05 July 2006

Year-end results 2005-2006

First signs of a revival

The financial year 2005/06 will have been particularly difficult for BIGBEN INTERACTIVE with the consequences of the close-down of operations in the British subsidiary, the change in scope of activity of the Benelux subsidiary and the slow down of activity in France linked to a tight cash situation. However, it ends with the first signs of a revival for the Group with a restructuring of its debt and a new capital structure pursuant to the restructuring agreement reached in January 2006.

For the year ending 31 March 2006 and within the new scope of consolidation excluding BBI UK, Group sales dropped by 49% compared to the previous year with Group result ending in a loss of 16.8 €m versus a loss of 30.5 €m in 2004-2005. The operating result dropped sharply compared to previous financial year which can be mainly accounted for by the strong reduction in the scope of activity in the Benelux, difficult commercial operations in Germany as well as to exceptional stock depreciations in France.

This is the first year the Group has presented its accounts in accordance with IFRS standards. Proforma accounts have drawn up at 31 March 2005 so as to facilitate comparison of activities from one year end to the next which excludes the British subsidiary from the scope of consolidation as from that date, despite loss of control of this entity put under Administration on 08 April 2005 and effective deconsolidation in 2005-06. The financial impact of the close of the subsidiary is shown under the « Discontinued operations» caption for financial years 2004-05 and 2005-06.

Consolidated financial highlights (IFRS standards)

	2004 – 2005 €m	2005-2006 €m
Revenue (Sales)	124.3	63.8
Impairment loss	- 2.0	-0.0
Result from operations	- 12.9	- 18.4
Net financing result	- 1.7	- 1.5
Discontinued operations	- 18.0	+ 3.3
Group's result	- 30.5	- 16.8

Figures under review by Group Auditors

Contribution of the French entities in the Bigben Interactive Group to the result from operations went from – 12.6 €m in 2004-05 to – 17.4 €m this year, whereas contribution to the Group's result went from -26.6 €m to -12.7 €m, reflecting the impact of deconsolidating BBI UK in the parent company's accounts.

Due to a restricted allocation of resources, activity was focused on the Group's core business :

- priority was given to the accessory business justified by its remarkable resilience, in particular the ranges for DS and PSP consoles ;
- exclusive distribution of video game software was focused on a limited catalogue ;
- the watch trading subsidiary, Yves Bertelin, was sold and the "Electronics" activity (formerly "Watch and Gifts" was reoriented towards digital products.

While these efforts enabled to maintain corporate potential for the future, initially expected short term profitability was not forthcoming.

Besides the slump of non-exclusive distribution in France, this new loss reflects both a difficult heritage resulting in exceptional stock provisions (a new 15.6 €m allocation on an overall gross stock value of 22.4 €m including an 8.8 €m additional provision resulting from accelerated stock clearance assumptions) and the impact of the fast clearance performed across the whole FY on the gross margin.

Outside France, Benelux shows for the first time since its inception a 0.6 €m loss to be compared with a profit of 1.5 €m in previous FY. Apart from a reduction of its sales in Benelux by two thirds, this result not only reflects a sluggish market but also the impact of trade returns linked to the former EA and THQ distribution contracts. The sound management and the lean structure enabled to confirm a break-even point at 15 €m, and the recorded 39 % growth in the accessory business is most encouraging. The Atoll Soft subsidiary should be able to post profits once more at the end of the current FY.

The completed restructuring of the German subsidiary allowed to reduce the year-end loss from – 3.8 €m to – 1.4 €m. Taking longer than expected, the return to operating break even experienced in the second half of previous FY 2004-05 could not be confirmed during past FY. However, the market share gained and the market recognition enjoyed by accessories should enable BBI GmbH to find a new sales momentum in FY 2006-07.

A leaner financial structure

The rationalisation process implemented by the Group over the last 2 years resulted in a reduction of inventories stronger than that of sales.

The reduction in net financial debt mainly results from the enforcement of IFRS standards: shareholders' funds increased on 31 March 2006 by the amount of bank debt bought by the investors consortium in January and to be converted though a share rights issue with warrants, the principle of which was approved by the Annual shareholders meeting on 03 July 2006.

The reduction in working capital requirements mainly reflects the reduction in inventories and the reduction in suppliers' credit is offset by the increase in assets due to the integration of funds received through factoring and discounting facilities, which were booked as off balance sheet items until now.

BBI Group €m	**2004-05** **€m**	**2005-06** **€m**	**change**	
Inventories	**25.6**	**10.4**	**- 15.2**	**- 59 %**
Net financial debt	**38.7**	**19.6**	**- 19.1**	**- 49 %**
Working capital requirements	**24.5**	**8.2**	**- 16.3**	**- 67 %**
Sales	**124.3**	**63.8**	**- 60.5**	**- 49 %**

Figures under review by Group Auditors

Transition to IFRS accounting standards

Given the type of activity conducted by the Group (profil de l'activité du Groupe), the main impacts of the enforcement of IFRS standards on the income statement are as follows :

- the booking in FY 2005-06 of the expected liquidation dividend of BBI UK for 3.3 €m ;
- the deduction from revenue (consolidated sales) of costs incurred on behalf of customers and previously booked as operating expenses (marketing contributions) or financial expenses (discounts granted to customers) ;
- the cancellation of the amortisation of goodwill to be replaced by impairment losses possibly deemed necessary linked to impairment tests of intangible assets no longer depreciated.

The impact of the transition to IFRS standards on consolidated sales in comparison to the previous French GAAP (99-02) is, within the new scope of consolidation excluding BBI UK, a 0.6 €m reduction in annual sales at 31 March 2006 and 1.3 €m at 31 March 2005.

The impact of the transition to IFRS standards on the Group result in comparison to the previous French GAAP (99-02) is as follows :

Consolidated figures in €m	03.2005
Net consolidated result per French GAAP (99-02) Deconsolidation of BBI UK	- 23.6 - 5.0
Sub-total same scope of consolidation	- 28.6
Cancellation of amortisation of goodwills and impairment losses Fair value adjustments on financial assets Cancellation of provisions on Company's own shares	 - 1.5 - 0.6 + 0.2
Group's result per IFRS standards	-30.5

Figures under review by Group Auditors

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Outlook

The video game console market should remain contrasted for the main part of FY 2006-07 :

- Home consoles will see a beginning to the end of the transition period in the second half with consumers still differing their purchases ; the range of new generation console hardware will not be complete until Xmas 2006. Bigben Interactive's market share as manufacturer of third party accessories will correspond to the first phase of a new cycle with expensive home console hardware, favouring the purchase of « first party » accessories.

- The increasing share of handheld console hardware results from their accessibility, the quality of the game play and their significant distribution, both in absolute values as well as the size of the concerned audience. They contribute to the development of female players, particularly with games such as Nintendogs following the Pokémon craze at the beginning of the decade. Bigben Interactive's market share of peripherals for this type of hardware exceeds 50 % right from the beginning of the cycle, as hardware manufacturers do not offer a real alternative.

The Group's action plan for FY 2006-07 is based on a double goal : reinforce leadership achieved for console accessories and maintain the most flexible operating structure possible in order to ensure a return to growth in the best possible conditions :

- Export will be the first development target so as to reinforce leadership achieved on the main markets of continental Europe, to set up strong partnerships in Southern, Eastern and Northern Europe (Nordic countries) and show a presence across the whole PAL zone (Great Britain, Australia, Persian Gulf) ;

- Relying on the proven know-how for the design and marketing of console peripherals, the development of an efficient range of accessories for console and PC hardware beyond the standard offering of USB digital sticks and MP3 readers based on the digital convergence of audio, video and computer technology, will enable to accompany, or even precede the unavoidable convergence of gaming formats.

FY 2006-07 offers good prospects from a commercial viewpoint especially due to:

- The launch of the David Douillet Judo software planned for September across the PlayStation2, GameCube and PC formats. This software, endorsed by a worldwide star and aimed at the general public offers a blend of fun and education.

- The launch at the end of November of Shootpad, a breakthrough peripheral enabling a life-size simulation of soccer with the leading software « Fifa 2006 » by Electronic Arts and « Pro Evolution Soccer » by Konami. This accessory is developed with the know-how of the team which designed Bodypad, and has a very strong sales potential based on the actual sales of the aforementioned software (cumulative sales of Fifa 2006 and PES in France : 1 million units).

FY 2006-07 should at last provide the Group with the means to pursue its core business strategy and to achieve profitability through :

- The growth of overall sales with steady sales in Germany and the return to growth in France and the Benelux ;
- The importance of the accessory business representing more than half of sales and two-thirds of gross margin ;
- Healthier operations (margin and operating expenses), reduction of break even point to 60 €m with a stable product mix and the return to a Group net profit at the end of FY 2006-07.

The confirmation of the Group leadership in accessories on the main continental European markets, despite adverse conditions during past financial year, make it believe that this goal can be achieved.

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Dividend

In consideration of the present year-end results, the Board of Directors will not propose any distribution of dividends to shareholders at its Annual General Meeting.

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A major player in the distribution of video game software and a leading independent distributor and manufacturer of video game console peripherals, ***BIGBEN INTERACTIVE*** *offers a complete distribution solution for developers, publishers and accessory manufacturers in Continental Europe (France, Germany and Benelux)..*

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