implemented by General Management under its supervision. Subject to the powers expressly granted to shareholders' meetings and within the limits of the corporate purpose, the Board of Directors deals with all issues affecting the company's proper functioning and, through its proceedings, handles all matters concerning the company. In addition to the Board of Directors' meetings, each director receives information on a regular basis from General Management regarding the company's business and current operations.

To help the Board members prepare their work and based on necessity, memoranda are sent in advance to the directors. Minutes of the Board of Directors' meetings are prepared at the end of the meeting and sent immediately to all the directors.

The Board of Directors' meetings are held at the registered office or any other place indicated in the meeting notice. For calculating the quorum and majority, directors participating in the board meeting via videoconference or telecommunication media are deemed to be present. However, the actual presence or presence by representation will be required for all board proceedings related to the closing of the year-end and consolidated accounts, as well as the drafting of the management report and the report on the group's management. Pursuant to Article L. 225-38 of the French Commercial Code, the auditors were called to the Board meeting at which the year-end financial statements were reviewed and approved.

The Board met 10 times in 2006. The attendance rate in 2006 was 71.66%. The following table summarizes the meetings of the Board of Directors in 2006.

Date of Board of Directors' meeting	Agenda
January 9, 2006	<i>Share capital increase: exercise of 2005 BCE and SO.</i>
January 11, 2006	<i>Decision to create a stock option plan in favor of the group's employees.</i>
January 20, 2006	<i>Decision to set up a subsidiary in France: Gameloft Partnerships SAS.</i>
January 26, 2006	<i>Determination of the compensation of the Chief Executive Officer and Vice Presidents.</i>
March 10, 2006	<i>Approval of the individual and consolidated financial statements for the fiscal year ended December 31, 2005. Proposed allocation of profit. Notice to attend the annual Ordinary General Meeting.</i>
April 21, 2006	<i>Approval of the proposed buyback of the shares held by Odyssée Interactive Jeuxvideo.com in the limited liability company Odyssée Interactive Games; notice of the resignation of Gérard Guillemot as Executive Vice President.</i>
April 28, 2006	<i>Analysis and approval of the report on the management planning documents for 2006.</i>
May 29, 2006	<i>Approval of the proposed sale of shares held by Gameloft in Odyssée Interactive Jeuxvideo.com.</i>
June 7, 2006	<i>Grant of stock options to a limited number of Gameloft Group employees.</i>
September 27, 2006	<i>Approval of the half-year accounts at June 30, 2006.</i>
October 30, 2006	<i>Write-off of the debt of Gameloft Srl (Italy). Update of the report on the management planning documents for 2006.</i>

2. Principles of internal control

Internal control at Gameloft is founded on the principles defined in the "Coso Report". This reference document on matters of internal control defines such control as "a process, effected by an entity's Board of Directors, management or other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial reporting;
- compliance with applicable laws and regulations".

This process is the responsibility of the company's personnel and organization. A distinction is made between each employee's responsibility for the result of his/her action and management's control over employees' activity.

3. Organization of internal control

Gameloft is organized into game development subsidiaries and marketing subsidiaries. The Gameloft Group's management, based in France, informs its subsidiaries of the strategic directions to follow and oversees their implementation.

The organization of internal control is centered on three international departments:

- the Development department;
- the Publishing department;
- the Administrative department.

These three central departments are overseen by Gameloft's Chief Executive Officer, whose powers are derived from certain laws and regulations. The company has introduced a procedures manual and conducts application tests on a regular basis.

The Development department oversees the activity of the mobile game development studios located in France, Spain, Canada, the United States, Japan, South Korea, Romania, Bulgaria, China, Vietnam, India, Mexico and Argentina. The studios report weekly to the Development department on the progress of the games currently under development. Publishing decisions for the development of new games are made by the Development department together with the Publishing department.

The Publishing department oversees the activity of the mobile game marketing teams located in France, Germany, the United Kingdom, Spain, Italy, the United States, Canada, Japan, South Korea, China, India, Mexico and Argentina. These marketing teams handle the distribution and marketing of mobile games in the geographic areas for which they are responsible. The managers of these departments have broad latitude in terms of seeking out new partners to distribute the games. However, all partnership and game distribution agreements are approved by the Publishing department located in France, which facilitates monitoring and minimizes risk. Each marketing subsidiary sends a detailed weekly account of its sales and marketing activity (new contacts, report of customer meetings, etc.) to the Publishing department.

The Administrative department's areas of responsibility include cash flow management, monitoring of accounting and management rules, legal affairs, identifying external growth investments, finance, and relations with the financial community and shareholders. It also coordinates the company's corporate policy. The administrative departments at the registered office may be consulted by the company's subsidiaries outside of management channels. Each manager of a development or marketing subsidiary is a signatory on the subsidiary's bank account and manages independently its expenses and physical investments (limited for the most part to computer equipment). Every month, however, each subsidiary manager sends a detailed monthly income statement and a cash flow report to the Administrative department, which can then closely monitor changes in income and expenses on a global scale. These monthly income statements are then sent immediately to the company's two other departments, thus enabling them to monitor changes in the subsidiaries for which they are responsible.

In terms of financial information, Gameloft has a decentralized organization. Each subsidiary's financial statements are prepared by the local accounting and financial teams under the supervision of the subsidiary's managers.

The consolidated financial statements are prepared by the Administrative department based on data collected from the information systems and the financial statements prepared by the subsidiaries.

The Administrative department also monitors the off-balance sheet commitments and assets of the parent company and all the company's subsidiaries.

Generally speaking, all of Gameloft's financial information is prepared by the Administrative department under the supervision of the Chief Executive Officer and is subject to final approval by the Board of Directors.

4. Management rules

Gameloft's management rules are founded on three basic principles:

- forecasts and actual costs come from the field;
- the quality of the forecasts is essential;
- management is consistent with the accounting records.

The monthly income statement is the basic management tool. The income statement is generated locally with the help of accounting software used at all the subsidiaries. Expenses are entered into this program by the accounting departments and income is entered by the subsidiary manager.

Each person is responsible at his/her level for the figures provided.

Prior to the start of development of any new game, forecasts are made regarding the composition of the development team, the amount of time allocated to development and the number of telephones on which the game will be developed. This work method makes it possible to determine with the greatest accuracy the estimated cost of developing each game and serves as an efficient alert system in case of a delay in development of the game. Any variance between estimated and actual costs is analyzed and subsequent games benefit from the lessons learned. This forecasting tool is used to measure the performance of the development subsidiary managers.

The accounting records are the only management reference. There is therefore only one income: accounting income. It is the responsibility of the managers of the business subsidiaries to determine income, which is the true value of progress. Each manager is informed of the performance of his/her colleagues.

5. Compliance with applicable laws and regulations

Gameloft is a corporation (*société anonyme*) listed on segment B of the Euronext Paris stock exchange. It is therefore subject to the obligations inherent to listed companies, with which it is bound to comply in the strictest sense.

Its principal activity, game software development and publishing, is governed primarily by intellectual property law and by industrial property law.

Gameloft's organization is highly centralized in terms of procedures to ensure compliance with applicable laws and regulations. Management of such matters is therefore solely the responsibility of the Administrative department.

To this end, the Administrative department works closely with the subsidiary managers and coordinates activities outside of France with the assistance of third-party consultants.

The auditors also play a very specific role in terms of their procedures and controls, which are also aimed at compliance with the applicable accounting and financial standards.

6. Management and prevention of the risk of fraud or errors

Prevention of the risk of fraud or errors is the responsibility of every Gameloft employee. Nevertheless, the subsidiary managers are first and foremost responsible for managing and preventing these types of risk within their departments.

Since the risks of fraud or errors pertain mainly to a company's finances, these risks are covered by the procedures described earlier in this document regarding verification and validation of financial information.

7. Powers of the CEO and Executive Vice Presidents

The Board of Directors has not deemed it necessary to limit the powers of the CEO and Executive Vice Presidents.

8. Conclusions

Gameloft's general management is mindful of changes in the legal and regulatory framework of corporate governance and internal control.

In collaboration with the Board of Directors, it is introducing more stringent measures in both these areas, while endeavoring to ensure that all the company's management levels remain flexible and responsive.

This is evidenced by the creation of a Compensation Committee and a working group on internal control.

Paris, March 15, 2007,

Chairman of the Board of Directors.

5.9 *Auditors' report on the Chairman of the Board of Directors' report concerning the conditions under which the Board of Directors' work is prepared and organized and on the internal control procedures implemented by the company*

In our capacity as auditors of Gameloft SA and in accordance with the provisions of Article L. 225-235 of the French Commercial Code, we present to you our report on the report prepared by the Chairman of the Board of Directors of your company pursuant to the provisions of Article L. 225-37 of the French Commercial Code for the fiscal year ended December 31, 2006.

Under the supervision of the Board of Directors, it is management's responsibility to define and implement adequate, effective internal control procedures. The Chairman is responsible for giving an account, in his report, of the conditions under which the Board of Directors' work is prepared and organized and of the internal control procedures implemented at the company.

It is our responsibility to give you our observations based on the information provided in the Chairman's report concerning the internal control procedures related to the preparation and treatment of accounting and financial information.

We have performed our work in accordance with the accounting standards applicable in France. These standards require that we follow certain procedures to assess the fairness of the information provided in the Chairman's report concerning the internal control procedures related to the preparation and treatment of accounting and financial information. These procedures consist in:

- *acquiring an understanding of the objectives and general organization of internal control and of the internal control procedures related to the preparation and treatment of accounting and financial information, as presented in the Chairman's report;*
- *acquiring an understanding of the work underlying the information thus provided in the report.*

Based on this work, we have no comments regarding the information about the company's internal control procedures related to the preparation and treatment of accounting and financial information, as contained in the Chairman of the Board of Directors' report, which was prepared in accordance with the provisions of the last paragraph of Article L. 225-37 of the French Commercial Code.

Rennes, May 29, 2007

The Auditors

AMLD AUDIT
André Métayer

MB AUDIT
Roland Travers