

GROUP BRICORAMA SA

I.	IFRS consolidated financial statements as of 31 December 2005	
	PART A	: Activity report..... p. 2
	PART B	: Consolidated accounts..... p. 10
	1.	Consolidated Profit & Loss Account p. 10
	2.	Consolidated Balance Sheet..... p. 11
	3.	Statement of Changes to Consolidated Shareholders' Equity..... p. 12
	4.	Consolidated Cash Flow Statement p. 13
	5.	Notes to the Consolidated Financial Statements..... p. 14
	PART C	: Transition to IFRS..... p. 30
	PART D	: Organisation and functioning of executive and administrative bodies..... p. 38
II.	Corporate financial statements as of 31 December 2005	
	PARTIE A	: Balance Sheet and Profit & Loss Account p. 41
	PARTIE B	: Notes to corporate financial statements..... p. 42
III.	Sundry information.....	p. 52
IV.	List of stores	p. 54
V.	Letter from the Chairman.....	p. 57

**- PART A -
2005 ACTIVITY REPORT****A - Situation and activities of the company and group during the 2005 financial year**

Consolidated group sales were up 1.94 % on the level for 31 December 2004.

In France, sales reached €440.72 million, implying year-on-year growth of 0.74% based on the same consolidation scope. Following a strong first quarter (+2.99%), BRICORAMA's sales growth fell substantially mid-year (-0.40%). Growth recommenced in the fourth quarter (+1.18%).

Growth was largely driven by the opening of five new stores. Three new stores were opened at Sablé, Limay and Boulevard Ney (Paris), and two stores were acquired in Aix en Provence and Les Abrets.

The Group closed its store at Laxou in the first half of 2005.

The Nemours store, closed following a fire at the end of 2004, was reopened at the end of June 2005.

The group continued rolling out its "Passion" concept at five stores in France.

The BATKOR stores reported mixed results. 2005 saw the creation of independent sales and purchasing structures and the revamping of two stores. BATKOR's new action plans and human resources will enable the brand to step up the development of its new corner discount store concept.

The product range overhaul commenced at BRICORAMA in 2004, which continued in 2005, will enable BRICORAMA to finalize its commercial concept.

The tools implemented at the end of 2005 for stock rotation and automatic order placement are improving productivity at our stores, reducing mark-down, increasing sales and enabling better management of stock and purchasing policy.

In the Benelux, annual sales grew 3.06% to reach €178.95 million. The first quarter was weak (-0.23%), but sales soon picked up (+2.69% in the second quarter, +3.90% in the third quarter) to reach +5.69% in the fourth quarter. The Group opened a new store in Assen and a second store in Den Bosch. The Herleen store was transferred to Kerkrade.

The Maldegem store, which was closed in early 2005 following a fire, reopened in the first quarter.

During 2005, the group was looking at ways of restructuring from the legal perspective in Belgium so as to speed up the recovery of tax credits on losses from prior years carried forward. A new policy has been initiated this year and will be finalised in 2007.

The group is also looking at ways of upgrading the information system used in the Benelux in partnership with franchiser INTERGAMMA.

In Spain, our first Spanish store in Valladolid reported 2005 sales of €4.30 million, in line with the target figure. Operational structures were set up in 2005 in management, sales and purchasing so as to speed up the group's deployment in 2006.

As far as consolidation is concerned, this is the first year that the Group is presenting consolidated financial statements in accordance with IAS / IFRS.

Although margins were stable and costs were kept under control, operating income was down on last year's level.

Once the financial result and tax impact are taken into account, net earnings come to €20.82 million, or 3.34% of sales vs. 3.68% at 31 December 2004.

The Group expects sales and income growth of 5-10% for 2006.

B – Company position and presentation of corporate and consolidated financial statements**1. Presentation of corporate financial statements**

Corporate earnings for 2005 came to €17.70 million after corporation tax and profit sharing, or 2.52% down on 2004.

The following is a breakdown:

- €15.23 million in revenue from service provision
- €16.86 million in financial income from investments, mainly from subsidiary distribution;
- and:
- €5.21 million in purchases and external operating expenses
- €0.37 million in taxes and contributions
- €7.63 million in payroll and related payments
- €0.07 million in exceptional depreciation and provision accruals.

2. Presentation of consolidated financial statements

2.1. Sales

K€	2004	2005
France	437.4	440.7
Benelux	173.7	178.9
Spain	1.0	4.3
Group	612.13	623.9

2.2. Sales margin

The sales margin was stable overall year-on-year, falling from 37.97% in 2004 (adjusted) to 37.65% in 2005

K€	2004	%	2005	%
France	171.7	39.25	168.8	38.30
Benelux	62.8	36.15	64.7	36.17
Spain	0.4		1.4	32.56
Group	234.9	38.38	234.9	37.65
<i>Adjustment</i>	<i>-2.5</i>		<i>-</i>	
<i>Group post-adjustment</i>	<i>232.4</i>	<i>37.97</i>	<i>234.9</i>	<i>37.65</i>

The €2.5 million adjustment of the 2004 margin concerns back-dated discounts for 2003 in France which impact the 2004 accounts. This item affected the 2004 accounts only. Since the implementation of the new organisational approach in 2005, we have a more systematic and precise approach that enables exact calculation of the volume of back-dated discounts receivable.

Leaving aside this adjustment, France's margin was down slightly by 0.38%. The reason was two-fold: a more aggressive price policy with respect to part of our imported product range, and the separation of BATKOR and BRICORAMA in 2005.

Following the deployment at the end of 2005 of our international purchasing division, we expect the 2006 margins to climb back to near the 2004 level.

The 2005 sales margin in the Benelux was up slightly on the 2004 level at 36.28%.

2.3. Operating income

Operating income came to €29.8 million, up €0.4 million on 2004 adjusted operating income. The operating margin was 4.78% in 2005 vs 4.80% in 2004.

K€	2004	2005
France	27.6	24.6
Benelux	4.5	6.7
Spain	-0.2	-1.5
Group	31.9	29.8
Sales margin adjustment	-2.5	-
Group post-adjustment	29.4	29.8

Operating income was impacted by sluggish sales in 2005, good cost control and improved productivity in the Benelux.

In France, operating income was impacted negatively for €2.5 million by on-going renovation work at a store in 2005 and by three seriously loss-making stores due to be restructured in 2006.

In the Benelux, operating income was up year-on-year at 3.75% of sales.

In Spain, the operating loss stemmed from the cost incurred in 2005 in connection with the creation of new structures needed for expansion in Spain.

2.4. Financial result

The Group took out new credit lines in 2005 to finance 2004 and 2005 acquisitions in France and abroad.

The financial result was stable year-on-year.

The Group's average financing costs fell from 3.37% in 2004 to 3.28% in 2005.

The reduction stemmed from the terms of financing negotiated in 2005 and from the implementation of an appropriate interest risk management policy.

2.5. Other operational income and expenditure

This item is largely attributable to France, which posted capital gains from the disposal of premises at Clermont Ferrand and Auxerre. The item also includes insurance indemnities totalling €1.2 million.

2.6. Taxes

Corporation tax came to €8.96 million, or 11% down on 2004.

The reason for the 11% drop was two-fold: tax integration of BRICORAMA in France, which enabled tax optimisation, and legal restructuring in Belgium starting in 2006, which enabled the group to begin recovering tax credits for prior year losses carried forward immediately.

The consolidated Group's effective tax rate comes to 30.09% in 2005 vs 30.78% in 2004.

2.7. Net income

Net earnings came to €20.82 million in 2005 vs €22.54 million in 2004.

Net earnings per share fell from €4.08 in 2004 to €3.74 in 2005.

Given the existence of 253,126 stock options at 31 December 2005, diluted net earnings per share comes to €3.58 vs €3.81 at 31 December 2004.

The earnings to sales ratio comes to 3.34% for 2005 vs 3.68% for 2004.

Return on equity comes to 11.32% and ROCE comes to 6.90%.

2.8. Dividends

A dividend of €0.60 per share will be proposed to the General Assembly.

€	2001	2002	2003	2004	2005
Dividend/share	0.41	0.45	0.50	0.55	0.60
Appropriated income	2 009 523	2 475 792	2 754 328	3 043 221	3 338 106

The share of appropriated earnings giving rise to entitlement to an exemption comes to €509,800.20.

The amount of the exemption is €203,920.

2.9. Fixed assets

Fixed assets rose from €202 million in 2004 to €213 million in 2005.

Our expansion policy in France and abroad partially explains the increase.

2.10. Working Capital Requirements

WCR net of corporation tax increased by €11.06 million. The increase was due to the expansion of the Group's business activity.

In the Benelux, franchiser settlement terms have stabilised time-wise.

In France, the implementation of a Reverse Factoring process has allowed us to preserve our discount policy without negatively impacting supplier credit.

At the level of the consolidated accounts, the moderate increase in inventory was offset by improved supplier credit.

2.11. Shareholders' equity

Shareholders' equity was up from €164.8 million at 31 December 2004 to €183.9 million at 31 December 2005. The increase was attributable to the combined impact of 2005 earnings at €20.80 million and the earnings appropriation carried out in 2005 with respect to 2004 earnings for a total of €3 million.

2.12. Contingency and loss provision

This item was up by €0.72 million in 2005, reaching €3.98 million at 31 December 2005.

2.13. Net debt

At 31 December 2005, the Group's net debt came to €107 million, or 58.26% of shareholders' equity, or 1.80% down on 2004.

During the 2005 financial year, the Group reimbursed €51.27 million worth of loans and subscribed to €64.5 million worth of new loans.

Net debt adjusted for prepaid expenses came to around €61 million at 31 December 2005, or 33% of shareholders' equity.

2.14. Investments

Total investments came to €24.4 million at 31 December 2005. External growth and renovation work accounted for the bulk.

2.15. Sales statistics

	France	Belgium	Netherlands	Spain	Group
Less than 1,000 m ²	6	0	0	0	6
1,000 m ² to 2,000 m ²	11	27	3	0	41
2,000 m ² to 3,000 m ²	21	8	11	0	40
3,000 m ² to 4,000 m ²	8	1	2	1	12
More than 4,000 m ²	38	0	4	0	42
Number of integrated stores	84	36	20	1	141
Number of franchised stores	35	0	0	0	35
Total number of stores	119	36	20	1	176
Sales floor area excluding franchises (m ²)	331 834	66 030	57 484	3 500	458 848
Average floor area (m ²)	3 950	1 834	2 874	3 500	3 254
Franchises floor area (m ²)	62 000	0	0	0	62 000
Total stores (m²)	393 834	66 030	57 484	3 500	520 848

2.16. Share capital

The meeting of 29 May 2000 authorised the Board of Directors to implement a share buyback programme in order to regulate the share price. This authorisation has been regularly renewed since then, and more specifically by the General Shareholders' Meeting of 29 June 2005.

At 31 December 2005, BRICORAMA held 12,807 treasury shares. No transactions involving treasury shares took place during the financial year.

There are also subscription options in progress, following authorisations given by the Meeting to the Board in previous years to allocate such subscription options. A special report on subscription options was produced by the Board of Directors and made available to shareholders.

During the 2005 financial year, some 30,380 options were exercised. The impact on capital and issue premiums comes to €1.07319 million.

The meeting of 17 May 2004 gave authorisation for a period of 26 months to the Board of Directors to issue debt securities for a par value not to exceed €175 million.

The said authorisation is enjoyed by the Board of Directors in the event of a capital increase with suppression of preferential subscription rights.

No authorisation was exercised by the Board of Directions during 2005.

(K€)	31/12/01	31/12/02	31/12/03	31/12/04	31/12/05
CAPITAL AT YEAR END					
Share capital	27 470.9	27 508.8	27 543.1	27 665.65	27 817.55
Number of shares					
- Common	5 494 180	5 501 760	5 508 656	5.533.130	5.563.510
- Preferred					
Maximum number of shares to create					
- By conversion of bonds					
- By subscription right	243 750	236 170	229 274	385.800	253 126

E – Social and environmental impact

1. Environmental impact

By nature, our sector of activity (DIY) does not present a major environmental risk.

Nonetheless, Bricorama Group has long considered that companies have a fundamental role to play in preserving the environment. Various actions have been carried out in recent years: reduction of waste by sorting and recycling in each store and at head office; insulation of stores and necessary renovation work in the oldest stores during remodelling; and return of out-of-date or obsolete products to suppliers insofar as their destruction would be harmful to the environment.

2. Social impact

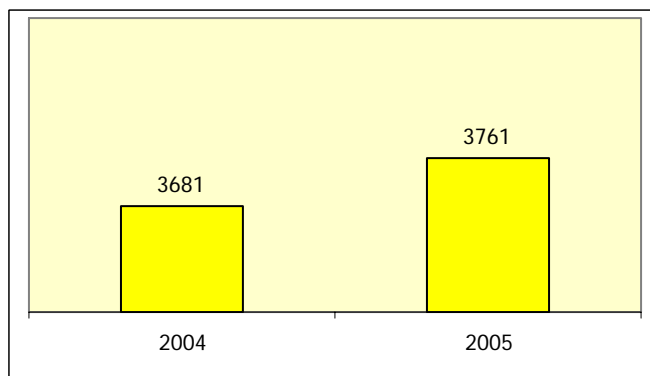
The Group involves its employees in its development and success. In France, an incentive scheme based on operating income provides for a bonus based on the achievement of budgetary objectives set in each store and department.

A profit-sharing agreement has also been set up in accordance with the legal requirement based on improvement in business activity.

Share option plans have been established over recent years to motivate and secure the loyalty of employees. As required by the NRE (Article 116), the Group provides hereafter the quantitative information for personnel in France.

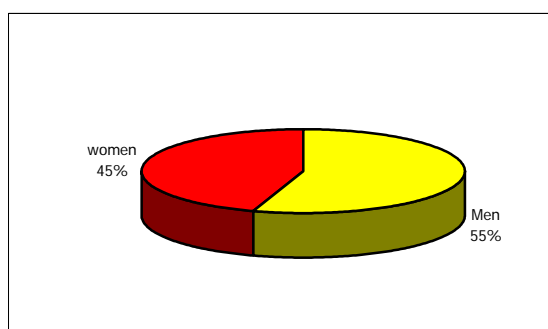
2.1. Employment

Total Group staff at 31 December 2005



Average years of service for total Group staff at 31 December 2005: 7 years

Gender distribution of total Group staff at 31 December 2005



2.2. Remuneration

Profit sharing in France

Total profit sharing provision

Year	Total profit sharing provision
2004	€2,286,534
2003	€2,893,043
2002	€2,311,550

Employees with three months of service are eligible for profit sharing.

Average profit sharing and incentive bonus per staff member

Year	Profit sharing	Incentive bonus
2004	€772	€1,327
2003	€1,024	€1,375
2002	€838	€1,766

Proportion of share capital held by employees by virtue of the profit sharing system.

Bricorama Group established a Company Savings Plan in 1996 that is partially invested in the company's shares. At 31 December 2005, Group employees held 39,548 shares of the company (0.71% of share capital) through this investment trust.

2.3. Other conditions of employment

Length and flexibility of working time: the average working week is 35 hours.

2.4. Training in France

Number of staff having completed a training course

Number of hours of training

Categories	
Executives	80
Supervisors	213
Employees	1 354
TOTAL	1 647

Categories	
Executives	1 066
Supervisors	2 789
Employees	13 973
TOTAL	17 828

2.5. Social activities

The Group paid €2,633,760 for social activities in 2005.

F – Description of risk zones

No major risk zone has been identified for the Group. Industry-related risks (markdown unknown...) are described in the Chairman's report and are tracked and monitored on a regular basis.

G – Equity investments

During 2005, the Group acquired stakes in Eoliennes Bricorama, Max Guérin and Héliodis.

H – Financial situation of the Company and Group at the date of this report and outlook for 2006

1. Events subsequent to closing

There are no events subsequent to closing likely to have a significant impact on the accounts.

2. Outlook

The sales, management, and purchasing structures necessary for expansion in Spain are now in place, and expansion is expected to intensify there in 2006 with the opening of two new stores in the first half of the year.

Development will continue in France with the transfer and expansion of two new sales outlets and the purchase of one store during the first half-year. At the same time, the "Passion" concept will be rolled out in the extended stores.

In the Benelux, consumption is rising and the network of stores there will be expanded with the acquisition of two new stores.

I - Situation of subsidiaries at the date of this report and outlook for 2006

The performance of the BRICORAMA Group subsidiaries was a mixed bag in 2005.

In Spain, our subsidiary is loss-making. The loss stems mainly from the cost of creating a purchasing, sales and management structure to favour subsequent expansion in Spain. Our Valladolid store, acquired in September 2004, achieved 2005 sales in line with our forecasts.

The opening of two new stores scheduled for the first half of 2006 should bring the Spanish subsidiary back to near break-even point.

In the Benelux, there were performance differences between Belgium and the Netherlands.

Despite slack consumption in the Netherlands, the contribution to Group earnings of our Dutch subsidiary, BRICORAMA BV, was satisfactory in the light of the previous year thanks to good control over operating costs.

In Belgium, a more favourable consumption environment than in the Netherlands saw growth in sales.

Earnings are continuing to grow year-on-year thanks to a rigorous cost control policy, particularly in the Netherlands.

We expect our Benelux subsidiaries to achieve substantial earnings growth in 2006 on the back of rising consumer spending in the Netherlands, falling depreciation, good cost control, and improved productivity.

In France, our activity is penalised by an unfavourable market. The strategic decisions made by the Group as regards optimising product ranges, developing own brands and outsourcing to Asia, should enable BRICORAMA in France to achieve improved earnings margins.

At the same time, discussions were held in 2005 on transforming BATKOR into a discount corner store with a view to keying into this growing market in France.

J – Transition to IFRS

In compliance with European regulation 1606/2002 of 19 July 2002, Bricorama group adopted international standards as of fiscal year 2005. 2005 annual accounts are therefore presented in IFRS format.

The 2004 accounts were modified for the sake of comparability with the 2005 accounts.

Below is a list of the impacts of IFRS implementation for BRICORAMA Group:

1. **IAS 2 : INVENTORIES**
Recognition in value of inventories of supplier discounts and publicity participation, except where billed on the occasion of the opening of a store.
2. **IAS 16 : PROPERTY, PLANT AND EQUIPMENT**
Application of the components method retrospectively to property, plant and equipment
Use of historic value as valuation basis
No residual value
3. **IAS 17 : LEASES**
Financial adjustment and recognition of leases in the balance sheet (fixed assets and financial debt)
Adjusted scope: all loan-lease contracts, commercial leases, property leases and significant equipment leases.
4. **IAS 19 : EMPLOYEE BENEFITS**
Current recognition of retirement pension commitments in France.
Updating and roll-out of calculation to all countries based on the hypotheses provided by IAS 19.
5. **IFRS 2 : STOCK OPTIONS**
Recognition of stock options plan dated 23 August 2004.
Calculation carried out using the Black and Scholes method.
6. **IFRS 2 : SHAREHOLDERS' EQUITY**
Deduction of treasury stock from shareholders' equity.
7. **IFRS 3 : INTANGIBLE ASSETS AND GOODWILL**
Convergence of the two separate goodwill items (Group goodwill and goodwill on acquisitions)
Goodwill is no longer amortised; annual depreciation tests are performed instead (IAS 36).
8. **OTHER RESTATEMENTS – EXPENSES FOR ALLOCATION:**
Restatement of expenses for allocation as expenses: pre-opening expenses, change in brand, etc.

The following is a summary of the impact on the consolidated accounts of BRICORAMA Group:

1. Shareholders' equity

The impact on shareholders' equity at 1 January 2004 totalled €1.72 million. Shareholders' equity was restated from €145.83 million to €144.12 million (IFRS).

2. Earnings

The impact on 2004 earnings was €0.20 million. Earnings at 31 December 2004 (French accounting standards) were restated from €22.75 million to €22.55 million (IFRS).