EGIDE

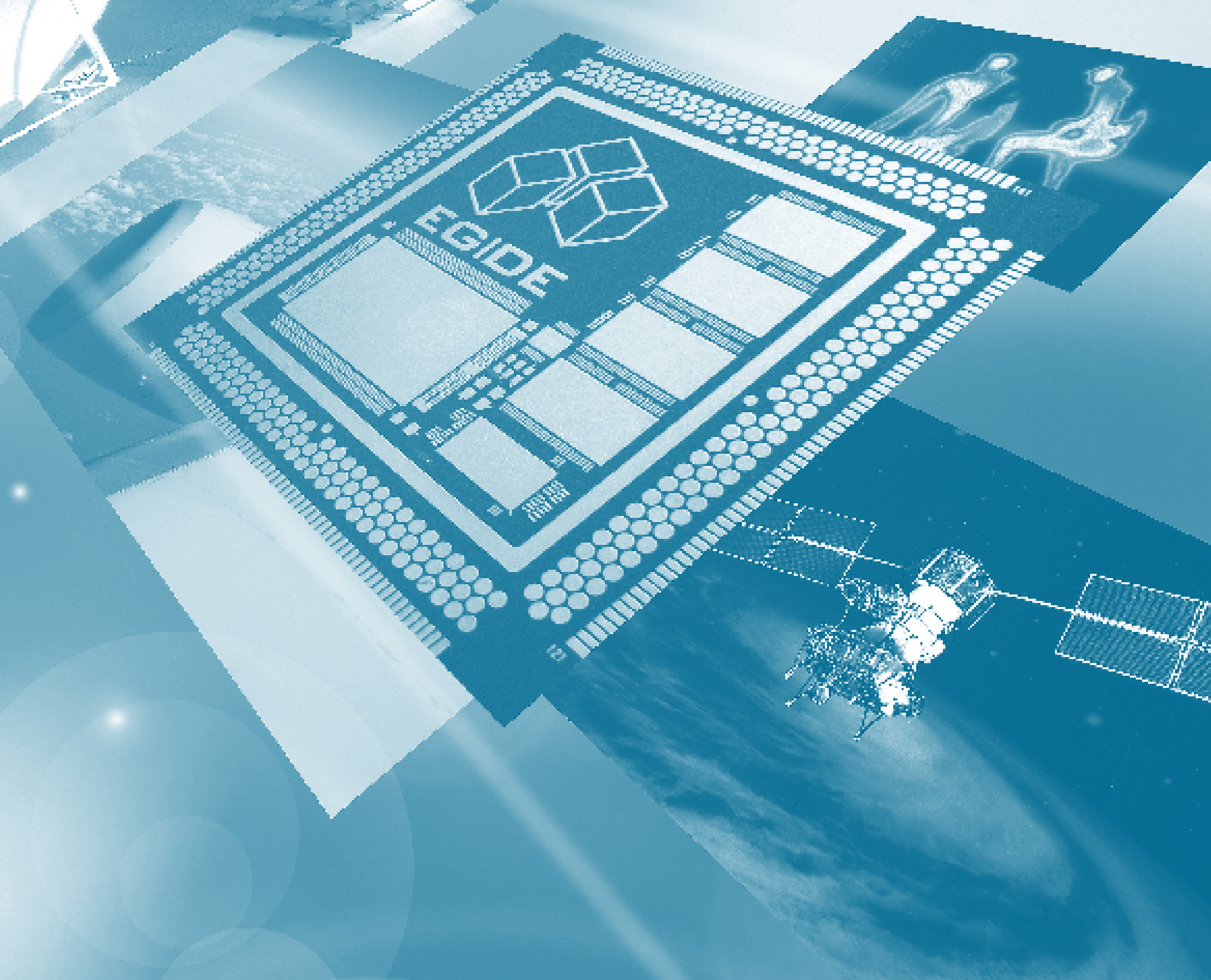
INNOVATIVE HERMETIC PACKAGE SOLUTIONS

REFERENCE DOCUMENT 2007

AMF AUTORITÉ DES MARCHÉS FINANCIERS

This annual report was filed with the Securities Commission on July 7, 2008, in compliance with article 212-13 of its General Regulations. It cannot be used in support of a financial transaction unless it is accompanied by a prospectus validated by the Securities Commission.

EGIDE
A Corporation with 12,861,190 Euros of share capital
Registered Office: Parc d’Activités de Pissaloup
78190 TRAPPES - France
338 070 352 RCS VERSAILLES



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1 RESPONSIBLE PARTIES

1.1 Responsible Party

Mr. Philippe Brégi, Chief Executive Officer.

1.2 Declaration of the Responsible Party

«I attest that after having taken every reasonable measure in this matter, that the information contained in this annual report is, to my knowledge, consistent with reality, and contains no omission that would alter its scope.

I received a closing letter from the statutory auditors, in which they indicated that they had verified the information concerning the financial position and statements provided in this annual report and that they had read the entire report.

The consolidated and individual financial statements for fiscal year ending December 31, 2005, were the focus of the statutory auditors' reports, shown on pages 104 through 106 of annual report D.06-0621, filed with the AMF on June 23, 2006, and incorporated, by way of reference, into the current document, which contains observations.»

Trappes, July 7, 2008,

Philippe Brégi
Chief Executive Officer

2 STATUTORY AUDITORS

2.1 Statutory Auditors

Jacques Wenig and Associates
Mr. Bernard HINFRAY
65, avenue Kléber
75116 Paris

Member of the Paris Regional Association.

Initial Appointment Date : Upon company inception in 1986.

Term Expiration Date : Date of annual meeting called to adjudicate accounts for fiscal year ending December 31, 2009.

PricewaterhouseCoopers Audit
Mr. Jean-François CHATEL
63, rue de Villiers
92208 Neuilly sur Seine

Member of the Versailles Regional Association.

Initial Appointment Date : June 29, 2001.

Term Expiration Date : Date of annual meeting called to adjudicate accounts for fiscal year ending December 31, 2012.

2.2 Deputy Statutory Auditors

Mr. Jean Marc LE MER
65, avenue Kléber
75116 Paris

Initial Appointment Date : June 21, 1994.

Term Expiration Dat : Date of annual meeting called to adjudicate accounts for fiscal year ending December 31, 2009.

In accordance with the 9th resolution adopted during the annual meeting on June 20, 2007, Mr. Christian Brossier has been replaced by Mr. Jean-Marc Le Mer for the remaining portion of his term.

Mr. Etienne BORIS
63, rue de Villiers
92208 Neuilly sur Seine

Initial Appointment Date: June 20, 2007.

Term Expiration Date : Date of annual meeting called to adjudicate accounts for fiscal year ending December 31, 2012.

In accordance with the 8th resolution adopted during the annual meeting on June 20, 2007, since Mr. Ghiliotti's term is nearing completion, it has not been renewed.

2.3 Fees Paid to Statutory Auditors

In compliance with article 221-1-2 of the General Regulations of the Regulatory Commission, the fees the Egide Group paid to statutory auditors for fiscal year 2007 are shown in the table below :

	Jacques Wenig and Associates				PricewaterhouseCoopers Audit			
	Amounts in Euros		%		Amounts in Euros		%	
	2007	2006	2007	2006	2007	2006	2007	2006
Audit								
- Audit, certification,examination of individual and consolidated financial statements	76,478	121,981	100	100	81,724	186,500	86	88
- Other related assignments and other auditing assignments	0	0	0	0	0	10,000	0	5
Subtotal	**76,478**	**121,981**	**100**	**100**	**81,724**	**196,500**	**86**	**93**
Other Services								
Juridical, fiscal, social *	-	-	-	-	12,989	14,656	14	7
Subtotal	**0**	**0**	**0**	**0**	**12,989**	**14,656**	**14**	**7**
TOTAL	**76,478**	**121,981**	**100**	**100**	**94,713**	**211,156**	**100**	**100**

** Services provided by foreign subsidiaries.*

3 FINANCIAL REPORT HIGHLIGHTS

3.1 Consolidated Financial Reports for 2005, 2006, and 2007

Information derived from the consolidated accounts for fiscal years 2005, 2006, and 2007 is provided :

(In thousands of Euros)	2005 IFRS	2006 IFRS	2007 IFRS
Sales	21,700	25,380	26,170
Operating Income	(8,174)	(4,711)	(5,410)
Income	(7,942)	(5,064)	(6,141)
Noncurrent Assets	10,323	7,151	6,338
Cash Reserves	1,285	3,759	1,416
Liabilities	2,439	5,389	5,202
Shareholders' Equity	14,065	13,337	7,415
Total Assets	**22,372**	**26,035**	**20,007**

In compliance with Rule CE no. 1606/2002 dated July 19, 2002, the Egide group presents its consolidated financial statements for fiscal year ending December 31, 2007, in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union. Thess accounting standards include the IFRS and the International Accounting Standards (IAS), as well as as the interpretations applicable on December 31, 2007. This set of standards and their interpretations are commonly called the IFRS standards, or simply the IFRS.

The group's financial statements for December 31, 2007 are the third published in accordance with the IFRS.

3.2 Financial Reports (Individual Accounts) 2005, 2006 and 2007

Information derived from the individual accounts for fiscal years 2005, 2006, and 2007 is provided :

(In thousands of Euros)	2005	2006	2007
Sales	13,722	14,611	15,396
Current Operating Income	(4,859)	(2,694)	(2,874)
Income	(7,509)	(4,916)	(5,934)
Long-Term Assets	6,444	5,407	3,728
Cash Reserves	1,034	3,560	1,001
Liabilities	0	0	0
Shareholders' Equity	13,516	13,114	7,189
Total Assets	**17,971**	**18,718**	**12,738**

4 RISK FACTORS

The company has assessed its risks and concludes that there are no significant risks other than those shown below.

4.1 Risks (Exchange, Rate, Stock, Credit)

4.1.1 (Exchange Risks)

In 2007, 70% of Egide's sales were from exports, 41% of which were to North America. During the fiscal year, Egide invoiced $4.1 million (counter-value : €3 million), and Egide USA invoiced $12 million (counter-value : €8.7 million). In 2007, the constant devaluation of the dollar with respect to the euro reduced the group's sales figure. At a constant exchange rate in relation to fiscal year 2006, the impact of the variation in the euro/dollar parity on total sales is estimated at €1.1 million.

Part of the revenue in American dollars received by Egide SA is used to purchase components in the United States. In 2007, receipts in dollars were, however, much lower than disbursements since the implementation of factoring generated financing in euros. The risk therefore lies in the exchange rate on the day American dollars are purchased, since receipts do not cover expenses to be paid in this currency. No specific reserve balance has been put in place, the cost of such protection being too high.

As far as the American subsidiary is concerned, purchases and sales are entirely in dollars. At the end of the fiscal year, the exchange risk will therefore contained by the group based on the result of the Egide USA fiscal year as well as its cash position in dollars.

A customized work plan has been established between Egide and Egima : Receipts for the exportation of products manufactured in Morocco are billed by Egide; there is no exposure to the exchange rate for Moroccan dirhams. The financing structure implemented in Morocco is such that the impact of a change in the euro-dirham exchange rate is reduced. Investments made in 2001 and 2002 have been financed at around 50% by capital (equity) and around 50 % by medium/long-term loans in local currency. In the case of the devaluation of the dirham, the accounting loss in value of the assets paid in dirhams would be partially compensated by a loss in value of the debt similarly paid in dirhams.

Sales achieved by the English subsidiary, Egide UK, are paid in pounds sterling and sometimes in dollars. However, they constitute less than 9% of the group's sales and the exchange rate risk will be limited to the income in the fiscal year.

The following table details the group's net position in the main currencies involved in transactions :

(In thousands on December 31, 2007)	USD	GBP	MAD
Foreign Currency Assets	4,104	528	7,604
Foreign Currency Liabilities	2,951	413	5,040
Net position before Management (+ Selling, - Purchasing)	1,153	115	2,564
Off-Balance Sheet Position	-	-	-
Net Position after Management	1,153	115	2,564
Impact of An Unfavorable Change in 1 Euro Centime (- Loss, + Gain)	(12)	(1)	(26)
Exchange Rate on December 31, 2007 (1 Euro =)	1.4721	0.7334	11.3437
Impact in Thousands of Euros	(8)	(1)	(2)

In 2007, the steep downslide in the dollar and the yen noted throughout the fiscal year (from €1.31 for the dollar in the first trimester to €1.46 in the last trimester) has also hurt Egide's competiveness with others, be they American or Japanese, whose costs are primarily in local currency (contrary to Egide, whose costs are primarily in Euros).

4.1.2 Interest Rate Risks

To finance investments made in Morocco on the one hand, and reduce the exchange risks associated with a possible devaluation of the dirham on the other, Egide decided to obtain two loans from a local bank. The medium-term loan amount is 14.6 million Dirhams, payable over a seven-year period (one year of which is franchise capital), with a fixed interest rate of 8% ; the long-term loan is 12.7 million dirhams, partially unfrozen at the 10.678 million level, payable over 12 years (one year of which is franchise capital), bearing a fixed interest rate of 8.75%. These two loans were unfrozen at the beginning of 2003 ; they do not include a prepayment clause because a default clause has been applied.

In addition, the building that houses Egide corporate headquarters has been on a 12-year lease since October 25, 1999. The asset value on contract signing was €0.97 million. The fees are based on Euribor 3 months + 1.3 points. Since this leasing contract was terminated in advance on March 5, 2008, there will be no more interest rate risks associated with this loan.

In 2006, Egide SA entered into two factoring contracts covering domestic and export receivables. The monthly payment applied by the factors to the amounts financed is based on Euribor 3 months at the end of the preceding month. In February 2005, Egide USA obtained a revolving line of credit whose interest rate was determined as follows : base rate + 3% (with an interest rate floor of 10.25%. This line of credit was closed in February 2007 and replaced by a factoring contract whose monthly payment is based on the Chase Prime Rate provided by JPMorganChase Bank. A factoring contract was similarly set up at Egide UK in April 2007, and the monthly payment is based on the Sterling Base Rate provided by HSBC Bank.

In October 2007, Egide USA contracted a $1.4 million bank loan with an interest rate based on Libor 1 month + 8% at the end of the preceding month, with an interest rate floor of 13%.

Considering the potentially low impact of interest rate variations on consolidated income, the group has not implemented specific measures to track and manage interest rate risks.

4.1.3 Liquidity Risks

Since Egide's current cash position permits it to pay its debts when due, the company meets its current liabilities with its available assets. To reinforce this situation, the company had recourse to alternative financing such as assignment of leases/leasing of building complexes at Trappes, Bollène, and Cambridge, which was in progress on December 31, 2007. Taking into account the refinancing operations realized or planned before 2008 (see § Events after Closure below and the temporary cash flow projected in Egide's strategic plan for fiscal year 2008, Egide is confident that it has sufficient cash to meet its financial obligations for the next 12 months.

4.1.4 Share Price Risks

Since the company does not directly hold any share (including its own) other than those of its subsidiaires and a Sicav portfolio, it is not exposed to share price risks.

4.2 Legal Risks

4.2.1 Intellectual Property

Trademarks used by Egide are registered in France and internationally. The company uses its own patents and files them when necessary. The licenses used by the company and its subsidiaires are on the asset side of the balance sheet and are not subject to a fee.

4.2.2 Individual Regulations

Egide's activities depend on legal, regulatory, or administrative authorizations, as well as approval procedures. All measures are taken to update work authorizations for all production sites, incluing those of the susidiaries, in concert with the organizations affected.

4.2.3 Insurance

Egide and its subsidiaries have all the insurance necessary to cover the risks associated with their business activities, in compliance with their countries' requirements. The risks covered are primarily the following :

	Maximum Coverage (in Millions)			
	Egide SA	Egide USA	Egide UK	Egima
Industrial Risks	20 M€ - Exemption 0,01 M€	11 M$	0.60 M£	20 M DHR
Civil Liability	10 M€	11 M$	5 M£	5 M DHR
Machine Breakdown	0.10 M€	7.2 M$	-	6.5 M DHR
Use of Personal Automobiles for Business	0.15 M€	-	-	-
Automobiles	Unlimited	1 M$	-	-
Operating Losses	Annual Gross Margin Exemption 3 j	2 M$	Gross Margin Max 1.401 M£	1.3 M DHR
Executives' Civil Liability	4.5 M€	4.5 M€	1 M£	-
Work Stoppage and Illness	-	0.5 M$	-	-
Legal Assistance	-	-	0.1 M£	-

4.2.4 Dependence on Other Companies

Since 2004, Egide no longer has any significant dependence on any particular customer ; in 2007, the primary customer represented 13% of total sales against 12% in 2006. In addition, the company has no significant dependence on any particular supplier.

4.2.5 Political, Economic, Legal, and Fiscal Risks Associated with Export Sales

Sales in China or Thailand are either from subsidiaries of European or American clients or from world-renowned subcontractors operating in country (Fabrinet, for example), which shields the company from risks inherent to the countries concerned. Our relationship with Korea represents 1% of sales, so the risk is not deemed to be significant.

4.3 Industrial and Environmental Risks

4.3.1 Industrial Risks

Company operations do not bring about any significant risks. As far as industrial accidents are concerned, there has never been any serious accident in France, the United States, or Morocco. The only incidents noted involved local, superficial burns. Nickel, a metal used companywide, sometimes causes allergic skin reactions. In 20 years, Egide has had only had to lay off one employee due to industrial illness caused by a nickel allergy.

4.3.2 Environmental Risks

With the exception of anti-pollution regulations, Egide is not subject to any particular rules. The heremetic packaging manufacturing process requires the use of hazardous products such as hydrogen and aurocyanure (a solution of gold and cyanide). These products are stored and used according to the standards in place and are under constant surveillance; the sites are also regularly inspected.

At the Bollène site, a standardization plan was decided upon, with the local authorities, on request, The objective of this plan was to institute a zero refuse policy. To accomplish this, the company built a warehouse for refuse, which is then removed by a company that specializes in this type of work. The warehouse was placed in service on January 2, 2007.

For its operations in Morocco, Egide decided to apply the European environmental standards currently in effect, which are more restrictive than local standards. In addition, prior to the acquisition of Electronic Packaging Products (which became Egide USA Inc.) in 2000 and the assets of Europlus (which became Egide UK) in 2002, in each case, Egide submitted to an environmental audit that revealed no risks.

The ensemble of production equipment used in the Egide group meets current security and environmenal standards. The group regularly submits to statutory audits by approved organizations (inspection of fire-fighting equipment, electrical installations, waste water disposal, etc.)

In addition, Egide was ISO 14001:2004 certified on December 17, 2007 (the group was also ISO 9001:2000 certified).

4.4 Technical Risks

4.4.1 Substitute Product Launch

Egide manufactures hermetic packaging ; in the event that complete sealing were no longer required, mere plastic products could be in used in place of packaging. However, integrated electronic systems or complex chips have hermetical and heat diffusion requirements, since they are extremely sensitive to heat and air. The so-called hybrid circuits used in the defense and space industies therefore need to be hermetically sealed so that they will work reliably without risk of breakdown. The same applies to immersed or buried optoelectronic circuits since the cost of changing a defective component is prohibitive when compared with the price of the equipment. The demand for high quality also applies to products sought after by commercial industries such as aeronautics or automobile manufacturers.

In certain applications where partial sealing could suffice, the use of polymer-based packaging could rival that of completely hermetically sealed packaging. However, these particular applications are not those which Egide has chosen to concentrate on and develop.

4.4.2 Price Reduction

High volume production, customer competition, and a growing demand for component miniaturization naturally creates pressure to reduce prices, but the applications for which Egide's products are sold are top of the line (optoelectronic, aeronautic and space industries, automobile safety), which serves to attenuate the price reduction phenomenon.

Moreover, Egima's Morrocan production tool, molded components (a less expensive fabrication technique) provided by Egide UK, as well as recourse to low-cost Asian suppliers provide Egide with the means to produce components at reduced cost and therefore limit potential market losses associated with price reduction.

In addition, a search was launched for reliable, low-cost suppliers of the main components purchased, the goal being to use less expensive components in the manufacturing of our packaging as much as possible.

4.5 Other Risks

4.5.1 Arrival of New Competitors

The expertise necessary to develop and produce hermetic packages is extremely difficult to acquire. Clearly, it is not sufficient to be able to produce a few laboratory prototypes ; one must be capable of producing them regularly under proven conditions of repeatability and quality, to meet not only technical requirements, but also commercial and economic requirements. As a result of these market entry barriers, no significant competitor has appeared in the past several years.

4.5.2 Risks Associated with High Tech Market Volatility

The company has positioned itself in high technology markets in every sector. None of these markets is sheltered from cyclical highs or severe lows. Due to its policy of active diversification in several sectors, with several clients in each sector, Egide believes it has counteracted the effects of this volatility on sales and the bottom line.

4.5.3 Risks Associated with Geographic Location

The company's production units located in Europe (France and Great Britain) or in the United States are not subject to any particular risk stemming from their geographic location. The Moroccan production site, Egima, located in Casablanca, is the one that could be most affected by that country's possible political or economic instability, However, the risk remains slight and the company has implemented no specific protective measures.

4.5.4 Risks Associated with Share Price Volatility

Every development concerning society, competitors, the market in general and any one of the sectors in which the company is involved (telecommunications, defense and space, civil aeronautics, or autombile manufacturing) could have a positive or negative effect on the company's share price. Similarly, the company's ownership presents a certain liquidity risk. In 2007, the volume of daily average shares rose to approximately 2,551 (0.20% of capital) as opposed to 2,988 a day in 2006.

5 ISSUER INFORMATION

5.1 Company History and Evolution

5.1.1 Company Name

EGIDE S.A.

5.1.2 Issuer's Place of Business and Registration Number

The company is registered with the Versailles Business Registry under the number 338 070 352.

5.1.3 Date Founded and Life

The company was founded on July 11, 1986 for an initial period of 99 years, i.e., until July 10, 2085, except in case of anticipated dissolution or extension provided for by the law.

5.1.4 Corporate Headquarters and Legal Structure

The corporate headquarters is located at 2 rue Descartes, Parc d'Activités de Pissaloup - 78190 Trappes (Tel : 01 30 68 81 00).

Egide is designated as a corporation under French law, with a board of directors regulated by the Commercial Code and by the government decree of March 23, 1967.

5.1.5 Important Events in the Evolution of the Company

1986 : Egide is created to response to French defense industry needs for hermetic packaging for sensitive components ; the company specializes in glass-to-metal seals.

1992 : Egide acquires the encapsulation operations of Xéram, at that time a subsidiary of the Péchiney group, who developed a ceramic-to-metal sealing die. Egide becomes the only Euopean High Temperature Cofired Ceramic (HTCC) specialist, enabling it to develop intelligent packages.

1994 : Egide enters the telecommunications market (optical transmissions), which will provide the impetus for its acclerated expansion in 1998.

1999 : Egide is listed on the Paris Stock Exchange.

2000 : Egide acquires the American packaging manufacturer, Electronic Packaging Products (EPP), renamed Egide USA, ensuring a market presence in the United States. Egide creates a subsidiary in Morocco.

2001 : the bursting of the Internet bubble, which will have a direct impact on company sales, i.e., the telecommunications portion, which at that time represented more than 95%.

2002 : acquisition of the principal assets of the British company Europlus through the Egide UK subsidiary created for this purpose. Europlus brings metal injection molding (MIM) technology), involving special alloys, necessary for the competitiveness of components, particularly in telecommunications.

2002 : opening of the subsidiary Egima's factory in Morocco, designed for high-volume, low cost production, targeting new commercial markets.

2005 : pursuit of diversification to balance sales across the company's different markets. Mr. Philippe Brégi takes over as Chief Executive Officer, succeeding the Chief Executive Officer who retired.

5.2 Investments

5.2.1 Principal Investments

The investments made by the company since 2005 are primarily for the renewal of industrial equipment at the three production sites : American, Moroccan, and French. The acquisitions of fixed assets for these years are as follows :

(In Thousands of Euros)	2005	2006	2007
Land and Buildings	50	35	330
Utilities and Equipment	296	278	564
Other Fixed Assets	35	20	86
Total	**381**	**333**	**980**

When placed in service in January 2007, the equipments used for effluent storage which appeared under current fixed asssets for €213,000 in December 2006 were capitalized from the assets concerned.

5.2.2 Principal Current Investments

Seventy-five per cent of the 2008 investment budget (approximately 9.8 million euros) is earmarked for Egide (building security and performance improvement, 12.5% to Egide USA, and 12.5% to Egide UK (equipment). These investments will be financed by our own funds or possibly by the leasing of production equipment.

5.2.3 Principal Future Investments

Investments made from 2000 to the present allow the company to generate a much higher level of sales than before ; no substantial investment is necessary to increase production significantly.

5.2.4 Financing of Assets

The Egide USA building, situated in Cambridge, Maryland, was financed by a guaranteed $1.4 million loan taken out by the American subsidiary. There has been no other financing of intangible or fixed assets (property, plant, and equipment) by the Egide group. In addition, the money market funds listed under assets on Egide's consolidated balance sheet as "Other Non-current Assets" are given in guarantee for the benefit of the Egima subsidiary (to guarantee the loans taken out by the subsidiary as well as a bond provided to the Moroccan customs authorities (see § 20.3.1.5.4.16).

The table below details the finanancing of buildings as of December 31, 2007 :

Building Financing	Beginning Date	End Date	Total Assets Financed in € (a)	Total Balance Sheet Items in € (b)	% (a) / (b)
Intangible Assets			0	6,301	-
Fixed Assets	09/28/2007	09/27/2008	944,909	5,484,086	17.2%
Long-Term Investments			0	21,539	-
Total			**944,909**	**5,511,926**	**17.1%**

6 OPERATIONS OVERVIEW

6.1 Principal Operations

6.1.1 Protective Hermetic Packaging

Egide designs, manufactures, and sells hermetic packaging to protect and interconnect several kinds of electronic or photonic chips.

The purpose of these packages is to protect integrated electronic systems or complex, and therefore fragile, chips, which are sensitive to harsh thermic, atmospheric, or magnetic environments.

These components are the result of a complex expertise, drawing upon several disciplines : Material structure, particularly special alloys ; chemistry and surface treatment ; mechanics and thermodynamics, electronics ; optoelectronics, and hyperfrequency modeling. Egide is one of the few companies to master the ensemble of technologies surrounding the two types of material used for these packages in the world today ; glass-to-metal and ceramics. The company also manufactures its own ceramics and, thanks to its English and American subsidiaries, produces its molded metallic components and glass beads internally.

6.1.1.1 Sealing Technologies

Glass-to-Metal

This has been the company's core technology from the beginning. The components as well as the connection pins are made of metal. These pins are maintained and isolated by glass beads to ensure a perfect hermetic seal in the spot where the pins pierce the metal panels.

The metals used are special alloys, the most common being kovar, an alloy of iron, nickel, and cobalt. Other metals such as molybdenum, copper-tungsten, aluminum silcon carbide, or titanium are also used for applications where heat dissipation is important or weight is critical.

Metallic packaging components are joined by brazing (soldering) them in high temperature kilns. The braziers are themselves made of special alloys, such as gold-tin, gold-germanium, or silver-copper.

Ceramic-to-Metal

In this technology, which is rarer and more difficult to ahieve, the packaging retains a metallic structure comparable to the glass-to-metal packaging materials, using the same alloys and the same soldering, but the glass beads are replaced by ceramic inserts.

The packaging panels are pierced by a rectangular window in which a ceramic block with screen-printed tracks is hermetically soldered, thus replacing the glass beads.

Other packaging uses ceramic components assembled with metal pins, primarily for infrared applications.

6.1.1.2 Surface Treatment

Surface treatment is accomplished with electrolytic or chemical deposits (gold or nickel) on an automated, semi-automated, or manual surface treatment production line, depending on the manufacturing site.

These deposits, at the micron level, are necessary for different stages of packaging fabrication :

- nickel plating of ceramic components before soldering;
- pretreatment of ceramic components;
- gold plating of glass-to-metal packaging in the final fabrication stage.

Egide's great expertise in the domain of surface treatment, and the integration of the line into the work flow is a major asset in ensuring optimal quality in the finished product.

6.1.1.3 Ceramics, from Powder to Component

The ceramic produced by Egide at its Bollène site is known as High Temperature Cofired Ceramic (HTCC). As a miniaturization source, this technology leads into multiple applications, such as the development of multi-chip module substrata.

Egide has mastered the entire manufacturing process-from powder to component :

Ceramic Production or "Green Tape" Production

Raw ceramic is derived from aluminum powder and organic compounds, which, when mixed, yield a paste-like material known as a slurry. The latter is poured onto plastic bands, then solidified by the drying and evaporation of solvents. The bands, which are of varying thicknesses, are then cut into sheets before use.

Inks

Also manufactured at the Bollène site, inks are composed of tungsten powder and solvents. They are used for screen printing the conductive tracks on the various ceramic sheets and for filling the vias (miniscule holes on each of the sheets) to establish conduction from one layer to the other.

High Temperature Cofired Ceramic (HTCC) Procedure

Egide handles all operations in the transformation of the raw ceramic in a class 10000 clean room: via and window piercing, via piercing, screen printing the conductive tracks, pressing, and cutting. The combined mastery of ceramic and ink production constitutes a definite advantage in the success of the co-firing (aluminum-tungsten) step of the HTCC process. During this process, heavy-duty ceramic components are obtained through the superposition of different layers, and the pressing and firing in special high-temperature kilns (1,600°).

6.1.1.4 Glass Beads

At its American plant, Egide manufactures the glass beads used in its glass-to-metal packaging. The base material is powdered glass, which is sintered, then heated to a high temperature (approximately 600o) in a dedicated kiln.

6.1.2 Metal Injection Molding (MIM)

The molding technology developed at the English subsidiary replaces the machining or stamping of metals. One uses powdered metal, injected under pressure into a mold to obtain components in complex shapes. Once the cost of the mold has been amortized, it enables the large-scale, low-cost manufacturing of shapes used most often in the manufacturing of packaging. This molding technology also enables the production of plastic parts most often used in telecoms (fiber optic guides and supports) as well as metal parts for the industrial or medical sectors.

6.1.3 Sales Distribution by Activity

Sales distribution, consolidated by activity, is detailed in the table below :

	2005		2006		2007	
	K€	%	K€	%	K€	%
Glass-metal Products	15,127	69.7%	16,773	66.1%	15,623	59.7%
Ceramic Products	5,263	24.3%	6,760	26.6%	8,034	30.7%
Others (including MIM and Plastic)	1,266	5.8%	1,833	7.2%	2,369	9.0%
Studies	44	0.2%	14	0.1%	144	0.6%
Total	**21,700**	**100.0%**	**25,380**	**100.0%**	**26,170**	**100.0%**

6.2 Principal Markets

Present from the beginning in the defense and space indusries, and then in the telecommunications market by means of fiber optics, today Egide serves the civil aeronautics, automobile, and medical markets, and the industrial applications of infrared technology.

6.2.1 The Defense and Space Industies

The electronics used in large industrial programs require hermetic packaging such as Egide's to ensure their protection. Naturally present from the beginning in European progams, Egide, thanks to its American subsidiary, Egide USA, a local producer, also satisfies the needs of the American defense markets.

In the aeronautical domain, various combat planes such as the Rafale (France), the Eurofighter (England, Italy, Germany, and Spain), the Jas Grippen (Sweden) and the F18/F22 (United States) all use Egide packaging. The same is true for the associated arms systems. Defense electronics includes ground equipment such as radar, infrared, ground-to-ground and ground-to-air missiles and equipment used in armored vehicles (the Leclerc tank in Europe), helicopters, and aircraft carriers.

Certain applications remain glass-to-metal (power chips, control systems) and others migrate to ceramic (infrared vision, missile computers).

The Europeanization of components was expressly desired by the armed forces.

The space industry has experienced strong growth in its three applications : telecommunications, observation, and navigation. Egide is present thanks to its glass-to-metal and ceramic (MCM) packaging. For example, Egide provides equipment for the ARIANE V launcher, whose launch schedule is full for the next several years, as well as the packaging used in its satellites. The company is well positioned with equipment suppliers in this sector, thanks primarily to the approvls gained from CNES and ESA. The Europeanization of sources is required in the aerospace domain just as it is in the military sector.

6.2.2 Telecommunications

There are three means of transmitting information : traditional copper wire (ASDL), microwave radio links, and fiber optics. The latter provides the highest rate of delivery by far.

Egide's packages are found in several types of optoelectronic subassemblies since they call for chips made of sensitive complex materials for which hermetic packaging is indispensable :

- transmitters, that transform an electronic signal into an optical signal transported by fiber;
- receivers, which do the opposite;
- modulators, which transform a continous signal after 0 and 1;
- amplifiers, which amplify an optical signal by means of high powered lasers;
- multiplexers, which bundle, unbundle, and route communications;
- dispersion compensators that correct certain signal errors.

The fiber optic telecommunications market experienced a crisis unprecedented in extent as well as duration, but now it is recovering slightly. This tendency will intensify in the next few years. The excess network capacity that caused the crisis is about to be filled since the traffic, and therefore the need for data transmission, has not diminished. These fiber optic transmissions call for chips made of sensitive and complex materials, for which hermetic packaging is indispensable.

Only fiber optic links can respond to high-capacity needs. The growing power of the Internet, of fixed and mobile telephony, and video (quadruple play offers) necessitates deployment of fiber optics in metropolitan networks. Fiber optic connection of office buildings, houses, and other local networks implies numerous FTTC connections and therefore packaging components.

6.2.3 Industrial Markets

In supplying the equipment manfacturing subcontractors for Airbus Industrie and Boeing, Egide has expanded its operations in industrial applications for civil aeronautics. Egide is thus offering hermetic relay bases, manufactured at the Moroccan site, or protective packaging for engine management systems (Full Authority Digital Electronic Control [FADEC]).

The desire to enhance safety fostered the arrival in the automobile industry of high technology products, aimed today at trucks and high-end vehicles. Egide, therefore, manufactures packaging for anti-collision radars (intelligent speed regulator) or for infrared detection in hazardous traffic conditions (fog, night, rain). The company's technical capabilities permit it to offer the components necessary for this safety equipment, which originated in the military domain.

There are multiple commercial applications for infrared technology : border surveillance, industrial buildings and public places, medical diagnostic aids, blind flying assistance, gas detection. Also derived from military applications, they have experienced considerable growth, thanks to products used by fire-fighters (seeing through smoke), security (site surveillance), predictive maintenance (diagnosing a short-circuit before it happens), by the medical profession (tumor detection), or by the automobile industry (night vision).

6.2.4 Sales Distribution by Market

In the table below, consolidated sales are broken down by market :

	2005		2006		2007	
	K€	%	K€	%	K€	%
Defense and Space	8,669	40.0%	10,120	39.9%	10,028	38.3%
Telecommunications	6,410	29.5%	6,150	24.2%	6,098	23.3%
Other (Commercial)	6,621	30.5%	9,110	35.9%	10,044	38.4%
Total	**21,700**	**100.0%**	**25,380**	**100.0%**	**26,170**	**100.0%**

6.2.5 Clients

The company has several references in our market segments. The Egide group's clients are the following :

Telecommunications	Defense and Space	Industrial
Alcoa (USA) Avanex (France, Italie) Axsun (USA) Bookham (Canada, GB) Coset (Korea) CyOptics (USA) EM4 (USA) Exfo (Canada) Fermionics (USA) Fabrinet (Asia) JDS Uniphase (USA, Canada, China) Perkin Elmer (Canada) TeraXion (Canada)	Ericsson Saab (Sweden) Goodrich (GB) International Rectifier (USA) Interpoint (USA) MBDA (France, GB) Northrup Grumann (USA) Raytheon (USA) SCD (Israel) Selex (GB) Sofradir (France) Solitron Devices (USA) Teledyne Cougar (USA) Textron Systems (USA) Thales (France) Thales Alénia Space (France & Italie) VPT Inc (USA)	ABB Entrelec (France) Airpax (USA) Autocruise (France) Deutsch (France, USA, India) Delavan (GB) Flir (USA) Indigo (USA) Q Imaging (Canada) Richco (GB) Servomex (GB) STPI (France) Swan Morton (GB) Ulis (France) Unipath (GB)

In 2007, Egide's top ten clients in all segments accounted for approximately 60% of sales ; no individual client accounted for more than 13% of the total. In 2006, the top ten clients also accounted for approximately 60% of sales.

With this client portfolio, Egide does not deem it necessary to take out credit insurance, expect in a few individual cases (use of a documentary letter of credit if ncessary). Deliveries activate client billing.

6.2.6 Sales Distribution by Geographic Zone

In the table below, consolidated sales are broken down by geographic zone :

	2005		2006		2007	
	K€	%	K€	%	K€	%
France	5,502	25.4%	6,593	26.0%	7,953	30.4%
European Union (outside of France)	5,315	24.4%	4,020	15.8%	4,533	17.3%
North America	9,778	45.1%	11,832	46.6%	10,695	40.9%
Rest of the World	1,105	5.1%	2,935	11.6%	2,989	11.4%
Total	**21,700**	**100.0%**	**25,380**	**100.0%**	**26,170**	**100.0%**

6.3 Unforeseen Events

The telecommunications market experienced a crisis of exceptional scope in 2001 and 2002, a crisis that persisted in spite of a mini-bubble at the beginning of 2004. The current tendency would be more towards a recovery but in proportions and at a rate that should avoid the disastrous consequences of an excess capacity that has been experienced for several years.

Realizing that any high technology market is cyclical, Egide is continuing its diversification, with the goal of balancing its sales as much as possible in the three markets. Moreover, within each market, the company is seeking to position itself in a maximum number of different segments. This goal, attained in 2005, has since been confirmed and will continue to be at the heart of the company's business development strategy in future years.

6.4 Competitive Position

There are very few world-class contenders in the hermetic packaging market. Moreover, the company's European and American competitors specialize more in glass-to-metal products, while Japanese competitors primarily offer ceramic products.

The table below lists Egide's main competitors :

Name	Country	Markets	Sales	Listing	Capitalization
Ametek	United States	Aeromilitary	$ 0.9 billion (1)	New York	$ 4.8 billion (2)
Kyocera	Japan	AeromilitaryTelecoms	€ 0.7 billion (3)	Tokyo	€ 10.5 milliards (4)
Electrovac	Austria	Industrial	Not available	Not listed	-
Schott	Germany	Industrial, Telecoms	Not available	Not listed	-
Vactron	Spain	Automobile	Not available	Not listed	-
Sinclair	United States	Aeromilitary, Industrial	Not available	Not listed	-
NTK	Japan	Aeromilitary, Industrial	€ 0.6 milliard (5)	Tokyo	€ 2.4 billion (4)
Hirai	Japan	Industrial	Not available	Not listed	-

(1) source : Annual Report , December 31, 2007 for electromechanic activity.
(2) source : New York Stock Exchange, February 26, 2008.
(3) source : Annual Report,December 31, 2007 for semi-conductor activity (9 months in 2007).
(4) source : Tokyo Stock Exchange, February 26, 2008.
(5) source : Annual Report, December 31, 2007 (9 months in 2007).

The primary competitors are in the telecom and defense markets, not so much in industrial applications ; the marginal competitors, on the contrary, are targeting the industrial and automobile markets. Kyocera however, is the only non-American company, which, thanks to its factory in San Diego in the United States, sells its ceramic products to American defense industry clients.

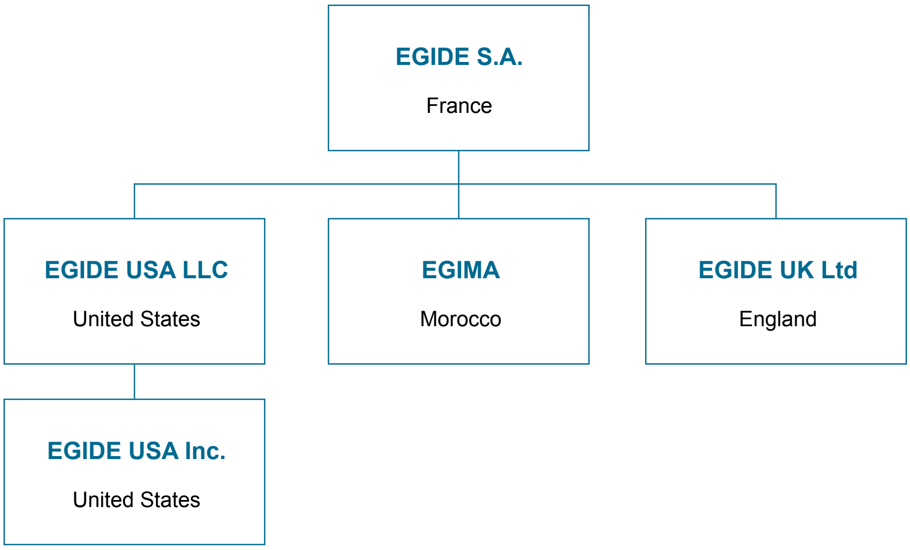
The above can be grouped into two categories :

- very large groups (Kyocéra, NTK, Ametek) or divisions of a large group (Schott);
- medium-sized companies (Egide, Hirai, Electrovac, Vactron).

In this competitive environment, Egide has a reputation for quality and high tech expertise due to its experience in electronics for the defense and space industries, industries that are extremely demanding (qualification processes, regular audits …), and it occupies a high-ranking position alongside Kyocera.

7 ORGANIZATION CHART

7.1 Group Organization Chart



7.2 List of Subsidiaries and Group Structure

Egide SA is the parent company. It wholly owns its three subsidiaries (Egide USA LLC in the United States, Egide UK Ltd in England, et Egima SARL in Morocco). Egide USA LLC wholly owns the subsidiary, Egide USA Inc., based in the United States.

Egide USA LLC is a holding company owned by the parent company whose sole activity is to hold all of Egide USA Inc.'s capital.

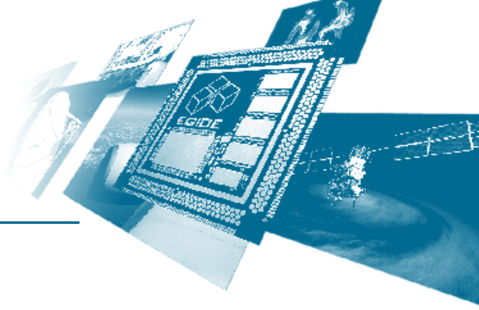
Egide, Egide USA Inc., and Egide UK are companies that have their own economic activity. On this basis, they each have assets that permit them to produce independently of one another. Egima also has production assets but depends on Egida, who is its only client (established by special work agreement).

These companies have their own available assets and liabilities since there is no centralized financial management at the group level.

Egide and all its subsidiaries have the same president (Egima has a manager). With the exception of Egima, each has their own executive staff, adminstrative and accounting staff, business services, engineering, and production services. Egima is directly managed by the French parent company. The various exchanges between the companies in the group lead to inter-company billings, governed by regulatory agreements (see § 19.1 - Regulatory Agreements).

All the operating companies in the group, with the exception of Egide UK, are active in the hermetic interconnective packaging domain. The Egide UK Ltd subsidiary sells molded metal components (which are not packaging), primarily for the telecom and industrial markets. It also permits the replacement of certain suppliers of products used as components by other group members.

See § 20.3.2.4.3.21 – Concerning Affiliates and Investments.



8 REAL ESTATE, FACTORIES, AND EQUIPMENT

8.1 Principal Fixed Assets

8.1.1 Industrial Sites

The Egide group has major means of production available, structured arouond four sites with complementary specialties : Bollène (France), Casablanca (Morocco), Woodbridge (Suffolk, UK) et Cambridge (Maryland, USA).

Bollène Site (Egide)

A center of excellence for the two sealing technologies, it also has expertise in high temperature cofired ceramic (HTCC). In a building of approximately 5,700 m2, equipped with a 500 m² 10000 class clean room for the treament of raw ceramic, Bollène ensures the end-to-end production of ceramic components, and the assembly, surface treatment, and inspection of glass-metal and ceramic-metal packaging. It has an engineering department for ceramics and for glass-to-metal as well as R&D resources. The building is kept completely clean. In 2008, this building could be sold to a commercial investor, and the latter could re-lease the building to the company through a commercial lease that would be signed concomitantly at time of sale.

The Casablanca Site (Egima Subsidiary)

Attached to Bollène, it is particularly dedicated to the manufacture of a wide range of components. In a 3,000m2 building, kept completely clean, constructed on a 10,000 m2 piece of land leased for a 50-year period in the Casablanca airport zone, it ensures the assembly, surface treatment, and inspection of glass-metal and ceramic-metal packaging. The surface treatment production line is completely automated.

The Woodbridge Site (Egide UK Subsidiary)

It owns the technology for molding complex products through metal injection (Metal Injection Molding – MIM). In a building of approximately 2,500m2 leased from a third party outside of the group for a period of five years (renewable), it oversees the manufacture of molds as well as the production of metal components.

The Cambridge Site (Egide USA Subsidiary)

In a building of 5000m2, the site is responsible for the assembly, inspection, and surface treatment of glass-metal packaging, primarily for the American market. It also produces glass beads. It has a glass-to-metal engineering department. The building is kept perfectly clean. In 2008, this building could be sold to a commercial investor, and the latter could re-lease the building to the company through a commercial lease that would be signed concomitantly at time of sale, or given in guarantee to a long term loan.

In addition, Egide's corporate office, situated in the Paris region (in Trappes in the Yvelines) in an approximately 1,300m2 leased building, includes general management, purchasing, business development, administration, and finance. On March 5, 2008, the company exercised its option to pay the lease early, and gave the building to another commercial investor, who immediately leased it to the company for a period of nine years.

8.1.2 Industrial Equipment

In all four production sites, Egide owns its industrial equipment, composed primarily of the following :

- two ceramic casting rooms with atmospheric control equipment;
- a clean room, with access control, containing numerous machines for transforming raw ceramic ; machines to punch out vias and windows, machines for filling the vias, machines for screen printing conductors and open-vias, presses, and an automatic cutter;
- equipment for manufacturing injection-molded components;
- drying Kilns;
- ovens for high temperature (1,600°) firing of ceramics and molded components;
- cutting machines (diamond slitting wheel);
- machines for screen printing of tips;
- an oven for vacuum soldering;
- passage kilns for atmosphere-controlled soldering (medium and high temperature);
- passage kilns for hermetic sealing with glass beads;
- galvanoplasty installations, two of which are computer controlled;
- machines for verifying hermetic sealing;
- several carbon machining centers;
- several instruments for verifying visual and dimensional characteristics (including a 3D gauge);
- a wire bonder;
- thermal cycling machines.

These types of equipment have an average life of 5 to 10 years ; those dedicated to ceramics production at the Bollène site were, for the most part, acquired in 2000.

8.2 Environmental Issues that Could Potentially Affect Building Use

See § 4.3 – Industrial and Environmental Risks.

8.3 Environmental Impact of Operations

Information concerning the environmental consequences of Egide's operations provided in the Board of Directors' report for the 2007 fiscal year is provided below :

Consumption of Water Resources, Raw Materials, and Energy

In the course of its activities, the company uses water to cool its ovens and feed its galvanoplastic chain. For reasons of economy, Egide has implemented a closed-circuit oven cooler, with cooling towers installed. Along the same lines, surface treatment has moved from a rinsing system to a "dead bath" system, i.e., the rinsing baths are changed periodically instead of being in a continuous open circuit.

As far as energy is concerned, the company uses brazing and high temperature firing kilns, both heavy consumers of electricity. These kilns also consume gas (nitrogen and hydrogen), regularly provided by special suppliers.

Finally, to test the hermetic sealing of its products, the company uses helium, also provided in bottles by special suppliers.

Details concerning consumption of the products cited above are provided in the following table :

Resource	Unit	Consumption in 2007
Water	m^3	9,765
Electricity	kWh	3,647,108
Gas	kWh	1,161,846
Hydrogen	m^3	29,040
Nitrogen	Kg	1,008,396

In accordance with its ISO 14001 certification, Egide strives to limit its consumption of all these resources.

In the production process, Egide primarily uses kovar (or dilver P1) as a raw material. Kovar is an alloy of iron, nickel, and cobalt and is one of the components of products the company purchases from molders. Kova is provided by French or American specialized suppliers. Since it possesses a large quantity of Kovar (approximately 30 tons), Egide has only bought a small amount in this fiscal year.

Waste in the Air, Water, and Soil That Seriously Affects the Environment

Egide has surface treatment equipment, primarily composed of a semi-automatic galvanoplastic chain and different types of chemical baths. All this equipment is constructed on holding tanks, linked to storage tanks, to prevent any risk of soil pollution in case of accidental overflow.

After surface treatment, packaging materials manufactured by Egide are dried by immersion in a hydrocholorfluorcarbon (HCFC) bath. Although it is forbidden to use this product (due to the greenhouse gas effect), Egide has received a derogation for use until December 31, 2008, because of its space and aeronautical business. However, the company is in the process of qualifying the product that will replace HCFC and plans on using it as soon as possible.

Acoustic and Olfactory Nuisances

The surface treatment process can be the source of odors associated with the activity, odors that are, however, neutralized by aspirations (exhaust ventilation) in the galvanoplasty room. In case of accidental stoppage of these extractions, there is a procedure in place to stop the chain and take the personnel to safety. The air extracted is treated with an air washer, a piece of equipment that traps all pollutants, preventing their release.

This air washer is the sole source of external acoustic nuisance. However, the noise remains within current standards and does not create any inconvenience, considering the environment in which the company is located (industrial site, agricultural fields, and a still-unoccupied industrial building).

When it comes to internal noises are capable of affecting salaried personnel, there are none, except for those associated with machine shop operation. Certainly, machine tools are noisy, but they conform to the current standards in place and are controlled by the CRAMIF.

Measures Taken to Limit Assaults on the Environment

Egide conducts its business in an industrial zone surrounded by a recycling center, agricultural fields, a counter canal parallel to the Rhône, and the Tricastin nuclear power plant. This environment de facto limits harm to biological equilibrium, natural environments, animal species, or protected plants. In the beginning of 2007, Egide, ever anxious to preserve the environment, placed into service a liquid waste storage center. In addition, in accordance with Egide's ISO 14001 certification, a certain number of measures were identified and put into place during fiscal year 2007.

Steps Taken in Terms of Environmental Certification

Egide's operations comply with the conditions of the license isssued by the Prefecture (Public Adminstration). The company is therefore subject to numerous inspections by organizations such as Drire, l'Agence de l'Eau (water authority), la CRAM ou l'APAVE (waste analysis). Already certified as ISO 9001 version 2000, at the end of 2007 the organization received ISO certification 14001 Version 2004.

The Company's Compliance with Laws Affecting the Environment

Subject to the licensing issued by prefectoral order, Egide is in compliance with legislative and reglementary provisions in regard to the environment. In the case of evolution of the standards currently in effect, the company, with la Drire's approval, pledges compliance.

Expenditures to Prevent Negative Consequences on the Environment

During fiscal year 2007, the cost to the company for a Hygiene, Safety, and Environment apprenticeship contract was 9,325 euros.

Internal Services Responsible for Environmental Problems

Top management,Bollène factory management, and the quality control director, in partnership with the company's Committee for Hygiene, Safety, and Working Conditions, are directly responsible for the effect of the company's operations on the environment. A salaried person on the apprenticeship contract has been specially dedicated to the study of environmental problems. The company also relies on exterior organizations who are competent in the subject such as la Drire, l'APAVE, or specialized consultants.

Provisions and Guarantees Regarding the Environment

Liquid waste processing (zero waste) ended at the close of 2006 ; installations were placed into service at the beginning of 2007 and do not require additional expenditures (other than operating costs).

Total Amount of Penalties Paid as the Result of a Judicial Decision Regarding the Environment

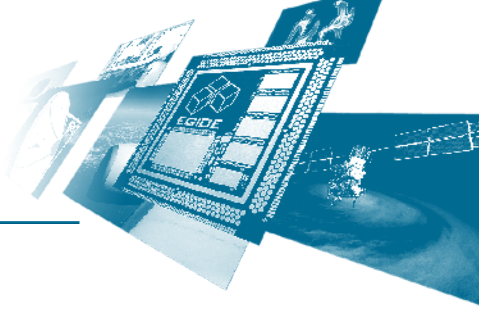
No penalty was paid in this regard during fiscal year 2007.

Objectives Assigned to the Company's Subsidiaries Regarding Environmental Matters

Prior to acquiring foreign subsidiaries (Egide USA and Egide UK), the company had an environmental audit conducted, which confirmed that neither of these companies had violated the laws in effect in their respective countries. Since then, Egide has been committed to ensuring that its American and English subsidiaries respect the standards currently in place and any associated evolution in these standards.

In the matter of Egima, which is a factory, Egide applied European environmental standards, which are much more restrictive than local standards, in Morocco. A liquid waste processing center, integrated into the galvanoplasty line, ensures that this subsidiary releases no waste into the environment, just pure water.

In general, Egide ensures that all its subsidiaries follow the environmental standards currently in effect in each country.



9 EXAMINATION OF FINANCIAL POSITION AND PERFORMANCE

9.1 Financial Position

9.1.1 Fiscal Year 2005

Egide experienced a 12.4% growth in sales in fiscal year 2005 to 21.7 million euros, attributable to the success of its diversification. The military and space sector accounted for 40% of 2005 sales, and the telecommunications and industrial sectors had an equal share in the rest (30% each). The diversification undertaken during the 2004 fiscal year, and pursued by the new Chief Executive Office, who assumed responsibility at the beginning of 2005, has borne fruit, notably the development of sales in new segments such as infrared technology for automobiles.

At the same time, the group has improved its operating income, which experienced a loss of 8.2 million euros compared with a loss of 9.3 million euros in 2004. The self-financing margin went from 6.3 to 4.3 million euros, a net improvement of 2 million euros. This result is particularly associated with the improvement of performance (yield and productivity), particularly in the second semester of the fiscal year, which was in accordance with the goals. Cash consumption was reduced by 30%, going from 7.1 million euros in 2004 to 4.9 million euros in 2005.

Egima, the Casablanca subsidiary, was strengthened by the arrival of an engineer-chief of product development, formerly responsible for production at the Trappes site and responsible for product lines in Bollène until December 2005. The first transfer of products destined for telecoms was successfully accomplished during this fiscal; the rates of return achieved were identical to those noted at the Bollène site.

In spite of the improvement in income recorded in fiscal year 2005, the activity levels and sales of the group are below the break-even point. Thus, the company is still using its cash to finance operational losses (operating losses). Nevertheless, the debt level remains low.

The board of directors has been very vigilant regarding the group's available assets. The cash position permitted Egide to pay its debts on time ; the company met its current liabilities with its available assets. Nevertheless the cash position being strained as the months went by, the company had recourse to alternative financing such as factoring. The company then envisioned a refinancing scenario with an increase in capital; the shares involved in this move were commited, with definitive realization occurring in August 2006.

9.1.2 Fiscal Year 2006

The year 2006 experienced accelerated growth, with sales 17% higher than those of the previous year. Diversification progressed and allowed the company to palliate the anticipated absence of a recovery in the telecom sector. A rebound occurred during the 4th quarter, but remains far less than it should be in coming semesters. In other sectors (military and space, industrial), the growing visibility of clients' needs was evidenced by significant sales volume (more than 50,000 sets of packaging for a single commercial infared application) and by the signature of several long-term agreements or multi-year contracts, notably with American military clients.

The reinforcement of shareholders' equity, initiated at the end of 2005 and solidified in August, took the form of a capital increase with maintenance of a stock purchase right. The issuance of approximately 286,000 new shares thus permitted the raising of a gross figure of 5 million euros. To these new shares were attached stock warrants, valid until August 2009, which because of the parity of 4 warrants for 1 stock afforded the company the possibility to receive a maximum sum of 2.1 million euros in the event that all BSAs were exercised. This operation was mainly underwritten and almost entirely placed by the exercise of stock purchase rights. It should be recalled that the goal of this issue was to finance a need with working capital while waiting for a rebound in the telecom market, pursue the diversification strategy, continue new product development, maintain current production capabilities, and penterate new markets or new applications.

World recognition of Egide's expertise must be maintained, developed, and used to explore new avenues. That is why 2006 saw the reinforcement of commercial teams with the arrival of a business development official primarily responsible for the Asian market and new industrial applications. Maintaining this expertise requires reliance on a well-structured Research & Development department that has a close relationship with the production department. Thus, at the beginning of 2007, a Director of R&D and Engineering came to reinforce the teams already in place. Finally, at the Bollène and Casablanca sites, the mid-management structure was enhanced by the hiring of new engineers and technicians as well as first-line supervisors.

9.1.3 Fiscal Year 2007

The year 2007 was marked by sales trends that differed by site and and that were greatly harmed by the constant fall of the dollar throughout the year. The substandard performance of the group in terms of results during the first semester led the company to delay for six months its goal of returning to cash equilibrium ; however, without re-examining the stategy followed. To maintain an acceptable cash flow without a public offering, Egide adopted classic financing solutions such as a bank loan and the sale/leasing of industrial sites.

In terms of activity, the company experienced great success in competitive clusters in France, leveraging its position as an internationally recognized leader and increasing its research and development capabilities to provide the products of tomorrow.

The increase in sales in 2007 was 3% at the current exchange rate and 7% at the constant change rate. The steep decline in the dollar in relation to the euro, going from an average of 1,26 € in 2006 to 1,37 € in 2007 negatively affected sales at a cost of more than a million euros. Egide SA experienced a slight growth in terms of expectations and Egide USA did not see any significant improvement in sales in terms of dollars. This year the company faced the absence of base orders during the first trimester, the discrepancies in the large European space and American military programs, and the weakness in the telecom business, the slow upturn in the market not yet affecting Egide’s products. Egide UK, on the other hand, experienced considerable growth, with a 21% increase in sales compared to fiscal year 2006.

In terms of results, fiscal year 2007 was impacted by lower than expected sales but also, in the United States,by higher than expected cost of materials.The cost to maintain minimal efficiency in Casablanca (relay bases), the rapid oversizing of the workforce at Bollène (time lag in space programs), the unfavorable product mix in Egide USA, and the longer and more-difficult-than-anticipated qualification of Asian sources all had a negative influence on profit margins. Along the same lines, quality problems have severely hurt the American subsidiary in the second semester, causing the return of products which had to be reworked, then delivered without being rebilled. Cash outflow was therefore greater than expected and led the company to define appropriate financing to keep its cash reserves at an acceptable level.

Egide USA thus set up a factoring contract in February and took out a short-term loan (1 year) for the sum of $1.4 million in October 2007. In 2007 the group also contacted several real estate agents to initiate the cession/leasing of its French industrial sites (Trappes and Bollène) and the American site (Cambridge), with the finalization of these operations expected in the course of the first semester of 2008 (Trappe's operation being completed in March 2008).

In this difficult situation, Egide has neverthess encountered great success with competitive clusters, since it was retained by two of them in 2007 for some innovative projects : very high rate optical transmission (pôle System@tic Paris Région) and a low-light vision and detection system (pôle Elopsys). Egide has, in addition, initiated a partnership with DGA to develop the 75µ innovation project through the Recherche Exploratoire et Innovation (REI) The research and development efforts pursued during the fiscal year have therefore begun to bear fruit. Besides, in December, the company obtained ISO 14001 environmental certification for its French sites, which, similar to certification ISO 9001 a few years ago, is increasing in importance.

9.2 Operating Result

9.2.1 Historical Factors Affecting Sales

The telecommunications crisis of 2001 resulted in a severe drop in sales. The organizational structure was constantly adapted to the new activity level, but nevertheless, keeping in mind the minimum fixed costs associated with the functioning of all production sites, sales figures determine the company's profitability.

9.2.2 Major Elements Capable of Affecting Operating Revenue

- Evolution of the telecom market (see § 6.2.2 and 6.3);
- evolution of the military and space market (see § 6.2.1);
- evolution of the industrial market (see § 6.2.3);
- exchange risk (see § 4.1.1);
- lowered prices (see § 4.4.2).

10 CASH AND FUNDS

10.1 Funds

See § 20.3.1.3 – Statement of Changes in Consolidated Shareholders' Equity.

10.2 Cash Flow

See § 20.3.1.4 – Statement of Changes in Consolidated Financial Position.

10.3 Lending Conditions and Financing Structure

Financial liabilities can be broken down as follows :

- a 12-year building lease, payable in euros, with a variable rate based on Euribor 3 months +1.3 points, taken out in1999 and paid early on March 5, 2008;
- a medium-term, 6-year loan, payable in dirhams, at a fixed rate of 8%, taken out in 2003;
- a long-term, 11-year loan, payable in dirhams, at a fixed rate of 8.75%, taken out in 2003;
- a 4-year equipment lease, payable in dollars, at a fixed rate of 7.99%, taken out in 2004;
- a 5-year equipment lease, payable in dollars, at a fixed rate of 8.20%, taken out in 2005;
- a 3-year equipment lease, payable in dollars, at a fixed rate of 15.66%, taken out in 2007.

During 2006, a factoring contract (financing at a variable rate based on Euribor 3 months +1.20 points) was put in place at Egide SA, and a renewable line of credit was opened at Egide USA (a maximum of $800,000 at a variable rate based on the U.S. interest rate +3 points with a minimum of 10.25%. This line of credit was paid in February 2007 and replaced with a factoring contract (variable-rate financing based on the Chase Prime Rate +1 point). A factoring contract was also put in place at Egide UK in April 2007 (variable-rate financing based on the HSBC Sterling Base Rate +1.75 point).

In September 2007, Egide USA took out a $1.4 million loan, to be repaid within a year, with an interest rate based on Libor +8 points with a 13% floor.

At the close of fiscal year 2007, the total amount of financial obligations reached 5.202 million euros, 4.207 of which was for less than a year (1.264 million in borrowings and 2.943 million in factoring and liabilities associated with leasing agreements) and 9.995 million for more than a year.

See § 20.3.1.5.4.11 – Debt Position.

10.4 Restrictions on Use of Capital

See § 20.3.1.5.4.16 – Accounting methods and explanatory notes regarding consolidated accounts/off-balance-sheet liabilities.

10.5 Anticipated Financing Sources

For the portion of commitments not covered by working capital or by existing financing methods described in paragraph 10.3, the company has recourse to financing alteratives based on the transfer/leasing of certain capital assets.

The company therefore did as follows :

Trappes site

The leasing contract for the building was paid early on March 5, 2008 for the sum of 0.3 million euros. At the same time, the building was sold to a commercial building investor for the net sum of 1 million euros, then a contract was signed with an annual rent of 100,000 euros, revisable each year.

Bollène site

The building, valued at approximately 2 million euros could be sold to a commercial investor then immediately re-rented by means of a lease signed concomitantly at time of sale. This transaction should be completed sometime in 2008.

Cambridge Site

The building, valued at approximately 2 million dollars, could be sold to a commercial investor then immediately re-rented by means of a lease signed concomitantly at time of sale, or given in gurantee again a long term loan. The sum of 1.4 million dollars would be withdrawn from the amount received in order to pay back a bank loan obtained in September 2007. This transaction should be completed sometime in 2008.

11 RESEARCH AND DEVELOPMENT, PATENTS, AND LICENSES

In January 2007, Egide strengthened its Research and Development team by hiring a Director of R&D and Engineering. Comprised of ten totally dedicated engineers and technicians, this department has as its mission the development of innovations (materials, procedures, …) and their implementation, while ensuring adequate technical support (facilitation of new product startup, online problem resolution, and successful accomplishment of the work required in Egide's study and design contracts.

Programs participated in or pursued during this fiscal year primarily involved :

- development of ceramic parts with tracks 75µ wide and vias 75µ in diameter;
- development of packaging with an aluminum nitride base;
- development of packaging to protect a send-receive module for high data rate optical signals from 40 to 100 GB;
- optimization and development of ceramic slurries;
- generalization of production from 5-inch sheets;
- industrialization of a chemical gold-plating procedure;
- development of ceramic packaging for an application based on light intensification;
- improvement in via ink and screen-printing performance;
- development of glass-titanium sealing technology.

Many of these projects enter into the realm of competivity clusters or European clusters and as such are financed at up to 30% by the Ministry of Economics, Finance, and Employment. Similarly, one study is supported by the DGA. Projects that are not financed are totally paid for by Egide.

The expenses undertaken by Egide as well as the dedicated personnel resources are presented in the the table below :

	2005	2006	2007
R&D Expenditures Staff (Equivalent Person)	719 K€ 5.6	601 K€ 5.9	954 K€ 10.0

The company does not capitalize its research and development costs, since such expenditures do not correspond to the accounting rules requiring immobilization of balance sheet assets.

The trademarks used by Egide were registered in France and at the international level. The company uses the patents that it owns and registers them when necessary. The licenses that may be used by the company and its subsidiaries are on the asset side of the balance sheet and are not subject to royalties.

Recognized in its business sector, the company is ISO 9001:2000 et ISO 14001:2004 qualified. In addition, it is qualified by ASD-EASE (AeroSpace and Defense - European Aerospace Supplier Evaluation).

12 TRENDS

12.1 Principal Trends

For fiscal year 2008, the goal to is to achieve a stable operating income in the final trimester, with no operational income usage after the second trimester (EBITDA, other than investments and BFR variation). A controlled financial situation, thanks to the realization of planned financing operations (see post-closure events), prudent management of resources per trimester, and the continued improvement of industrial revenue and productivity parameters will afford the company all the necessary advantages to achieve this goal.

The amount of orders remains satisfactory and the position remains strong in growing applications (development of commercial and military infrared technology and recovery in the installation of long-distance telecommunications links). The sustained research & development efforts undertaken in 2007 materialized with a growing portion of financed design projects figuring in the group's sales. Egide is already participating in three competitive clusters and two European programs, and is fulfilling a contract signed with the Délégation Générale à l'Armement (General Armament Delegation).

The company must, however, maneuver in an environment where the euro/dollar parity remains unfavorable, part of the sales paid in dollars being produced in the euro zone. The high value of the euro could therefore continue to hurt the group in terms of its bids, since the proposed prices are becoming less competitive than those of American or Japanese contenders. The strength of the euro also weighs on the profit margins of products already sold in contracts paid in dollars.

In terms of activity, Egide, in the first trimester of 2008, achieved consolidated non-audited sales of 7.5 million euros, in an entirely natural growth of 17% in comparison with the final trimester of 2007 (6.85 million euros). With a stable dollar and pound, this growth would have been 25% and 12% respectively.

Operations at the begining of the year show an almost balanced share between industrial and military and space applications (37% and 40% respectively). The telecom sector (23% of sales) remains weaker.

In addition, financing operations based on the sale/lease of the group's industrial buidings proceeded as decided. Thus the sale of the Trappes site took place on March 5, 2008, and realized a net amount of 0,7 million euros. On March 12, 2008, a letter of intention was signed with an American real estate agent for the sale of the Cambridge site in the United States for the gross amount of 2.2 million dollars, amount dropped to 2 million dollars after the end of the due diligence period. Finally, the Bollène site, valued at around 2 million euros, could be sold to an investor; Atisreal, a real estate company, is in charge to help the company to build the deal. At least, one of these two transactions should be finalized in the coming months.

12.2 Events Capable of Affecting Trends

See § 4.5.2 for the risks associated with high tech markets.

13 FORECASTS OR PROFIT ESTIMATES

The company does not provide forecasts.

14 ADMINISTRATIVE, MANAGEMENT, AND TOP MANAGEMENT ORGANIZATIONS

14.1 Board of Directors

During the year 2007, the Board of Directors of EGIDE SA was composed of 4 members:

Name	Function	Until
Mr. Philippe BREGI 34-36 rue de Clichy, 75009 Paris	Chairman of the Board since 04/26/2005	06/30/2011
21, Centrale Partners represented by Mr. Régis LAMARCHE 9 avenue Hoche, 75008 Paris	Board Member since 04/17/2000	06/30/2012
Mr. Albert ZYLBERSZTEJN 16 Parc de Diane, 78350 Jouy en Josas	Board Member since 02/16/1999	06/30/2011
Mr. Yves DZIALOWSKI 31 Hodge Road, Princeton, NJ 08540-3011 - USA	Board Member since le 02/26/2002	06/30/2008

On June 19, 2008, Mr Dzialowski has given notice of his position, his agenda preventing him from doing his function of Director.

There is no board member elected by salaried personnel nor is there an auditor position.

In terms of the Vienot report, Messrs. Zylbersztejn et Dzialowski are considered to be independent board members, since they have no relationship of any kind with the company, the group, or management that might compromise their freedom of judgment.

Each board member serves as a shareholder and holds at least one share in the company, in accordance with company regulations. As of this writing, Mr. Philippe Brégi has 12 company shares, Mr. Albert Zylbersztejn has 101 and Monsieur Yves Dzialowski has 128.

The Chairman of the Board of Directors is also the Chief Executive Officer of the company.

As r as the functions of the Board of Directors are concerned, we invite you to consult the president's report on the conditions for preparation and organization of the board and on the internal control procedures implemented by the company presented in paragraph 16.5.1 – President's Report on the Board of Directors' Function.

14.2 Conflicts of Interest

There is no loan and guarantee contract between Egide, the board members, and the company's executive committee. No arrangement or agreement has taken place between the principal shareholders, clients, or suppliers.

In addition, there is no engagement on the part of board members and top management regarding the cessation, after a certain time, of their participation in the company's capital.

14.3 Term Listing

The following tables list the companies in which the board members exercised or have exercised the management, direction, adminstration, or monitoring functions in the last 5 years.

The abbreviations have the following meanings :

- BT = Board of Trustees;
- BD = Board of Directors;
- PR = Permanent Representative.

Mr. Philippe BREGI

Company	Address	Position	2007
Avanex France	Nozay (91)	President and Chief Executive Officer	No
Egide	Trappes (78)	President and Chief Executive Officer	Yes
Egide USA LLC	Wilmington (DW – USA)	President	Yes
Egide USA Inc.	Cambridge (MD – USA)	President	Yes
Egide UK	Woodbridge (UK)	President	Yes
Egima	Casablanca (Morocco)	Manager	Yes
Highwave Optical	Lannion (22)	BT member	No
Photline Technologies	Besançon (25)	PR ofAvanex France to the BD	No
Teem Photonics	Meylan (38)	BT member	Yes

Mr. Yves DZIALOWSKI

Company	Address	Position	2007
Adva Optical Network.	Munich (Germany)	Board member	No
Egide	Trappes (78)	Board member	Yes
Princeton Lightwave	New Jersey (USA)	Board member and Executive Director	Yes
Princeton Optronics	Hamilton (USA)	Board member	No
Quake Technologies	Ottawa (Canada)	Board member	No
Teem Photonics	Meylan (38)	BT member	Yes

Mr. Albert ZYLBERSZTEJN

Company	Address	Position	2007
Egide	Trappes (78)	Board member	Yes

Mr. Régis LAMARCHE

Company	Address	Position	2007
Almaviva Santé	Marseille (13)	Supervisory committee member	Yes
Averys	Paris (75)	BT member	Yes
Centre prophétique W.H.	Marseille (13)	PR de 21 Centrale Partners to the BD	Yes
Clinique Aquaviva	Marseille (13)	Vice Président of the BT	Yes
Egide	Trappes (78)	PR of 21 Centrale Partners to the BD	Yes
Fin. Europe Assurance	Paris (75)	BT member	Yes
Financière Syreva	Paris (75)	PR of 21 Centrale Partners to BT	Yes
Globalgas	St Amand les Eaux (59)	PR of 21 Centrale Partners to BD	No
Robine	St Amand les Eaux (59)	PR of 21 Centrale Partners to the College of Censors	No
Syreva (Averys)	Paris (75)	BT member	Yes

21 CENTRALE PARTNERS

Company	Address	Position	2007
3C Finance	Saint Ouen (93)	BT member	No
AFE	Montrouge (92)	BT member	No
Alltub	Paris (75)	BT member	No
Allvalv	Marseille (13)	BT member	Yes
Alto Expansion	Levallois Perret (92)	BT member	Yes
Asteel Développement	Neuilly Plaisance (93)	Board member	No
Carrère Group	Aubervilliers (93)	BT member	No
Centre prophétique W.H.	Marseille (13)	Board member	Yes
Cotherm Développement	Vinay (38)	BT member	No
Egide	Trappes (78)	Board member	Yes
Eminence	Aimargues (30)	BT member	No
FAP	Montrouge (92)	BT member	No
Financière Aramis	Glos (14)	BT member	Yes
Fin. Europe Assurance	Paris (75)	BT member	Yes
Fin. Syreva (Averys)	Paris (75)	BT member	Yes
Financière Impala	Barembach (67)	Board member	No
Financière Verlys	Les Andelys (27)	BT member	Yes
Finathem	Paris (75)	Board member	No
Fountaine Pajot	Aigrefeuille d'Aunis (17)	Board member	Yes
France Air Holding	Miribel (01)	BT member	No
Globalgas	Saint Amand les Eaux (59)	Board member	No
Groupe Electropoli	St James (50)	Board member	Yes
Harmony	St Pal de Mons (43)	BT member	No
Le Goût de la Vie	Paris (75)	Board member	No
Le Public Système	Levallois Perret (92)	BT member	Yes
Meccano	Clichy (92)	Board member	Yes
Robine	Saint Amand les Eaux (59)	Member of the College of Censors	No
Safig	St Ouen (93)	Board member	No
SFTF Interflora	Paris (75)	Board member	No
Sword Group	St Didier au Mont d'Or (69)	Board member	Yes
The Nomad Company	Clichy (92)	BT member	Yes
Vulcanic Holding	Neuilly sur Marne (93)	BT member	Yes

No board member has been convicted for fraud during the last five years, nor has he been prohibited from exercising his management functions.

It is also specified that in a judgment dated December 13, 2005, the Guingamp Court of First Instance with commercial statutory power initiated bankruptcy proceedings against Highwave Optical Technologies, a company on whose board of trustees Philippe Brégi served.

In addition, the companies for which 21 Centrale Partners or Mr. Régis Lamarche was an agent and which went bankupt in the last five years are the following :

- Intrason : bankruptcy declared on June 16, 2003 ; judicial liquidation on December 18, 2003;
- Le Goût de la Vie : dissolution by the AGE on June 25, 2004 ; closure of liquidation process on December 22, 2005.

15 COMPENSATION AND BENEFITS

15.1 Compensation for Board Members and Management

Total compensation and benefits paid during fiscal year 2007 to each agent are indicated in the table below :

Board Member	Net Compensation	Benefits	Board Members' Fees	Total 2007	Total 2006
Philippe Brégi (President & CEO)	123,471.30 €	4,37.44 €	-	127,842.74 €	113,820.82 €
Albert Zylbersztejn	-	-	5,000.00 €	5,000,00 €	5,000.00 €
Yves Dzialowski	-	-	5,000.00 €	5,000,00 €	5,000.00 €

In fiscal years 2006 and 2007, no compensation or benefit was received by Egide's proxyholders on the part of companies controlled by Egide pursuant to article L.233-16 of the Commercial Code.

Chief Executive Officer Philippe Brégi's compensation contains only fixed elements. As a proxyholder, he has unemployment insurance, the management portion of which constitutes a perquisite. He also is provided with a company car as well as profit sharing, in the same manner as all salaried employees. No profit sharing was paid in 2006 and 2007.

Board members have not benefited from stock options, with the exception of the Chief Executive Officer, who, as of June 31, 2008 held 30,767 stock options.

In addition, board members are provided with "Civil responsibility for management and proxyholders insurance," underwritten by AIG company. Coverage is for a maximum of 4.5 million euros, the deductible in the USA is $25,000, and the premium is 11,856 euros before taxes.

15.2 Amounts Provided

No specific complementary (additional) retirement progam (arrangement) is in place for management personnel. Similarly, there is no provision for any sort of severance pay or allowance in case of termination or non-renewal.

At Egide, on the other hand, non-specific severance pay at retirement, applicable to all salaried personnel, is calculated in accordance with the IAS 19 standard, as are the premiums paid to salaried personnel on receipt of the gold medal and the special seniority allowance. These commitments result from collective bargaining agreemsntgs applicable to each establishment, and are calculated according to the method of allocating rights prorated according to seniority (see § 20.3.1.5.3.14).

These provisions do not apply to foreign subsidiaries, since these companies have no obligation to pay additional premiums on the expiration of salaried employees' work contracts, nor on any other occasion during their time of employment with the company.

16 MANAGEMENT AND DIRECTORATE FUNCTIONS

16.1 Board of Directors

See § 14.1 for a list of board members.

16.2 Employment Contracts

There is no employment contract between board of directors and the company or any of its subsidiaries.

16.3 Audit Committee and Compensation

There is no committee of any sort within Egide.

16.4 Corporate Governance

Given its size, Egide did not deem it necessary to implement corporate governance measures, such as those specified by the Bouton Report of September 2002, with the exception of those mentioned in § 14.1.

16.5 President's Report on Internal Controls

16.5.1 Conditions for Preparation and Organization of the Board of Directors

16.5.1.1 Composition of the Board of Directors

See § 14.1 for a list of board members.

16.5.1.2 Powers and Functions of the Board of Directors

The board of directors determines the direction of the company's activities and oversees their implementation.To accomplish this, it designates a Chief Executive Officer responsible for managing the company within these parameters Subject to the powers expressly attibuted by the law to shareholders' meetings and within the limits of the company's mission, they examine every issue concerning the good governance of the company and by their decisions regulate its business. The board of directors monitors the quality of information the company provides to shareholders as well as to the market, through its accounts, reports, and publications.

The Board of Directors meets as many times as is ncessary, when called by its president. Considering the size of the company and the number of board members, no internal rule other than the charter has been written to establish the board's operating methods. Each board member participates in all deliberations, since no committee of any sort has been specifically created. He receives the information necessary to complete his mission and can obtain from top management any documents that he considers useful. The board of directors examines and makes decisions regarding important business questions, particularly those of a strategic nature.

In general, the Board of Directors meets at the 21 Centrale Partners premises. Labor-management committee members usually attend each meeting. The agenda is established by the president; decisions are made unanimously, expect in statutory cases where the president must abstain. Meeting minutes are taken and provided to the board members, upon approval, at the following meeting. The meeting roster as well as all meeting reports are available at the corporate office.

During fiscal year 2007, the Board of Directors met six times; during fiscal year 2006 it met 8 times.

In consideration of their participation in the board of directors, each member, with the exception of the president, receives a fee. For fiscal year 2007 a total amount of 15,000 euros was allocated for this purpose, which breaks down to 5,000 euros per member. This unit price is identical to that of the previous year but the beneficiaries were applied to legal entities.

In the matter of compensation, the board of directors decides and even modifies the Chief Executive Officer's annual compensation. This compensation is completely fixed and no variable can enter into it. Besides this compensation, the Chief Executive Officer is provided with a company car, the private use of which is considered a perquisite.

16.5.1.3 Limitations on the President & CEO's Powers

On April 26, 2005, Egide's board of directors that top management would be managed by the president of the board.

No specific limitation has been placed on the powers of the Chief Executive Officer, who exerts them in conformance with the legal provisions currently in effect (article L225-56 of the Commercial Code) : Egide's Chief Executive Officer is invested with the widest range of powers to act in all circumstances in the name of the company. He exerts these powers within the limits of the company's mission, and subject to the powers expressly attributed by the law to shareholder meetings and to the board of directors. He is not limited in the amount involved in the commitments he makes within the context of the day-to-day management of the company. As an exception, the amount of bonds, avals, or guarantees he can provide without prior authorization from the board is 200,000 euros.

16.5.2 Internal Control Procedures Adopted by the Company

This report was written in accordance with the implementation guide for internal control published by the AMF in 2006, and was the suject of a recommendation made by the AMF on January 22, 2007. The current state of the procedures in place was determined based on the company's Quality and Environmental Manual as well as discussions with the Finance department.

16.5.2.1 Company Goals in Regard to Internal Control Procedures

The internal control system put into place by the company aims to ensure :

- compliance with rules and regulations;
- application of instructions and plans decided on by top management;
- proper functioning of the company's internal processes, particularly those involved in safeguarding assets;
- reliability of financial reports;

And generally, to contribute to the management of its activities, the efficacity of its operations, and the efficient use of its resources.

In helping to prevent and manage the risks of not achieving the company's goals, the internal control mechanism plays a key role in the conduct and guidance of its various activities. However, internal control cannot absolutely guarantee attainment of the company's goals.

16.5.2.2 Description of Internal Control Procedures Implemented in the Context of the Company's Activities

In responding to the requirements of ISO 9001:2000 and ISO 14001:2004 standards, Egide has a set of procedures designed to ensure the proper functioning of the quality assurance system in place, outlined in its Quality and Environment Manual. This system covers all of the company's production activities (commercial services, supplies, production, expedition). Each year, management commits to apply the resultant quality and environmental policy. Quantifiable objectives are set and communcated to all personnel ; they are the subject of action plans tracked with the help of process indicators and management tools.

The first parameters tracked are the rates of return customers, late delivery rates, returns, productivity, the rate of consumption of materials compared to estimates, and the proper development of relationships between Egide, its suppliers, and its customers. To this information is added specific environmental indicators such as the level of common and hazardous waste, the level of noise pollution, and the tracking of energy consumption (water, gas, electricity, etc.).

The total amount of resources used to obtain quality of service is top management's area of responsibility.

To ensure compliance with the procedures currently in effect, means of surveillance and analysis have been put in place regarding the process (indicators associated with it) and the products (inspection plans and management tools). An internal audit system has been defined and managed by the quality control manager, with the approval of the quality control director and top mangement. These audits, conducted by different qualified personnel in the company, permit verification of the pertinence and adequacy of the quality management system in terms of the company's goals. The preparation, auditing, and reporting are done by the person responsible for the audit. The verification of the audit report and its dissemination are ensured by the quality assurance representative, who plans and tracks performance.

Once a year, management conducts a review of the quality management system to ensure that it remains pertinent, adequate, and efficacious. The management review is prepared by quality and environmental management, who are responsible for establishing an agenda and calling together all company managers. This review is based primarily on internal quality reports, customer ratings, customer satisfaction surveys, audits by customers or external organizations, and action items from preceding management reviews.

This review permits the company to measure the efficacity of the quality management system, to redefine the quality objectives, and, if necessary, to change the quality and environmental policy. Each review is covered in a report, which is the responsibility of the quality control director. The action items agreed upon at that time are integrated into an improvement plan (corrective or preventive) and contribute to the continuous improvement of the company.

16.5.2.3 Description of Internal Control Procedures Implemented for the Preparation and Processing of Accounting and Financial Information

16.5.2.3.1 Boundaries and General Organization

The accounting and finance department conforms to the requirements of the accounting laws and standards in force and has its own rules regarding operation and control, since, contrary to other departments in the company (purchasing, sales, production…), it has not been integrated in the procedures put in place in the context of ISO 9001:2000 and described in the Quality and Environmental Manual.

Parent Company

At Egide, inancial management is provided by the chief financial officer, who supervises the accountant in charge and her two assistants. Financial communication and informations systems are also under the responsibility of financial management. There is a accounting procedures manual that details the accounting treatment of the most important operations. There is also a regulation watch (subscription to professional journals), facilitating awareness and anticipation of developments in the company's environment (evolution of accounting and fiscal standards). The reduced size of the department requires a high level of self-checking on the part of the assistants to facilitate control by the accountant in charge. The latter, who is charged with consolidating data at the group level, also verifies their consistency, and, if necessary, implements the necessary corrections.

Egide USA Subsidiary

The company has its own accounting and finacial structure. It is managed by the executive director who is also director of the subsidiary. A chief accountant/controller and her assistant are responsible for day-to-day accounting, issuance of financial statements, and for managment control and reporting to their management and to the parent company. Egide's financial management also provides support when necessary. At the end of August, 2007, the chief accountant/controller position became vacant following the resignation of the woman who had occupied it for seveal years. The position was filled without delay, with a one-month recovery period. In spite of this, the transition was more difficult than antipated, causing delays in the distribution of monthly reports and in the preparation of annual closing. Moreover, the newly hired person gave notice at the end of March 2008, with the finalisation of the 2007 requiring completion in France by Egide Corporation's accounting services. The executive director's office reacted quickly and decided to assign the 2008 accounting to an outside company. A manager of this company will be responsible for supervising the assistant on the job. He will report to the director of the subsidiary and still be supervised by the group's financial manager ; he will produce the same documents as those previously provided by the chief accountant. In the next fewmonths, group managment will rule on the management control function not yet assigned.

Egide UK Subsidiary

The company has its own accounting and financial structure. Management is assured by the financial person who is entirely dependent on the subsidiary's director ; he will be supervised by the group's financial management. In the department, an accountant and her assistant are in charge of day-to-day accounting, issuance of financial statements, and managment control and reporting to their management and to the parent company. Egide's financial management also provides support when necessary. At the beginning of April 2008, following the retirement of the financial manager, a new manager was hired ; he has assumed all of the functions of his predecessor under the same conditions.

Egima Subsidiary

The company uses an independent accounting organization to handle its accounting functions. Supervision is directly assumed by the Egide, who, moreover, is the sole decision-maker with the executive director in cash management matters (including the issuance of payments. A salaried assistant in the nevertheless ensures on-site interface between the accounting organization and Egide departments.

Generally, the subsidiaries follow the group's accounting regulations and standards, as defined by the parent company. When it comes to weekly or monthly informational elements transmitted to the parent company, they are subject to self-checking, and revision, if need be, by Egide's accounting manager.

In Egide, major significant controls, implemented by the Finance department, which are not exhaustive, are primarily based on the following periodic procedures :

- reconciliation procedures between the accounting system and ancillary management systems;
- procedures for managing and tracking client accounts (priority review, followup, observance of the rules …);
- approval procedures for significant purchasing and investments as well as supplier regulations;
- physical inventory procedures;
- procedures for tracking and pricing inventory;
- procedures for tracking and managing the group's cash (establishment of cash position, bank reconciliations, delegation of signing authority …);
- procedures for accessing, safeguarding, and securing information systems.

The information systems manager also ensures that the company is able meet its obligations to protect the information, data, and data processing dirctly or indirectly involved in the preparation of of accounting and financial statements.

16.5.2.3.2 Top Management's Role

Top management ensures that the accounting and financial information produced by the Finance department is reliable and that it provides a true picture of the performance and cash position in a timely manner. To this end, top management verifies that this internal control system covers the following points :

- organization and area of responsibility of the accounting and finance functions;
- compatibility of payment methods in the accounting and financial functions with internal control objectives;
- formalization and publication of accounting rules and procedures manuals;
- conservation of information, data, and data processing techniques used to prepare accounting and financial statements;
- regular examination of the relationship between the needs and the means placed at the disposal of the accounting and financial functions (in terms of personnel and automated tools);
- existence of regulation monitoring to enable the company to be aware of developments in its environment.

In the preparation of biannual and annual accounts, top management ensures that all operations have been registered in conformance with the accounting rules currently in effect. As far as closing is concerned, they indicate and explain the principal closing options and the estimates that imply a judgment on their part. They highlight possible changes in accounting principles and inform the board of directors, they establish the financial reports with the financial director and define the associated financial communication strategy (present indicators, financial document terms).

By virtue of its reponsibility for the establishment of acounts and the implementaion of internal accounting and financial control systems, top management coordinates with the auditors, ensures that the latter have access to all information surrounding the preparation of financial statements, and accesses the results of their auditing work.

16.5.2.3.3 Role of the Board of Directors

In establishing and controlling accounting and financial informaion and communicating it, the board is informed of major aspects capable of calling the going concern into question. It verifies with top management that guidance and control devices are able to ensure the reliability of the financial information published by the company and give a faithful image of the results and the financial position of the company and the group.

Within the framework of this control, the board is regularly informed of significant events occurring in the company’s operations and in its cash position. It also remains informed regarding major investment projects, sales, and financing and approves their implementation.

The board of directors closes the accounts anually and examines biannual accocunts. In this regard, it obtains all the information it deems useful for top management (closing options, changes in accounting methods, explanation as to how income was arrived at ..), and receives the auditors’ assurance that they have had access to all the information necessary to exercise their responsibilities and that their work has advanced sufficiently at the time of closing to enable communication of meaningful comments.

16.5.2.3.4 Review and Dissemination of Financial Information

Accounting and financial information is first addressed to top management and the board of directors as well as to third parties (stockholers, bankers, investors, clients …). For each recipient, the frequence and amount of information reported is different.

Every week the executive committee (Chief Executive Officer, sales and purchasing manager. production manager, quality and environment manager, R&D manager, and chief financial officer) receives a report on the group’s sales. A monthly cash position report is also distributed, but only to the Chief Executive Officer and the chief financial officer.

Every month, at the executive committee meeting, this same information is reviewed and compared to the budget established for the year under consideration. This allows the tracking of the company’s operations as well as its financial soundness. A scoreboard shows quarterly income data, by subsidiary, and in consolidated form. These elements are also compared to the budget and, if necessary, show the drifts noted with regard to projections. In case of a significant variance, complementary controls are put into effect by the parent company and subsidiaries to find out if it is a material errror (an accounting problem or omission) or a problem associated with the company’s operations, for example, poor production performance that brought about higher than planned material usage.

Each month, a review of the subsidiaries’ income takes the form of a conference call. Egide USA and Egide UK are the only ones affected, since the Egima subsidiary, a dependent of France, is reviewed by the executive committee. During these conferences, the respective officers of these subsidiaries report to the Chief Executive Officer and the chief financial officer a certain number of indicators, which will then be partially repeated in the presentation to the board of directors. It is also an opportunity to report on business trends and make decisions that are within top management’s power.

Board members regularly receive a synthesized income report that summarizes sales achieved, orders registered, and past cash consumption. These data are presented in consolidated form, detailed by company. When necessary, specific informational elements complete this presentation (financing project details, particular events concerning the activity, short-term cash forecasts …). Distribution is mostly electronic but it can also be the subject of a presentation during a working session of the board.

As far as communications are concerned, financial management has the responsibility to inform the public because of the company’s listing in a regulated market. Only the Chief Executive Officeer or Chief Financial Officer has the authority to disseminate this information. Therefore, each trimester, the company publishes group sales figures for the past trimester. It also publishes a consolidated interim report at the midpoint of the fiscal year (June 30) as well as annual individual and consolidated accounts. These accounts are established by the Finance department and top management and closed by the board of directors. They are the subject of a limited examination by auditors regarding the financial position on June 30, and of an audit in the case of annual accounts. These controls are realized in the corporate financial statements of the parent company and in the consolidated statements of the group; they are the subject of the auditors’ report on the company’s accounts. All the information provided below is regrouped into a report, also submitted to the auditors, established each year and registered with the Securities Commission.

In conformance with the European Transparence Directive, regulated information is distributed electronically, since the company has access to a professional distributor such as the AMF. The information is also available on the Web site, and hard copies can be obtained from the corporate office.

16.5.2.3.5 Risk Analysis and Mastery

The company relies on its internal organization, its management system, and quality tracking necessary to maintain its ISO 9001 and ISO 14001 certifications and on its procedures for preparing accounting and financial statements to best identify the main risks associated with the company's activities. There is no specific process, nor, keeping in mind the society's structure, is there any specific organization in place.

The executive committee directly assumes risk analysis on the basis of information communicated by the company' various departments. Top managment ensures its processing, resolution, and distribution to the board of directors and auditors. The principal risk factors identified arealso presented in a dedicated chapter of an annual report prepared each year and registered with the AMF.

16.6 Auditors' Report on the President's Report

«Ladies and Gentlemen,

In our capacity as auditors at EGIDE, and in application of the provisions of article L 225-235 of the Commercial Code, we present our report on the resport prepared by the president of your company in conformance with the provisions of article L 225-37 of the Commercial Code for fiscal year ending December 31, 2007.

It is incumbent upon the president, in his report, to report on the conditions for preparing and organizing the work of the board of diectors and the internal control procedures adopted in the company. It is incumbent upon us to communicate to you our observatios concerning the information contained in the president's report concerning the internal control procedures relative to the preparation and processing of accounting and financial information.

We have accomplished our work in conformance with the professional auditing standard applicable in France. The latter requires the implementation of due diligence to assess the sincerity of the information contained in the president's report concerning the internal control procedures relative to the preparation and processing of accounting and financial information. This due diligence consists primarily of the following :

- examination of the internal control procedures relative to the preparation and processing of accounting and financial information underlying the information presented in the president's report as well as existing documentation;
- examination of the work that permitted the preparation of this information and the existing documentation;
- determination whether major deficiencies in internal controls relative to the preparation and processing of accounting and financial information that we would have found in the accomplishment of our mission are the subject of appropriate information in the president's report.

On the basis of these tasks, we do not have any observation on the information regarding the company's internal control procedures relative to the preparation and processing of accounting and financial information contained in the president of the board of directors' report, prepared in accordance with the provisions of article L 225-37 of the Commercial Code.

Neuilly-sur-Seine and Paris, May 5, 2008,

Auditors,

PricewaterhouseCoopers Audit
Jean-François Châtel

Jacques Wenig & Associates
Bernard Hinfray»

16.7 Executive Committee

The company's Executive Committee is currently composed of 6 members from Egide SA, and one director for each subsidiary (American and English). The Moroccan subsidiary, Egima, is led by the Egide SA Director of Production.

Name	Position	Start Date
Mr. Philippe BREGI 34-36 rue de Clichy, 75009 Paris	President & CEO	04/26/2005
Mr. Jim COLLINS 1553 Commanche Road, Arnold, MD 21012, USA	Director, Egide USA	12/29/2000
Mr. Chris CONWAY 29 Lattice Avenue, Ipswich, Suffolk, IP4 5LJ, GB	Director, Egide UK	07/01/2002
Mr. Frédéric DISPERATI 3 chemin des Passadoires, 84420 Piolenc	Director, Quality and Client Satisfaction	10/01/1990
Mr. Philippe LUSSIEZ 2 rue des Champs, 78320 La Verrière	Director, Finance	06/09/1992
Mr. Didier MARTIN 33 avenue du Plan de l'Eglise, 78960 Voisins le Bretonneux	Director, Commerce, Purchasing, and Business Development	08/03/1992
Mr. Michel MASSIOT 8 Résidence Le Tilleul, 26130 Saint Paul Trois Châteaux	Director, R&D	01/05/2007
Mr. Wladimir MUFFATO Quartier Genève, 26130 Montségur sur Lauzon	Director, Production	12/19/1994

In addition to exercising their managment functions in EGID, the following personnel are also :

Name	Position	Since
Mr. Philippe BREGI	Manager of SARL Egima President of Egide USA LLC President of Egide USA Inc President of Egide UK Ltd	04/28/2005 04/28/2005 04/28/2005 04//272005
Mr. Jim COLLINS	Vice President of Egide USA Inc Vice President of Egide USA LLC	12/29/2000 12/29/2000
Mr. Christopher CONWAY	Board Member of Egide UK Ltd	07/01/2002
Mr. Philippe LUSSIEZ	Secretary of Egide USA Inc Secretary of Egide USA LLC	04/28/2005 04/28/2005
Mr. Didier MARTIN	Board Member of Egide UK Ltd	07/01/2002

The management team members are either engineers or confirmed academics, combining technical and management competence :

Mr. Philippe BREGI is a graduate of l'Ecole Centrale de Lyon and he has an MBA from the IAE de Lyon. Before joining Egide, he was President and CEO of Avanex France, after the acquisition by Avanex of Alcatel Optronics, the optical components subsidiary of the Alcatel group, for which he was the director. With more than 30 years of experience in the telcommunications industry, he is internationally recognized in the optical transmissions domain.

Mr. Jim COLLINS has a Bachelor of Science degree in Ceramic Engineering from Rutgers University in the USA. After having exercised management functions at Electronic Packaging Products company, he is providing operational direction at the American subsidiary, Egide USA Inc., where he has been named vice president.

Mr. Christopher CONWAY is an electrical engineer. After ten years in the fiber optic division of Hewlett Packard, he joined Europlus as Managing Director. Currently Managing Director of Egide UK, he has been a board member since July 1, 2002.

Mr. Frédéric DISPERATI is a materials engineer. On joining Egide in 1990, he was responsible for the development of aluminum products, then served as product manager in the Engineering department before spending a year and a half in technical support at the Egide USA subsidiary. On his return in March 2003, he was named quality assurance manager at Egide.

Mr. Philippe LUSSIEZ holds an advanced degree in accounting. He joined the Egide group in 1992 as accounting manager for the Bollène office, then he was named group controller responsible for financial reporting upon the company's listing on the Stock Exchange. Since July 1, 2006, he has served as chief financial officer.

Mr. Didier MARTIN holds an engineering degree from l'Ecole Nationale de Physique et de Chimie in Caen. He has extensive experience in the domain of semi-conductor production. He is a line manager well versed in manufacturing requirements.

Mr. Michel MASSIOT is an INSA physics engineer. After having held various management positions in industrial ceramics companies, he joined the Egide group at the beginning of 2007. He is a member of the IMAPS France Executive Committee and recognized as an expert by the European Commission.

Mr. Wladimir MUFFATO holds an engineering degree from the Ecole Nationale Supérieure de Céramique Industrielle in Limoges. Since 1994, Egide has benefited from his expérience in the domain of electronic ceramic components. He took charge of the Bollène and Casablanca factories in January 2003.

17 EMPLOYEES

17.1 Breakdown

The functional breakdown of personnel employed by the Egide group on December 31 of 2005, 2006, and 2007 is provided in the table below :

Present on 12/31	2005	2006	2007
Administration and Business	30	30	30
Production, Quality, and R&D	277	403	361
Total	**307**	**433**	**391**

In the table below, the number of group employees is broken down by site :

Present on 12/31	2005	2006	2007
Egide Trappes and Bollène	163	228	174
Egide USA	83	106	111
Egide UK	25	29	35
Egima	36	70	71
Total	**307**	**433**	**391**

In the table below, the number of group employees is broken down by contract type :

Present on 12/31	2005	2006	2007
Contracts of Determined Duration	48	133	54
Contracts of Undetermined Duration	258	298	334
Apprenticeship Contracts	1	2	3
Total	**307**	**433**	**391**

17.2 Participation, Profit Sharing, and Variable Compensation Agreement

All employees in France receive fixed compensation. In addition, variable compensation is paid :

- to sales representatives, based on their performance;
- to all employees, who receive profit sharing based on the company's performance. It results from a profit-sharing agreement signed between the company and the employees, represented by the secretary of the labor-management committee. This agreement was entered into for a 3-year period, from January 1, 2007 to December 31, 2009. Profit sharing is calculated anually based on the company's current income before taxes. It is spread uniformly among employees with at least three months of seniority, prorated according to the number of hours they worked during the fiscal year concerned.

Moreover, all personnel in France receive legal participation according to base calculations provided for by law. No amount has been paid for participation and profit sharing in the past five years.

With the exception of direct production personnel in the American subsidiary, Egide USA, who are paid based on the number of hours worked, employees of Egide's foreign subsidiaries receive fixed compensation. In addition, variable compensation is paid to sales representatives based on their performance.

17.3 Stock Option Plan

Since Egide's listing on the Paris Stock Exchange, stock options have been granted to certain supervisory staff. On May 31, 2008, the total amount of stock options provided to Egide employees, and not yet exercised is 42,041 ; the amount granted to and not yet exercised by Egide USA employees is 2,350, and that of Egide UK employees is 3,220.

With the exception of the president, no member of the board of directors receives stock options. In his capacity as senior officer of the company, he owns 30,767 options, which he received on April 26, 2005 and January 15, 2007 (see plan nos. 4.1 and 4.3 in the table below). In compliance with the provisions of law no. 2006-1170 of December 30, 2006, it is specified that a minimum of 20% of stocks issued in the exercise of options must be registered until the end of the chief executive officer's term of employment.

The table below lists the various plans in effect on May 31, 2008 :

Plan Number	Plan 3.1	Plan 3.2	Plan 3.3	Plan 4.1	Plan 4.3	Plan 4.4	Plan 5.1	Total
General Meeting Council	06/29/2001 06/26/2002	06/29/2001 04/28/2003	06/29/2001 10/27/2003	06/08/2004 04/26/2005	06/08/2004 01/15/2007	06/08/2004 01/15/2007	06/20/2007 07/24/2007	
Initial Number of Stocks - Proxy holders - First 10 Salaried Personnel	11,300 0 9,500	1,398 0 1,398	600 0 600	20,000 20,000 0	10,000 10,000 0	4,900 0 4,500	5,400 0 3,800	53,598 30,000 19,798
Number of Stocks after Adjustments *	11,596	1,453	608	20,767	10,000	4,900	5,400	54 ,24
Period Beginning Date Period End Date	06/26/2004 06/25/2009	04/28/2005 04/27/2010	10/27/2005 10/26/2010	04/26/2007 04/25/2012	01/15/2009 01/14/2014	01/15/2009 01/14/2014	07/24/2009 07/23/2014	
Terms and Conditions	Maximum of ¼ every 30 trading days, with a maximum of 20 stocks (plan nos. 3.1, 3.2, 3.3, 4.4 , and 5.1), 500 stocks (no. 4.1), or 200 stocks (no. 4.3). **Egide and Egide UK Employees** Sale : Frozen for 2 years starting from the date of the exercise. **Egide USA Employees** Sale : Total amount frozen for 1 year + 1 year for half the amount, starting from the date of the exercise. **Proxyholder** Sale is according to plan no. 4.3 : a maximum of 80% exercised during the term of the proxy.							
Application Charges	45.13 €	14.97 €	38.56 €	29.74 €	31.15 €	31.15 €	27.83 €	
Number of Options Subscribed to Number of Options Lost Number Remaining to Be Exercised	0 5,778 5,818	0 727 726	0 608 0	0 0 20,767	0 0 10,000	0 0 4,900	0 0 5,400	0 7,113 47,611

** Adjustments are made after capital operation.*

During fiscal year 2007, no stock option subscription was exercised.

It should be recalled that to exercise stock options, the beneficiary must either be a manager/proxyholder or associated with the company through an employment contract that has not been terminated by either party. Similarly, after the expiration date of the exercise has passed, stock options are automatically lost. During fiscal year 2007, beneficiaries lost a certain number of option subscriptions :

- **Plan n° 1.2 :** options were not exercised before March 1, 2007, the end date of the exercise. These options were therefore null and void.
- **Plan n° 3.1 :** two employees holding 2,078 options left the company.
- **Plan n° 3.3 :** an employee holding 208 options left the company.

A total of 2,770 option subscriptions were lost by their owners during fiscal year 2007 ; they have been declared null and void by the board of directors.

The maximum number of options having been set at 5% of shares that make up capital (64,305 attributable options on March 31, 2008), 16,694 available options remain, i.e., 1.3% of capital. On that same date, the 47,611 options not exercised represented a potential dilution of 3.7%.

17.4 Social Impact of Egide's Activities

Egide's social statistics, provided by the board of directors'report for fiscal year 2007, are as follows :

Total Number of Employees

As of December 31, 2007, Egide's total work force consists of 174 personnel, 20 of whom are based at the corporate headquarters in Trappes ; 153 at the Bollène factory; and one on loan to the Egima subsidiary. The average number of employees during the fiscal year was 200.

Recruitment

During 2007, the company hired 55 personnel (primarily operators) for a specific time period and 12 for an indefinite period (converted from specific time period to indefinitely). Egide experienced no particular recruitment problems.

Terminations

There was one termination in 2007. It involved an employee with a long-term illness (not work-related), whose state of health did not permit her to fulfill her job responsibilities in the company.

Overtime

During fiscal year 2007, a total of 15,884 overtime hours at the Bollène site and 1,304 at the Trappes site were paid to meet increased work levels.

Outside Labor

In 2007, Egide used temporary agencies on several occasions, resulting in 783 hours to replace employees who were absent and 452 hours to meet increasing work demands.

Work Schedule

The work week is 38½ hours. Non-supervisory hourly personnel work a base 35-hour week, to which 2 hours (paid at 125%) and a 1½-hour break are added. Nonsupervisory regular personnel work 35 hours a week, with a 3½-hour break. Supervisory personnel's schedules are annualized. Egide employs two personnel half-time and 18 part time (4/5, i.e., 80% of the work week).

Absenteeism

Other than absences due to illness or maternity, compensated or not, the company has not experienced any serious absenteeism. In 2007, 26,743 absences were noted, primarily attributable to long-term sick leave.

Compensation and Increases

2007 gross payroll was 5,292,642 euros, 997,632 of which were for the Trappes site and 4,295,010 for the Bollène site. The average pay raise during the fiscal year was approximately 3%.

All company personnel are paid monthly, on a 12- or 13-month basis. No employee is paid based on performance.

Payroll Taxes

The amount of employer's payroll taxes entered into the accounts for fiscal year 2007 is 1,984.436 euros, i.e., 37.5% of gross payroll. The amount of payroll taxes assessed on salaries paid in 2007 is 1,149,410 euros, i.e., 21.7%.

Profit Sharing, Participation, and Savings Plan

A profit-sharing agreement was signed by the company and the employees, represented by secretary of the board of directors. This agreement was entered into for a 3-year period, from January 1, 2007 to December 31, 2009. Profit sharing is calculated anually based on the company's current income before taxes. It is spread uniformly among employees with at least three months of seniority, prorated according to the number of hours they worked during the fiscal year concerned. In view of the current loss, no profit sharing was paid in fiscal year 2007.

Moreover, all personnel in France receive legal participation according to base calculations provided for by the law. Given the current loss, no legal participation was paid for in fiscal year 2007.

The company does not have an employee savings plan.

Male-Female Equality in the Workplace

Although most departmental personnel are female, there is no position in the company that could engender unequal treatment of men and women.

Labor Relations and Collective Bargaining Agreements

Labor-management committee elections were held in 2006. A single labor management committee uniting the two groups was elected for a 4-year term.

Outside of its formal relationship with the labor-management committee, Egide favors direct dialogue between managers and their personnel. Thus, depending on needs or current issues, meetings are held with all or some of the personnel, without any particular structure in place for that.

As far as collective bargaining agreements are concerned, other than the participation agreement signed for 3 years, the labor-management committee is negotiating a salary increase agreement for the current fiscal year.

Industrial Hygiene and Safety Conditions

The Industrial Hygiene, Safety, and Working Conditions Committee met three times in Bollène during fiscal year 2007. The company experienced four work-related accidents. On the other hand, it did not log any work-related illnesses that year.

In the fiscal year, the rates and costs of industrial accidents were as follows :

Trappes Site	Rate : 1.08%	Cost : 10,774 €
Bollène Site	Rate : 1.16%	Cost : 49,236 €

Training

In 2007, Egide committed a total amount of 37,155 euros to training, internal and external. The number of training hours used in 2007 to satisfy the individual training right is insignificant in comparison to the number of hours (approximately 5,000) acquired by Egide employees.

Employment and Integration of Handicapped Workers

At the Bollène site, Egide directly employs 13 personnel recognized as having non-motor disabilities. In the course of the company's activities, no handicap has ever caused an accident.

Benefits

As far as social benefits are concerned, the company directly provides a restaurant ticket program as well as a health insurance program for its employees. During the fiscal year, the company spent 118,003 euros on restaurant tickets and 6,509 euros as a partial contribution to the insurance program.

In addition, Egide allocated a budget to the labor-management committee that stood at 63,121 euros during fiscal year 2007, i.e., 1.2% of gross payroll. This budget is redistributed to the employees in the form of gift cerficates, outings, meals, etc.

Recourse to Temporary Agencies

For fiscal year 2007, Egide entered expenses of 113,091 euros paid to temporary agencies and 34,142 euros to companies who provided service personnel for the company (site guarding fees), which represents the equivalent of 2.8% of gross payroll.

Regional Impact of Employment and General Development

Egide contacts the local office of the l'Agence Nationale Pour l'Emploi (National Agency for Employment) as soon as recruiting needs arise.

Relationships with Social Agencies

Egide maintains contact with employment integration associations such as the Association pour la Gestion du Fonds d'Insertion Professionnel des Handicapés (AGDFIPH), translated as the Association for the Management of Funds for the Integration of Handicapped Personnel into the Workplace ; or the Centres d'Activité par le Travail, translated as Work Activity Centers (restaurants used for business meals). In addition, the company contributes a share of its education tax to teaching establishments.

Foreign Subsidiaries and the Impact on Regional Development

Egide has three subsidiaries, based in the United States, England, and Morocco. The employees of these subsidiaries came from the job pool in each country. With the exception of a French engineer on loan to Morocco, all personnel are local. In 2008, it is expected that this engineer will be reintegrated into the Bollène site and replaced by another engineer currently employed at the Bollène site.

Respect for the Fundamental Agreements of the Organisation Internationale du Travail (International Employment Organization)

As a matter of principle, Egide, a French company, and its American and English subsidiaries respect international agreements pertaining to labor law. As far as the Moroccan subsidiary is concerned, the factory director, who is French, respectfully applies the laws in effect in Morocco, which are European laws.

Since almost all the subcontractors Egide uses are European or American, the company is already shielded from noncompliance with the Organisation Internationale du Travail (OIT) agreements.

18 PRINCIPAL SHAREHOLDERS

18.1 Breakdown of Capital and Voting Rights

Position on May 31, 2008	Number of Shares	% of Capital	Number of Votes	% of Voting Rights
Shareholder Officers	**2,512**	**0.20%**	**5,022**	**0.34%**
FCPR 21 Development	126,471	9.83%	252,942	17.26%
21 Esenga FCPR	90,681	7.05%	135,129	9.22%
Shareholders Acting in Concert *	**217,152**	**16.88%**	**388,071**	**26.48%**
Public (Bearer Securities)	1,054,939	82.02%	1,054,939	71.99%
Public (Registered Securities)	11,517	0.90%	17,591	1.19%
Public	**1,066,456**	**82.92%**	**1,072,530**	**73.18%**
TOTAL	**1,286,120**	**100.00%**	**1,465,623**	**100.00%**
BSA Exercised Since January 01, 2008	0		0	
Total Listed in Circulation at Euronext	**1,286,120**		**1,465,623**	

** CMF Opinion No. 202C1661, December 17, 2002, concerning FCPR 21 Développement and 21 Esenga FCPR funds.*

This table has been constructed on the basis of information provided by CM-CIC Securities Bank, which is responsible for Egide's registered securities.

No share is held collectively by the employees, in accordance with article L.225-102 of the Commercial Code.

18.2 Crossing the Thresholds

Identity of shareholders possessing more than 5%, 10%, 15%, 20%, 25%, 33%, 50%, 66,66% et 95% of share capital or voting rights on December 31, 2007 :

	More than 5%		More than 10%		More than 15%		More than 25%	
	Du capital	Des droits de vote	Du capital	Des droits de vote	Du capital	Des droits de vote	Du capital	Des droits de vote
FCPR 21, Développement	x					x		
21 Esenga FCPR	x	x						
21 Développement and 21 Esenga acting in concert					x			x
Mr. Antoine Dréan	x	x						
Optigestion	x	x						
Compagnie Financière Sopalia	x							

No shareholder has more than 20% of capital.
No shareholder has more than 33% of capital or of voting rights.

On January 03, 2007, Optigestion informed the company and the AMF, by way of adjustment, that at the high point on October 25, 2006, following the acquisition of market securities, it had crossed the 5% capital threshold and acquired voting rights.

On December 05, 2007, SOPALIA Compagnie Financière Holding informed the company and the AMF that it had cleared the 5% capital threshold after the acquisition of market shares.

To the company's knowledge, other than those mentioned in the above table, there are no public shareholders possessing more than 5% of capital.

18.3 Different Voting Rights

A double voting right is conferred on all fully paid shares registered for at least two years in the name of the same shareholder.

On May 31, 2008, 179,300 registered securities (170,919 of which are held jointly by 21 Centrale Parners and 21 Esenga), will have the right to a double vote.

19 TRANSACTIONS WITH RELATED PARTIES

19.1 Regulated Agreements

Relevant agreements in force on December 31, 2007 are the following :

Agreements Reached in Fiscal Year 2007 and Previously Authorized

- Guarantee agreement by Egide in favor of Egide UK for up to £300,000 to establish a factoring contract between Egide UK and HSBC Bank (Board of Directors, March 30, 2007).
- Guarantee agreement by Egide in favor of Egide USA for up to a maximum of $1,500,000 for Egide USA to apply for a loan from Pinecrest National Funding LLC (Board of Directors, September 20, 2007).

Agreements Established in Previous Fiscal Years That Are Still in Effect

- Current account agreement between Egide UK and Egide (board of directors' meetings, October 14, 2002 and October 31, 2005).
- Current account agreement between Egima and Egide (board of directors' meetings, March 16, 2002 and October 31, 2005).
- Current account agreement between Egima and Egide (board of directors' meetings, March 16, 2002 and October 31, 2005).
- Re-invoicing agreement for business management, financial management, and executive management between Egide and its subsidiaries, Egide USA, Egima and Egide UK (board of directors' meetings, May 02, 2002 and October 14, 2002).
- Agreement to pledge Egide's financial instrument account in consideration for a mid-term loan granted to Egima (board of directors' meeting, June 26, 2002).
- Agreement to guarantee on first request in consideration for a long-term loan granted to Egima (board of directors' meeting, October 30, 2001).
- Agreement to pledge Egide's financial instrument account in consideration for a bond given to Egima (board of directors' meeting, October 27, 2003).
- Service agreement entered into by the company for the benefit of the Chief Executive Officer (board of directors' meeting, November 09, 2004).

Agreements Established in Previous Fiscal Years that Are No Longer in Effect

None.

At the board of directors' meeting on October 31, 2005, it was decided that starting January 1, 2005, the wage rate in Egide's and its subsidiaries' current accounts between would be reduced from 6% to 4%.

19.2 Auditors' Report on Regulated Agreements

«Ladies and Gentlemen,

In our capacity as auditors in your company, we present our report on regulated agreements and commitments.

1 - Agreements and Commitments Authorized During the Fiscal Year

In accordance with article L.225-40 of the Commercial Code, we have been informed of the agreeements and commitments subject to prior authorization by your board of directors.

It is not up to us to research the possible existence of other agreement and commitments, but to communicate to you, on the basis of the information we have been given, the essential characteristics and details of those of which we have been informed, without having to state an opinion on their utility or merit. It is up to you, according to the terms of article R.225-31 of the Commercial Code, to assess the stakes involved in entering into these agreements and commitments.

We have completed our tasks according to the professional standards in effect in France ; these standards require the implementation of due diligence to verify the reconciliation of the information we were given with the source documents from which it came.

1.1 - Guarantee Agreement for a Factoring Contract Between Egide UK Ltd. and HSBC Bank–Invoice Finance (UK) Ltd.

Nature and Purpose : Under the terms of a factoring agreement, HSBC Bank–Invoice Finance (UK) Ltd. accorded Egide UK Ltd. an advance based on its net client receivables, with a maximum amount of £300,000. In this context, HSBC bank requested that Egide guarantee its subsidiary for the amount of this advance.

This agreement was authorized by the board of directors on March 30, 2007.

Details : This agreement created neither revenue nor expenses during the fiscal year.

1.2 - Guarantee Agreement in Consideration for a Loan Granted to Egide USA Inc.

Nature and Purpose : On September 28, 2007, an American company, National Funding LLC, granted Egide USA Inc. a loan of $1,391,000 for a maximum period of one year (with a due date of October 1, 2008 at the latest). In this context, Pinecrest National Funding LLC requested that Egide guaranteee its subsidiary, Egide USA Inc. in its obligations in this respect.
On December 31,2007, the loan balance to be repaid was the equivalent of €944,909.

This agreement was authorized by the board of directors on September 20, 2007.

Details : This agreement created neither revenue nor expenses during the fiscal year.

2 - Agreements and Commitments Established in Previous Fiscal Years That Are Still in Effect

In addition, in conformity with the Commercial Code, we have been informed that the execution of the following agreements and commitments, approved in previous fiscal years, continued during the last fiscal year.

2.1 - Current Account Agreement Between Egide UK Ltd. and Your Company

Nature and Purpose : Advances in current account made by Egide for the benefit of its subsidiary under English law, Egide UK Ltd. On December 31, 2007, the current account balance was €973,257.

This agreement was initially authorized by the board of directors on October 14, 2002, and the wage rate was modified by the board on October 31, 2005.

Details : These advances are paid at a rate of 4% a year. The amount of interest accrued as revenues for the fiscal year is €37,306.

2.2 - Current Account Agreement Between Egima and Your Company

Nature and Purpose : Advances in current account made by Egide for the benefit of its subsidiary under Moroccan law, Egima. On December 31, 2007, the current account balance rose to €7,630,224.

This agreement was initially authorized by the board of directors on March 16, 2001, and the wage rate was modified by the board on October 31, 2005.

Details : These advances would be paid at a rate of 4% a year. The amount of interest accrued as revenues for the fiscal year is €278,858.

2.3 - Current Account Agreement Between the Egide USA Inc. Subsidiary and Your Company

Nature and Purpose : Advances in current account made by Egide for the benefit of its subsidiary under American law, Egide USA Inc. On December 31, 2007, the current account balance rose to €723,842.

This agreement was authorized by the board of directors on October 31, 2005.

Details : These advances would be paid at the rate of 4% a year. The amount of interest accrued as revenues for the fiscal year is €28,974.

2.4 - Re-Invoicing Agreement for Business Management, Financial Management, and Top Management Fees Between Egide and Its Subsidiaries : Egide USA Inc., Egima, and Egide UK Ltd.

Nature and Purpose : Egide's reinvoicing of its subsidiary under American law, Egide USA Inc. ; its subsidiary under Moroccan law, Egima ; and its subsidiary under English law, Egide UK Ltd for a share in the costs for business, financial, and executive management.

This agreement was authorized by the board of directors on May 2, 2002 for reinvoicing between Egide and its subsidiaries, Egima and Egide USA, and on October 14, 2002 for reinvoicing between Egide and Egide UK Ltd.

Details : The amounts billed correspond to the salaries and payroll taxes of the employees concerned on the basis of a presumptive assessment of the time spent by each one in each company in the group. For the fiscal year ending December 31, 2007, the amount invoiced by Egide to Egide USA Inc. reached €34,650. The amount invoiced by Egide to Egima reached €244,780. The amount invoiced by Egide to Egide UK Ltd. reached €.15,792.

2.5 - Agreement for a Financial Instruments Account as Collateral for a Medium-Term Loan Accorded to Egima

Nature and Purpose : Pledge of a SICAV (mutual fund) portfolio for the Benefit of Crédit Lyonnais, for the original amount of 1,420,040€, in consideration for the guarantee provided by Crédit Lyonnais to Crédit du Maroc (with a due date of 01/15/2010) resulting from a 14,600,000-dirham loan granted by the latter to Egima, the subsidiary under Moroccan law. The loan was granted on January 28, 2003 for an initial period of 7 years, one year of which was capital franchising.
The amount of this pledge is reduced each trimester at the level of the balance of the loan remaining to be repaid ; this transaction allows the release of one pledged SICAV when the reduction of the pledge is less equal to the unit value of a pledged SICAV. On December 31,2007, the balance of the pledge was €591,396, with the loan pledge remaining to be reimbursed at €561,717.

This agreement was authorized by the board of directors on June 26, 2002.

Details : This agreement created neither revenue nor expenses during the fiscal year.

2.6 - Agreement to Guarantee on First Request for a Long-Term Loan Granted to Egima

Nature and Purpose : Egide posted a guarantee on first request for the benefit of Crédit du Maroc in consideration for a long-term loan granted by the latter to the Egima, the subsidiary according to Moroccan law. The loan, in the amount of 10,678,000 dirhams, was granted on March 21, 2003 for an initial term of 12 years (with a due date of March 21,2015), one year of which is franchise capital. The guarantee provided by Egide concerns capital and interest owed by Egima based 12,700,000 dirhams in principal. The balance of this loan, due on December 31, 2007 is the equivalent of €721,764.

This agreement was authorized by the board of directors on October 30, 2001.

Details : This agreement created neither revenue nor expenses during the fiscal year.

2.7 - Agreement to Pledge a Financial Instruments Account in Consideration for a Guarantee Provided for the Benefit of Egima

Nature and Purpose : Pledge of a mutual fund portfolio for a total amount of 57,447 euros for the benefit of Crédit du Nord as collateral for a bond provided to the Société Générale Marocaine de Banque, who authorized, at the request of the Moroccan subsidiary, Egima, a permanent bond for the Moroccan customs and tax authorities. The value of the mutual funds guaranteed stood at €61,823 on December 31, 2007.

This agreement was authorized by the board of directors on October 27, 2003.

Details : This agreement created neither revenue nor expenses during the fiscal year.

2.8 - Employment Agreement Entered into by the Company for the Chief Executive Officer

Nature and Purpose : Commitment made by Egide to the Chief Executive Officer, Mr. Philippe Brégi, relative to the funding of job loss insurance, on the date of his appointment, approved by the board of directors on November 9, 2004.

Details : Amounts invoiced reached €3,339 in fiscal year 2007.

3 - Person Concerned

Mr. Philippe Brégi, chief executive officer of your company and also chairman of Egide UK Ltd., manager of Egima, and chairman and chief executive officer of Egide USA Inc.

Neuilly-sur-Seine and Paris, May 05, 2008

Auditors,

PricewaterhouseCoopers Audit
Jean-François Châtel

Jacques Wenig & Associates
Bernard Hinfray»

20 STATEMENTS CONCERNING THE ISSUER'S ASSET BASE, FINANCIAL POSITION, AND PERFORMANCE

20.1 Historical Financial Statements (2005 et 2006)

The consolidated and individual financial reports for fiscal years ending December 31, 2005 and December 31, 2006, as well as the relevant auditors' reports, appearing in the documents mentioned in the following table, are incorporated by way of reference into this annual report.

Version Date :	Annual Report 2005 n° D06-0621, dated June 23, 2006	Annual Report 2006 n° D07-0562, dated June 06, 2007
Consolidated Accounts and Annexes	Pages 57-81 (§ 20.3.1)	Pages 57-75 (§ 20.3.1)
Auditors' Reports on Consolidated Accounts	Pages 104 and 105 (§ 20.4.1)	Pages 96 and 97 (§ 20.4.1)
Individual Accounts and Annexes	Pages 82-103 (§ 20.3.2)	Pages 75-95 (§ 20.3.2)
Auditors' Reports on Individual Accounts	Pages 105 and 106 (§ 20.4.2)	Pages 97 and 98 (§ 20.4.2)

20.2 Pro Forma Financial Statements

None.

20.3 2007 Financial Statements

20.3.1 Consolidated Financial Statements

20.3.1.1 Consolidated Balance Sheet

Assets (in k€, IFRS Standards)	Notes 20.3.1.5.	Net Value on 12/31/2007	Net Value on 12/31/2006
Intangible Assets	4.3	6	5
Tangible Assets	4.3	5,484	6,110
Long-Term Investments	4.3	22	10
Other Current Assets	4.4	826	1,025
Noncurrent Assets		**6,338**	**7,151**
Inventory	4.5	5,091	5,471
Clients and Other Debtors	4.6	6,802	9,325
Cash and Cash Equivalents	4.7	1,416	3,759
Other current Assets	4.8	360	328
Current Assets		**13,669**	**18,884**
TOTAL ASSETS		**20,007**	**26,035**

LIABILITIES (in k€, IFRS Standards)	Notes 20.3.1.5.	Value on 12/31/2007	Value on 12/31/2006
Contributed Capital	4.9	12,861	12.858
Premiums Associated with Share Capital		355	5,119
Legal Reserve		402	402
Consolidated Reserves		1,871	2,051
Fiscal Year Performance		(6,141)	(5,064)
Exchange Losses		(1,933)	(2,029)
Internal Security Check		0	0
Equity Capital		**7,415**	**13,337**
Noncurrent Expenses	4.10	253	277
Long-Term Debt (More than One Year)	4.11	995	1,644
Noncurrent Liabilities		**1,248**	**1,921**
Current Expenses	4.10	16	0
Short-term Debts (Less than One Year)	4.11	4,207	3,745
Suppliers and Other Creditors	4.11	7,121	7,032
Current Liabilities		**11,344**	**10,777**
TOTAL LIABILITIES		**20,007**	**26,035**

20.3.1.2 Consolidated Income Statement

INCOME STATEMENT (in k€, IFRS Standards)	Notes 20.3.1.5.	12/31/2007	12/31/2006
Sales		26,170	25,380
Purchases Consumed		(12,936)	(12,455)
Variable Inventory of Finished and In-Process Products		92	428
Salaries and Fringe Benefits		(12,261)	(11,643)
External Costs		(4,873)	(4,648)
Taxes		(577)	(502)
Amortization & Depreciation of Capital Assets	4.3	(1,178)	(1,389)
Depreciation recovery	4.5, 6, 10	6	(199)
Other Revenues and Operating Costs		148	317
Operating Income	**4.13**	**(5,410)**	**(4,711)**
Cash and Cash Equivalents	4.14	69	67
Gross Debt	4.14	(431)	(324)
Net Debt	4.14	(362)	(257)
Other Financial Revenues and Costs	4.14	(370)	(96)
Income Tax	4.12	0	0
Fiscal Year Income		**(6,141)**	**(5,064)**
Group Share		(6,141)	(5,064)
Minority Ownership		0	0
Earnings per Share (in €)		(4.78)	(3.94)
Diluted Earnings per Share (in €)		(4.78)	(3.94)

20.3.1.3 Table Showing Consolidated Equity Capital Chantes

(In k€, Except in the Case of Stocks)	Number of Stocks	Capital	Premiums	Legal and Consolidated Reserves	Other Equity	Income	Equity
Position on 01/01/06	**998,256**	**9,982**	**10,988**	**2,817**	**(1,781)**	**(7,942)**	**14,065**
Variation in Parent Company Capital	287,575	2,876	1,639				4,515
Allocation of FY 2005 Income			(7,509)	(433)		7,942	0
Fiscal Year Consolidated Income						(5,064)	(5,064)
Stock Option Subscription				69			69
Conversion Difference Variation					(248)		(248)
Position on au 12/31/06	**1,285,831**	**12,858**	**5,118**	**2,453**	**(2,029)**	**(5,064)**	**13,337**
Change in Parent Company Capital	288	3	6				8
Allocation of FY 2006 Income			(4,915)	(148)		5,064	0
Fiscal Year Income						(6,141)	(6,141)
Stock Option Subscriptions				114			114
Conversion Difference Change					97		97
Position on 12/31/07	**1,286,119**	**12,861**	**208**	**2,419**	**(1,933)**	**(6,141)**	**7,415**

There is no minority ownership in the Egide group.

20.3.1.4 Consolidated Financing Table

CASH FLOW TABLE (In k€, IFRS Standards)	12/31/2007	12/31/2006
Net Income for All Companies	(6,141)	(5,064)
Elimination of income and expenses having no effect on cash flow or not associated with the operation		
- amortization, depreciation, and reserves (1)	1,211	1,454
- capital gains on sale of intangible and fixed assets	(2)	(16)
- others	(123)	69
Change in working capital requirements associated with the operation (2)		
- (increase)/decrease in inventory	218	(986)
- (increase)/decrease in customer receivables	309	(1,798)
- (increase)/decrease in other receivables	2,159	(142)
- increase/(decrease) in supplier accounts payable	6	1,710
- increase/(decrease) in fiscal and social security debt	193	247
- increase/(decrease) in other debts	419	(263)
Cash flow associated with operations	**(1,751)**	**(4,788)**
Asset acquisitions	(789)	(530)
Sales, net of taxes	7	43
Incidence of variations in scope		
Cash flow associated with investment transactions	**(782)**	**(487)**
Cash capital increases	3	4,515
Change in shareholders' equity	6	
Subscription to loans from credit or leasing companies	1,030	
Repayment of loans from credit or leasing companies	(377)	(364)
Debts relative to factoring and revolving credit	(687)	3,376
Change in SICAV financing	235	229
Cash flow associated with financing	**210**	**7,756**
Cash flow	**(2,323)**	**2,481**

(1) Except depreciation of current assets.
(2) Net value.

	12/31/2007	12/31/2006
Closing cash position *	1,405	3,745
Opening cash position *	3,745	1,268
Incidence of exchange rate variations	17	3
Change in cash position	(2,323)	2,481

Supplier debts due at the end of December 2007 and paid at the beginning of the following semester, stood at 394K€ and 488 k€ for December 2006, paid at the beginning of 2007.

** For informational purposes, cash amounts on 12/31/2006 and 12/31/2007 can be broken down as :*

	Balance on 12/31/2007	Balance on 12/31/2006
Cash and cash equivalents	1,416	3,759
Bank overdrafts and accrued interest	(11)	(14)
Cash flow statement	**1,405**	**3,745**

20.3.1.5 Accounting Methods and Explanatory Notes Regarding Consolidated Accounts

20.3.1.5.1 General

Egide designs, produces, and distributes hermetic encapsulation components (electronic packaging) that protect and interconnect electronic systems.

This annex is an integral part of the consolidated accounts established on December 31, 2007, with total assets of 20,007k€, and the income statement, shown in list format, reveals a loss of 6,141 k€ closed by the board of directors on April 29, 2008.

All information provided below is expressed in thousands of euros (k€), unless otherwise indicated. Annual closing occurs on December 31, the fiscal year covering the period from January 1, 2007 to December 31, 2007.

20.3.1.5.2 Information Relative to the Authoritative Accounting Pronouncements and Scope

20.3.1.5.2.1 Basis for Preparing Financial Statements

In conformity with regulation CE no. 1606/2002 dated July 19, 2002, Egide group presents its consolidated financial statements for the fiscal year ending December 31, 2007, in conformity with the International Financial Reporting Standards (IFRS), as adopted in the European Union and published by the IASB on December 31,2007. These standards include the IFRS and the International Accounting Standards (IAS), as well as their interpretations, applicable on December 31, 2007. This set of standards and their interpretations are commonly called the IFRS standards or IFRS for short.

The group did not, in anticipation, apply any published standard or interpretation that was not in force on December 31, 2007. A study of the potential impact of these norms or interpretations is in progress. At this stage of the study, the group does not foresee any material impact.

The effects of the application of IFRS 7 are covered in 20.3.1.5.3.2, 20.3.1.5.3.4, and 20.3.1.5.3.11. IAS Amendment 1 has had no impact on the presentation of financial statements. IFRIC 7, 8, 9, and 10 had no impact on the accounts closed on December 31, 2007.

20.3.1.5.2.2 Consolidation Scope and Methods

The companies included in the Egide group's consolidated financial statements are the following :

Company	Corporate Headquarters	Percentage of Ownership	Consolidation Method	Date of Entry into Group
Egide SA	Trappes (Yvelines)	100%	Parent Company	NA
Egide USA LLC	Wilmington, Delaware (USA)	100%	Full Consolidation	11/08/2000
Egide USA Inc.	Cambridge, Maryland (USA)	100%	Full Consolidation	12/29/2000
Egima	Casablanca (Morocco)	100%	Full Consolidation	11/01/2000
Egide UK Ltd	Woodbridge, Suffolk (Great Britain)	100%	Full Consolidation	06/01/2002

All companies included in the consolidation held their annual account closing on December 31.

20.3.1.5.2.3 Consolidation Rules

The financial statements of the various foreign subsidiaries are re-processed to conform with the group's accounting plan and the common evaluation policy of the different sites to guarantee a satisfactory level of homogeneity in financial information.

20.3.1.5.3 Accounting Principles and Evaluation Methods

20.3.1.5.3.1 General Principles

The consolidated financial statements are processed, respecting principles of prudence, fiscal year independence, and continuity of operations.

Since Egide's current cash position enables it to pay its debts on time, the company meets its current liabilities with its available assets. To remedy the situation, alternative financing such as cession/leasing of buildings in Trappes, Bollène, and Cambridge were in the process of being implemented on December 31, 2007. Realizing on the one hand that the refinancing transactions accomplished or planned for the beginning of 2008 (see below § Events after Closure), and on the other hand, the forecasted cash flows expected in the context of Egide's strategic plan for the 2008 fiscal year, Egide is confident that it will have sufficient cash on hand to meet its deadlines in the 12 months to come.

20.3.1.5.3.2 Sales Recognition Methods

Products are shipped according to Incoterms' ex works. Sales are recognized upon risk transfer, either when the product is shipped or actually placed in the factory.

20.3.1.5.3.3 Purchase Discrepancy

On the acquistion date, a purchase discrepancy is initially assessed by the acquiring company in terms of net asset value, liabilites identified, and possible liabilities acquired. In conformity with IFRS 3, purchase discrepancies are subject to an impairment test, annually, at a minimum, or in the case of indication of a loss of value. The impairment test is explained in paragraph 20.3.1.5.3.6.

20.3.1.5.3.4 Intangible Assets

IAS Standards 36 and 38 apply to intangible assets.

Intangible assets are valued according to their acquisition cost at the date capital assets are entered into the patrimony, together with the additional costs required to place these goods into service.

Keeping in mind the customized nature of the products marketed by Egide, research and development costs, for the most part, involve projects developed in partnership with its clients. These costs are then incorporated into the costs of prototypes invoiced to clients. As a result, no research and development cost is capitalized on the assset side of the group's balance sheet.

Capital assets with a finite life are amortized using the straight line method, based on their projected useful life, in the course of which they will provide economic benefits to the group. Amortization calculations are based on the following rates :

	Straight Line
Licenses	10 to 20%
Software	20 to 33.33%
Patents	8.33%

The amortization basis does not take into account the residual value when the asset is no longer in use because no significant residual value has been identified for Egide group's assets. The amortization method, residual value, and useful lives are reviewed, at a minimum, at the end of each fiscal year, which could modify the initial amortization plan in the long term.

An impairment test is conducted when there is an internal or external indication of a loss in value. Depreciation is used if the recoverable value of the capital asset concerned is less than its net asset value. This depreciation diminishes the amortizable accounting basis over the remainder of its life. The impairment test is explained in paragraph 20.3.1.5.3.6.

20.3.1.5.3.5 Tangible Assets

IAS Standards 16 and 36 apply to tangible assets.

The gross value of elements in tangible assets corresponds to their acquisition cost on the date of the tangible assets' entry into the patrimony, together with the additional costs necessary to place these goods into service. An expense is capitalized if it is probable that future economic benefits associated with it will go to the group and that its cost can be reliably assessed. Other expenditures are expensed if they do not fit this definition.

Assets under construction correspond to assets non yet placed into service at the close of the fiscal year.

When significant components with different useful lives are identified in a tangible asset, these components are accounted for separately and depreciated according to their own useful life. Expenses for replacement or renewal of a component of a tangible asset are accounted for as a separate asset, and the asset replaced is removed from the asset list.

Tangible assets are depreciated using the straight line method, based on their projected useful life, in the course of which they will provide economic benefits to the group. Depreciation is calculated according to the following rates :

	Straight Line
Structures	4%
General installations, fixtures, fittings	10%
Machinery, industrial materials and tooling	10 to 33.33%
Office materials and furnishing, fixtures, and installations	10 to 33.33%

No residual value has been retained at the end of these assets' useful lives and therefore it has not been deducted from the depreciation basis. The depreciation method, residual value, and useful lives are reviewed, at a minimum, at the end of each fiscal year, which could modify the initial depreciation plan in the long term.

An impairment test is conducted when there is an internal or external indication of a loss in value. Depreciation is used if the recoverable value of the capital asset concerned is less than its net asset value. This depreciation diminishes the amortizable accounting basis over the remainder of its life. The impairment test is explained in paragraph 20.3.1.5.3.6.

20.3.1.5.3.6 Impairment Test for Non-Financial Assets

Prior to the impairment test, the cash-generating units are identified. A cash-generating unit is constituted by a homegenous set of assets, the use of which generates cash inflows proper to this cash-generating unit. In the case of the Egide group, the cash-generating units are as follows :

- Egide and Egima;
- Egide USA Inc;
- Egide UK Ltd.

In effect, these profit centers reflect the best way to generate cash flows that define the group. The group evaluates future cash flows that each cash-generating unit will provide. The utility value corresponding to the result of the updating of these cash flow is compared to the net asset value of the intangible and tangible assets of the corresponding cash-generating unit. If this utility value is less than the net asset value, a depreciation is noted, unless a particular asset or group of assets has a specific market value higher than its book value.

20.3.1.5.3.7 Assets Acquired through Leasing

In conformity with IAS 17, leasing contracts are reprocessed and entered into the consolidated statements. The corresponding assets are entered into the balance sheet, with a corresponding debt under liabilities. The linear mode of depreciation is used based on the expected life of the asset concerned (cf. duration indicated in paragraph 20.3.1.5.3.5).

20.3.1.5.3.8 Inventories and In Process Goods

Inventories of raw materials, indirect materials, and merchandise are accounted for at their purchase cost (increased by their routing costs) according to their weighted average cost. The in-procss items, finished products, and semi-finished products are valued at their production cost, including the total direct and indirect manufacturing costs relevant to references recognized as correct at the end of the manufacturing process ; the cost of scrap left over after manufacturing is directly entered into fiscal year expenses. When the costs are higher than the selling price, reduced by the marketing costs, the difference is depreciated.

Raw materials, semi-finished products, and finished products are depreciated based on their age and their prospectives for use or sale. From the first year, depreciation is at 5% and rises to 50 or 100% the second year, depending on the nature of the inventories, and to 100% the third year based on the depreciation schedule used. It should be clarified that raw material inventories include components and minerals. The latter, due to their very nature, are subject to different rates of depreciation because of their possible transformation into components or through their resale in an existing market.

Variation in inventories and in-process goods and expenses and depreciation recovery pertaining to these inventories are presented on the same line of the group's income statement.

20.3.1.5.3.9 Conversion of Financial Statements Established in Foreign Currency

The statements are prepared in euros, the functional currency as well as the presentation currency.

Egide USA Inc.'s and Egide UK Ltd's (autonomous subsidiaries) statements are converted using the current exchange rate method, the balance sheet thus being converted into euros on the basis of the exchange rate in effect on the closing date. The income statement and the cash flow statement are converted according to the average fiscal year price. The resulting conversion differences are recorded in shareholders' equity as conversion discrepancies.

The statements of Egide USA LLC and Egima (non-autonomous subsidiaries) are converted according to the monetary-nonmonetary method, the balance sheet thus being converted according to the monetary-nonmonetary method, except for the monetary elements converted at closing. The income statement and the cash flow statement are converted according to the average fiscal year price. The resulting conversion differences are recorded in shareholders' equity as conversion discrepancies.

20.3.1.5.3.10 Reciprocal Statements and Transactions

All reciprocal statements and transactions between the consolidated companies are adjusted then eliminated.

20.3.1.5.3.11 Accounts Payable and Accounts Receivable

Accounts payable and accounts receivable are initially entered in terms of their fair market value, which has an expiration date of more than one year. Their ultimate assessment is at the cost amortized according to the effective rate method.

If necessary, accounts payable running the risk of non-payment are depreciated on the basis of the estimated value of the risk.

Foreign currency accounts receivable and accounts payable are valued at the closing exchange rate in effect on that date. The corresponding conversion discrepancies result in the entry of unrealized exchange losses or gains in the operating results.

20.3.1.5.3.12 Cash Assets

Available cash at the bank or on hand is valued during the closing process

Short-term investments are accounted for at purchase cost. They are, if necessary, adjusted to account for their liquidative value at fiscal year end. Short-term investements are therefore evaluated against income at their fair market value.

The capital gains or losses realized in the fiscal year are determined by the first in, first out (FIFO) method.

20.3.1.5.3.13 Deferred Taxes

Certain changes made to consolidated companies' annual statements to bring them into accordance with accounting principles applicable to consolidated statements, as well as certain temporary discrepancies in annual accounts, reveal temporary differences between the tax value and book value of the deferred assets and liabilities.

Temporary differences give rise to deferred taxes in consolidated accounts according to the liability method of tax allocation.

Future income tax assets are not accounted for unless their recovery is probable in the foreseeable future.

20.3.1.5.3.14 Pension and Similar Benefit Reserves

At Egide, retirement pay is calculated in conformance with IAS Standard 19, as well as the bonuses paid to personnel on the occasion of receipt of the service medal and the special seniority allowance. These commitments are a result of collective bargaining agreements applicable to each establishment, and they are calculated according to the method of distribution of rights, prorated according to seniority. The main assumptions are the following :

- retirement age : 65;
- starting Age : 18;
- annual pay raise rate : 3%;
- life expectancy is based on the Insee actuarial table 1999-2001;
- probability of attendance is assessed in terms of internal statistics proper to each establishment;
- the rate of long-term financial updating is estimated to be 4.19% (10-year bond rate);
- provisions are calculated outside of employer taxes since, generally, such obligations are not subject to social security taxes.

These reserves do not include foreign subsidiairies ; these companies have not commited to pay complementary premiums upon expiration of employee work contracts, nor on any other occasion during their tenure in the company.

The effect of recurrent updating and normal changes in the calculation of the provision (seniority, personnel action, actualization rate, etc.) is stated in its entirety in the income statement.

20.3.1.5.3.15 Reserves

Accounting for reserves occurs at the time of fiscal year closure. There is a obligation to third parties, and it is probable that on the closing date it will provoke a withdrawal of resources by these third parties without at least an equivalent offset expected from them after closing date.

20.3.1.5.3.16 Stock Warrants

The company applies IFRS Standard 2, Payment in Stocks and Similar Products, to equity instruments authorized after November 7, 2002, the rights to which were not yet acquired on December 31, 2007.

20.3.1.5.3.17 Factoring

The companies in the group have had recourse to factoring : Egide since the first semester of 2006, Egide USA Inc, and Egide UK Ltd since the first trimester of 2007. There is no impact on company's accounts receivable but there is a short-term miscellaneous liability on the balance sheet. It represents the advances financed by the factor minus client payments received by the factor to pay down the receivable that has been subrogated.

Egide's factoring organization, in processing export receivables limits the in-process inventory to 250k€. As of December 31, 2007, this limit has not been reached.

20.3.1.5.3.18 Segment Information

A geographic segment is a group of assets and operations providing goods and services in a particular economic environment, which is exposed to different risks and to a profitability that is different from those of other geographic segments.

An activity segment is a group of assets and operations providing goods and services, which is exposed to different risks and to a profitability that is different from those of other activity segments.

20.3.1.5.4 Additional Information on the Balance Sheet and Income Statement

20.3.1.5.4.1 Determining Accounting Estimates and Judgments

The group conducts estimates and makes assumptions regarding future activities. The resulting accounting estimates are, by definition, rarely equivalent to ultimate results.

The assumptions and estimates that seriously risk a significant adjustment in the accounting value of assets and liabilities during the following period primarily concern the impairment testing of intangible and tangible assets that the group may conduct. In effect, in conformance with the accounting method defined in paragraph 20.3.1.5.3.6, the amounts recoverable from cash-generating units are determined based on calculations of going-concern value. These calculations require recourse to estimates.

Next the group determines the estimated useful life of the fixed assets and the resultant depreciation expenses. As far as ceramic production equipment is concerned, this estimate is based on the projected life-cycles of the products. It could be subject to modification due to the variation in cycle duration.

Similarly, these assumptions and estimates regarding the activity have a very significant impact on the cash expected in Egide's operations. The cash level expected by Egide to meet its deadlines in the months to come, as mentioned in 20.3.1.5.3.1 above, thus depends on the successful realization of these sales and profitability projections.

20.3.1.5.4.2 Financial Risk Management

20.3.1.5.4.2.1 Exchange Risk

Egide's sales are primarily from exports (70%), with North America representing 41% of the group's sales. In 2007, the constant fall of the dollar in relation to the euro reduced the group's sales figure. At a constant exchange rate in relation to fiscal year 2006, the impact of the variation in the euro/dollar parity on total sales is estimated at €1.1 million.

However, 33% of sales are made in dollars and realized by the American subsidiary, Egide USA, whose total costs are also in dollars. In addition, the major portion of European sales is paid in euros. The exchange risk is therefore limited to the portion of sales paid in dollars and realized by the French company, Egide, i.e., 11% of sales in fiscal year 2007.

The revenue in American dollars received by Egide SA is used to purchase components in the United States. In 2007, receipts in dollars were, however, much lower than disbursements since the implementation of factoring generated financing in euros. The risk therefore lies in the exchange rate on the day American dollars are purchased, since receipts do not cover expenses paid in this currency. No specific reserve balance has been put in place.

As far as the American subsidiary is concerned, purchases and sales are entirely in dollars. At the end of the fiscal year, the exchange risk will therefore contained by the group based on the result of the Egide USA fiscal year as well as its cash position in dollars.

A customized work plan has been established between Egide and Egima : Receipts for the exportation of products manufactured in Morocco are billed by Egide; there is no exposure to the exchange rate for Moroccan dirhams. The financing structure implemented in Morocco is such that the impact of a change in the euro-dirham exchange rate is reduced. Investments made in 2001 and 2002 have been financed at around 50% by capital and around 50 % by medium/long-term loans in local currency. In the case of the devaluation of the dirham, the accounting loss in value of the assets paid in dirhams would be partially compensated by a loss in value of the debt similarly paid in dirhams.

Sales achieved by the English subsidiary, Egide UK, are mostly paid in pounds sterling. However, global sales for Egide UK represent only 9% of the group's sales and the exchange rate risk will be limited to the income in the fiscal year.

20.3.1.5.4.2.2 Interest Rate Risk

To finance investments made in Morocco in it subsidiary, Egima, and at the same time, limit the exchange risks associated with a possible devaluation of the dirham, Egide decided to obtain two loans from a local bank. The medium-term loan amount is 14.6 million dirhams, payable over a seven-year period (one year of which is franchise capital), with a fixed interest rate of 8% ; the long-term loan is 12.7 million dirhams, partially unfrozen at the 10.678 million level, to be repaid over 12 years (one year of which is franchise capital), and bearing a fixed interest rate of 8.75%. These two loans were unfrozen at the beginning of 2003 ; they do not include a prepayment clause because a default clause has been applied.

In addition, the building that houses Egide corporate headquarters has been on a 12-year lease since October 25, 1999. The asset value on contract signing was €0.97 million. The fees are based on Euribor 3 months +1.3 points. Since this leasing contract was terminated in advance on March 5, 2008, there will be no more interest rate risks associated with this loan.

In 2006, Egide SA entered into two factoring contracts covering domestic and export receivables. The monthly payment applied by the factors to the amounts financed is based on Euribor 3 months at the end of the preceding month. In February 2005, Egide USA obtained a revolving line of credit whose interest rate was determined as follows : base rate +3% (with an interest rate floor of 10.25%. This line of credit was closed in February 2007 and replaced by a factoring contract whose monthly payment is based on the Chase Prime Rate provided by JPMorganChase Bank. A factoring contract was similarly set up at Egide UK in April 2007, and the monthly payment is based on the Sterling Base Rate provided by HSBC Bank.

In October 2007, Egide USA contracted a $1.4 million bank loan with an interest rate based on Libor 1 month +8% at the end of the preceding month, with an interest rate floor of 13%.

Considering the potentially low impact of interest rate variations on consolidated income, the group has not implemented specific measures to track and manage interest rate risks.

20.3.1.5.4.2.3 Liquidity Risk

See § 20.3.1.5.3.1.

20.3.1.5.4.3 Capital Assets

The intangible assets appearing on the group's balance sheets on December 31, 2007 were acquired. They include patents, licenses, and software.

IAS Standard 17, Lease Financing Contracts, provides for entry values concerning the lease of the Trappes factory on the asset side under Land for 191k€ and Constructions for 778 k€. The net book value of this lease on December 31, 2007 stood at 718 k€.

Egide's liquid waste storage center was placed in service in January 2007. It appears under Constructions with a depreciable value of 127k€ and under Machinery and Equipment for 90k€.

Depreciable cost variation in assets can be analyzed as follows :

Items (amounts in k€)	Value on 12/31/2006	Exchange Rate Variation	Value on 12/31/2006 in process on 12/31/2007	Acquisitions, Creations, Transfers, Allocations	Cessions, Removals from Service, Returns	Scope	Value on 12/31/2007
Other Intangible Assets							
Depreciable Value	349		349	4	2		351
- amortization	(344)	1	(343)	(4)	(2)		(345)
- depreciation							
Net Value	**5**	**1**	**6**	**0**	**0**		**6**
Total Intangible Assets	**5**	**1**	**6**	**0**	**0**		**6**
Land & Fixtures							
Depreciable Value	837	(51)	786				786
- amortization	(86)	7	(79)	(7)			(86)
- depreciation	(59)		(59)				(59)
Net Value	**692**	**(44)**	**648**	**(7)**			**641**
Structures							
Depreciable Value	3,570	(74)	3,496	330	53		3,773
- amortization	(909)	18	(891)	(156)	(49)		(998)
- depreciation	(137)		(137)				(137)
Net Value	**2,524**	**(56)**	**2,468**	**174**	**4**		**2,638**
Machinery & Industrial Equipment							
Depreciable Value	17,270	(440)	16,830	564	35		17,359
- amortization	(11,938)	346	(11,592)	(1,185)	(357)		(12,420)
- depreciation	(2,824)		(2,824)				(2,824)
Net Value	**2,508**	**(94)**	**2,414**	**(621)**	**(322)**		**2,115**
Other Tangible Assets							
Depreciable Value	2,171	(54)	2,117	86	21		2,182
- amortization	(1,830)	86	(1,744)	(129)	(15)		(1,858)
- depreciation	(251)		(251)				(251)
Net Value	**90**	**32**	**122**	**(43)**	**6**		**73**
Tangible Assets in Process, Future Advances, Progress Payments							
Tangible Assets in Process	292		292		275		17
Advances and Payments	4		4		4		0
Total	**296**		**296**		**279**		**17**
Total Intangible Assets	**6,110**	**(162)**	**5,948**	**(497)**	**(33)**		**5,484**

The cumulative value of assets scrapped or assigned during the fiscal year stands at 107k€. Allocations and depreciation and amortization recovery appear on the amortization and depreciation of tangible assets line under operating income.

Application of IAS Standard 36 requires entry of 3,272 k€ of depreciation on December 31, 2005, given the current level of subnormal capacity usage in the group's factories and the assumptions made regarding future activity. In the absence of new indicators of losses in value on December 31, 2007, this level of depreciation has been maintained.

Items (amounts in K€)	Value on 12/31/2006	Exchange Rate Variation	Value on 12/31/2006 in process on 12/31/2007	Acquisitions, Creations, Transfers, Allocations	Cessions, Removals from Service, Returns	Scope	Value on 12/31/2007
Long-Term Investments							
Loans and Other Long-Term Investments	10		10	11			22

20.3.1.5.4.4 Other Noncurrent Assets

Assets designated under this header are the following :

Amount in k€	Net Value on 12/31/2007	Net Value on 12/31/2006
Tax credit for Egide research Mutual funds pledged by Egide to guarantee a loan taken out by Egima in Morocco	173 653	137 888
Total	**826**	**1,025**

20.3.1.5.4.5 Inventories and In-Process Goods

Items (amounts in k€)	Value on 12/31/2006	Exchange Rate Variation	Value on 12/31/2006 in process on 12/31/2007	Accretions, Allocations	Decreases, Returns	Value on 12/31/2007
Raw Materials and Supplies						
Depreciable Value	8,207	(148)	8,059	57		8,116
- depreciation	(4,766)	64	(4,702)	(231)	(23)	(4,911)
Net Value	**3,441**	**(84)**	**3,357**	**(174)**	**(23)**	**3,205**
In Process Inventories						
Depreciable Value	1,517	(62)	1,455		58	1,397
- depreciation	(23)		(23)	(12)	(25)	(10)
Net Value	**1,494**	**(62)**	**1,432**	**(12)**	**33**	**1,387**
Finished Products						
Depreciable Value	1,411	(20)	1,391	33		1,424
- depreciation	(882)		(882)	(64)	(13)	(933)
Net Value	**529**	**(20)**	**509**	**(31)**	**(13)**	**491**
Merchandise						
Depreciable Value	63		63	2		65
- depreciation	(56)		(56)	(1)		(57)
Net Value	**7**		**7**	**1**		**8**
Total	**5,471**	**(166)**	**5,305**	**(216)**	**(3)**	**5,091**

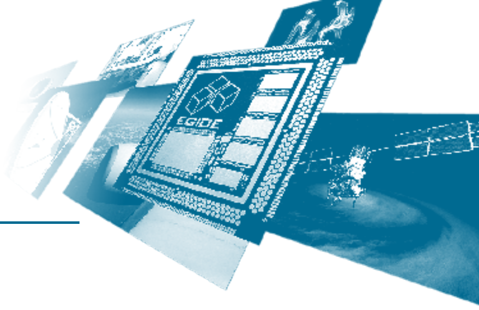
A depreciation rate, limited to 75%, was applied to a supply of kovar, a raw material that can be resold or incorporated into structures, regardless of the year of origin of the supply.

20.3.1.5.4.6 Accounts Receivable-Customers and Other Debtors

The items included under the heading, Customers and Other Debtors are the following :

Headings	Balance on 12/31/2007	Balance on 12/31/2006
Advances and Payments	39	47
Trade Receivables and Assigned Accounts	6,157	6,689
Personnel and Sub-Accounts	7	10
Income Tax		1,874
Value Added Tax	412	556
Miscellaneous (Other) Taxes	124	52
Other Receivables	63	97
Total	**6,802**	**9,325**

The amount of commercial papers and transfers in accounts receivable was zero on December 31, 2007 and 4 k€ in December 2006 because the receivables for clients using this mode of payment have, for the most part, been subrogated to factoring corporations since the beginning of 2006.



The trade receivables item has been subject to the following variations :

Item (amounts in k€)	Value on 12/31/2006	Variation in Exchange Rate	Value on 12/31/2006 In Process on 12/31/2007	Accretions, Allocations	Decreases, Returns	Value on 12/31/2007
Depreciable Cost	6,879	(208)	6,671		321	6,350
- depreciation	(190)	9	(181)	(12)		(193)
Net Worth	**6,689**	**(199)**	**6,490**	**(12)**	**321**	**6,157**

In 2006, a depeciation of 168 k€ was entered for the Value Added Tax (VAT) to account for the risk that the reimbursement request documents for TVA credits that Egima submitted to the Moroccan tax authorities might be rejected.

Long-term receivables (with a due date longer than a year) are shown under the header "Other Noncurrent Assets." (See § 20.3.1.5.4.4).

20.3.1.5.4.7 Cash and Cash Equivalents

Mutual funds have a net book value of 1,292k€. They are liquidated as operational needs arise. In accordance with the definition of cash equivalents indicated by IAS 7, these mutal funds are considered to be short-term investments, easily convertible to known amounts of cash and not subject to significant risks of change in value.

On December 31, 2007, the group's cash position in dollars is $41,000 at Egide, $208,000 at Egide USA Inc., and $14,000 at Egide USA LLC. Egide's cash assets in euros total €405,000. Other cash asssets available as foreign currency are 1,892,000 dirhams at Egima and £19,000 at Egide UK Ltd.

20.3.1.5.4.8 Other Current Assets

This category includes prepaid expenses, which are broken down as follows :

	12/31/2007	12/31/2006
Purchase of various materials and indirect materials		48
Rent	62	65
Insurance	158	141
Interest	93	
Indirect taxes		34
Miscellaneous	46	40
Total	**360**	**328**

20.3.1.5.4.9 Legal Capital

An increase in capital was achieved in August 2006 through the issuance of new stock warrants with a preemptive right. During fiscal year 2007, 1,152 stock warrants were exercised, which, at the rate of one new stock for four warrants, created 288 stocks, each with a par value of 10 euros, for a total value of 2,880 euros.

On December 31, 2007, share capital stood at 12,861,180 euros, i.e., 1,286,119 shares, each with a par value of 10 euros.

20.3.1.5.4.9.1 Stock Option Plans

During the general shareholders' meetings of June 8, 2004 and June 20, 2007, the board of directors was authorized to issue stock options to management and certain salaried staff members of the company or its directly or indirectly owned subsidiaries, for time periods that would expire on August 8, 2007 (authorized on June 8, 2004) and on August 20, 2010 (authorized on June 20, 2007), the purpose being to increase capital. The total number of options granted and not yet exercised does include the right to subscribe to more than 5% of the stocks that make up capital. The options granted cannot be exercised for a period of two years, starting from the date on which they were granted, nor assigned for a period of two years after that date. In accordance with current tax laws, the four years of unavailability of these stocks will render Egide exempt from payroll taxes when stock options are assigned. In the case of the American subsidiary, Egide USA Inc., the period of unavailability, for 50% of stock options, is reduced to a year from the date on which the options can be obtained.

During fiscal year 2007, the board of directors exercised this authority on two occasions : On January 15, 2007 in regard to plan 4.4 and on July 24, 2007 in regard to plan 5.1.

No stock options were exercised in 2007. Two thousand three hundred and twenty-seven options were cancelled during the joint general meeting in June 2007 because their owners had left the company in 2006. Moreover, 2,286 stock options will be cancelled because their owner left the company in 2007. Similarly, 484 stock options became null and void due to the fact that the expiration date had passed.

The position of the various plans on December 31, 2007 was as follows :

Plan Number	Plan 3.1	Plan 3.2	Plan 4.1	Plan 4.3	Plan 4.4	Plan 5.1	Total
Options Granted but Not Exercisesd Subscription Cost	5,818 45.13 €	726 14.97 €	20,767 29.74 €	10,000 31.15 €	4,900 31.15 €	5,400 27.83 €	47,611

For informational purposes, the average price per share of Egide's stock during fiscal year 2007 was 28.74 euros, and the closing price on December 31, 2007 was 19.80 euros.

The general shareholders'meeting having fixed the total number of shares granted and not yet exercised at a maximum of 5% of stocks comprising share capital, on December 31, 2007, there was an available balance of 16,694 options.

Stock purchase options accorded to personnel are assessed at their fair market value on their allocation date. The fair market value of the options is determined by using the Black-Scholes valuation model, on the basis of assumptions made by management. It is accounted for in the income statement for the period in which employees acquire the right to exercise the options, offset by an equivalent increase in shareholders' equity. Expenses for options that become null and void before being exercised are recovered in the income statement for the period in which their expiration is recorded due tothe departure of the employees before the end of the rights acquisition period.

The cost for fiscal year 2007 is 114 k€.

20.3.1.5.4.9.2 Authorization for Capital Incerase

At a special sesson of the general shareholders' meeting, the board of directors was authorized to increase capital by issuing securities affording access to capital under the form of equity convertible bonds, with elimination of the preemptive right, without a public issue, for a maximum of 10,000 k€ for the bonds and 5,000 for the stocks resulting from the conversion. This delegation expired on September 12, 2007 and was not used during fiscal year 2007.

At the joint general meeting of June 20, 2007, the board of directors was authorized to to issue stocks, warrants, and more generally, all securities providing access, immediately or by a certain date, to company stock, to the extent and at the times it saw fit, in France and overseas, for a maximum par value of 10,000 k€. This issue was authorized with or without the preemptive right, for a duration of 26 months, starting with the June 20, 2007 meeting, replacing the preceding delegation authorized at the joint shareholders' meeting of June 23, 2005. These authorizations were not used during the fiscal year.

20.3.1.5.4.10 Reserves

Items	On 12/31/06	Var. Exch. Rate & Adj.	On 12/31/06 In process on 12/31/07	Alloc.	Repr. (prov. used)	Repr. (prov. not used)	Entry into Scope and Other Transactions	On 12/31/07
Noncurrent Reserves								
Employee Benefit Reserves	262		262	4	26			240
Miscellaneous	15	(1)	14	16				30
Total	**277**	**(1)**	**276**	**20**	**26**			**270**
Incr./recov. of operating provisions				20	26			
Incr./recov. of financial provisions								

The difference between current reserves and noncurrent reserves is determined by the projected due date of the group's obligation in regard to the third party concerned, which occurs in the 12-month period folowing the end of the fiscal year.

20.3.1.5.4.11 Accounts Payable

Items	Balance on 12/31/2007	1 year only	More than 1 year and less than 5 years	More than 5 years	
Long-Term Accounts Payable					
Loans and Accounts Payable from Lending Institutions	975		696	279	a
Various Loans and Accounts Payable	20		20		
Short-Term Accounts Payable					
Loans and Accounts Payable from Lending Institutions	1,264	1,264			b
Various Loans and Accounts Payable	2,942	2,942			c
Suppliers and Other Creditors					
Advances and Payments	245	245			
Supplier Debts and Assigned Accounts	5,130	5,130			
Receivables and Related Accounts	1,281	1,281			
Value Added Tax	89	89			
Other Direct and Indirect Taxes	161	161			
Miscellaneous Payables	118	118			
Capital Property Debt	97	97			
Total	**12,322**	**11,327**	**716**	**279**	

(a) 3,693kMAD (326 k€) at a fixed rate of 8 % for 6 years and 7,635 kMAD (649 k€) at a fixed rate of 8.75 % for 11 years (Egima loans).
(b) principally 2,679 kMAD (236 k€) at a fixed rate of 8% for 6 years, 823 kMAD (72 k€) at a fixed rate of 8.75% for 11 years (Egima loans) et 1,391 k$ (945 k€) at a variable rate based on Libor 1 month +8%.
(c) principally 310 k€ at a variable rate based on Euribor 3 months (Egide lease with the option to buy, exercised on March 5, 2008), 2,198 k€ à at a variable rate based on Euribor 3 months (Egide factoring contracts), $335,000 (227 k€) at a variable rate based on the American prime rate (Egide USA Inc. factoring contract) et £138,000 (189 k€) at a variable rate based on the English base rate (Egide UK Ltd factoring contract).

On December 31, 2007, the amount for invoices not received included under the Supplier Debt and Accounts Assigned item was 914 k€ and the amount of expenses to be paid included under the Personnel and Accounts Assigned item was 642 k€.

20.3.1.5.4.12 Taxes and Tax Credits

20.3.1.5.4.12.1 Increases and Decreases in Future Tax Debt

Reconciliation of theoretical and and accounted-for tax :

	12/31/07
Earnings before taxes for integrated companies during the fiscal year	(6,301)
Effect of theoretical tax on the rates in force on December 31, 2007 Impact of Tax Losses	2,100 (2,100)
Income Tax Benefit	**0**

The unrealized fiscal situation of December 31, 2007 is essentiallly composes of tax losses in the amount of 36,473 k€ for Egide, reportable indefinitely.

As a precautionary measure, the deferred tax credit corresponding to the reportable deficits of Egida and Egide USA Inc. has not been entered under assets, in accordance with applicable accounting rules.

20.3.1.5.4.12.2 Research Tax Credit

From fiscal year 2007 onward, the revenue for the research tax credit is recorded in the income statement in the amount of 159k€ at the level of Other Revenues and Operating Expenses, in accordance with IAS Standard 20, and no longer under the heading Income Tax Expense, as was the practice until 2006. This classification change has an impact on operating income and the amount of tax. Income and shareholders'equity remain unchanged. To maintain the comparability of statements, the tax credit for research in fiscal year 2006 was reclassified under Other Products in the amount of 105 k€.

20.3.1.5.4.13 Sector Information

20.3.1.5.4.13.1 Primary Sector

The first level of sector information chosen by the group is the geographic breakdown that corresponds to the location of assets. Egide and Egima have been regrouped because Egima is a subcontractor to Egide, its only client.

	On 12/31/2007				On 12/31/2006			
	Egide and Egima	Egide USA Inc	Egide UK	Total	Egide and Egima	Egide USA Inc	Egide UK	Total
Sales	15,095	8,756	2,318	26,170	14,139	9,408	1,833	25,380
Operating Income	(3,473)	(1,698)	(239)	(5,410)	(3,848)	(567)	(296)	(4,711)
Net Capital Assets	4,031	1,206	275	5,512	4.419	1,558	149	6,126
Capital Expenditure	412	88	216	716	444	75	24	543
Depreciation of Capital Assets/ IAS 36	2,871	386	15	3,272	2,871	386	15	3,272
Long-Term Liabilities	975	20		995	1,617	27	0	1,644
Short-Term Liabilities	2,828	1,190	188	4,206	3,228	517	0	3,745

20.3.1.5.4.13.2 Secondary Sector

Production assets (aside from ceramic manufacturing equipment at Egide) being common to all products, regardless of their technology (glass-to-metal and ceramics) and their application sector (defense-aerospace, telecoms,and industry), it is therefore impossible to break down the operating income and assets by their activity center and provide the necessary information. The details of the secondary sector are reduced to the distribution of sales in the application sector.

	12/31/2007	12/31/2006
Defense-Aerospace	10,025	10,120
Industry	10,044	9,110
Telecoms	6,101	6,150
Total	**26,170**	**25,380**

20.3.1.5.4.14 Operating Results

Cash and cash equivalent income essentially comprise the income on VMP cessions realized by Egide. The cost of gross debt represents the interest expenses on loans appearing on the balance sheet.

Details regarding other income and expenses are as follows :

	12/31/2007	12/31/2006
Result of Exchange	**(346)**	**(150)**
Revenue	328	206
Expenses	(674)	(356)
Various Revenues and Expenses	**(24)**	**(9)**
Revenue	18	3
Expenses	(43)	(12)
Plus or minus Egide’s unrealized values on VMP		3
Discounting of Egide’s carry back debt		60
Total	**(370)**	**(96)**

20.3.1.5.4.15 Transactions with Related Parties

The gross salary that board of the directors paid the chief executive officer stood at 157 k€ for fiscal year 2007. No salary was paid for his functions as managing director of Egide USA LLC, Egide USA Inc., and Egima.

During fiscal year 2007, 10 k€ in fees was paid to board members (gross amount).

20.3.1.5.4.16 Off-Balance Sheet Liabilities

Commitments Made :

Off-balance sheet liabilities can be summarized in the following table :

(In k€)	12/31/2007	12/31/2006
Collateral Securities	653	888
Bonds Provided	2,076	802
Total	**2,729**	**1,690**

For related parties :

• Egide pledged mutual funds :

- december 31, 2007 To Crédit Lyonnais until February 12, 2010, for the sum of 1,420 k€ to guarantee the mid-term loan granted to the Moroccan subsidiary, Egima. The amount of this pledge is reduced each trimester to the level of the loan balance still to be repaid. This pledge allows the freeing up of pledged muual funds when the reduction of the pledge is at least equal to the unit value of the mutual fund base. On December 31, 2007, the present (capitalized) value of the balance of the pledge was 591 k€ for a loan balance of 562 k€.

- to Crédit du Nord, for the sum of 57 k€ to secure the bank guarantee granted to the Moroccan subsidiary, Egima, in the context of the cession of temporary admissions. The guarantee is valid until the withdrawal of this bond. The capitalize value of the mutual funds pledged on December 31, 2007 is 62 k€.

The cash equivalents pledged were entered under the Other Noncurrent Assets item.

• Egide posted a bond on first request for Crédit du Maroc to guarantee the long-term loan this bank granted to Egima, until the total repayment of this loan on March 21, 2015.

• Egide posted a bond for HSBC company for a factoring contract for its subsidiary, Egide UK, in March 2007, for the sum of £300,000, with an equivalent value of 409 k€ on December 31, 2007.

• Egide posted a bond for Pinecrest National Funding LLC for the sum of $1,391,000, the equivalent of 945 k€ on December 31, 2007 as a grant for a loan to its subsidiary, Egide USA Inc.

For various third parties :

• The number of education/training hours used in 2007 in the context of the Individual Right to Education is insignificant in terms of the number of hours acquired (approximately 5,000) by Egide's employees.

Commitments Received :

• No bank guarantee has been issued for the benefit of Egide.

Reciprocal Commitments :

• With the implementation of factoring in April 2006, Egide took out a credit insurance policy in which it designated the factoring companies as beneficiaries of the compensation to be paid in case of Egide clients' default. The compensation obligations of the insurance company to the company are limited to a maximum disbursement of 1,500 k€.

20.3.1.5.4.17 Work Force Breakdown

	12/31/2007	12/31/2006
Management	64	56
First-line supervisors and technicians	44	40
Employees	18	17
Workers	283	262
Total	**409**	**375**

20.3.1.5.5 Events after Closing

On March 5, 2008, Egide exercised an early option to buy a building it was leasing that houses its corporate headquarters in Trappes for the sum of 297 K€. It simultaneously sold this building to a real estate investor, SCI Floria, for the sum of 1,000 K€, and entered into a contract with the latter to lease it for a 9-year period.

An offer to sell the Bollène building was being drawn up for signature with Finexel company for the sum of 2,000 K€ in May 2008. A commercial lease agreement for an 11-year period is scheduled to be signed at the same time.

On March 12, 2008,a letter of intent was signed with an American real estate agent for the sale of the Cambridge site in the U.S.A. for the gross amount of $2.2 million.

20.3.2 Corporate Financial Statements

20.3.2.1 Balance Sheet

ASSETS in Euros	Depreciable Cost on 12/31/2007	Amortiation and Depreciation	Net Worth on 12/31/2007	Net Worth on 12/31/2006
Intangible Assets	**498,426**	**492,125**	**6,301**	**5,453**
Preliminary Expenses				
Research and Development Expenses				
Concessions (Franchises), Patents, Licenses	345,977	339,676	6,301	5,453
Goodwill	152,449	152,449	0	0
Other Intangible Assets				
Tangible Assets	**13,537,403**	**11,641,661**	**1,895,741**	**2,256,359**
Land	160,680	27,294	133,386	135,750
Buildings	703,843	253,554	450,289	200,132
Machinery, Materials, and Industrial Equipment	10,768,035	9,687,374	1,080,662	1,388,210
Other Tangible Assets	1,608,140	1,376,736	231,404	257,522
Tangible Assets in Process	296,704	296,704	0	274,744
Advances and Payments				
Fixed Assets	**84,433,988**	**82,607,632**	**1,826,356**	**3,145,629**
Investments	75,103,856	74,775,180	328,677	2,100,942
Accounts Payable Associated with Investments	9,327,323	7,832,452	1,494,872	1,041,878
Other Fixed Assets	2,808		2,808	2,808
CAPITAL ASSETS	**98,469,817**	**94,741,418**	**3,728,399**	**5,407,440**
Inventories and In-Process Inventories	**8,923,950**	**5,275,739**	**3,648,211**	**3,802,715**
Raw Materials and Supplies	6,863,529	4,285,473	2,578,056	2,601,094
Goods in Process	812,090	1,641	810,449	879,104
Services in Process				
Intermediate & Finished Products	1,182,822	931,437	251,385	315,110
Merchandise	65,509	57,188	8,321	7,407
Accounts Receivable	**1,454,724**	**104,519**	**1,350,205**	**933,008**
Advances and Payments	36,200		36,200	43,296
Receivables and Related Accounts	1,418,524	104,519	1,314,005	889,712
Fully Paid Capital				
Other Accounts Receivable	**1,864,092**		**1,864,092**	**3,786,907**
Available Funds	**1,657,330**	**7,308**	**1,650,022**	**4,444,850**
Transferable Investment Securities	1,223,678	7,308	1,216,370	4,090,518
Available Funds	433,652		433,652	354,332
Prepaid Expenses	**148,180**		**148,180**	**213,097**
CIRCULATING ASSETS	**14,048,276**	**5,387,566**	**8,660,710**	**13,180,577**
Charges to Be Spread over Several Fiscal Years				
Unrealized Losses	349,186		349,186	129,628
TOTAL	**112,867 279**	**100,128,984**	**12,738,295**	**18,717,646**

LIABILITIES in Euros	Value on 12/31/2007	Value on 12/31/2006
Net Position	**7,188,994**	**13,114,122**
Capital	12,861,190	12,858,310
Bond premiums,	5,760	4,183,232
Re-evaluation Adjustment		
Legal Reserve	402,348	402,348
Statutory or Contractual Reserves		
Regulated Reserves		
Other Reserves		
Retained Earnings	(146,535)	586,461
Annual Income	(5,933,769)	(4,916,228)
Investment Subsidies		
Regulated Provisions		
SHAREHOLDERS' EQUITY	**7,188,994**	**13,114,122**
Advances	57,510	63,900
EQUITY SECURITY	**57,510**	**63,900**
Provisions for Contingencies	365,186	129,628
Provisions for Expenses	239,575	261,616
PROVISIONS	**604,761**	**391,244**
Financial Debt		
Financial Institution Loans and Debts		
Various Loans and Debts		
Advances & Payments/Current Orders	**227,005**	**38,393**
Various Debts	**4,660,026**	**5,105,903**
Supplier Debt & Related Accounts	3,198,558	3,731,239
Fiscal and Social Debt	1,255,243	1,142,190
Capital Property Supplier Debts	97,460	141,135
Other Debts	108,764	91,338
Deferred Revenue	**0**	**0**
DEBTS	**4,887,031**	**5,144,296**
Unrealized Gains		4,084
TOTAL	**12,738,295**	**18,717,646**

20.3.2.2 Income Statement

Items	France	Export	12/31/2007	12/31/2006
Sales of Merchandise	36,647	96,006	132,653	163,496
Products Sold (Goods)	7,651,585	6,948,799	14,600,385	13,803,712
Products Sold (Services)	265,273	397,299	662,571	643,395
NET SALES	**8,248,726**	**7,146,882**	**15,395,609**	**14,610,603**
Stored Production			(78,031)	(187,837)
Subsidies			2,287	8,463
Depreciation Recovery and Provisions - Transfer of Charges			94,624	1,409,280
Other Revenue			13,682	2,865
Marginal Revenue			**15,428,170**	**15,843,374**
Merchandise Purchases			49,295	51,475
Variations in Merchandise Inventory			(2,177)	1,408
Purchases of raw materials and supplies			5,709,280	6,292,706
Variations in Inventory (Raw Materials, etc.			(101,783)	26,334
Other Purchases and External Expenses			3,954,869	3,954,661
Direct and Indirect Taxes			413,025	382,748
Salaries and Compensation			5,293,518	4,942,017
Social Expenses			1,984,436	1,728,995
Amort. Exp. and Fixed Asset Depreciation			742,750	810,172
Amortization Expense for Circulating Assets			215,081	296,915
Estimated Expenses			20,374	35,706
Other Operating Expenses			23,703	14,182
Operating Expenses			**18,302,370**	**18,537,320**
OPERATING RESULTS			**(2,874,200)**	**(2,693,946)**
Interest and Similar Income			349,773	285,521
Dep. Recovery and Prov. - Transfer of Ch.			159,239	147,126
Foreign Exchange Gains			32,295	24,396
Net Revenues/VMP Cessions			63,958	58,783
Investment Income			**605,265**	**515,825**
Amortization and Dep. Expense, Supplies			3,529,805	2,634,259
Interests and Similar Charges			208,163	94,536
Exchange Losses			80,696	68,141
Net Expenses/VMP Cessions			0	0
Investment Expenses			**3,818,665**	**2,796,936**
FINANCIAL RESULT			**(3,213,400)**	**(2,281,111)**
OPERATING PROFIT BEFORE TAXES			**(6,087,600)**	**(4,975,057)**
Extraordinary Income in Management Op.			0	0
Extraordinary Income in Capital Operations			0	42,985
Other Capital Operations			0	0
Depreciation Recovery and Provisions			322,277	358,421
Below the Line Revenue			**322,277**	**401,406**
Extraordinary Charges on Management Op.			0	0
Extraordinary Charges on Capital Operations			0	27,055
Amortization & Depreciation Expense - Prov.			327,710	375,893
Extraordinary Charges			**327,710**	**402,949**
EXTRAORDINARY INCOME			**(5,433)**	**(1,543)**
Income Tax Expense			(159,264)	(60,372)
TOTAL INCOME			**16,355,712**	**16,760,605**
TOTAL EXPENSES			**22,289,481**	**21,676,832**
PROFIT OR LOSS			**(5,933,769)**	**(4,916,228)**

20.3.2.3 Cash Flow Chart

Items (Amounts in Euros)	12/31/2007	12/31/2006
Income	(5,933,769)	(4,916,228)
Elimination of charges and expences having no effect on cash or not associated with operations		
- amortizations, depreciations, and allowances (apart from depreciation of circulating assets)	4,119,459	3,299,760
- capital gains or losses from capital asset cessions		(15,930)
- deferred charges		
Variation in the need for working capital associated with the operation (in net present value)		
- work in process inventory	154,504	(669,250)
- customer accounts receivable	(424,293)	2,913,747
- other accounts receivable and prepaid expenses	1,775,270	(1,732,053)
- trade notes payable	(532,681)	1,191,676
- other prepaid debt and income	315,008	(11,626)
CASH FLOW ASSOCIATED WITH OPERATIONS	**(526,502)**	**60,097**
Acquisition of elements of fixed assets		
- tangible and intangible assets	(432,090)	(373,459)
- long-term investments	(1,838,486)	(1,948,422)
Cession of elements of fixed assets		
- tangible and intangible assets		42,985
- long-term investments		
CASH FLOW ASSOCIATED WITH INVESTMENT OPERATIONS	**(2,270,576)**	**(2,278,896)**
Increase in cash capital	2,880	4,514,708
Increase in other equity	5,760	
Increase in financial debt		
Dividend distribution		
Reduction of equity		
Payment of financial debts	(6,390)	
CASH FLOW ASSOCIATED WITH FINANCING OPERATIONS	**2,250**	**4,514,708**
Variation in availabilities	(2,794,828)	(2,295,909)
Variation in bank borrowings		
CASH VARIATION	**(2,794,828)**	**(2,295,909)**
Opening Cash Position	4,444,850	2,148,941
- VMP pledged	814,801	1,051,475
- VMP available	3,275,716	697,989
- available cash	354,332	399,477
Closing Cash Position	1,650,021	4,444,850
- VMP pledged	578,128	814,801
- VMP available	638,242	3,275,716
- available cash	433,652	354,332
CASH VARIATION	**(2,794,828)**	**(2,295,909)**

20.3.2.4 Accounting Methods and Explanatory Notes on Corporate Accounts

20.3.2.4.1 General

This annex is an integral part of the annual financial statements issued on December 31, 2007, showing total assets of 12,738,295 euros, and the income statment, provided in list format, shows a loss of 5,933,769 euros.

The fiscal year covered the 12-month period from January 1, 2007 to December 31, 2007.

Unless otherwise noted, all information presented below is in thousands of euros (k€).

20.3.2.4.2 Accounting Rules and Methods

20.3.2.4.2.1 Basic Rules

The annual financial statements closed on December 31, 2007 have been prepared and presented in conformance with accounting rules, respecting principles of prudence, fairness, regularity, sincerity, comparability, consistency of accounting methods from one fiscal year to the next, independence of fiscal years, and continuity of operations.

Since Egide's current cash position allows it to pay its debts on time ; the company therefore meets its current liabilities with its available assets. To remedy this situation, alternative financing such as cession/leasing of its building complexes at Trappes, Bollène, and Cambridge were in the process of being implemented on December 31, 2007. Taking into account, on the one hand, the implementation of these financing operations realized or planned for the beginning of 2008 (see § Events after Closure below), and the on the other, the cash flows expected in the context of Egide's strategic plan for fiscal yar 2008, Egide believes that it will have enough cash to meet its financial deadlines in the 12 months to come.

The evaluation of elements accounted for is practiced according to the method known as historical costs, which is characterized by the use of nominal costs expressed in current national currency.

General rules for the development and presentation of annual financial statements result from the provisions of articles L 123-12 through L 123-28 of the Commercial Code, from the decree of November 29, 1983, and from the Plan Comptable Général (General Accounting Plan) 2005 (CRC no, 99-03, revised April 29, 1999).

20.3.2.4.2.2 Intangible Assets

Intangible assets are valued at their acquisition cost on the date of entry of intangible assets into the patrimony, increased by the incidental fees necessary to bring these goods into a state of usefulness. Transfer rights, commissions, and fees related to the acquisition of intangible assets are recorded as fiscal year costs, according to the option taken in accordance with the CRC 2004-06 ruling.

Keeping in mind the customized nature of the products marketed by Egide, research and development costs, for the most part, involve projects developed in partnership with its clients. These costs are then incorporated into the costs of prototypes invoiced to clients. As a result, no research and development cost is capitalized on the assset side of the balance sheet.

Capital assets with a finite life are amortized using the straight line method, based on their projected useful life, in the course of which they will provide economic benefits to the group. Amortization calculations are based on the following rates :

	Straight Line
Licenses	10 to 20%
Software	20 to 33.33%
Patents	8.33%

The amortization basis does not take into account the residual value when the assets are no longer in use, because no significant residual value has been identified for the company's intangible assets. The amortization method, residual value, and useful lives are reviewed, at a minimum, at the end of each fiscal year, which could modify the initial amortization plan in the long term.

An impairment test is conducted when there is an internal or external indication of a loss in value. Depreciation is used if the recoverable value of the capital asset concerned is less than its net asset value. This depreciation diminishes the amortizable accounting basis over the remainder of its life. The impairment test is explained in paragraph 20.3.2.4.2.4.

20.3.2.4.2.3 Tangible Assets

The depreciable value of elements of the tangible assets is their acquisition cost on the date of entry of tangible assets into the patrimony, increased by the incidental fees necessary to bring these goods into a state of usefulness. Transfer rights, commissions, and fees related to the acquisition of tangible assets are recorded as fiscal year costs, according to the option taken in accordance with the CRC 2004-06 ruling.

An expenditure is recorded as an asset if it is probable that the future economic advantages associated with it will go to the company and its cost can be reliably evaluated. The other expenditures are recorded as expenses if they do not meet this definition.

Assets in process are assets that are not yet placed into service at fiscal year end.

When significant components of a tangible asset have different useful lives, they are accounted for separately and depreciated according to their particular life span. Expenditures for the replacement or renewal of a tangible asset component are accounted for as a separate asset, and the asset replaced is removed from the list of assets. The assets that are significantly decomposable are the ceramic firing kilns, for which the replacement of the heating element (approximately 20% of the total value of the kiln) occurs every 4 years, while the useful life of these kilns is 10 years.

Assets are depreciated using the straight line method according to their expected utility, during which they will generate economic benefits for the company. Depreciation rates are as follows :

	Straight Line
Buildings	4%
Facilities, fixtures, and fittings	10%
Kilns (structure, minus identified components)	10%
Ceramic firing kiln heating element (identified components)	25%
Ceramic production equipment (screen printing, via filling …)	12.50%
Ceramic production facilities (clean room, casting machine …)	10%
Graphite machining equipment (numerically controlled machining centers)	10%
Other machinery, materials, and industrial equipment	12.50 to 33.33%
Office materials and furniture, other fixtures and installations	10 to 33.33%

The depreciation basis does not take into account the residual value at the end of the utilization of these assets since no significant residual value has been identified for the company's fixed assets. The depreciation method, residual values, and useful lives are reviewed, at a minimum, at the end of each fiscal year, which could modify the initial depreciation plan in the long term.

An impairment test is conducted when there is an internal or external indication of a loss in value. Depreciation is used if the recoverable value of the capital asset concerned is less than its net asset value. This depreciation diminishes the amortizable accounting basis over the remainder of its life. The impairment test is explained in paragraph 20.3.2.4.2.4.

20.3.2.4.2.4 Impairment Test for Non-Financial Assets

Prior to the impairment test, the cash-generating units are identified. A cash-generating unit is constituted by homegenous set of assets, the use of which generates cash inflows proper to this cash-generating unit. A single UGT combines the assets of Egide and its Moroccan subsidiary, Egima, since the latter's only customer is its parent company, and it is merely an internal subcontractor responsible for assembly, chemical treatment, and inspection of products sold by Egide.

Egide evaluates future updated cash flows that each cash-generating unit will provide. The utility value corresponding to the result of the updating of these cash flow is compared to the net asset value of the intangible and tangible assets of the corresponding cash-generating unit. If this utility value is less than the net asset value, a depreciation is noted. The expenses and recoveries relative to depreciations of the elements of the fixed asset appear in the operating results of the company's income statement.

In application of CNC opinion 06-12, published October 24, 2006, to permit fiscal deductibility of depreciation after an impairment test, the latter is transferred to the amortization account at the level of amount of amortization definitively acquired at each closing. The amount of the transfer is equal to the difference between the amount of depreciation expenses calculated on the new amortizable base (depreciation deducted) and theamount of depreciation expense that would have been accounted for in the absence of depreciation. This recovery is spread over the asset's remaining useful life.

20.3.2.4.2.5 Equipment

Contributions to the cost of equipment invoiced by the suppliers, but over which Egide does not have control, are recorded as fiscal year charges.

The equipment over which Egide has control is entered under Machinery and Equipment, and it is amortized over a useful perid of of three years, in which it will generate future economic benefits for the company.

20.3.2.4.2.6 Long-Term Investments

The depreciable value of investments correponds to their acquisition at the date of entry into the company's patrimony. They are, if need be, depreciated to take into consideration their going concern value for the company. This value is appreciated at the close of each fiscal year and any resulting depreciation is reviewed at that time.

Transfer rights, commissions, and fees related to the acquisition of tangible assets are recorded as fiscal year costs, according to the option taken in accordance with the CRC 2004-06 ruling.

20.3.2.4.2.7 Stocks and Work in Progress

Inventories of raw materials, indirect materials, and merchandise are accounted for at their purchase cost (increased by their routing costs) according to their weighted average cost. The in-procss items, finished products, and semi-finished products are valued at their production cost, including the total direct and indirect manufacturing costs relevant to references recognized as correct at the end of the manufacturing process ; the cost of scrap left over after manufacturing is directly entered into fiscal year expenses. When the costs are higher than the selling price, reduced by the marketing costs, the difference is depreciated.

Raw materials, semi-finished products, and finished products are depreciated based on their age and their prospectives for use or sale. From the first year, depreciation is 5% and rises to 50 or 100% the second year, depending on the nature of the inventories, and to 100% the third year based on the depreciation schedule used. It should be clarified that raw material inventories include components and minerals. The latter, due to their very nature, are subject to different rates of depreciation because of their possible transformation into components or through their resale in an existing market.

20.3.2.4.2.8 Transactions and Accounts in Foreign Currency

Purchases and sales in foreign currency are entered into the income statement at the rate in effect on the transaction dates. At the end of the period, the accounts receivable and accounts payable are valued during the closing process by the conversion discrepancy account mechanism. The net unrealized losses (negative exchange position) give way to constitution of a provision. The unrealized gains do not appear on the income statement.

Bank accounts and cash in foreign currency are also adjusted during closing, but the exchange rate discrepancy that results is directly entered as expenses or income under the heading «Exchange Differences».

20.3.2.4.2.9 Accounts Payable and Accounts Receivable

Accounts payable and accounts receivable are initially entered in terms of their fair market value, with the exception of severance pay reserves and similar benefits that correspond to the present value of future debt.

If necessary, accounts payable running the risk of non-payment are depreciated on the basis of the estimated value of the risk.

20.3.2.4.2.10 Factoring

The client account is liquidated upon transfer of the account receivable to the factoring company accomplished by the subrogation receipt. The account receivable that is thus created for the factoring company is paid on the financing of the receipt, with the deduction of the holdback and fees and commissions due.

The factoring company handling the export receivables has limited the liabilities authorized by the financed client to 250 k€. This limit was not reached on December 31, 2007.

20.3.2.4.2.11 Long-Term Investments

Long-term investments are accounted for at purchase cost. If necessary, a depreciation is noted if their net asset value is lower than their book value at the end of the fiscal year.

The capital gains or losses realized in the fiscal year are determined by the first in, first out (FIFO) method.

20.3.2.4.2.12 Capital Grants

Capital grants received are credited as an unusual result in the year they were obtained, without averaging.

20.3.2.4.2.13 Reimbursable Advances

Advances received from the state and reimbursable in one or two payments according to the agreed-to conditions are entered under other equity.

20.3.2.4.2.14 Severance Pay and Similar Benefits

Serverance pay for retirement, seniority allocations, and service medals are the subject of a provision calculated in conformity with Recommendation no. 2003-R.01 of the Conseil National de la Comptabilité (National Council of Accounting), Commitments to pay retirement severance and special seniority allowances are the result of collective bargaining agreements applicable to each establishment, and are calculated according to the method of allocating rights prorated according to seniority. Commitments relative to service medals are calculated in conformance with legal provisions on this subject. The principal assumptions made were the following :

- retirement age : 65;
- average annual pay raise : 3 %;
- life expectancy based on the Insee actuarial table, 1999-2001;
- probability of attendance is assessed in terms of internal statistics proper to each establishment;
- rate of long-term financial updating is estimated to be 4.19% (10-year bond rate);
- provision is calculated outside of employer taxes since, generally, such obligations are not subject to social security taxes.

The effect of recurrent updating and normal changes in the variables in the calculation of the provision (seniority, personnel transfer, rate of update, etc. …) is fully noted in the income statement.

20.3.2.4.2.15 Provisions

Accounting for provisions for risks and provisions for expenses occurs when, at the close of the fiscal year, there is an obligation to a third party, and it is probable or certain that, on the date of account closing, it will provoke an outflow of resources to this third party without at least equivalent consideration expected from the latter after the closing date.

20.3.2.4.2.16 Method for Recognizing Sales

Products are shipped according to Incoterms' ex works. Sales are recognized upon risk transfer, either when the product is shipped or actually placed in the factory.

20.3.2.4.3 Additional Information on the Balance Sheet and the Income Statement

20.3.2.4.3.1 Determining Accounting Estimates and Judgments

The company provides estimates and makes assumptions regarding future activities. The ensuing accounting estimates are, by definition, rarely equivalent to ultimate results.

The assumptions and estimates that seriously risk a significant adjustment in the accounting value of assets and liabilities during the following period primarily concern the impairment testing of intangible and tangible assets that the group may conduct. In effect, in conformance with the accounting method defined in paragraph 20.3.2.4.2.4, the amounts recoverable from cash-generating units are determined based on calculations of going-concern value. These calculations require recourse to estimates.

Next the group determines the estimated useful life of the fixed assets and the resultant depreciation expenses. As far as ceramic production equipment is concerned, this estimate is based on the projected life-cycles of the products. It could be subject to modification due to the variation in cycle duration. Similarly, these assumptions and estimates regarding the activity have a very significant impact on the cash expected in Egide's operations.

The cash level expected by Egide to meet its deadlines in the months to come, as mentioned in 20.3.1.4.2.1 above, thus depends on the successful realization of these sales and profitability projections.

20.3.2.4.3.2 Share Capital

Following the exercise of a total of 1,152 stock warrants during fiscal year 2007, capital was increased by 288 stocks, each with a face value of 10 euros, i.e., 2,880 euros.

On December 31, 2007, therefore, share capital stood at 12,861,190 euros, i.e., 1,286,119 stocks, each with face value of 10 euros.

20.3.2.4.3.3 Share Premium

Share premium results from capital increases realized by the company in 1999, 2000, 2001, and 2006, from a partial incorporation of the premium in the share capital at the level of 837,131 euros, carried out before the conversion of capital to euros in 2001 and the exercise of stock options that took place in fiscal years 2001 and 2003 through 2007.

The increase in the share premium linked to the exercise of stock warrants stood at 5,760 euros during fiscal year 2007.

20.3.2.4.3.4 Stock Options Plans

During the general shareholders' meetings of June 8, 2004 and June 20, 2007, the board of directors was authorized to issue stock options to management and certain salaried staff members of the company or its directly or indirectly owned subsidiaries, for time periods that would expire on August 8, 2007 (authorized on June 8, 2004) and on August 20, 2010 (authorized on June 20, 2007), the purpose being to increase capital. The total number of options granted and not yet exercised does include the right to subscribe to more than 5% of the stocks that make up capital. The options granted cannot be exercised for a period of two years, starting from the date on which they were granted, nor assigned for a period of two years after that date. In accordance with current tax laws, the four years of unavailability of these stocks will render Egide exempt from payroll taxes when stock options are assigned. In the case of the American subsidiary, Egide USA Inc., the period of unavailability, for 50% of stock options, is reduced to a year from the date on which the options can be obtained.

During fiscal year 2007, the board of directors exercised this authority on two occasions : On January 15, 2007 in regard to plan 4.4 and on July 24, 2007 in regard to plan 5.1.

No stock options were exercised in 2007. Two thousand three hundred and twenty-seven options were cancelled during the joint general meeting in June 2007 because their owners had left the company in 2006. Moreover, 2,286 stock options will be cancelled because their owner left the company in 2007. Similarly, 484 stock options became null and void due to the fact that the expiration date had passed.

The position of the various plans on December 31, 2007 was as follows :

Plan Number	Plan 3.1	Plan 3.2	Plan 4.1	Plan 4.3	Plan 4.4	Plan 5.1	Total
Options Granted but Not Exercised	5,818	726	20,767	10,000	4,900	5,400	47,611
Subscription Price	45.13 €	14.97 €	29.74 €	31.15 €	31.15 €	27.83 €	

By way of information, the average price per share of Egide's stock during fiscal year 2007 was 28.74 euros, and the closing price on December 31, 2007 was 19.80 euros.

The general shareholders'meeting having fixed the total number of shares granted and not yet exercised at a maximum of 5% of stocks comprising share capital, on December 31, 2007, there was an available balance of 16,694 options.

20.3.2.4.3.5 Authorization to Increase Capital

At a special sesson of the general shareholders' meeting, the board of directors was authorized to increase capital by issuing securities affording access to capital under the form of equity convertible bonds, with elimination of the preemptive right, without a public issue, for a maximum of 10,000 k€ for the bonds and 5,000 for the stocks resulting from the conversion. This delegation expired on September 12, 2007 and was not used during fiscal year 2007.

At the joint general meeting of June 20, 2007, the board of directors was authorized to issue stocks, warrants, and more generally, all securities providing access, immediately or by a certain date, to company stock, to the extent and at the times it saw fit, in France and overseas, for a maximum par value of 10,000 k€. This issue was authorized with or without the preemptive right, for a duration of 26 months, starting with the June 20, 2007 meeting, replacing the preceding delegation authorized at the joint shareholders' meeting of June 23, 2005. These authorizations were not used during the fiscal year.

20.3.2.4.3.6 Table Showing Variation in Shareholders' Equity

Euros	12/31/2007	12/31/2006
Income Per share	(5,933,769) (4.61)	(4,916,228) (3.82)
Variation in Shareholders' Equity (minus income shown above) Per share	8,640 0.01	4 ,514,708 3.51
Proposed dividend Per share	- -	- -
Shareholders' equity at the close of the previous fiscal year before allocation Impact of a change in accounting methods on the balance carried forward Allocation of the previous fiscal year's income at the ordinary general meeting Shareholders' equity at the beginning of the fiscal year	18,030,350 - (4,916,228) 13,114,122	21,024,398 - (7,508,756) 13,515,642
Variations in share capital : - 08/21/2006 : 285,738 shares issued with a face value of 10 euros - 12/31/2006 : 1,828 shares issued with a face value of 10 euros - 12/31/2006 : 9 shares issued with a face value of 10 euros - 12/31/2007 : 288 shares issued with a face value of 10 euros	 2,880	 2,857,380 18,280 90
Variations in share premiums : - 08/21/2006 : 285,738 shares issued with a premium of 7.50 euros - 08/21/2006 : costs associated with the issue of 285,738 shares - 12/31/2006 : 1,828 shares issued with a premium of 4.96 euros - 12/31/2006 : 9 shares issued with a premium of 20 euros - 06/30/2007 : allocation of 2006 income - 12/31/2007 : 288 shares issued with a premium of 20 euros	 (4,183,232) 5,760	 2,143,035 (513,324) 9,067 180
Capitaux propres au bilan de clôture de l'exercice avant AGO et hors résultat Variation totale des capitaux propres au cours de l'exercice	13,122,762 (4,174,592)	18,030,350 4,514,708

20.3.2.4.3.7 Reimbursable Advances

During fiscal year 2004, the company received a 63,900-euro advance from the water authority to help bring the Bollène production site into compliance. This advance is reimbursable in 10 payments of 6,390 each, starting on September 16, 2007.

20.3.2.4.3.8 Provisions

Variation in provision accounts can be analyzed as follows :

Items (euros)	12/31/2006	Allocations	Recoveries	12/31/2007
Provisions for exchange rate loss	129,628	349,186	129,628	349,186
Provisions for retirement severance pay and similar obligations	261,616	4,374	26,415	239,575
Other provisions :				
- Staff-related disputes	0	16,000	0	16,000
Total	**391,244**	**369,560**	**156,043**	**604,761**
Operating allocations and recoveries		20,374	26,415	
Financial allocations and recoveries		349,186	129,628	
Exceptional allocations and recoveries				

The recovery of the provision for retirement severance pay was totally used up by the retirement of three employees during fiscal year 2007.

20.3.2.4.3.9 Depreciation Table

Items (euros)	12/31/2006	Allocations	Recoveries	12/31/2007
Intangible Assets	152,449			152,449
Tangible Assets	2,419,837		322,277	2,097,560
Financial Assets	79,449,873	3,157,759		82,607,632
Inventories and In-Process Goods	5,095,306	215,081	34,648	5,275,739
Accounts Receivable	138,080		33,561	104,519
Total	**87,255,545**	**3,373,840**	**390,486**	**90,328,899**

20.3.2.4.3.10 Franchises, Patents, and Licenses

Variation in other intangible assets can be analyzed as follows :

Euros	Depreciable Value on 12/31/2006	Acquisitions, Creations, Transfers	Cessions, Transfers, Removals from Service	Depreciable Value on 12/31/2007
Franchises, patents, licences	343,219	4,408	1,650	345,977

Variations in amortization can be analyzed as follows :

Euros	Cumulative Amort. on 12/31/2006	Allocation Expenses	Recoveries	Cumulat. Amort. on 12/31/2007
Franchises, patents, licences	337,767	3,559	1,650	339,676

Franchises, patents, and licenses are not depreciated. Amortization expense is recorded under operating income.

20.3.2.4.3.11 Goodwill

Euros	12/31/2006	12/31/2007
Bollène Goodwill Depreciation Net value	152,449 (152,499) 0	152,449 (152,499) 0

This goodwill results from the acquisition of the Bollène site in 1992, and notably of the ceramic packaging business that developed there. In conformity with French legislation's conferral of judicial protection ensuring its continuity, this asset is not amortized.

This goodwill was totally depreciated in 2002. In effect, the ceramic technology which was the reason for the acquisition of this fund in 1992 is mostly associated with the production of packaging used in telecommunications. Due to the lack of visibility in this sector, it was considered prudent to depreciate this cost.

20.3.2.4.3.12 Tangible Assets

The variation in tangible assets can be analyzed as follows :

Items (euros)	Depreciable Value on 12/31/2006	Acquisitions, Creations, Transfers	Cessions, Transfers, Removals from Service	Depreciable Value on 12/31/2007
Land	160,680			160,680
Buildings	456,782	300,037	52,976	703,843
Machinery and Industrial Equipment	10,474,112	328,571	34,648	10,768,035
Other Intangible Assets	1,580,573	30,142	2,575	1,608,140
Intangible Assets in Process	571,448		274,744	296,704
Advances	0			0
Total	**13,243,595**	**658,750**	**364,943**	**13,537,403**

Decreases in assets can be attributed either to sales to third parties, or to the scrapping of obsolete, unusable materials, or to the replacement of components at the end of their useful life. The variation of current assets, in the amount of 213 k€, can be attributed to the placement in service of the liquid waste storage center at the beginning of fiscal year 2007.

The variation in amortization of tangible assets can be analyzed as follows :

Items (euros)	Cumulative Amort. on 12/31/2006	Expenses	Recoveries	Cumulative Amort. on 12/31/2007
Land	24,930	2,364		27,294
Buildings	256,649	45,745	48,841	253,554
Technical Installations and Industrial Equipment	7,672,432	958,397	34,648	8,596,181
Other Tangible Assets	613,387	54,962	1,277	667,072
Total	**8,567,398**	**1,061,468**	**84,766**	**9,544,101**

Depreciation expenses for tangible assets are calculated using the straight line method and entered into operating income in the amount of 739 k€ and into exceptional income in the amount of 322 k€.

The transfer of depreciation to amortization en application of CNC Opinion 06-12, published on October 24, 2006 was 322 k€ in 2007. This transaction was recorded under exceptional income.

Variation in tangible asset depreciation can be analyzed as follows :

Items (euros)	Cumul. Depr. on 12/31/2006	Expenses	Recoveries	Cumul. Depr. on 12/31/2007
Technical Installations and Industrial Equipment	1,413,469		322,277	1,091,192
Other Tangible Assets	709,664			709,664
Tangible Assets in Process	296,704			296,704
Total	**2,419,837**	**0**	**322,277**	**2,097,560**

Cessation of operations at the Trappes factory led to depreciations in the amount of 668k€ for industrial materials and 710 k€ for fittings in 2001. Similarly, tangible assets in process are depreciated in the amount of 297 k€.

The impairment test conducted on December 31, 2005 led the company to appreciate the going concern value of assets on the basis of development plans prepared by management at the end of 2005 and the resulting business and cash projections. On this basis, a depreciation of 1,083 k€ was deemed necessary. As of December 31, 2007, in the absence of any new indication of a loss of value, no depreciation was taken.

20.3.2.4.3.13 Financial Assets

Items (euros)	Gross Value on 12/31/2006	Variation	Gross Value on 12/31/2007	Deprec. on 12/31/2006	Variation	Deprec. on 12/31/2007
Egima Stocks	1,444,198		1,444,198	1,444,198		1,444,198
Egide USA LLC Investments	72,688,338		72,688,338	70,587,396	1,772,265	72,359,661
Egide UK Ltd Stocks	971,321		971,321	971,321		971,321
Accounts Receivables Associated with Egide UK Ltd Investments	6,084,822	1,545,402	7,630,224	6,084,822	1,178,435	7,263,257
Receivables Associated with Egide UK Ltd Investments	920,205	53,052	973,257	362,136	207,059	569,195
Receivables Associated with Egide USA Inc Investments	483,810	240,032	723,842			
Security Deposit	2,808		2,808			
Total	**82,595,502**	**1,838,486**	**84,433,988**	**79,449,873**	**3,157,759**	**82,607,632**

The analysis of the going concern value of the investments at year end closing reposes on a multi-criteria approach, taking into consideration subjective and objective criteria, notably the net position, recent performance, financial perspectives, the relative weight of market capitalization on the basis of sales. The balance of these criteria can differ from year to year to better consider certain differentiations or context elements.

At fiscal year end on December 31, 2007, in the context of the group's markets and recent performance of the various subsidiaires, the depreciation of these securities was determined on the basis of the share of the shareholders' equity held on December 31, 2007.

Similarly, the accounts payable associated with investments in Egima and Egide UK Ltd were depreciated in such a way that the constituted depreciations cover the negative net positions of these companies.

20.3.2.4.3.14 Inventories and In-Process Inventories

Variation in inventories and in in-process inventories can be analyzed as follows :

Items (euros)	Gross Value on 12/31/2006	Gross Value on 12/31/2007	Deprec. on 12/31/2006	Expenses	Recoveries	Deprec. on 12/31/2007
Raw Materials & Supplies	6,761,746	6,863,529	4,160,652	147,870	23,049	4,285,473
In-Process Inventories	882,207	812,090	3,103	3,439	4,901	1,641
Finished Products	1,190,736	1,182,822	875,626	62,509	6,698	931,437
Merchandise	63,332	65,509	55,925	1,263		57,188
Total	**8,898,021**	**8,923,950**	**5,095,306**	**215,081**	**34,648**	**5,275,739**

A 75% depreciation rate was applied to a supply of kovar, a raw material from which certain components used by Egide are formed, regardless of its year of origin. The rate estimation took into consideration the projected rate of material depletion and the resale value of the supply.

20.3.2.4.3.15 Client Receivables

Variation in client receivables can be analyzed as follow :

Euros	Gross Value on 12/31/2006	Gross Value on 12/31/2007	Deprec. on 12/31/2006	Expense	Recovery	Deprec. on 12/31/2007
Client Receivables	1,027,792	1,418,524	138,080		33,561	104,519

Factoring has been in effect since April 2006. It affects domestic and export receivables to the extent of 95% of sales. Client receivables assigned to factoring companies but not yet paid stand at 3,567 k€ on December 31, 2007, which would raise to 4.986 k€ the value of customer receivables in the absence of factoring.

20.3.2.4.3.16 Statement of Accounts Receivable and Payable

Statement of Accounts Receivable (euros)	Gross Amount	1 Year and Under	More than 1 Year and Less than 5 Years
Accounts Receivable Associated with Investments	9,327,323		9,327,323
Other Financial Assets	2,808		2,808
Advances and Payments	36,200	36,200	
Bad Debts or Litigious Clients	104,519		104,519
Other Customer Accounts Receivable	1,314,005	1,314,005	
Personnel Accounts	2,662	2,662	
State : Tax on Benefits			
State : Value Added Tax	134,927	134,927	
State : Miscellaneous Accounts Payable	296,260	123,574	172,686
Factoring Companies	1,367,845	1,367,845	
Miscellaneous Debtors	62,399	62,399	
Fees Paid in Advance	148,180	148,180	
Total	**12,797,128**	**3,189,792**	**9,607,336**

Accounts receivable relevant to factoring companies represent the non-financed guarantee fund as well as the definanced amounts resulting from late payment on the client's part or expiration of the credit assurance guarantee.

Statement of Accounts Payable (euros)	Gross Amount	1 Year and Under	More than 1 Year and Less than 5 Years	More than 5 Years
Clients, Payment on Accounts Received	227,005	227,005		
Supplier Accounts	3,198,558	3,198,558		
Personnel Accounts	513,869	513,869		
Social Security, Other Social Organizations	524,776	524,776		
State : Value Added Tax	75,875	75,875		
State : Taxes and Indirect Taxes	140,724	140,724		
Asset Accounts Payable	97,460	97,460		
Other Accounts Payable	108,765	108,765		
Total	**4,887,032**	**4,887,032**		

20.3.2.4.3.17 Long-Term Investments

They are composed uniquely of OPCVM mutual funds with a book value of 1,223,674 euros. The mutual funds are cashed as and when operational needs arise. The current value of the SICAV mutual funds, i.e., 1,291,913 euros on December 31, 2007 reveals an unrealized capital gain of 75,543 euros and an unrealized capital loss of 7,308 euros, which is the subject of a depreciation.

20.3.2.4.3.18 Prepaid Expenses

Items (euros)	12/31/2007	12/31/2006
Purchase of materials and indirect materials	897	47,755
Rent	30,138	31,916
Insurance	88,364	105,111
Miscellaneous (Maintenance …)	28,781	28,315
Total	**148,180**	**213,097**

20.3.2.4.3.19 Accrued Expenses

Items (euros)	12/31/2007	12/31/2006
Suppliers – Unreceived Invoices	737,343	843 ,680
Personnel – Estimated Liabilities for Holidays to be Paid and Accrued Expenses	580,720	570,355
Personnel – Estimated Liabilities for Premiums to Pay and Accrued Expenses	44,807	31,666
Personnel – Social Security Allowances	70	4,174
Personnel – Insurance Premiums	654	4,041
State – Other Fees to Pay	140,724	131,690
Clients – Credit Notes to Establish	6,403	13,497
Expense Accounts to Pay	5,791	2,459
Commissions to Pay	36,479	18,970
Dues to Pay	13,183	13,183
Board Members' Fees to Pay	15,000	10,000
Total	**1,581,174**	**1,643,715**

20.3.2.4.3.20 Revenues to Be Received

Items (euros)	12/31/2007	12/31/2006
Clients – Invoices to Prepare	0	0
Suppliers – Credit Notes to Be Received	55,336	47,940
State – Revenues to Be Received	0	121,161
Miscellaneous – Revenues to Be Received	450	41,070
Total	**55,786**	**210,171**

20.3.2.4.3.21 Concerning Affiliates and Investments

Table showing Subsidiaries and Investments

	EGIMA Casablanca - Morocco	EGIDE USA, LLC Wilmington DW - USA	EGIDE UK Ltd Woodbridge - GB
Capital	14,800,000 MAD	66,878,828 USD	657,064 GBP
Shareholders' Equity Other than Capital (minus Fiscal Year Income)	(79,666,886 MAD)	(364,746 USD)	(900,239 GBP)
Share of the Capital Held	100%	100%	100%
Book Value of Shares Held :			
- Gross	1,444,198 €	72,688,338 €	971,321 €
- Net	0 €	328,677 €	0 €
Loans and Advances Made but Not Yet Reimbursed	7,630,224 €	0	973,257 €
Amount of Guarantees and Avals Provided by the Company	1,374,983 €	0	409,082 €
Before-Tax Sales in the Previous Fiscal Year	6,271,044 MAD	0	1,648,078 GBP
Income (Profit or Loss) at Last Fiscal Year End	(18,646.654 MAD)	(64 USD)	(174,245 GBP)
Dividends Cashed by the Company During the Fiscal Year	0	0	0
Other Information	Subsidiary established on 11/01/2000. Began operations in 2002.	Established on 11/08/2000. Company created as holding for EGIDE USA Inc.	Subsidiary created on 04/04/2002.

Accounts receivable and accounts payable with affiliated companies

Items (euros)	12/31/2007	12/31/2006
Accounts Receivable Connected to Investments	9,327,323	7,488,837
Client Accounts Receivable and Connected Accounts	323,217	346,196
Suppliers and Connected Accounts	106,417	111,469

20.3.2.4.3.22 Accounts Receivable and Payable Represented by Commercial Papers

Items (euros)	12/31/2007	12/31/2006
Clients – Commercial Papers to Be Received	0	4,289
Suppliers – Commercial Papers to Pay	7,493	15,618

Accounts receivable from clients who habitually pay with commercial papers have, for the most part, been given to factoring companies since April 2006.

20.3.2.4.3.23 Conversion Discrepancies

Item Concerned	Currency	Asset Discrepancy (euros)	Liability Discrepancy (euros)
Suppliers	YEN	(1,368)	
Advances Received	YEN	20,788	
Suppliers	MAD	(74)	
Miscellaneous	MAD	176,888	
Supppliers	CHF	74	
Miscellaneous	GBP	70,139	
Suppliers	USD	(10,001)	
Clients	USD	(417)	
Miscellaneous	USD	93,157	
Total		**349,186**	

A provision for exchange loss has been accounted for at 349,186 euros.

20.3.2.4.3.24 Company Taxes and Fiscal Deficits

The amount of fiscal deficits reportable at the close of fiscal year 2007 stands at 36,483,181 euros.

The reportable long-term net losses in value are the following :

Year of Origin of Loss in Value	Deadline for Carrying Forward	Amount (euros)
2001	31/12/2011	33,000,000
2002	12/31/2012	32,497,460
2003	12/31/2013	3,257,550
2004	12/31/2014	2,414,113
2005	12/31/2015	1,007,821
2006	12//312016	2,490,573
2007	12/31/2017	3,124,198
Total		**77,791,715**

The fiscal situation at the end of fiscal year 2001 led the company to enter in its accounts an income tax benefit of 1,873,566 euros in its accounts for the companies, representing a carryback receivable for 1999 and 2000 taxable income. This receivable was recovered in April 2007.

A research tax credit of 76,384 euros was entered for fiscal year 2007.

20.3.2.4.3.25 Increases and Decreases of Future Tax Debt at Normal Tax Rates

Increases (euros)	2007	2006
Provision for Unrealized Exchange Loss in Fiscal Year	349,186	129,628
Retirement Severance Pay	25,829	
Total	**375,015**	**129,628**
Tax Rate	33.33%	33.33%
Accretion (Increase) in Future Tax Debt	**124,992**	**43,205**

Decreases (euros)	2007	2006
Unrecognized Exchange Loss	349,186	129,628
Organic	24,633	23,399
Unrealized gain on OPCVM (mutual fund)	75,543	75,518
Retirement Severance Pay		29,820
Reportable Deficits	36,486,920	32,311,788
Total	**36,936,282**	**32,570,153**
Tax Rate	33.33%	33.33%
Decrease in Future Tax Debt	**12,310,863**	**10,855,632**

20.3.2.4.3.26 Sales Breakdown by Business Sector

2007 sales primarily signify the delivery of finished products during the year.

Business Sectors (euros)	12/31/2007	12/31/2006
Glass-to-Metal	6,876,969	7,364,912
Ceramic	8,034,226	6,760,381
Engineering	179,568	13,890
Group	304,846	471,419
Total	**15,395,609**	**14,610,603**

20.3.2.4.3.27 Sales Breakdown by Geographic Area

Geographic Areas (euros)	12/31/2007	12/31/2006
France	7,953,476	6,593,091
ECC other than France	1,956,916	1,927,023
USA and Canada	3,138,391	3,686,601
Other Countries	2,041,980	1,932,469
Group	304,846	471,419
Total	**15,395,609**	**14,610,603**

20.3.2.4.3.28 Financial Results

Items (euros)	12/31/2007	12/31/2006
Net Proceeds on VMP Cessions	63,958	58,783
Net Income from Foreign-Currency Transactions	(267,959)	(83,780)
Interest and Other Income	314,778	284,517
Depreciation of Investments & Associated Accounts Receivable	(3,157,759)	(2,490,573)
Provision for Egima's Negative Net Position		57,532
V.M.P. Depreciation	6,750	(14,058)
Special Financing Commission - Factoring	(173,168)	(93,532)
Total	**(3,213,400)**	**(2,281,111)**

Current accounts for Egide and its subsidiaries, Egima Egide USA LLC, Egide USA Inc., and Egide UK Ltd provide compensation at the rate of 4% a year. At closing, Egide realized investment income of 345k€ on current accounts.

20.3.2.4.3.29 Unusual Result

Items (euros)	12/31/2007	12/31/2006
Asset Amortization	(5,433)	(17,472)
Income from Cession of Elements of Assets		15,930
Total	**(5,433)**	**(1,543)**

20.3.2.4.3.30 Executive Compensation

Gross compensation paid to the president of the board of directors stood at 157 k€ in 2007. Fees paid to board members totaled 10 k€.

20.3.2.4.3.31 Leasing

On October 25, 1999, CM-CIC Lease (formerly Lorbail) acquired for Egide's account a commercial building, the corporate headquarters and factory at Trappes, which it has occupied since its inception in 1986. The term of the lease is 12 years ; the interest rate applied is Euribor 3 months +1.3 points.

On March 5, 2008, Egide exercised an early option to purchase the lease by paying CM-CIC Lease the sum of 295,671 euros representing the principal and interest due on that date.

Euros	12/31/2007
Value of goods at contract signature	969,271
Fees paid in 2007 (principal + interest)	100,189
Cumulative fees paid (principal + interest)	904,326
Fees remaining to be paid before taxes (principal)	20,193
- less than 1 year	20,193
Interest remaining to be paid (based on Euribor 3.860%	4,777
- less than 1 year	4,777
Residual value before taxes	0.15
Amortization expenses in 2007 that would have been recorded if Egide had acquired the goods	31,118
Cumulative Amortizations	254,144

20.3.2.4.3.32 Other Liabilities

Commitments :

Off-balance-sheet liabilities are summarized in the following table :

Items (euros)	12/31/2007	12/31/2006
Collateral Securities	653,219	888,131
Sureties	2,075,755	802,370
Total	**2,728,974**	**1,690,501**

For the benefit of affiliated companies :

• The company pledged a SICAV (mutual fund) :

- to Crédit Lyonnais until February 12, 2010 for an initial amount of 1,420,040 euros to guarantee the mid-term loan extended to Egima, its Moroccan subsidiary. The amount of this pledge is reduced each trimester based on the balance of the loan remaining to be repaid. This transaction allows the release of one SICAV pledged when the reduction of the pledge is at least equal to the unit value of one SICAV. On December 31, 2007, the present value of the balance of the pledge was €591,396 for a loan balance of €561,717;
- to Crédit du Nord, for an original amount of 57,447 euros to secure the bank guarantee for the cession of temporary admissions granted to the Moroccan subsidiary, Egima. The surety is valid until the release of this guarantee.

The amount of VMP posted, thus being the subject of the surety is 578,128 euros, i.e., 47% of this entry on December 31, 2007.

• The company stood surety on first request for Crédit du Maroc to guarantee the long-term loan this bank granted to Egima, until the complete repayment of this loan on March 25, 2015, for the sum of 721, 764 euros.

• December 31, 2007. The company stood surety for HSBC for the establishment of a factoring contract for its Egide UK subsdiary in March 2007, for the sum of £300,000 or €409,082 on December 31, 2007.

• The company stood surety for Pinecrest National Funding LLC for the amount of $1,391,000 or €944,909 on December 31, 2007 for a loan granted to its Egide USA. Inc subsidiary.

For the benefit of various third parties :

• The number of education/training hours used in 2007 for the Individual Right to Education is insignificant in terms of the number of hours (approximately 5,000) acquired by Egide's employees.

Commitments Received :

• No bank guarantee has been issued for the benefit of Egide.

Reciprocal Commitments :

• With the implementation of factoring in April 2006, Egide took out a credit insurance policy in which it designated the factoring companies as beneficiaries of the compensation to be paid in case of Egide clients' default. The compensation obligations of the insurance company to the company are limited to a maximum disbursement of 1,500 k€.

20.3.2.4.3.33 Work Force Breakdown

	2007	2006
Management	35	32
First-line supervisors and tech.	25	23
Employees	4	4
Workers	136	131
Total	**200**	**190**

20.3.2.4.4 Events Following Closing

On March 5, 2008, Egide exercised an early option to buy a building it was leasing that houses its corporate headquarters in Trappes for the sum of 297 K€. It simultaneously sold this building to a real estate investor, SCI Floria for the sum of 1,000 K€, and entered into a contract with the latter to lease it for a 9-year period.

An offer to sell the Bollène building was being drawn up for signature with Finexel company for the sum of 2,000 K€ in May 2008. A commercial lease agreement for an 11-year period was scheduled to be signed at the same time.

20.4 Verification of Historical Annual Financial Statements

20.4.1 Auditors' Report on 2007 Consolidated Financial Statements

«Ladies and Gentlemen,

To carry out the assignment entrusted to us by the members of your general assembly, we have examined Egide Corporation's consolidated financial statements for fiscal year ending December 31, 2007, as they appear attached to this report.

The consolidated financal statements were closed by your board of directors. It is up to us to express an opinion on these statements, based on our audit.

I – Opinion on the Consolidated Financial Statements

We have conducted our audit in accordance with the professional standards applicable in France ; these standards require implementation of due diligence permitting us to obtain reasonable assurance that the consolidated financial statements do not contain any significant anomalies. An audit consists of examining, by means of testing, the probative elements justifying the data contained in these statements. It also consists of assessing the accounting principles followed and the significant estimates retained for account closing and assessing their presentation as a whole. We believe that our controls provide a reasonable basis for the opinion expressed below.

We certify that the fiscal year's consolidated statements are, with regard to the authoritative accounting pronouncements, the IFRS, as adopted in the European Union, regular and truthful and provide a faithful image of the patrimony and the financial position as well as the income of the ensemble constituted by the persons and entities included in the consolidation.

II – Justification of Our Assessments

In application of the provisions of article L.823-9 of the Code of Commerce relative to the justification of our assessments, we bring the following to your attention :

As revealed in notes relative to tangible assets,2.5, 2.6, and 3.3 [see § 20.3.1.5.3.5, 20.3.1.5.3.6 et 20.3.1.5.4.3 of this annual report] of the annex, an impairment test is conducted when there is an internal or external indication of a loss in value. Depreciation is used if the recoverable value of the capital asset concerned is less than its net asset value. In the absence of new indications of losses in value, no complementary depreciation was entered for the fiscal year ending on December 31, 2007.

In our assessment of the accounting rules and principles your company follows, we have verified the appropriateness of the accounting methods specified above and their correct application, and we have examined the approach implemented, depending on the assumptions that group management deemed reasonable, and the resulting appraisals.

The assessments thus applied are in line with our approach to auditing the consolidated financial statements, taken as a whole, and therefore have contributed to our opinion, expressed in the first part of this report.

III – Specific Audit

In conformity with the professional standards applicable in France, we have also verified the information relative to the group, provided in the management report. We have no observation to make regarding their truthfulness and their consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris, May 5, 2008.

The Auditors,

PricewaterhouseCoopers Audit
Jean-François Châtel

Jacques Wenig & Associates
Bernard Hinfray»

See in addition the communication from the auditors to the general meeting held on June 27, 2008 on paragraph 20.8.

20.4.2 Auditors' Report on 2007 Individual Financial Statements

«Ladies and Gentlemen,

To carry out the assignment entrusted to us by the members of your general assembly, we present you with our report for fiscal year ending December 31, 2007 in regard to the following :

- examination of Egide Corporation's annual financial statements, as attached to this report;
- justification of our assessments;
- special audits and disclosures provided for by the law.

The annual financial statements have been closed by your board of directors. It is up to us, based on our audit, to express an opinion on these statements.

I - Opinion on the Annual Financial Statements

We have conducted our audit in accordance with the professional standards applicable in France ; these standards require implementation of due diligence permitting us to obtain reasonable assurance that the annual financial statements do not contain any significant anomalies. An audit consists of examining, by means of testing, the probative elements justifying the data contained in these statements. It also consists of assessing the accounting principles followed and the significant estimates retained for account closing and assessing their presentation as a whole. We believe that our controls provide a reasonable basis for the opinion expressed below.

We certify that the annual financial statements are, with regard to the French accounting rules and principles, regular and truthful and provide a faithful image of the operational income in the previous fiscal year as well as the company's financial position patrimony at the end of this fiscal year.

II - Justification of Our Assessments

In application of the provisions of article L.823-9 of the Code of Commerce relative to the justification of our assessments, we bring the following to your attention :

As revealed in notes relative to long-term investments 1.6 and 2.13 [see § 20.3.2.4.2.6.6 and 20.3.2.4.3.13 of this annual report], your company has made provision for an impairment test to be conducted when the utility value is lower than the historical acquisition cost. In the context of the group's markets and the recent income of the affiliates, the provisions for the depreciation of these securities has been determined on the basis of the proportionate interest of the shareholders' equity held on December 31, 2007.

In our assessment of the accounting rules and principles your company follows, we have verified the appropriateness of the accounting methods specified above and their correct application, and we have examined the approach implemented, depending on the assumptions that group management deemed reasonable, and the resulting appraisals.

The assessments thus applied are in line with our approach to auditing the consolidated financial statements, taken as a whole, and therefore have contributed to our opinion, expressed in the first part of this report.

III - Specific Verifications and Disclosures

In conformity with the professional standards applicable in France, we have also conducted specific verifications provided for by the law.

We have no observation to make regarding :

- the truthfulness and consistency with the annual financial statements of the information provided in the board of directors' management report and in the documents addressed to stockholers regarding the company's financial position and the annual financial reports;
- the truth of the information provided in the management report relative to compensation and benefits provided to the relevant proxyholders as well as commitments made in their favor on the occasion of the assumption, cessation, or change in functions or subsequently.

In application of the law, we are sure that the information relative to the identity of the capital holders or voting rights have been communicated to you in the management report.

Neuilly-sur-Seine and Paris, May 5, 2008.

The Auditors,

PricewaterhouseCoopers Audit	Jacques Wenig & Associates
Jean-François Châtel	Bernard Hinfray»

See in addition the communication from the auditors to the general meeting held on June 27, 2008 on paragraph 20.8.

20.5 Other Elements in the Group Management Report

20.5.1 Statement of Operations

20.5.1.1 Egide Corporation (France)'s Operations

Total sales stood at €15.4 million in 2007 as opposed to €14.6 million in 2006, for an increase of 5.4% ; with a stable dollar, this progress would be 7.3%.

The defense and space business sector experienced extremely strong growth at 21.4%, with sales of €5.81 million in 2007 as opposed to €4.79 million in 2006.

Sales in the telecommunicationss domain continued to decrease, going from €3.74 million in 2006 to €2.96 million, therefore a 21% drop, linked with the inability of the components produced by the French company to regain the sector.

Industrial markets generated sales of €6.32 million in 2007, thanks primarily to civil infrared product applications. That represents an increase of 13% over the previous fiscal year, the industrial portion of which represented €5.61 million in sales. This market therefore remains primary activity of the company in France.

Inter-group invoicings have been slightly lowered from one fiscal year to the next, going from €0.47 million in 2006 to €0.31 million in 2007.

Glass-to-metal technology, with 6.88 million units sold, constitutes 45% of sales in 2007 as opposed to 50% in 2006. This decrease is due to the sales made in the military and industrial sector, whose infrared applications are migrating toward ceramic products. Therefore ceramic technology is progressing by approximately 19%, with sales figures of €8.03 million as opposed to €6.76 million in 2006, becoming the principal technology for Egide Corporation.

The company billed €0.14 million for design projects financed during fiscal year 2007 ; in 2006, the amounts were not significant.

Egide still remains an export enterprise, with 47% of its 2007 extra-group sales achieved outside of France (as opposed to 53% in 2006). Europe represents 13% and North America 21% of extra-group sales in the fiscal year. The portion realized outside of these regions reached 14% in 2007, thanks primarily to telecom sales in Asia and military sales in Israel.

20.5.1.2 Egide USA's Operations

Egide USA achieved €8.83 million in sales in 2007 (€0.9 million of which were through inter-group factoring), compared with €9.45 million in 2006. This represents a 7% decrease from one fiscal year to the next (sales outside of the group), totally attributable to the change in the dollar with respect to the euro (with an average exchange rate of 1.26 in 2006 compared to1.37 in 2007). In foreign currency, sales for Egide USA (outside of the group) increased very slightly by 1%.

Defense and aerospace constituted 47% of sales in 2007, compared to 56% in 2006, with €4.18 million and €5.26 million, respectively. This steep decline is due to the deferment of certain military orders, which nevertheless are part of a long-term contract (3 to 5 years). The industrial sector has also experienced a decline, going from 26% of sales to 19%, i.e., €1.64 million in 2007 compared to €2.45 million in 2006. The telecommunications sector constituted 33% of fiscal year sales (compared to 18% in 2006), steadily climbing thanks to several orders for modulators, primarily from European and North American clients, including their Asian subcontractors.

The products sold call for glass-to-metal technology uniquely. The North American market is still the principal trade outlet for the American subsidiary ; since that is where nearly 80% of its fiscal year 2007 sales occurred. The remaining 20% come from telecoms bound for Europe and Asia.

20.5.1.3 Egima's Operations

It should be recalled that Egima's only client is Egide, which subcontracts the production of some of its orders to it. Egima buys neither components nor gold ; these are provided by Egide. The Moroccan subsidiary therefore has no sales other than those specified as intra-group, at €0.57 million in fiscal year 2007 compared to €0.62 million in 2006 ; this decrease can be explained by the very low level of orders for relay bases in the first trimester.

The destination markets are primarily glass-to-metal industrial applications in the civil aeronautics domain and the automobile industry (around 70%) and glass-to-metal and ceramic-to-metal telecommunications products (30%).

20.5.1.4 Egide UK's Operations

This subsidiary manufactures and sells molded metal and plastic components. Fiscal year 2007 generated €2.42 million in sales, €0.09 million of which were realized within the group. The solid 27% increase in sales outside the group compared to fiscal year 2006, which posted sales of €1.83 million, results mainly from the successful pursuit of diversification into industrial markets, particularly medical applications.

These sales have therefore been primarily in the industrial sector (89%), the telecommunications part being 9%. Plastic technology accounted for 24% of sales, with the remaining 76% being in metal molding. Sixty-seven per cent of sales are in Europe, 27% are in America, and 6% are in the rest of the world.

20.5.2 Review of the Results

20.5.2.1 Consolidated Results

As of December 31, 2007, Egide group's area of consolidation includes the following companies :

- Egide USA LLC, wholly owned;
- Egide USA Inc, wholly owned through Egide USA LLC;
- Egima, wholly owned;
- Egide UK Ltd, wholly owned.

Consolidated sales stand at €26.17 million, showing an operating loss of €5.41 million (compared to €4.71 million in 2006).

Amortizations, depreciations, and provisions have been recorded for a total net amount of €1.17 million, compared to €1.59 million in 2006. No complementary depreciation of assets was recorded in 2007.

The financial result shows a loss of €0.73 million (compared to a loss of €0.35 million in 2006), resulting primarily from interest and similar fees associated with the implementation of factoring in the group's French, American, and English companies, interest associated with the the Egide USA loan, and foreign exchange losses.

The net loss stands at €6.14 million (compared to €5.06 million in 2006), a 21.3% decline.

Since fiscal year 2003 closing, there is no longer any non-amortized goodwill in the company's consolidated balance sheet.

Other noncurrent assets appearing on the December 31, 2007 balance sheet are chiefly composed of money market funds pledged to guarantee a bank loan to the Moroccan subsidiary. The current cash position is €1.42 million, compared to €3.76 million at the end of 2006. The long-term debt of €1.00 million is constituted by two bank loans on Egima's books. Short-term debts represent the portion of these loans that will be repaid during fiscal year 2008 (€0.31 million), a loan on Egide USA's books (€0.96 million), the financing of accounts receivable by factoring organizations (€2.62 million), as well as debts pertaining to leasing contracs (€0.31 million), Factoring contracts were put into place in France at the beginning of 2006 and in the United States and England in the beginning of 2007.

The need for work capital represents a little less than 71 days of sales, a ratio that has improved by approximately 20 days in comparison to the previous fiscal year.

The group's financial position has deteriorated but nevertheless is under control, with a net indebtedness of €3.13 million. Long- and short-term debts represent 26% of the balance sheet total, the debt/capital ratio being 0.7. Egide does not use any financial instrument to generate a particular risk.

20.5.2.2 Social Results

The annual financial statements closed on December 31, 2007 have been prepared and presented in conformance with accounting rules, duly respecting principles of prudence, fairness, regularity, sincerity, comparability, consistency of accounting methods from one fiscal year to the next, independence of fiscal years, and continuity of operations.

Sales stood at €15.4 million, compared to €14.61 in the previous fiscal year, experiencing a slight increase of 5.4%. Total marginal revenue was €15.43 million, compared to €15.84 million for the previous fiscal year.

Operating expenses for the fiscal year stood at €18.3, a 1.3% decline for a 6.2% increase in production compared to fiscal year 2006. The improvement in rates of return on production, particularly in the second semester of the fiscal year, and the inclusion of ceramics in the product mix have had a favorable impact on material consumption (going from 40.7% to 36.9% of production for the fiscal year). On the other hand, personnel costs have risen, reaching a total of €7.28 million in 2007 compared to €6.67 million in 2006. This 9.1% increase is linked to the increase in personnel (permanent and contract employees) from 190 to 200, and also to the reinforcement of the commercial and research and development teams at the beginning of the year. Other external expenses remain stable at €3.9 million.

An impairment test was conducted on December 31, 2005, the purpose of which was to assess the future utility of assets on the basis of development plans reviewed at the end of 2005 and the resulting hypotheses concerning activities and cash. This test resulted in the entry of a depreciation of €1.08 million in the financial statements for fiscal year 2005. No complementary depreciation was entered in 2006. In the absence of new indications of losses in value as of December 31, 2007, no complementary depreciation was entered in 2007 and the level of depreciation has been maintained.Although operating expenses are under control, the activity level in 2007 is below the equilibrium level and shows an operating loss of €2.87 million (€2.03 million in the first semester and $0.84 million in the second semester), compared to €2.69 million in the previous fiscal year (€1.48 million in the first semester and $1.21 million in the second semester).

The amount of research and development expenses incurred during the fiscal year is assessed at approximately €1 million, These costs are not capitalized.

Complementary depreciation of equity securities held for the American subsidiary, Egide USA LLC, was entered under interest expense in the amount of €1.77 million. Depreciation for accounts receivable connected with the subsidiaries was entered in the amount of €1.18 million for Egima and in the amount of €0.21 million for Egide UK, to cover the capital losses incurred and the negative net positions of these subsidiaries.

The financial result shows a loss of €3.2 million, compared to a loss of €2.3 million in the previous fiscal year, primarily due to depreciation in the subsidiaries' securities and accounts receivable.

Fiscal year operating results before taxes show a loss of of €6.09 million, compared to €4.98 million for the previous fiscal year, a 22% decline.

The exceptional result is not significant. The research tax credit was entered as €0.08 million, an amount to which was added the reactivation of a research tax credit for €0.08 million in 2004.

Taking these elements into account, the fiscal year closed with a loss of €5.93 million compared to a loss of €4.97 million for the previous fiscal year.

As of December 31, 2007, the company's total assets stood at €12.74 million compared to €18.72 for the previous year. Factoring aside, the company is not indebted and has a cash position of €1.65 million at fiscal year end, compared to €4.44 million on January 1, 2007.

20.5.3 Table Showing Income or Loss in the Last 5 Fiscal Years (Egide Corporation)

Closing Date Fiscal Year Duration	12/31/07 12 months	12/31/06 12 months	12/31/05 12 months	12/31/04 12 months	12/31/03 12 months
CAPITAL AT FISCAL YEAR END					
Share Capital (€)	12,861,190	12,858,310	9,982,560	9,933,140	9,862,150
Number of Shares					
- *common Shares*	1,286,119	1,285,831	998,256	993,315	986,215
- *preferred Shares*	-	-	-	-	-
Max. No. of Shares to Be Created					
- *through Bond Conversion*	-	-	-	-	-
- *by subscription right*	64,305	64,291	49,912	49,665	49,311
OPERATIONS AND RESULTS (€)					
Sales Net of Taxes	15,395,609	14,610,603	13,722,541	11,964,492	9,083,067
Income before taxes, investments, depeciations, and provisions	(1,833,453)	(2,738,482)	(1,923,153)	(3,580,809)	(4,095,766)
Taxes on earnings	(159,264)	(60,372)	(20,930)	(25,694)	18,750
Depreciations and provisions	4,259,580	2,238,118	5,606,533	5,539,778	3,862,032
Net Loss	(5,933,769)	(4,916,228)	(7,508,756)	(9,094,913)	(7,976,548)
EARNINGS PER SHARE (€)					
Income after taxes, investments, depeciations, and provisions	(1.30)	(2.08)	(1.91)	(3.58)	(4.17)
Income after taxes, investments, depeciations, and provisions	(4.61)	(3.82)	(7.52)	(9.16)	(8.09)
PERSONNEL					
Average number of employees	200	190	175	177	140
Payroll (€)	5,293,518	4,942,017	4,530,775	4,468,189	4,189,009
Benefits (€)	1,984,436	1,728,995	1,790,983	1,687,187	1,546,314

20.5.4 Investment Securities Inventory (Egide Corporation)

Securities entered on the asset side of Egide Corporation's balance sheet on December 31, 2007 are detailed in the table below :

Amounts in Euros	Quantity	Net Value
Long-Term Investments		
Egide USA LLC Shares	-	328,677
Egima Shares	14,800	-
Egide UK Ltd Shares	657,064	-
Long-Term Investment Subtotal		**328,677**
Short-Term Investments		
SICAV LCL monétaire	11	520,681
SICAL Etoile Jour Sécu	15	57,447
SICAV Etoile Var. Spread	2,900	289,333
SICAV Etoile Moné Euribor	2	218,114
SICAV Etoine Eonia FCP	1	97,974
SICAV CIC Eparcic	15	32,821
Short-Term Investment Subtotal		**1,216,370**
Total Net Book Value		**1,545,047**

20.6 Dividend Payment Policy

No dividend has been paid in the last three fiscal years. The company intends to continue to allocate all available funds to the financing of its business and its growth, and as a result, it does not intend to pay dividends in 2008.

20.7 Judicial and Arbitration Proceedings

To Egide's knowledge, to this day there have been no proceeding that have had or could have a significant effect on the group's financial situation or profitability.

20.8 Significant Changes in the Financial or Business Position

Communication from the President at the Annual General Meeting of the 27th June 2008

Since the publication of the Annual Financial Report relating to accounts for the financial year ending 31st December 2007, the management report paragraph "Events following closing date for accounts," and also the paragraphs "General Principles" and "Events following closing date for accounts" of the consolidated accounts and of the annual accounts, require the following updating, further to events which have occurred after the report was drawn up.

Regarding the Bollène building, the sales agreement drawn up with the company Finexel has not been honoured by the latter, as it announced at the end of May 2008, that it no longer intends to pursue the agreement. Other sales contacts have been made for the sale of this building and have yet to reach a successful conclusion.

The letter of intent, signed on the 12th March 2008, with an American property agent for the transfer of the Cambridge site for a gross amount of 2.2 million dollars has been revised downwards at the end of the period of due diligence, with this agent proposing no more than 2 million dollars. At the same time, Egide has entered into discussions regarding a long term loan of 1.6 million dollars, repayable at the end of 10 years. A letter of intent was signed on the 29th May and the corresponding period of due diligence ends during the month of July. One or other of these transactions (transfer or loan) should be finalised in the weeks to come.

Furthermore, Egide's strategic plan has not been called into question with regard to the first 5 months of the 2008 financial year.

Egide therefore considers that, by means of the projected cash-flows expected within the context of its strategic plan and the fulfilment of at least one of the transactions presented above, it will have sufficient funds available to meet its financial obligations in the forthcoming 12 months, including the repayment at the end of September 2008 of the loan of 1.4 million dollars taken out in October 2007.

Communication from the Auditors at the Annual General Meeting of the 27th June 2008

Following the communication from the President at the General Meeting held on June 27, 2008 of some updated items mentioned above, the auditors state: "you just have heard the reading of our reports. They are dated May 5, 2008. The communication by the President of your company at this meeting does not change our opinion on the corporate and consolidated accounts of Egide. However, if we were in the financial situation as it was described at the time our reports were signed, we would be led to express an observation in our general report and our report on the consolidated accounts, to attract the reader's attention of those accounts to the financial situation of Egide including the closing of at least one of the two operations presented by Egide in its financial communication of today determines the existence of a sufficient cash level to give to your company the ability to meet its payments."

21 COMPLEMENTARY INFORMATION

21.1 Share Capital

21.1.1 Number of Shares and Their Par Value

On December 31, 2007, share capital was 12,861,190 euros, decomposable into 1,286,119 shares at 10 euros par value. There is only one category of shares, except in the special case of double-vote shares mentioned in paragraph 18.3. Share capital is paid in full.

21.1.2 Authorized Capital Not Issued

The joint general meeting on June 2, 2005 delegated the following authorities to the Board of Directors :

	Expiration Date of the Delegation	Maximum Amount of Delegation	Use of Delegation
Authorization to increase capital with maintenance of the share purchase right	08/22/2007	Shares : €10,000,000 Corporate Notes : €100,000,000	Partial, August 17, 2006
Authorization to increase capital with suppression of the share purchase right	08/22/2007	Shares : €10,000,000 Corporate Notes : €100,000,000	None

It should be pointed out that the resolution delegating the board of directors the authority to increase capital by issuing shares reserved to employees belonging to a savings plan instituted by the company was rejected, at the board of director's request, by the general meeting on June 23, 2005.

These authorizations expired on August 22, 2007.

The extraordinary general meeting of March 13, 2006 delegated the following authority to the board of directors :

	Expiration Date of Delegation	Maximum Amount of Delegation	Use of Delegation
Authorization to increase capital by issuing securities affording access to capital under the form of equity convertible bonds, with elimination of the preemptive right, without a public issue	09/12/2007	Bonds : €10,000,000 Shares resulting from the conversion : €5,000,000	None

It should be pointed out that the resolution delegating to the board of directors the authority to increase capital by issuing shares reserved to employees belonging to a savings plan instituted by the company was rejected, at the board of directors' request, by the general meeting on March 13, 2006.

This delegation expired on September 12, 2007.

The joint general meeting of June 20, 2007 delegated the following authorities to the Board of Directors :

	Expiration Date of Delegation	Maximum Amount of Delegation	Use of Delegation
Authorization to increase capital with maintenance of the share purchase right	08/19/2009	Shares : €10,000,000 Corporate Notes : €100,000,000	None
Authorization to increase capital with suppression of the share purchase right	08/19/2009	Shares : €10,000,000 Corporate Notes : €100,000,000	None

The resolution delegating to the board of directors the authority to increase capital by issuing shares reserved to employees belonging to a savings plan instituted by the company was rejected, at the board of directors' request, by the general meeting on June 20, 2007.

21.1.3 Potential Capital

21.1.3.1 Authorization to Issue Stock Options

The general meeting of June 8, 2004 authorized the board of directors to issue stock options within the limit of 5% of share capital. The subscription price must at least be equal to the average of the prices quoted in the last 20 Stock Market sessions preceding the board of directors' meeting, reduced by 5%. This authorization expired on August 7, 2007.

The general meeting of June 20, 2007 authorized the board of directors to issue stock options within the limit of 5% of share capital. The subscription price must at least be equal to the average of the prices quoted in the last 20 Stock Market sessions preceding the board of directors' meeting, reduced by 5%. This authorization is valid for a period of 38 months.

The plans in effect on May 31, 2008 are described in § 17.3.

21.1.3.2 Stock Warrants

The increase in capital on August 17, 2006 through the issue of 285,738 new shares was supported by the issue of 285,738 stock warrants. Each stock warrant provides the possibility to subscribe to a new share to be created at a unit price of 30 euros, at the rate of four stock warrants for 1 share. The stock warrant period is open from August 21, 2006 to August 20, 2009 inclusive and can earn the company €2.14 million during that time.

As of May 31, 2008, a total of 1,188 stock warrants have been exercised, resulting in the creation of 27 new shares (9 shares in 2006 and 288 in 2007). Thus, the unexercised balance of stock warrants is 284,550, for a potential capital of 71,137 new shares (5.53% of capital).

21.1.4 Changes in Share Capital

The following table details the changes in capital since company inception :

Date	Transaction	Capital Increase (€)	Capital Reduction (€)	Premium (€)	Total Number of Shares	Par Value	Amount of Capital (€)
10/14/86	Incorporation	457,347			30,000	15.24 €	457,347
12/15/87	Increase (1)	320,143			51,000	15.24 €	777,490
09/30/88	Increase (1) (2)	654,311			93,920	15.24 €	1,431,801
11/03/88	Increase (1)	419,235		76,301	121,420	15.24 €	1,851,036
11/09/90	Increase (1) (3)	449,725			150,920	15.24 €	2,300,760
04/27/92	Reduction (4)		920,304		150,920	9.15 €	1,380,456
05/18/92	Increase (1)	1,829,388			350,920	9.15 €	3,209,844
06/03/94	Increase (1)	927,262			452,294	9.15 €	4,137,107
06/11/99	Increase (5)	1,749,846		1,751,013	643,598	9.15 €	5,886,953
04/03/00	Increase (6)	3,659		3,297	643,998	9.15 €	5,890,612
07/05/00	Increase (7)	841,509		11,670,355	735,997	9.15 €	6,732,121
12/22/00	Increase (8)	2,244,037		93,435,443	981,329	9.15 €	8,976,159
06/29/01	Increase (9)	837,131		(837,131)	981,329	10 €	9,813,290
12/31/01	Increase (10)	34,580		17,152	984,787	10 €	9,847,870
12/31/03	Increase (11)	14,280		7,083	986,215	10 €	9,862,150
12/31/04	Increase (12)	70,990		35,211	993,314	10 €	9,933,140
12/31/05	Increase (13)	49,420		24,512	998,256	10 €	9,982,560
02/28/06	Increase (14)	18,280		9,067	1,000,084	10 €	10,000,840
08/17/06	Increase (15)	2,857,380		2,143,035	1,285,822	10 €	12,858,220
12/31/06	Increase (16)	90		180	1,285,831	10 €	12,858,310
12/31/07	Increase (17)	2,880		5,760	1,286,119	10 €	12,861,190

(1) Cash contributions.
(2) Amount contributed in kind : 158,851.88 € (1,042,000 F).
(3) Amount offset with accounts receivable 137,204.12 € (900,000 F).
(4) Reduction of par value from 15.24 € (100 F) to 9.15 € (60 F).
(5) Introduction to the New Market of the Paris Stock Exchange – Visa COB n° 99-775, June 7, 1999.
(6) Exercise of stock options following the death of an owner.
(7) Increase in cash capital – Visa COB n° 00-884, May 26, 2000.
(8) Increase in cash capital – Visa COB n° 00-1844, November14, 2000.
(9) Incorporation of reserves for the conversion of capital into euros, taking the share value from 9.15 € (60 F) to 10 € (65.5957 F).
(10) Exercise of stock options during fiscal year 2001.
(11) Exercise of stock options during fiscal year 2003.
(12) Exercise of stock options during fiscal year 2004.
(13) Exercise of stock options during fiscal year 2005.
(14) Exercise of stock options on February 28, 2006.
(15) Increase in cash capital – Visa AMF n° 06-271, July 21, 2006.
(16) Exercise of 36 stock warrants during fiscal year 2006, creating 9 new shares.
(17) Exercise of 1,152 stock warrants during fiscal year 2007, creating 288 new shares.

The company does not own any of its own shares. The same is true for the subsidiaries, who do not own any parent company shares.

21.1.5 Changes in the Last Three Years

The following table shows the changes in capital, by percentage and voting rights, in the last three years :

	Position on 12/31/2007			Position on 12/31/2006			Position on 12/31/2005		
	No. of Shares	% of Capital	% of Voting Rights	No. of Shares	% of Capital	% of Voting Rights	No. of Shares	% of Capital	% of Voting Rights
Executives	2,512	0.20	0.34	3,012	0.23	0.41	3,010	0.30	0.41
FCPR 21 and 21 Esenga	217,152	16.88	26.48	217,152	16.89	26.49	217,152	21.75	31.70
SNVB Part.	0	0.00	0.00	0	0.00	0.00	45,711	4.58	7.47
Public	1,066,455	82.92	73.18	1,065,667	82.88	73.10	732,383	73.37	58.98
Total	**1,286,119**	**100.00**	**100.00**	**1,285,831**	**100.00**	**100.00**	**998,256**	**100.00**	**100.00**

21.2 Articles of Incorporation and By-Laws

21.2.1 Company Purpose

The company has as its purpose (article 2 of the by-laws) :

- the design, fabrication, import, export, and marketing of all forms of electronic packaging, standard-type or custom made;

- in the above domains, the acquisition and management of interests and direct or indirect participation by all means in any company or enterprise created or to be created, notably by means of company creation, contribution, subscription to or acquisition of shares, welfare rights or other titles, merging, silent partnership, and by any other means or in any other form used in France or overseas;

- and in general, any transaction of any nature, transferable or nontransferable, that could be directly or indirectly connected with its purpose or liable to facilitate its development or realization.

21.2.2 Administrative Body

Article 13 of the By-Laws : «The Company is administered by a board of directors composed of at least three members and at most 18 members, subject to legal derogations provided for in case of merger. The duration of their term is six years. Every board member is re-electable.»

Article 14 of the By-Laws : «Board members must own ONE share at least. Board members appointed while at the company might not be shareholders at the time of their nomination but must become so within a three-month time period, on the lapse of which they will be terminated from office.»

Article 15 of the By-Laws : «The board of directors names, among its members, who are natural persons, a president, whose term of office it limits so that it does not exceed his term of office as board member. No person can be named president of the board of directors if he is older than 65. If the president is beyond that age, he is teminated from office after the next board meeting. The board can also nominate a secretary, even outside of its membership. In case of the president's absence or incapacity, the board designates, at each meeting, one of the members in attendance to preside over the meeting. The president and the secretary can always be reelected.»

Article 16 of the By-Laws : «The board of directors will meet as often as necessary and at least once a year. The members are called to the meetings by all means necessary, even verbally. A roster is kept that is signed by board members attending the meeting. Discussions are held under the quorum and majority requirements provided for by the law. In the case of a tie vote, that of the presiding member of the meeting takes precedence. Minutes are prepared and copies or extracts of the proceedings are delivered in accordance with the law. Internal regulations established by the Board of Directors can predict who will be present for the quorum and the majority of board members participating in the board meeting by teleconference, in accordance with regulations in force. This provision does not apply to the following decisions :

- nomination, revocation, fixation of the president's, general manager's, or executive vice president's compensation;
- closing of the annual financial statement and consolidated financial statements, and establishment of the management report and group management report.»

Article 17 of the By-Laws : «The board of directors determines the orientation of the company's operations and monitors their implementation. Subject to the powers expressly attributed by law to shareholders' meeting and within the limits of the company's purpose, it addresses every question affecting the smooth operation of the company and regulates by its deliberations the affairs that concern it. The board of directors at all times implements the controls and verifications that it deems opportune. Each board member must receive the information necessary to the accomplishment of his mission and can obtain from executive management all the documents that he considers useful.»

21.2.3 Rights Attached to Company Shares

Article 11 of the By-Laws (Extract): «Every share, in the absence of distinct categories of shares, or conversely, every share in the same category, entails the right to a net proportional share of the quantity of capital that it represents, in the benefits or reserves or in corporate assets, on any distribution, amortization, or allocation, and this according to the conditions and procedures possibly stipulated in these by-laws.
In addition, it provides the right to a vote and to representation in general meetings under legal and statutory conditions. Shareholders are only responsible up to the limit of the par value of the shares that they possess ; beyond that, any call is forbidden. The rights and obligations attached to the share follow the title, regardless of the hands it passes through. Share ownership requires plein droit full adherence to the company's by-laws and to the decisions of the general meeting. Heirs, creditors, claimants, or other shareholder representatives cannot require the sealing of the possessions and wealth of the company, nor demand a share or require their auction, nor intermeddle with the acts of its administration ; to exercise their rights, they must refer to an inventory and to the decisions of the general meeting. Each time that it is necessary to hold several shares to exercise a given right, in the case of exchange, regrouping, or allocation of securities, or as the result of an increase or reduction in capital, merging or other company transaction, owners of a single share or of a number lower than that required cannot exercise these rights except on condition that they make the regrouping their personal affair and possibly the purchase and sale of the necessary securities. Unless prohibited by law, there will be a common fund of all shares of all exemptions or fiscal imputations, as with all taxation liable to be assumed by the company, before undertaking any allocation or reimbursement during the life of the company or in the event of its liquidation, so that, taking into account their respective par value and use, all shares in the same category receive the same net amount.»

21.2.4 Modification of Rights Attached to Company Shares

Article 29 of the By-Laws (Extract) : «The extraordinary general meeting can modify all the provisions of the by-laws and notably decide on the transformation of the company into a company of another civil or commercial type. It cannot, however, increase the commitments of the shareholders, except for transactions resulting from a regularly performed regrouping of shares.»

21.2.5 General Meetings

Article 22 of the By-Laws : «Shareholder decisions are made in the general meetings. Ordinary general meetings are those called to make decisions that do not modify the by-laws. Extraordinary general meetings are called to decide or authorize direct or indirect modifications to the by-laws. Special general meetings call together the holder of shares in a single determined category to deliberate on a modification of share rights in that category. General meeting deliberations obligate all shareholders, even those who are absent, dissident, or incapable.»

Article 23 of the By-Laws : «General meetings are called either by the board of directors, or by default, by the auditors, or by a proxyholder designated by the president of the civil court ruling in emergency appeal at the request of one or several shareholders representing at least one tenth of capital. During liquidation, the meetings are called by the liquidator(s). The shareholders are convened under the conditions provided for by the regulations in force. In the case of a public offering, the company must publish a notice containing the indications mentioned in article 130 of the decree of March 23, 1967 in the Bulletin des Annonces Légales Obligatoires (Bulletin of Obligatory Announcements) at least thirty-five (35) days before the shareholders' meeting.»

Article 24 of the By-Laws : «The agenda meeting is decided by the leader of the convocation. One or several shareholders, representing at least a quota of the shareholders' equity and acting under the conditions and time frames fixed by law, have the ability to request, by certified letter with return recipt, the entry on the meeting agenda of projects and resolutions other than those concerning the presentation of candidates to the board of directors. The assembly cannot decide on a question that is not entered into the agenda. It can, however, under any circumstances, recall one or several board members and proceed to replace them.»

Article 25 of the By-Laws : «Every shareholder has the right to attend general meetings, personally or by proxy, regardless of the number of shares he has, merely by proving his identity and signing the company register, in his capacity as shareholder, on the third working day preceding the general meeting at midnight, Paris time. Any shareholder can also vote by mail, by using a form developed by the company and furnished to shareholders on request ; to calculate the quorum, only forms received at least three days before the general meeting date will be counted.»

Article 27 of the By-Laws : «In ordinary and extraordinary general meetings, the quorum is calculated based on the total number of shares that make up share capital, and in special general meetings, on the total number of shares in the category in question, net of shares that do not have voting rights under the law. The voting right attached to capital shares or dividend shares is proportional to the amount of capital it represens and each share gives the right to one vote. However, the right to a vote double that conferred on other shares, in regard to the portion of share capital that they represent, is granted to all fully paid shares, justified by inscription in the name of the owner for two years at least, the same owner who requested inscription of the shares in his name. In addition, in the case of capital increase by incorporation of reserves, benefits, or share premiums, the right to a double vote is conferred, from their issuance, on nominal shares freely granted to a shareholder because of old shares that give him this right. Similarly, in case of modification of the par value of the existing shares, the double-voting right is maintained for shares at the new par value that replace the old shares. For the surplus, the double-voting right is acquired, ceases, or is transferred in the cases and under the conditions prescribed by the law. The company cannot vote conclusively with shares it purchases.»

Article 28 of the By-Laws : «The ordinary general meeting is convened at least once a year, within six months of year end to adjudicate the financial statements of this period, unless this time period is prolonged by judicial decision. It does not deliberate conclusively on the first convocation unless the shareholders who are present or represented hold at least a fifth of the shares with voting rights. On the second convocation, no quorum is requird. It is based on the number of votes held by the shareholders who are present or represented.»

Article 29 of the By-Laws : «The extraordinary general meeting can modify all provisions of the by-laws and notably decide the transformation of the company into a company of another civil or commercial form. It cannot, however, increase the shareholders' commitment, with the exception of transactions resulting from a regular regrouping of shares. It does not deliberate conclusively unless the shareholders who are present or represented, possess at least, on first convocation, a quarter and, on second convocation, a fifth of the shares with voting rights. Failing that, the second meeting can be postponed to a later date not longer than two months at the most from the date of convocation. It adjudicates on a two-thirds majority of the votes of the shareholders who are present or represented. By legal dispensation of the preceding dispositions, the general meeting that decides on a capital increase by means of incorporation of reserves, benefits, or premiums, can rule on the conditions for a quorum and a majority for an ordinary general meeting. In addition, in extraordinary general meetings that are constitutive in form, i.e., called to deliberate on the approval of a conribution in kind or the granting of a particular benefit, neither the contributor nor the beneficiary has the right to speak or vote, for himself or as a proxyholder.»

Article 30 of the By-Laws : «If there are several categories of shares, no modification can be made to share rights of one of these categories without the vote of a special meeting open only to the owners of shares in the category in question. Special meetings do not deliberate conclusively unless the shareholders present or represented hold at least, on first convocation, a third, and on second convocation, a fifth of the shares having the right to vote and for which it is envisioned to modify the rights. Failing that, the second meeting can be postponed to a later time not longer than two months at the most from the date of convocation.»

Article 31 of the By-Laws : «Every shareholder has the right to obtain the documents necessary to enable him to declare himself in full knowledge of the facts and capable of making an informed judgment on the management and control of the company. The nature of these documents and the conditions for their transmssion is determined by law.»

21.2.6 Special Provisions Relative to Change in Control

None.

21.2.7 Reporting Change in Percentage of Ownership

Article 11 of the By-Laws : «Every share, in the absence of distinct categories of shares, or conversely, every share in the same category, entails the right to a net proportional share of the quantity of capital that it represents, in the benefits or reserves or in corporate assets, on any distribution, amortization, or allocation, and this according to the conditions and procedures possibly stipulated in these by-laws. In addition, it provides the right to a vote and to representation in general meetings under legal and statutory conditions. Shareholders are only responsible up to the limit of the par value of the shares that they possess ; beyond that, any call is forbidden. The rights and obligations attached to the share follow the title, regardless of the hands it passes through. Share ownership requires full adherence to the company's by-laws and to the decisions of the general meeting. Heirs, creditors, claimants, or other shareholder representatives cannot require the sealing of the possessions and wealth of the company, nor demand a share or require their auction, nor intermeddle with the acts of its administration ; to exercise their rights, they must refer to an inventory and to the decisions of the general meeting. Each time that it is necessary to hold several shares to exercise a given right, in the case of exchange, regrouping, or allocation of securities, or as the result of an increase or reduction in capital, merging or other company transaction, owners of a single share or of a number lower than that required cannot exercise these rights except on condition that they make the regrouping their personal affair and possibly the purchase and sale of the necessary securities. Unless prohibited by law, there will be a common fund of all shares of all exemptions or fiscal imputations, as with all taxation liable to be assumed by the company, before undertaking any allocation or reimbursement during the life of the company or in the event of its liquidation, so that, taking into account their respective par value and use, all shares in the same category receive the same net amount.
In conformance with the provisions of article L.233-7 of the Commercial Code, every physical person or legal entity acting alone or in concert who posesses a number of shares representing more than a twentieth, a tenth, three twentieths, a fifth, a quarter, a third, a half,

two thirds, eighteen twentieths, or nineteen twentieths of capital or voting rights must inform the company in a time period set by decree of the French Council of State, starting from the crossing of the investment threshold, of the total number of shares or voting rights it possesses. In case of non-respect of this obligation, the provisions of article L.233-14 will apply.»

21.2.8 Special Provisions for Capital Modification

None.

21.2.9 The Company's Repurchase of Its Own Shares

Article 37 of the By-Laws : «In cases provided for by legal and/or reglementary texts, the ordinary general meeting can authorize the company, for a limited time not exceeding 18 months, to purchase its own shares. This meeting must establish the modalities of the transaction, notably the maximum purchase price, the number of shares to be acquired, and the time frame in which the acquisition must be accomplished.

The joint general meeting of June 29, 2006 authorized the company to implement a program to repurchase shares and use an investment services provider in the context of a liquidity contract established in accordance with the chart of professional ethics of the AFEI, recognized by the AMF.

In accordance with this program, the company gave a mandate to the Gilbert Dupont brokerage firm to ensure the marketability of the Egide security. Under the terms of this liquidity contract, the Gilbert Dupont brokerage firm purchased 62,818 securities (average price : 29.98 euros) and resold 63,607 securities (average price : 29.49 euros). The general meeting of June 20, 2007 not having ruled on a resolution aiming to implement a new program for share repurchase, this contract was suspended on the expiration of the repurchase program in force. As of December 31, 2007, all Egide securities registered within the market making contract had been sold and the latter was terminated.»

21.3 Marketing of Company Securities

Company shares were introduced to the New Market of the Paris Stock Exchange on June 11, 1999. The introductory price was set at 18.30 euros per share. Formerly, they had never been listed in any financial market place, French or foreign. They are currently listed in compartment C of the Eurolist of Euronext Paris, under the code ISIN FR0000072373.

Taking into account the number of shares (1,286,119) comprising capital on December 31, 2007, with a closing price of €19.80 on the same date, the stock exchange value was €25.47.

On March 31, 2008, the company's stock exchange value was €20,04 million (1,286,119 shares at a rate of €15,58).

The table below traces the evolution in the rates and volume of stock transactions in the last 12 months :

	Stock Rate in Euros			Transaction Volume
	Low	High	Average Closing Rate	Number of Shares
April 2007	29.45	35.85	33.31	2,507
May 2007	29.70	31.50	30.41	855
June 2007	29.00	33.00	30.56	1,346
July 2007	27.02	30.80	28.82	1,386
August 2007	24.51	28.34	26.64	1,085
September 2007	26.50	29.40	27.75	555
October 2007	20.15	30.00	26.11	2,265
November 2007	17.71	21.85	19.23	2,128
December 2007	18.00	19.87	18.81	3,012
January 2008	14.10	19.93	18.10	1,228
February 2008	15.70	17.96	17.42	399
March 2008	13.11	16.50	14.99	475

21.4 Stock Warrants Market

The table below traces the evolution of rates and the transaction volume for stock warrants since their listing :

	Stock Warrant Rate in Euros			Transaction Volume
	Low	High	Average Closing Rate	Number of Stock Warrants
April 2007	5.56	6.99	6.14	1,072
May 2007	5.10	6.03	5.67	939
June 2007	5.03	5.94	5.44	405
July 2007	4.02	5.48	4.91	778
August 2007	4.10	4.92	4.45	533
September 2007	3.73	4.49	4.37	466
October 2007	2.22	4.99	3.80	608
November 2007	1.73	2.75	2.37	492
December 2007	1.50	2.30	1.87	1,018
January 2008	125	3.00	2.34	309
February 2008	1.18	2.49	1.58	111
March 2008	1.50	2.18	1.84	26

It should be recalled that as of the date of publication of this document 284,550 stock warrants are listed under the reference ISIN FR0010361568 (GIDBS).

22 MAJOR CONTRACTS

In its normal course of business, Egid USA has signed several long-term contracts with American clients in the defense sector. Each one of these contracts has been the subject of a press release :

- signature of a 5-year contract with Textron systems, for a total value of $1 million, issued on November 27, 2006;
- signature of a 2-year contract with Crane Aerospace & Electronics for a total value of $1.5 million, issued on April 5, 2007.

The objective of these contracts is to define a context of cooperation between Egide and its clients over several years, demonstrating its commitment to providing them with a steady supply of its products, respecting quality as well as deadlines.

Besides the above contracts, in the past two years, no other contract has been signed involving the company or the group.

23 INFORMATION ORIGINATING FROM THIRD PARTIES AND DECLARATIONS OF INTERESTS

None.

24 DOCUMENTS AVAILABLE TO THE PUBLIC

24.1 List of Documents and Consultant Methods

During the term of validity of the Annual Report, the following documents (or copies) can be consulted at the corporate headquarters :

- by-laws;
- all reports, mailings, and other documents; historical financial statements ; assessments and declarations made by an expert at the issuer's request, parts of which are included or referenced in this Annual Report;
- the group's historical financial statements for each of the fiscal years preceding this Annual Report.

24.2 Annual Information Document

In accordance with the Transparence Directive of January 20, 2007, the company uses the services of a distributor to ensure the dissemination of all its information.

24.2.1 Press Releases

Press releases are available for download, in French or English, on the company's Web site (www.egide.fr) :

01/03/2007 01/10/2007 01/22/2007 03/12/2007 04/05/2007 04/24/2007 04/24/2007 06/11/2007 07/12/2007 09/10/2007 10/19/2007	Annual Balance Sheet for the 2006 Liquidity Contract Fiscal Year 2006 Sales 50,000 Mark Reached for Packages for an Infrared Application Reinforcement of R&D and Commercial Teams New Long-Term Contract in the USA Annual Income 200604/24/2007 Sales in the First Trimester of 2007 Egide's First Success in a Competivity Cluster (System@tic Paris-Région) Sales in the First Semester of 2007 New Success for Egide in a Competivity Cluste (Elopsys) Income on June 30, 2007 and Third Trimester Sales 2007
01/10/2008 01/14/2008 01/21/2008 02/04/2008 02/18/2008 05/06/2008 05/06/2008 05/06/2008 06/27/2008	Fiscal Year 2007 Sales Egide Participates in the Future of Microelectronics (Program Ceramjet) Signature of a Contract with the General Delegation for Armament Egide Obtains ISO14001:2004 Certification. Egide Chosen as a Partner in Mov'eo, the Competivity Cluster with Worldwide Orientation 2007 Annual Income First Trimester Sales 2008 Publication of the 2007 Financial Report Communication from the President to the General Meeting held on June 27, 2008

24.2.2 Annual Reports

Annual Reports are available for download on the company's Web site (www.egide.fr) and on the AMF's Web site (www.amf-france.org) :

09/28/2001	Annual Report - Fiscal Year 2000
07/30/2002	Annual Report - Fiscal Year 2001
06/05/2003	Annual Report - Fiscal Year 2002
07/08/2004	Annual Report - Fiscal Year 2003
06/14/2005	Annual Report - Fiscal Year 2004
06/23/2006	Annual Report - Fiscal Year 2005
06/06/2007	Annual Report - Fiscal Year 2006
07/07/2008	Annual Report - Fiscal Year 2007

24.2.3 Information Published in the Bulletin des Annonces Légales Obligatoires (BALO)

The following documents have been published in the Bulletin of Obligatory Legal Announcements, and they are available on its Web site (www.journal-officiel.gouv.fr) :

01/24/2007	Number of Shares and Voting Rights on December 31, 2006
02/05/2007	2006 Sales
02/23/2007	Designation of a Bookkeeper for Registered Securities
04/30/2007	Sales in the First Trimester, 2007
05/04/2007	Corporate and Consolidated Financial Statements 2006
05/09/2007	Announcement of a Joint General Meeting
05/30/2007	Announcement of the Convocation of a Joint General Meeting
06/22/2007	Annual Financial Statements for Fiscal Year 2006
06/29/2007	Approval of the Fiscal Year 2006 Financial Statements and Auditors' Reports
07/18/2007	First Semester Sales 2007
10/29/2007	Third Trimester Sales 2007
12/07/2007	Half-Yearly Financial Statements, June 30, 2007
12/24/2007	Auditors' Report on Half-Yearly Financial Statements, 2007
02/08/2008	2007 Sales
05/14/2008	First Trimester 2008
05/16/2008	Corporate and Consolidated Financial Statement Projects 2007
05/19/2008	Announcement and call of an Ordinary General Meeting

24.2.4 Financial Operations

07/21/2006	Prospectus - 285 738 ABSA - Visa AMF n°06-271, July 21, 2006

24.3 Preliminary Calendar of Financial Documents to Be Released

The preliminary dates for communicating the company's figures and accounts are the following :

Date	Document	Communication
May 06, 2008	Corporate and Consolidated Financial Statements, 2007	SFAF Meeting
May 14, 2008	First Quarter Sales, 2008	BALO Publication
July 07, 2008	Annual Report - Fiscal Year 2007	Filed with AMF
June 27, 2008		General Meeting
July 09, 2008	Second Quarter Sales, 2008	BALO Publication
Not defined	Consolidated Net Income or Loss, Half Year 2008	SFAF Meeting
October 15, 2008	Third Quarter Sales, 2008	BALO Publication
January 08, 2009	Fourth Quarter Sales, 2008	BALO Publication

25 INVESTMENT INFORMATION

See § 7.2 - List of Subsidiaries.

See § 20.3.2.4.3.21 - Details concerning affiliates andinvestments.

26 RESOLUTIONS PROPOSED AND VOTED TO THE ORDINARY GENERAL MEETING OF JUNE 27, 2008

AGENDA

- reading of the management report on fiscal year transactions, corporate financial statements, and consolidated financial statements closed on December 31, 2007;
- reading of the president's report on the conditions for preparation and organization of the board of directors' activities and the internal control procedures implemented by the company;
- reading of the auditors' reports on the completion of their mission, of the auditors' report on the internal control procedures, and on the agreements referred to in article L.225-38 of the Commercial Code;
- reading of the board of directors' special report on stock option subscriptions;
- reading of the board of directors' special report on share purchases;
- approval of corporate financial statements, consolidated financial statements, and agreements referred to in article L.225-38 of the Commercial Code;
- approval of result appropriation;
- approval of the president's report on the conditions for preparation and organization of the board of directors' activities and the internal control procedures implemented by the company;
- approval of the board of directors' special report on stock option subscriptions;
- approval of the board of directors' special report on share purchases;
- renewal of a board member's term;
- allocation of board members' fees;
- formality powers.

RESOLUTIONS

FIRST RESOLUTION - Approval of the Corporate Financial Statements

The general assembly, after having heard the reading of the reports of the board and the auditors on fiscal year ending December 31, 2007, approves, as presented, the annual corporate financial statements closed on that date, culminating in a loss of 5,933,768.73 euros.

It also approves the transactions conveyed in these statements or summarized in these reports.

The general assembly discharges the board upon the execution of duties for the past fiscal year. It also discharges the auditors upon the accomplishment of their mission.

This resolution has been approved with 735 135 votes pros and 7 000 votes cons.

SECOND RESOLUTION - Agreements Discussed in Article L.225-38 of the Commercial Code

The general assembly, after having heard the reading of the auditors' special report on agreements within the scope of the provisions in article L.225-38 of the Commercial Code, approve each one of these agreements, the persons concerned not having taken part in the voting.

This resolution has been approved with 735 113 votes pros and 7 000 votes cons, M. Bregi not having participated to the vote in accordance with the law.

THIRD RESOLUTION - Result Appropriation Approval

The general assembly, at the recommendation of the board of directors, has decided to appropriate the fiscal year loss of 5,933,768.73 euros in the following manner :

- allocation of 5,760.00 euros to «Premium»;
- appropriation of the remainder, i.e., 5,928,008.73 euros to «Balance Carried Forward».

In complianced with the provisions of article 243 bis of the French Tax Code, it is noted that no dividend has been paid for the three preceding fiscal years.

This resolution has been approved unanimously.

FOURTH RESOLUTION - Approval of Consolidated Financial Statements

The general assembly, after having heard the reading of the reports of the board and the auditors on fiscal year ending December 31, 2007, approves, as presented, the annual consolidated statements closed on that date, culminating in a loss of 6,141,493.35 euros.

This resolution has been approved with 735 135 votes pros and 7 000 votes cons.

FIFTH RESOLUTION - Approval of the President's Report on the Conditions for Preparation and Organization of the Board of Directors' Activities and the Internal Control Procedures Implemented by the Company

The general assembly, after having heard the reading of the the president of the board of directors' report on the conditions for preparation and organization of the board of directors' activities and the internal control procedures implemented by the company, in accordance with the provisions of article L.225-37, paragraph 6 of the Code of Commerce, and of the auditors' report on said report, approves said reports.

This resolution has been approved unanimously.

SIXTH RESOLUTION - Approval of the Board of Directors' Special Report on Stock Options

The general assembly, after having read the Board of Directors' Special Report on Stock Options, approves said report.

This resolution has been approved unanimously.

SEVENTH RESOLUTION - Approval of the Board of Directors' Special Report on Share Purchases

The general assembly, after having heard the reading of the board of directors' special report on share purchases, prepared in accordance with article L.225-209, paragraph 2 of the Commercial Code, approves said report.

This resolution has been approved unanimously.

On June 19, 2008, M. Yves Dzialowski sent to the company his resignation of his position of Directors, his agenda given him not enough time to fulfil his function. In consequence, the 8th resolution asking the renewal of his mandate is becoming nul and void and has not been presented to the vote.

NINTH RESOLUTION - Allocation of Board Members’ Fees

The general assembly has decided to assess the total amount of fees to be be apportioned among the board members for current fiscal year at 18,000 euros.

This resolution has been approved unanimously.

TENTH RESOLUTION - Formality Powers

The general assembly confers all powers on the bearer of a copy or an extract of the minutes of the present deliberations to accomplish all legal publicity formalities.

This resolution has been approved unanimously.