



2005 REFERENCE DOCUMENT



Pursuant to Article 212-13 of the general regulations of the *Autorité des Marchés Financiers*, this reference document was filed with the *Autorité des Marchés Financiers* on 9 June 2006 under number XXX. It may be used in support of a financial operation if accompanied by a “note d’opération” (securities note) approved by the *Autorité des Marchés Financiers*.

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

- The activity report, the individual financial statements, the general Auditors’ report, the Auditors’ report on the agreements referred to in Article L. 226-10 of the French Commercial Code and made by Gameloft S.A., the consolidated financial statements and the Auditors’ report on the consolidated financial statements for FY 2003, as presented on pages 61 to 76, 77 to 80, 39 to 58 and 59 to 60, respectively, of the reference document filed with the *Commission des Opérations de Bourse* on 4 May 2004 under number D.04-0649.
- The activity report, the individual financial statements, the general Auditors’ report, the Auditors’ report on the agreements referred to in Article L. 226-10 of the French Commercial Code and made by Gameloft S.A., the consolidated financial statements, the Auditors’ report on the consolidated financial statements and the Auditors’ report on the agreements referred to in Article L. 226-10 of the French Commercial Code and made by Gameloft S.A. for FY 2004, as presented on pages 72 to 89, 90 to 94, 45 to 69 and 70 to 71, respectively, of the reference document filed with the *Autorité des Marchés Financiers* on 10 June 2005 under number D.05-871.

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

Registered office: 81 rue de Réaumur 75002 Paris
French corporation with capital of 3,442,515.80 euros
Tel.: (33) 1 58 16 20 40
Paris Corporate and Trade Register No. 429 338 130 - NAF code 722 A

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

1.1 Person responsible for the document

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

1.2 Certification of the person responsible for the document

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

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

Mr. Michel Guillemot
CEO and Chairman of the Board of Directors

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

1.3.1 Principal auditors

	Date of 1st appointment	Term and expiration date
Mr. André Métayer Cabinet André Métayer 27A Bvd Solférino 35000 Rennes	1 December 1999	Six fiscal years expiring after the Ordinary General Meeting called to approve the financial statements of the year ended 31 December 2005
Mr. Roland Travers Cabinet Roland Travers 23, rue Bernard Palissy 35000 Rennes	1 December 1999	Six fiscal years expiring after the Ordinary General Meeting called to approve the financial statements of the year ended 31 December 2005

1.3.2 Alternate auditors

	Date of 1st appointment	Term and expiration date
Mr. Pierre Borie 15, rue Charles Le Goffic 35700 Rennes	1 December 1999	Six fiscal years expiring after the Ordinary General Meeting called to approve the financial statements of the year ended 31 December 2005
Compagnie Consulaire d'Expertise Comptable Jean Delquie 84, boulevard de Reuilly 75012 Paris	1 December 1999	Six fiscal years expiring after the Ordinary General Meeting called to approve the financial statements of the year ended 31 December 2005

1.4 *Person responsible for financial communication*

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

1.5 *Financial communication schedule*

Publication of 2006 half-year revenue: 28 July 2006
Publication of 2006 half-year results: 29 September 2006

2 GAMELOFT S.A. AND ITS CAPITAL

2.1 *General information about Gameloft S.A.*

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

The corporate name of the company is Gameloft.

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

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

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

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

2.1.4 Nationality

French.

2.1.5 Date created and duration

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

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

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

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

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

2.1.7 Corporate and Trade Register

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

2.1.8 Consultation of documents and information concerning the company

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

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

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

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

2.1.10.1 Convening and holding of General Meetings

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

2.1.10.2 Access to Meetings - Powers

All shareholders are entitled to participate in the shareholders' meetings, upon proof of identity, by attending the meeting in person, returning a ballot through the mail or designating a proxy, under the following conditions:

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

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

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

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

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

2.1.10.3 Attendance list – Meeting committee - Minutes

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

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

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

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

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

2.1.10.4 Ordinary and Extraordinary General Meetings

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

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

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

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

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

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

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

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

2.1.12 Buyback by the company of its own shares

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

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

Any shareholder acting alone or in concert, without prejudice to the laws applicable to exceeding or falling below the thresholds referred to in Article L 233-7 of the French Commercial Code, who comes to hold directly or indirectly at least 1% of the company's capital or voting rights or a multiple of this percentage up to and including 4% must inform the company within the time period stipulated in Article L233-7 of said code by registered letter with return receipt.

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

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

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

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

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

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

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

Pursuant to Article L232-18 of the French Commercial Code, the meeting may propose an option by which the dividend or interim dividends are paid in whole or in part through the delivery of new shares of the company.

2.2 General information about the share capital

2.2.1 Capital

2.2.1.1 Share capital

- ***Increase in share capital***

In accordance with the minutes of the Combined General Meeting of 27 June 2005 and the minutes of the Board of

Directors' meeting of 28 June 2005, the company's share capital was increased by 10,362,019.20 euros, issue premium included, through the issue of 2,623,296 new shares with a par value of 0.05 euros, without pre-emptive rights, to Guillemot Brothers S.A. and Messrs. Sébastien Pissavy and Jérôme Stolfo. Since then, the capital increase in a nominal amount of 131,164.80 euros was completed, thus raising the total share capital to 3,359,505.95 euros.

The shares subscribed for were paid by offsetting liquid, due claims held against the company by Guillemot Brothers S.A. and Messrs. Michel, Claude, Christian, Gérard and Yves Guillemot.

The Combined General Meeting of 4 September 2002 approved a resolution to authorise the Board of Directors to issue start-up company stock purchase warrants (BSPCE). At its meeting of 25 October 2002, the Board of Directors used this authorisation to issue 1,271,000 BSPCE to Gameloft S.A. employees and 774,674 stock options to employees of the group's foreign subsidiaries.

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

- *Share capital at 31 December 2005*

At 31 December 2005, Gameloft S.A.'s share capital consisted of 68,850,316 shares, each with a par value of 0.05 euros, for a total of 3,442,515.80 euros.

2.2.1.2 *Unissued authorised capital*

The Extraordinary General Meeting of 27 June 2005, in resolutions six and seven, authorised the Board of Directors to issue, on one or more occasions, with or without pre-emptive rights of shareholders, shares and securities of any kind giving access to the company's capital, including shares with or without stock purchase warrants or warrants granting to their holders the right to subscribe for shares representing a portion of the company's capital. The Extraordinary General Meeting resolved that the nominal amount of potential share capital increases could not exceed €5,000,000.

Authorisation is thus granted to the Board of Directors for a period of 26 months starting on 27 June 2005, and the previous delegation granted by the Combined General Meeting of 6 September 2004 in resolutions two and three is terminated.

2.2.1.3 *Potential capital*

- *Stock option plans*

- The Extraordinary General Meeting of 29 March 2002 authorised the Board of Directors to grant stock options to the group's employees, on the condition that the number of shares resulting from the stock options not exceed 2.5% of the total shares comprising the share capital at the time of use of the authorisation by the Board of Directors.

In exercise of the authorisation granted by the Extraordinary General Meeting of 29 March 2002, the company's Board of Directors decided at its meeting of 25 October 2002 to grant stock options to the employees of the group's foreign subsidiaries involving 774,674 shares. At its meeting of 21 March 2003, the Board of Directors decided to grant stock options to the employees of the group's foreign subsidiaries involving 714,000 shares.

- The Extraordinary General Meeting of 27 June 2003 authorised the Board of Directors to grant stock options to the group's employees, on the condition that the number of shares resulting from the stock options not exceed 2.5% of the total shares comprising the share capital at the time of use of the authorisation by the Board of Directors.

In exercise of the authorisation granted by the Extraordinary General Meeting of 27 June 2003, the company's Board of Directors decided at its meeting of 15 September 2003 to grant stock options to the employees of the group's foreign subsidiaries involving 1,544,500 shares.

- The Combined General Meeting of 8 June 2004 authorised the Board of Directors to grant stock options to the group's employees, on the condition that the number of shares resulting from the stock options not exceed 2.5% of the total shares comprising the share capital at the time of use of the authorisation by the Board of Directors.

In exercise of the authorisation granted by the Combined General Meeting of 8 June 2004, the company's Board of Directors decided at its meeting of 3 December 2004 to grant stock options to the employees of the group's foreign subsidiaries involving 1,585,800 shares.

Board of Directors	25/10/02	21/03/03	15/09/03	03/12/04		
Number of shares eligible for subscription:	774,674	714,000	1,544,500	1,585,800		
Number of people concerned: including managers	35 0	39 0	96 0	91 0		
Start of exercise	25/10/2005	21/03/2006	15/09/2006	31/03/2006	31/03/2007	31/03/2008
End of exercise	25/10/2007	21/03/2008	15/09/2008	03/12/2009	03/12/2009	03/12/2009
Subscription price	0.50 euros	1.25 euros	1.75 euros	2.40 euros		
Options cancelled	152,000	176,000	366,000	68,600	68,600	68,600
Options exercised	557,297	-	-	-	-	-
Options not yet exercised	65,377	538,000	1,178,500	460,000	460,000	460,000

• *Issue of start-up company stock purchase warrants (BSPCE)*

- The Extraordinary General Meeting of 4 September 2002 authorised the issue of 1,500,000 start-up company stock purchase warrants ("BSPCE"). It resolved that the 1,500,000 BSPCE would allow the subscription, under the conditions set forth in Article 163 Bis G of the French General Tax Code, of 1,500,000 shares, each with a par value of 5 French francs (0.76 euros).

At its meeting of 25 October 2002, the Board of Directors, in exercise of the authorisation granted by the Extraordinary General Meeting of 4 September 2002, issued 1,271,000 BSPCE to 28 Gameloft S.A. employees.

At its meeting of 21 March 2003, the Board of Directors, in exercise of the authorisation granted by the Extraordinary General Meeting of 4 September 2002, issued 220,000 BSPCE to nine Gameloft S.A. employees.

- The Extraordinary General Meeting of 27 June 2003 authorised the issue of 1,500,000 start-up company stock purchase warrants ("BSPCE"). It resolved that the 1,500,000 BSPCE would allow the subscription, under the conditions set forth in Article 163 Bis G of the French General Tax Code, of 1,500,000 shares, each with a par value of 0.76 euros.

At its meeting of 15 September 2003, the Board of Directors, in exercise of the authorisation granted by the General Meeting of 27 June 2003, issued 1,422,500 BSPCE to 36 Gameloft S.A. employees.

- The Combined General Meeting of 8 June 2004 authorised the issue of 1,500,000 start-up company stock purchase warrants ("BSPCE"). It resolved that the 1,500,000 BSPCE would allow the subscription, under the conditions set forth in Article 163 Bis G of the French General Tax Code, of 1,500,000 shares, each with a par value of 0.76 euros.

At its meeting of 3 December 2004, the Board of Directors, in exercise of the authorisation granted by the Combined General Meeting of 8 June 2004, issued 1,486,500 BSPCE to 32 Gameloft S.A. employees.

Board of Directors	25/10/02	21/03/03	15/09/03	03/12/04		
Number of BSPCE granted:	1,271,000	220,000	1,422,500	1,486,500		
Number of people concerned: including managers	28 0	9 0	36 0	32 0		
Start of exercise	25/10/2005	21/03/2006	15/09/2006	31/03/2006	31/03/2007	31/03/2008
End of exercise	25/10/2007	21/03/2008	15/09/2008	03/12/2009	03/12/2009	03/12/2009
Subscription price	0.50 euros	1.25 euros	1.75 euros	2.40 euros		
Options cancelled	92,000	60,000	37,000	-	-	-
Options exercised	1,102,900	-	-	-	-	-
Warrants not yet exercised	76,100	160,000	1,385,500	495,500	495,500	495,500

Summary of stock option and BSPCE plans at 31/12/05

	Potential shares	Potential capital (in €)
Warrants to be exercised	3,108,100	155,405
Stock options to be exercised	3,161,877	158,094
Total	6,269,977	313,499

The exercise of all the warrants and options, namely 6,269,977 shares, would result in a potential dilution of 8.29%.

Types of instruments	Issue date	Strike price	Discount/ premium	Exercise period		Potential dilution that may result from these instruments
				By holder	Number of shares to which these instruments give a right	
BSPCE	25/10/05	0.50 euros	0%	25/10/05 to 25/10/07	1,271,000	2.02%
Stock options	25/10/05	0.50 euros	0%	25/10/05 to 25/10/07	774,674	1.23%
BSPCE	21/03/06	1.25 euros	-17%	21/03/06 to 21/03/08	220,000	0.35%
Stock options	21/03/06	1.25 euros	-17%	21/03/06 to 21/03/08	714,000	1.13%
BSPCE	15/09/06	1.75 euros	+7%	15/09/06 to 15/09/08	1,422,500	2.26%
Stock options	15/09/06	1.75 euros	+7%	15/09/06 to 15/09/08	1,544,500	2.46%
BSPCE	31/03/06	2.40 euros	0%	31/03/06 to 03/12/09	1,486,500	2.30%
Stock options	31/03/06	2.40 euros	0%	31/03/06 to 03/12/09	1,585,800	2.46%

	Stock options	BSPCE	Stock options	BSPCE	Stock options	BSPCE	Stock options	BSPCE
Date of General Meeting	29/03/02	04/09/02	29/03/02	04/09/02	27/06/03	27/06/03	08/06/04	08/06/04
Date of Board of Directors' meeting	25/10/02	25/10/02	21/03/03	21/03/03	15/09/03	15/09/03	03/12/04	03/12/04
STOCK OPTIONS GRANTED DURING THE FISCAL YEAR								
Total number of options granted	774,674	1,271,000	714,000	220,000	1,544,500	1,422,500	1,585,800	1,486,500
including members of the managing board	None	None	None	None	None	None	None	None
Start date to exercise options	25/10/05	25/10/05	21/03/06	21/03/06	15/09/06	15/09/06	31/03/06	31/03/06
Expiration date of the options	25/10/07	25/10/07	21/03/08	21/03/08	15/09/08	15/09/08	03/12/09	03/12/09
Price of the options	0.50	0.50	1.25	1.25	1.75	1.75	2.40	2.40
Terms and conditions of exercising the options								
STOCK OPTIONS EXERCISED DURING THE FISCAL YEAR								
Total number of options exercised at 31 December 2005	557,297	1,102,900	None	None	None	None	None	None
STOCK OPTIONS CANCELLED DURING THE FISCAL YEAR								
Total number of options cancelled	None	None	176,000	60,000	366,000	37,000	205,800	None
STOCK OPTIONS REMAINING								
Total number of options remaining	217,377	168,100	538,000	162,000	1,178,500	1,385,500	1,380,000	1,486,500

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

The Combined General Meeting of 27 June 2005 authorised the Board of Directors to grant stock options to the group's employees, on the condition that the number of shares resulting from the stock options not exceed 5% of the total shares comprising the share capital at the time of use of the authorisation by the Board of Directors.

In exercise of the authorisation granted by the Combined General Meeting of 27 June 2005, the company's Board of Directors decided at its meeting of 11 January 2006 to grant stock options to the group's employees involving 3,402,300 shares.

Board of Directors	11/01/06				11/01/06		
Number of shares eligible for subscription:	2,790,300				612,000		
Number of people concerned:	101				33		
including managers	5				0		
Start of exercise	11/01/2008	11/01/2009	11/01/2010	11/01/2008	11/01/2009	11/01/2010	
End of exercise	11/01/2012	11/01/2012	11/01/2012	11/01/2012	11/01/2012	11/01/2012	
Subscription price	5.35 euros				5.61 euros		
Options cancelled	-	-	-	-	-	-	-
Options exercised	-	-	-	-	-	-	-
Options not yet exercised	320,900	320,900	2,148,500	204,000	204,000	204,000	

After exercising share rights attached to stock options and BSPCE, the Gameloft group's employees applied for 510,070 additional shares after the closing date of the fiscal year ended 31 December 2005. In addition, 34,800 options were cancelled between 1 January 2006 and 31 May 2006 as a result of employee departures. The following table therefore shows the status at 31 May 2006 of the stock option and BSPCE plans based on the options and warrants exercised and cancelled and the stock option plan of 11 January 2006.

Summary of stock option and BSPCE plans at 31/05/06

	Potential shares	Potential capital (in €)
Warrants to be exercised	2,922,709	146,135
Stock options to be exercised	6,204,698	310,235
Total	9,127,407	456,370

The exercise of all the warrants and options, namely 9,127,407 shares, would result in a potential dilution of 11.63%.

2.2.1.4 *Change in share capital since the company's creation*

The company was founded on 1 December 1999 in the form of a corporation with capital of 500,000 francs, divided into 5,000 fully paid shares, each with a par value of 100 francs. The share structure at the time of creation was as follows:

Shareholders	Number of shares
Ubi Participations S.A. (1)	2,494
Guillemot Participations S.A. (2)	2,494
Claude Guillemot	2
Michel Guillemot	2
Yves Guillemot	2
Gérard Guillemot	2
Christian Guillemot	2
Marcel Guillemot	1
Yves Guillemot	1
TOTAL	5,000

(1) Ubi Participations, a corporation with capital of 700,250,000 francs, wholly owned by the Guillemot family, whose registered office is located at 61, rue Saint Héliér, 35000 Rennes, registered in the Rennes Corporate and Trade Register under number B 420 279 614.

(2) Guillemot Participations, a corporation with capital of 330,250,000 francs, wholly owned by the Guillemot family, whose registered office is located at Place de l'Etoile, 56910 Carentoir, registered in the Vannes Corporate and Trade Register under number B 420 547 655.

At the Extraordinary General Meeting of 24 February 2000, the shareholders approved a five-for-one split in the company's stock. As a result of this split, the share capital consisted of 25,000 shares with a par value of 20 francs.

At the Extraordinary General Meeting of 30 March 2000, the shareholders resolved to increase the share capital by 100,000,000 francs:

- through a contribution in kind from Ubisoft Entertainment S.A. in the amount of 20,000,000 francs, paid for by the creation of 1,000,000 new shares with a par value of 20 francs;
- through a cash contribution from Guillemot Corporation S.A. in the amount of 20,000,000 francs, paid for by the creation of 1,000,000 new shares with a par value of 20 francs;
- and through a cash contribution from the members of the Guillemot family in the amount of 60,000,000 francs, paid for by the creation of 3,000,000 shares with a par value of 20 francs.

At the end of this Extraordinary General Meeting, the share capital had increased to 100,500,000 francs divided into 5,025,000 shares with a par value of 20 francs.

At the Extraordinary General Meeting of 31 March 2000, the shareholders approved a four-for-one split in the company's stock. At the end of this Extraordinary General Meeting, the share capital consisted of 20,100,000 shares with a par value of 5 francs.

At the Extraordinary General Meeting of 28 April 2000, the shareholders resolved to increase the share capital by 1,880,000 francs through a capital increase by cash contribution reserved for certain members of Gameloft's personnel. This reserved capital increase was paid for by the creation of 376,000 shares with a par value of 5 francs.

Gameloft's Board of Directors wanted the Gameloft group's employees to be able to participate in a pre-listing capital increase as a way of showing its gratitude for their contribution to the group's creation and development. The issue price was set at 25 francs, which included a 20 franc issue premium.

At the Extraordinary General Meeting of 3 May 2000, the shareholders resolved to increase the share capital by 2,275,000 francs through a capital increase by cash contribution reserved for certain members of Ubisoft Entertainment and Guillemot Corporation's personnel. This reserved capital increase was paid for by the creation of 455,000 shares with a par value of 5 francs.

The Board of Directors then wanted to thank the directors and managers of the subsidiaries of the Ubisoft Entertainment and Guillemot Corporation groups who had contributed to the fast international expansion of the Gameloft group. The issue price was set at 30 francs, which included a 25 franc issue premium. Pre-emptive rights were cancelled for both these capital increases.

At the Extraordinary General Meeting of 25 May 2000, the shareholders resolved to increase the share capital by 2,093,100 francs through a capital increase by cash contribution, without pre-emptive rights, reserved to one of the company's business partners, GameSpy Industries Inc., a company formed under the laws of California whose registered office is located at 18002 Skypark Circle, Irvine CA 92614-6429 USA ("GSI"). This reserved capital increase was carried out at a price of 30 francs per share (which included a 25 franc issue premium per share) through the creation of 418,620 shares with a par value of 5 francs, which represented 2% of the company's capital and voting rights as of that date.

The Board of Directors, by authorisation of the General Meeting of 30 January 2001, carried out a capital increase reserved for Guillemot Corporation S.A. and Ubisoft Entertainment S.A. and Messrs. Yves, Michel, Gérard, Claude and Christian Guillemot for a nominal amount of 12,290,625 francs, i.e. 2,458,125 shares with a par value of 5 francs.

Given an issue price per share of 7.80 euros, the total amount of the operation was 19,173,222.55 euros. This price of 7.80 euros was based on the 10 closing sessions preceding the Board of Directors' meeting of 26 February 2001.

The objective of this capital increase was to return to Guillemot Corporation S.A., Ubisoft Entertainment S.A. and Messrs. Yves, Claude, Michel, Gérard and Christian Guillemot a number of shares equivalent to the amount transferred by means of subrogation.

By authorisation of the General Meeting of 30 November 2001, the Board of Directors, at its meeting of 7 December 2001, carried out a capital increase by the capitalisation of debt in the nominal amount of 92,817,510 francs through the issue of 18,563,502 shares with a par value of 5 francs, and resolved to convert the capital to euros by reducing the share's par value to 0.76 euros. These shares are not quoted.

Given an issue price per share of 0.84 euros, the total amount of the operation was 15,593,340.84 euros. This price of 0.84 euros represents an average of the 10 closing prices preceding the Board of Directors' meeting of 7 December 2001.

This capital increase allowed Gameloft to augment its shareholders' equity and re-structure its balance sheet.

On 29 March 2002, after the takeover merger of Ludigames S.A. by Gameloft S.A. resulting in the issue of 17,832,213 shares with a par value of €0.76, the share capital totalled 47,765,061.40 euros divided into 62,848,765 fully paid shares with a par value of 0.76 euros.

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

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

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

The shares subscribed for were paid by offsetting liquid, due claims held against the company by Guillemot Brothers S.A. and Messrs. Michel, Claude, Christian, Gérard and Yves Guillemot.

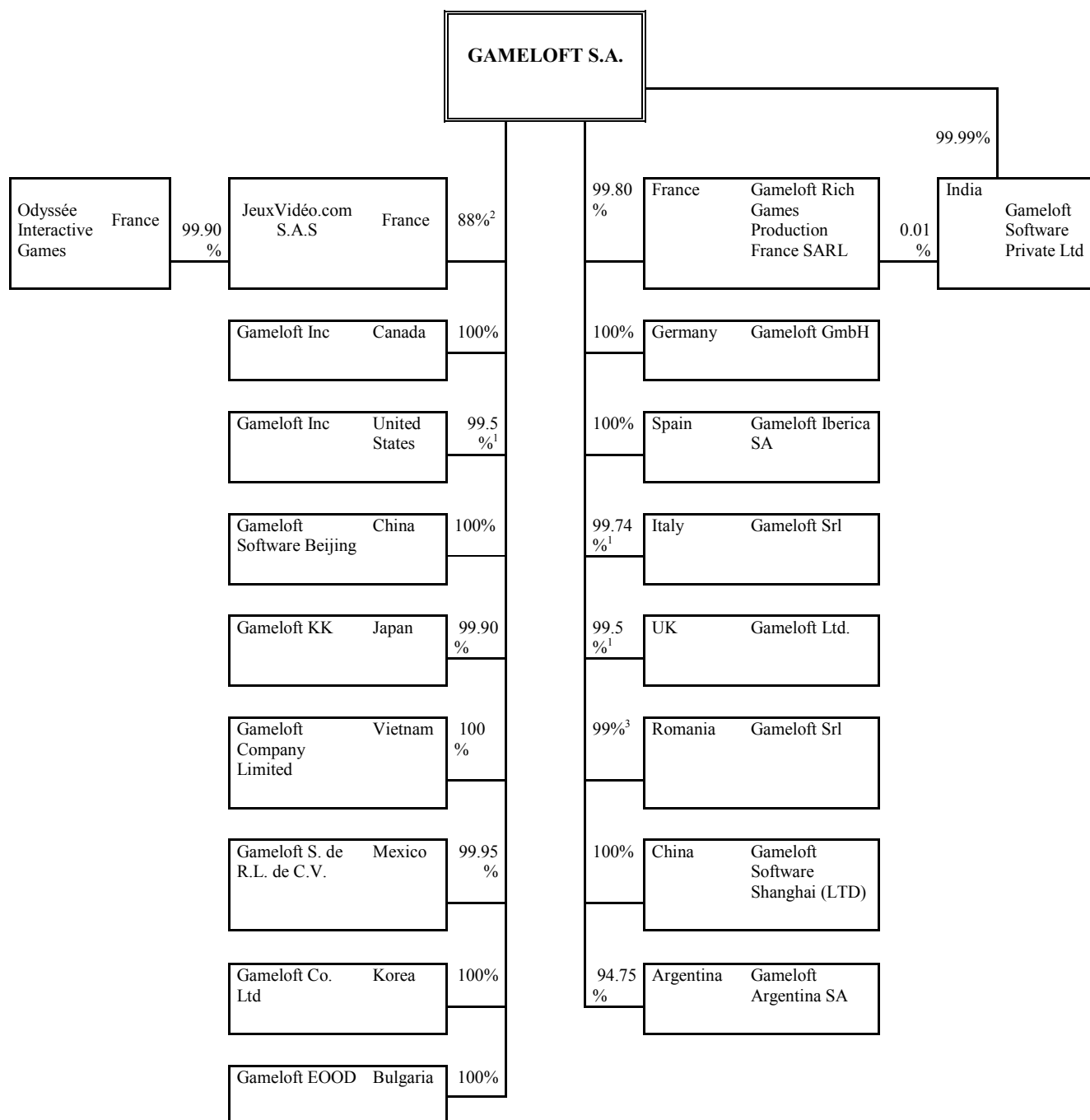
After exercising share rights attached to stock options and BSPCE, the Gameloft group's employees applied for

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

At 31 December 2005, Gameloft S.A.'s share capital consisted of 68,850,316 shares, each with a par value of 0.05 euros, for a total of 3,442,515.80 euros.

Date	Type of operation	No. of shares	Total no. of shares	Share par value	Issue premium in francs			
						By cash contribution in FF	By contribution in kind in FF	Total capital
01/12/99	Creation of the company	5,000	5,000	100 FF		500,000		500,000 FF
24/02/00	Stock split		25,000	20 FF				
30/03/00	Capital increase by a contribution in kind from Ubisoft Entertainment's "Game Service"	1,000,000	1,025,000	20 FF			20,000,000	20,500,000 FF
30/03/00	Capital increase by cash contribution	4,000,000	5,025,000	20 FF		80,000,000		100,500,000 FF
31/03/00	Stock split		20,100,000	5 FF				100,500,000 FF
28/04/00	Capital increase reserved for specific people	376,000	20,476,000	5 FF	7,520,000	9,400,000		102,380,000 FF
03/05/00	Capital increase reserved for specific people	455,000	20,931,000	5 FF	11,375,000	13,650,000		104,655,000 FF
25/05/00	Capital increase reserved for the GameSpy Company	418,620	21,349,620	5 FF	10,465,500	12,558,600		106,748,100 FF
08/06/00	Listing on the Nouveau Marché	2,645,305	23,994,925	5 FF	122,119,568.89	135,346,093.89		119,974,625 FF
26/02/01	Reserved capital increase	2,458,125	26,453,050	5 FF	113,478,470.45	125,768,095.45		132,265,250 FF
07/12/01	Reserved capital increase	18,563,502	45,016,552	5 FF	9,468,105.77	102,285,610.77		225,082,760 FF
07/12/01	Conversion of capital to euros	45,016,552	45,016,552	€0.76				€34,212,579.52
29/03/02	Takeover merger of Ludigames S.A.	62,848,765	62,848,765	€0.76	€702,143	€13,552,482		€47,765,061.40
06/09/04	Reduction of capital by reduction of the par value	62,848,765	62,848,765	€0.05				€3,142,438.25
17/11/04	Capital increase reserved for specific people	1,718,058	64,566,823	€0.05	€3,814,096.75	€3,899,999.66		€3,228,341.15
28/06/05	Capital increase reserved for specific people	2,623,296	67,190,119	€0.05	€10,230,854.40	€10,362,019.20		3,359,505.95
31/12/05	Capital increase noted after exercise of stock options and BSPCE in 2005	1,660,197	68,850,316	€0.05	€747,088.65	€830,098.50		3,442,515.80

2.2.2 Structure of the Gameloft group at 31 December 2005



¹ balance owned by the Guillemot family.

² 12% owned by Jérôme Stolfo and Sébastien Pissavy.

³ 1% owned by Rusu Laurentiu.

The following company owned by Gameloft S.A. was liquidated during FY 2005:

Gameloft.com Pty Ltd (Australia)

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

Gameloft.com Ltda (Brazil)

Gameloft.com S.A. (Spain)

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

2.2.3 Distribution of capital and voting rights

<i>At 31/08/00</i>		<i>Capital and voting rights</i>		
	Number of shares	% of capital	Voting rights	% voting rights
Guillemot family	10,961,788	45.684%	10,961,788	45.684%
<i>Ubi Participations S.A.</i>	49,880	0.208%	49,880	0.208%
<i>Guillemot Participations S.A.</i>	49,880	0.208%	49,880	0.208%
<i>Claude Guillemot</i>	2,092,397	8.720%	2,092,397	8.720%
<i>Michel Guillemot</i>	2,092,397	8.720%	2,092,397	8.720%
<i>Yves Guillemot</i>	2,092,397	8.720%	2,092,397	8.720%
<i>Gérard Guillemot</i>	2,092,399	8.720%	2,092,399	8.720%
<i>Christian Guillemot</i>	2,092,398	8.720%	2,092,398	8.720%
<i>Yvette Guillemot</i>	200,020	0.834%	200,020	0.834%
<i>Marcel Guillemot</i>	200,020	0.834%	200,020	0.834%
Ubisoft Entertainment S.A.	3,882,812	16.182%	3,882,812	16.182%
Guillemot Corporation S.A.	3,882,812	16.182%	3,882,812	16.182%
GameSpy	418,620	1.745%	418,620	1.745%
Employees	584,587	2.435%	584,587	2.435%
Public	4,264,306	17.772%	4,264,306	17.772%
Total	23,994,925	100%	23,994,925	100%

<i>At 31/08/01</i>		<i>Capital and voting rights</i>		
	Number of shares	% of capital	Voting rights	% voting rights
Guillemot family	13,705,718	51.811%	13,705,718	52.645%
<i>Ubi Participations S.A.</i>	633,007	2.393%	633,007	2.431%
<i>Guillemot Participations S.A.</i>	642,905	2.430%	642,905	2.469%
<i>Claude Guillemot</i>	2,407,520	9.101%	2,407,520	9.247%
<i>Michel Guillemot</i>	2,404,864	9.091%	2,404,864	9.237%
<i>Yves Guillemot</i>	2,404,863	9.091%	2,404,863	9.237%
<i>Gérard Guillemot</i>	2,406,002	9.095%	2,406,002	9.242%
<i>Christian Guillemot</i>	2,406,517	9.097%	2,406,517	9.244%
<i>Yvette Guillemot</i>	200,020	0.756%	200,020	0.768%
<i>Marcel Guillemot</i>	200,020	0.756%	200,020	0.768%
Ubisoft Entertainment S.A.	3,999,998	15.121%	3,999,998	15.365%
Guillemot Corporation S.A.	3,999,998	15.121%	3,999,998	15.365%
Guillemot Ventures	6,340	0.024%	6,340	0.024%
Treasury shares	418,620	1.583%	-	-
Public	4,322,376	16.341%	4,322,376	16.603%
Total	26,453,050	100%	26,034,430	100%

<i>At 31 December 2003</i>		<i>Capital and voting rights</i>		
	Number of shares	% of capital	Voting rights	% voting rights
Guillemot family	27,824,788	44.273%	34,012,159	46.791%
<i>Guillemot Brothers S.A.</i>	17,021,097	27.083%	17,070,977	23.4854%
<i>Christian Guillemot</i>	1,990,890	3.168%	3,150,948	4.335%
<i>Claude Guillemot</i>	2,175,601	3.462%	3,336,662	4.590%
<i>Gérard Guillemot</i>	2,194,083	3.491%	3,353,626	4.614%
<i>Michel Guillemot</i>	1,925,008	3.063%	3,083,413	4.242%

<i>Yves Guillemot</i>	2,072,944	3.298%	3,231,348	4.445%
<i>Yvette Guillemot</i>	250,030	0.398%	450,050	0.619%
<i>Marcel Guillemot</i>	195,135	0.310%	335,135	0.461%
Ubisoft Entertainment S.A.	12,238,047	19.472%	15,830,057	21.778%
Guillemot Corporation S.A.	10,882,692	17.316%	10,882,692	14.971%
Treasury shares	—	—	—	—
Public	11,903,238	18.939%	11,964,587	16.460%
Total	62,848,765	100%	72,689,495	100%

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

<i>At 31 December 2005</i>		<i>Capital and voting rights</i>		
	Number of shares	% of capital	Voting rights	% voting rights
Guillemot family	15,473,581	22.474%	24,976,357	36.276%
<i>Guillemot Brothers S.A.</i>	6,053,855	8.793%	9,484,130	12.097%
<i>Claude Guillemot</i>	2,208,706	3.208%	3,371,767	4.301%
<i>Michel Guillemot</i>	1,749,050	2.540%	2,909,455	3.711%
<i>Yves Guillemot</i>	1,626,049	2.362%	2,786,453	3.554%
<i>Gérard Guillemot</i>	2,223,188	3.229%	3,384,731	4.317%
<i>Christian Guillemot</i>	1,347,703	1.957%	2,509,761	3.201%
<i>Yvette Guillemot</i>	170,030	0.247%	340,060	0.434%
<i>Marcel Guillemot</i>	95,000	0.138%	190,000	0.242%
Ubi Soft Entertainment S.A.	13,367,923	19.416%	13,367,923	17.050%
Guillemot Corporation S.A.	68,023	0.099%	68,023	0.087%
IN CONCERT	28,909,527	41.989%	38,412,303	48.994%
Treasury shares	-	0.000%	-	—
Cominvest Asset Management	4,069,000	5.910%	3,229,000	4.118%
			840,000	1.071%
Dexia Asset Management	2,945,000	4.277%	2,945,000	3.756%
Public	32,926,789	47.824%	32,976,210	42.060%
Total	68,850,316	100%	78,402,513	100%

At 31 May 2006

Capital and voting rights

	Number of shares	% of capital	Voting rights	% voting rights
Guillemot family	15,284,813	22.037%	24,184,114	34.867%
<i>Guillemot Brothers S.A.</i>	6,795,087	9.797%	10,225,362	13.058%
<i>Claude Guillemot</i>	2,102,706	3.032%	3,192,872	4.077%
<i>Michel Guillemot</i>	1,643,050	2.369%	2,730,560	3.487%
<i>Yves Guillemot</i>	1,120,049	1.615%	1,968,558	2.514%
<i>Gérard Guillemot</i>	2,117,188	3.052%	3,205,836	4.094%
<i>Christian Guillemot</i>	1,241,703	1.790%	2,330,866	2.976%
<i>Yvette Guillemot</i>	170,030	0.245%	340,060	0.434%
<i>Marcel Guillemot</i>	95,000	0.137%	190,000	0.243%
Ubi Soft Entertainment S.A.	13,367,923	19.273%	13,367,923	17.071%
Guillemot Corporation S.A.	68,023	0.098%	68,023	0.087%
IN CONCERT	28,720,759	41.408%	37,620,060	48.040%
Treasury shares	-	0.000%	-	-
Cominvest Asset Management	5,015,790	7.231%	3,905,790	4.988%
			1,110,000	1.417%
Dexia Asset Management	3,800,855	5.480%	3,800,855	4.854%
DWS Investment (Deutsche Bank)	3,246,300	4.680%	3,246,300	4.145%
SG Asset Management	688,723	0.993%	688,723	0.879%
Public	27,887,959	40.207%	27,937,356	35.676%
Total	69,360,386	100%	78,308,640	100%

After exercising share rights attached to stock options and BSPCE, the Gameloft group's employees applied for 510,070 shares after the closing date of the fiscal year ended 31 December 2005.

The administrative bodies, represented by the directors Christian, Claude, Gérard, Michel, Yves and Marcel Guillemot, own, directly and indirectly, 41.408% of the capital and 48.040% of the voting rights. Ubisoft Entertainment and Guillemot Corporation own 19.273% and 0.098% of the capital, respectively. Guillemot Brothers, Ubisoft Entertainment SA, Guillemot Corporation SA and the members of the Guillemot family control Gameloft jointly. To the company's knowledge, no other shareholder owns more than 1% of the capital and no significant sale by investment funds or management companies has occurred.

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

Reported by:		Mr. Michel Guillemot			
Title:		Director and CEO			
Description of the financial instrument:		Shares			
Place of operation:		Paris			
Type of operation	Date of operation	Number of shares	Price	Amount of operation	
Sale	13/04/2005	20,675	€3.356	€69,387.86	
Sale	09/08/2005	500,000	€5.40	€2,700,000.00	
Sale	02/09/2005	40,000	€5.56	€222,400.00	
Sale	06/09/2005	15,000	€5.56	€83,400.00	

Reported by:		Mr. Christian Guillemot			
Title:		Director and Executive Vice President			
Description of the financial instrument:		Shares			
Place of operation:		Paris			
Type of operation	Date of operation	Number of shares	Price	Amount of operation	
Sale	06/07/2005	4,000	€4.54	€18,160.00	
Sale	07/07/2005	2,000	€4.51	€9,020.00	

Sale	08/07/2005	17,000	€4.42	€75,140.00
Sale	11/07/2005	5,000	€4.45	€22,250.00
Sale	13/07/2005	9,000	€4.41	€39,690.00
Sale	14/07/2005	23,000	€4.41	€101,430.00
Sale	02/09/2005	40,000	€5.56	€222,400.00
Sale	06/09/2005	15,000	€5.56	€83,400.00

Reported by: Mr. Yves Guillemot
Title: Director and Executive Vice President
Description of the financial instrument: Shares
Place of operation: Paris

Type of operation	Date of operation	Number of shares	Price	Amount of operation
Sale	01/08/2005	500,000	€5.20	€2,600,000.00
Sale	02/09/2005	40,000	€5.56	€222,400.00
Sale	06/09/2005	15,000	€5.56	€83,400.00

Reported by: Mr. Claude Guillemot
Title: Director and Executive Vice President
Description of the financial instrument: Shares
Place of operation: Paris

Type of operation	Date of operation	Number of shares	Price	Amount of operation
Sale	02/09/2005	40,000	€5.56	€222,400.00
Sale	06/09/2005	15,000	€5.56	€83,400.00

Reported by: Mr. Gérard Guillemot
Title: Director and Executive Vice President
Description of the financial instrument: Shares
Place of operation: Paris

Type of operation	Date of operation	Number of shares	Price	Amount of operation
Sale	02/09/2005	40,000	€5.56	€222,400.00
Sale	06/09/2005	15,000	€5.56	€83,400.00

Reported by: Mr. Marcel Guillemot
Title: Director
Description of the financial instrument: Shares
Place of operation: Paris

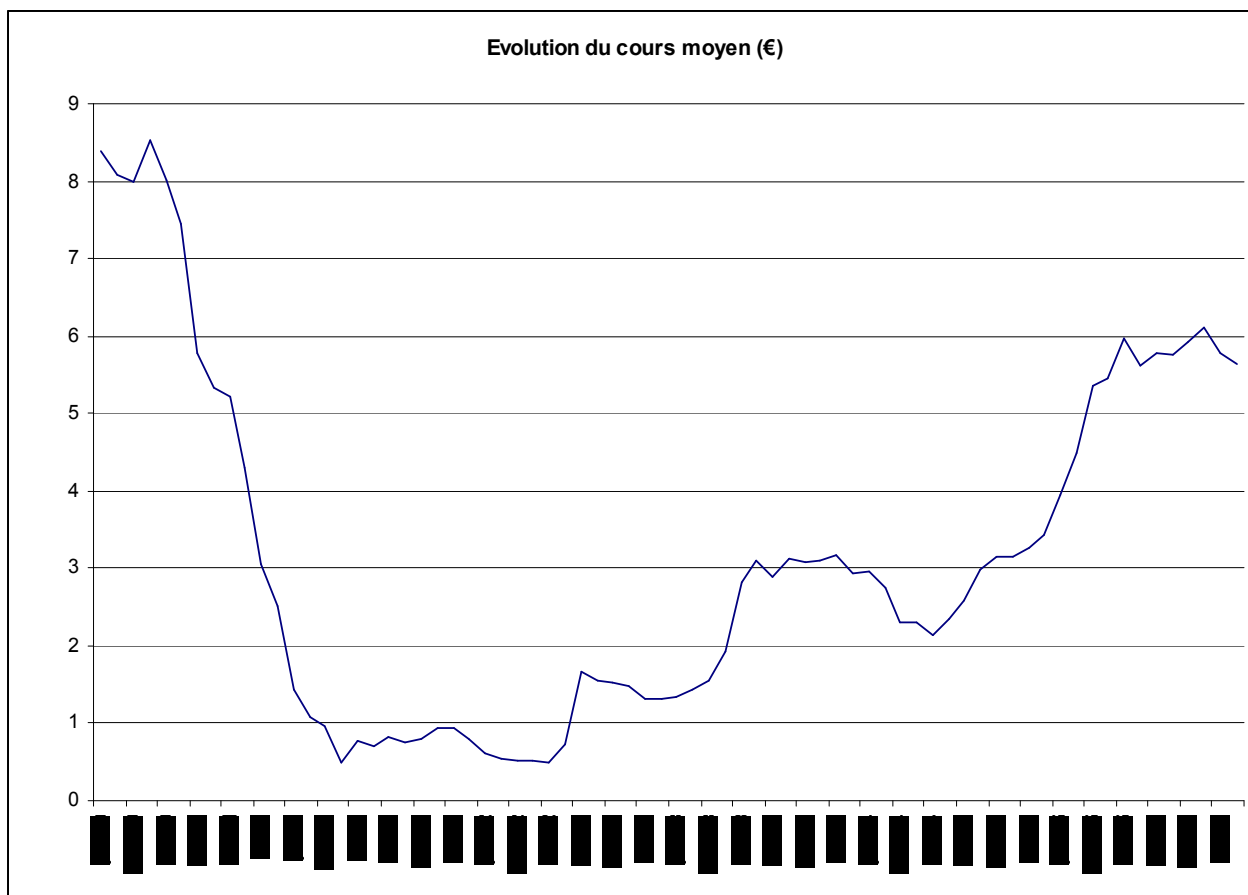
Type of operation	Date of operation	Number of shares	Price	Amount of operation
Sale	30/09/2005	1,000	€6.00	€6,000.00
Sale	03/10/2005	4,000	€6.00	€24,000.00

2.2.5 Changes in share price since listing on the stock exchange

Month	Maximum price (in euros)	Minimum price (in euros)	Average price (in euros)	Trading volume
June 2000	8.49	8.19	8.38	1,130,486
July 2000	8.30	7.85	8.09	366,657
August 2000	9.50	7.81	8.00	271,394
September 2000	9.33	8.00	8.54	187,458
October 2000	8.20	7.80	8.02	65,630
November 2000	8.05	5.50	7.44	349,504
December 2000	6.00	5.60	5.78	100,121
January 2001	6.20	5.32	5.33	447,897
February 2001	5.78	4.85	5.22	44,096
March 2001	4.85	3.51	4.30	26,399
April 2001	3.85	2.80	3.05	37,578
May 2001	2.98	1.82	2.51	29,656
June 2001	1.89	1.06	1.44	170,096
July 2001	1.25	1.00	1.09	108,026
August 2001	1.11	0.75	0.97	494,814

September 2001	0.89	0.25	0.49	179,374
October 2001	1.00	0.63	0.78	125,641
November 2001	0.93	0.51	0.70	269,168
December 2001	0.95	0.76	0.83	146,540
January 2002	0.83	0.67	0.75	428,905
February 2002	0.92	0.71	0.80	387,496
March 2002	0.97	0.89	0.93	177,147
April 2002	1.02	0.91	0.95	156,241
May 2002	0.85	0.60	0.79	3,005,127
June 2002	0.63	0.58	0.60	209,727
July 2002	0.59	0.50	0.54	42,243
August 2002	0.55	0.48	0.52	3,078,830
September 2002	0.53	0.47	0.51	29,368
October 2002	0.54	0.46	0.49	58,515
November 2002	1.08	0.54	0.72	167,140
December 2002	2.00	1.23	1.67	1,557,377
January 2003	1.70	1.47	1.56	155,084
February 2003	1.56	1.50	1.53	66,967
March 2003	1.53	1.39	1.48	357,417
April 2003	1.43	1.21	1.32	92,589
May 2003	1.46	1.20	1.31	154,196
June 2003	1.40	1.28	1.34	102,912
July 2003	1.94	1.29	1.44	730,184
August 2003	1.60	1.50	1.55	298,816
September 2003	2.20	1.55	1.93	1,992,889
October 2003	3.76	2.18	2.82	5,215,184
November 2003	3.54	2.77	3.10	6,255,894
December 2003	3.10	2.79	2.88	1,508,395
January 2004	3.37	2.95	3.13	3,116,655
February 2004	3.23	2.89	3.08	2,353,320
March 2004	3.29	2.76	3.11	1,968,772
April 2004	3.42	3.04	3.18	1,773,525
May 2004	3.12	2.73	2.94	917,346
June 2004	3.16	2.72	2.95	1,233,280
July 2004	2.93	2.41	2.76	630,750
August 2004	2.69	2.23	2.31	556,059
September 2004	2.74	1.87	2.31	1,648,408
October 2004	2.38	1.91	2.15	1,268,153
November 2004	2.59	2.08	2.36	2,110,916
December 2004	2.99	2.36	2.59	4,786,075
January 2005	3.28	2.80	2.99	3,939,845
February 2005	3.33	3.00	3.14	3,631,429
March 2005	3.30	3.06	3.16	3,173,801
April 2005	3.45	3.13	3.27	1,916,459
May 2005	3.69	3.30	3.43	2,529,419
June 2005	4.37	3.63	3.95	6,273,050
July 2005	4.71	4.35	4.49	5,026,254
August 2005	5.63	4.87	5.35	4,883,138
September 2005	6.03	4.80	5.45	5,900,940
October 2005	6.67	5.17	5.98	7,050,297
November 2005	5.88	5.43	5.61	3,049,662
December 2005	6.00	5.37	5.77	3,644,802
January 2006	6.25	5.25	5.76	6,465,875
February 2006	6.17	5.76	5.91	3,491,625
March 2006	6.32	5.71	6.12	4,542,751
April 2006	5.99	5.63	5.77	3,675,523
May 2006	6.00	5.34	5.64	5,524,010

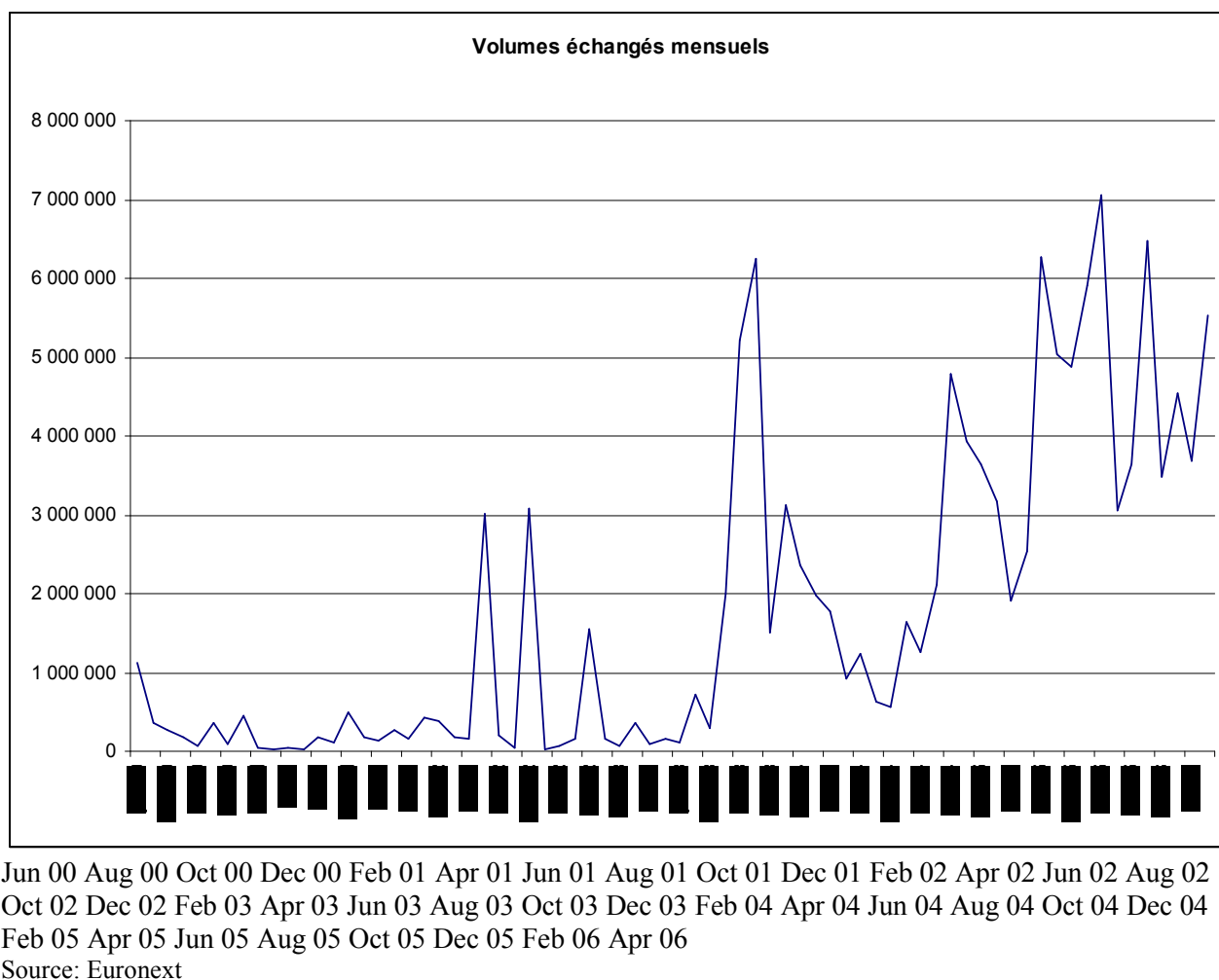
Source: Euronext



/Graph/ Change in average share price (€)

Jun 00 Aug 00 Oct 00 Dec 00 Feb 01 Apr 01 Jun 01 Aug 01 Oct 01 Dec 01 Feb 02 Apr 02 Jun 02 Aug 02
 Oct 02 Dec 02 Feb 03 Apr 03 Jun 03 Aug 03 Oct 03 Dec 03 Feb 04 Apr 04 Jun 04 Aug 04 Oct 04 Dec 04
 Feb 05 Apr 05 Jun 05 Aug 05 Oct 05 Dec 05 Feb 06 Apr 06

Source: Euronext



2.2.6 Commitment to retain shares

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

2.2.7 Dividends

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

2.2.8 Shareholders' agreement

To date, there is no shareholders' agreement.

2.2.9 Pledged shares and assets

None.

2.2.10 Agenda of the Combined General Meeting of 27 June 2006

Agenda of ordinary portion:

Resolution One (*Approval of the individual financial statements for the fiscal year ended 31 December 2005*)

The General Meeting, voting in accordance with the quorum and majority conditions required for ordinary general meetings and having read the Board of Directors' management report and the general Auditors' report for the fiscal year ended 31 December 2005, approves the individual financial statements for said fiscal year, as presented, as well as the transactions recorded in these financial statements or summarised in these reports.

The General Meeting notes that no expense or charge referred to in Article 39-4 of the French General Tax Code was incurred by the company for the fiscal year ended 31 December 2005.

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

Resolution Two (*Approval of the consolidated financial statements for the fiscal year ended 31 December 2005*)

The General Meeting, voting in accordance with the quorum and majority conditions required for ordinary general meetings and having read the Board of Directors' management report and the general Auditors' report on the consolidated financial statements for the fiscal year ended 31 December 2005, approves the consolidated financial statements for said fiscal year, as presented, as well as the transactions recorded in these financial statements or summarised in these reports.

Resolution Three (*Allocation of earnings*)

The General Meeting, voting in accordance with the quorum and majority conditions required for ordinary general meetings and having read the Board of Directors' management report and the general Auditors' report for the fiscal year ended 31 December 2005, resolves to charge the earnings totalling 3,102,015.16 euros as of 31 December 2005 against losses carried forward.

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

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

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

Resolution Five (*Appointment of MB Audit as Principal Auditor to replace Mr. Roland Travers*)

The General Meeting, voting in accordance with the quorum and majority conditions required for ordinary general meetings, resolves to appoint MB Audit, 23 rue Bernard Palissy, Rennes (35000) as Principal Auditor to replace Mr. Roland Travers, whose term has expired, for a term of six fiscal years, i.e. until the end of the Ordinary General Meeting called to approve the financial statements for FY 2011.

Resolution Six (*Appointment of AUDIT ALMD as Principal Auditor to replace Mr. André Métayer*)

The General Meeting, voting in accordance with the quorum and majority conditions required for ordinary general meetings, resolves to appoint AUDIT AMLD, 27A Boulevard Solférino, Rennes (35000) as Principal Auditor to replace Mr. André Métayer, whose term has expired, for a term of six fiscal years, i.e. until the end of the Ordinary General Meeting called to approve the financial statements for FY 2011.

Resolution Seven (*Reappointment of one of the alternate auditors*)

The General Meeting, voting in accordance with the quorum and majority conditions required for ordinary general meetings and having noted that the term of the alternate auditor, Mr. Pierre Borie, 15 rue Charles Le Goffic, Rennes (35000) expires today, resolves to extend said term for a period of six years which will expire at the end of the Ordinary General Meeting called to approve the financial statements for the fiscal year ended 31 December 2011.

Resolution Eight (*Reappointment of one of the alternate auditors*)

The General Meeting, voting in accordance with the quorum and majority conditions required for ordinary general meetings and having noted that the term of the alternate auditor, Compagnie Consulaire d'Expertise Comptable Jean Delquié, 84 Boulevard de Reuilly, Paris (75012) expires today, resolves to extend said term for a period of six years which will expire at the end of the Ordinary General Meeting called to approve the financial statements for the fiscal year ended 31 December 2011.

Resolution Nine (*Powers for legal formalities*)

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

Agenda of extraordinary portion:

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

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

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

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

3 – Resolves to set as follows the limits of the amounts of the authorised capital increases in case the Board of Directors uses this authorisation:

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

To the above maximum amount will be added, where relevant, the nominal amount of any shares issued, in case of new financial operations, to protect the rights of holders of securities giving access to the company's capital.

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

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

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

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

- notes the fact that this authorisation automatically implies, for the benefit of the holders of securities issued giving access to the company's capital, the waiver by shareholders of their pre-emptive right to the shares to which these securities will give a right immediately or in the future;

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

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

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

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

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

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

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

- to approve the capital increase and determine the securities to be issued;

- to approve the amount of the capital increase, the issue price and the amount of the premium that, if applicable, may be requested at the time of issue;

- to determine the dates and terms and conditions of the capital increase and the nature and characteristics of the securities to be created; to decide, moreover, whether or not bonds or other debt securities (including securities allowing their holders to receive debt securities, as provided by Article L. 228-91 of the French Commercial Code) are subordinated (and, if applicable, their rank of subordination, pursuant to Article L. 228-97 of the French Commercial Code); to set their interest rate (in particular, fixed or variable rate or zero coupon or indexed), their term (fixed or indefinite), and the other terms and conditions of issue (including whether to grant them guarantees or sureties) and amortisation (including repayment by delivery of the company's assets); if necessary, these shares may include warrants allowing their holders to receive, acquire or subscribe for bonds or other securities representing a claim or take the form of complex bonds, as understood by the stock market authorities (for example, due to their payment or repayment terms or other rights such as indexing or possibility of options); and to amend, during the term of such shares, the aforementioned terms and conditions, in accordance with applicable regulations;

- to determine the method of payment of the shares or securities giving access to the capital to be issued immediately or in the future;

- to establish, if necessary, the terms and conditions of exercise of the rights attached to the shares or securities giving access to the capital to be issued and, in particular, to decide on the date, which may be retroactive, from which the new

shares will entitle the holder to dividends, to determine the terms and conditions of exercise of the rights to conversion, exchange and repayment, if any, including by delivery of the company's assets, such as securities already issued by the company, as well as all other terms and conditions of the capital increase;

- to set the terms and conditions according to which the company will be able, if necessary, to purchase or exchange on the stock exchange, at any time or during specific periods, the securities issued or to be issued immediately or in the future in order to cancel them or not, in accordance with applicable laws;

- to provide for the ability to suspend, if necessary, the exercise of the rights attached to said securities in accordance with applicable laws and regulations;

- solely on its initiative, to charge the capital increase expenses to the amount of the premiums related thereto and to deduct from this amount the necessary sums to supply the legal reserve;

- to set and proceed with all adjustments aimed at taking into account the impact of operations on the company's capital, such as a change in the share's par value, capital increase through capitalisation of reserves, bonus issues of shares, stock splits or consolidation of shares, distribution of reserves or any other assets, amortisation of the capital, or any other operation related to shareholders' equity, and to establish the terms and conditions under which the rights of holders of securities giving access to the capital will be protected, if necessary;

- to note the completion of each capital increase and to amend the Articles of Incorporation accordingly;

- in general, to enter into any agreement, particularly to ensure the successful completion of the proposed issues, and to take all measures and complete all formalities required for the issue, listing and financial servicing of the shares issued under this authorisation and for the exercise of the rights attached thereto.

6 – Resolves that this authorisation nullifies any previous authorisation related to the immediate or future issue of shares of the company with pre-emptive rights, including resolution six of the General Meeting of 27 June 2005.

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

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

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

1 – Authorises the Board of Directors to approve an increase in the share capital, on one or more occasions and at its sole discretion, in the proportion and at the times it deems appropriate, in accordance with the provisions of Article L. 225-129-3 of the French Commercial Code, in France and abroad, in euros or foreign currencies, through the issue of ordinary shares of the company and securities of any kind giving access to the company's capital, whether issued in return for payment or free of charge, and governed by Articles L. 228-91 et seq. of the French Commercial Code, with the stipulation that the shares and other securities may be subscribed for either in cash or by offsetting of claims, or in whole or in part by capitalisation of reserves, earnings or issue premiums. These securities may be issued, in particular, to pay either for shares contributed to the company as part of an exchange offer initiated by the company under the conditions set out in Article L. 225-148 of the French Commercial Code or, based on a report of the capital contributions auditor and within the limit of 10% of the company's share capital as of the date of this meeting, for contributions in kind made to the company consisting of shares or securities giving access to the capital, when the conditions of Article L. 225-158 of the French Commercial Code are not applicable.

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

3 – Resolves to set as follows the limits of the amounts of the authorised capital increases in case the Board of Directors uses this authorisation:

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

To the above maximum amount will be added, where relevant, the nominal amount of any shares issued, in case of new financial operations, to protect the rights of holders of securities giving access to the company's capital.

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

4 – Resolves to cancel pre-emptive rights of shareholders to the shares and other securities issued pursuant to this resolution, while however leaving it to the Board of Directors' discretion to grant shareholders, for a period and under the terms and conditions established by it and in accordance with the provisions of Article L. 225-135, paragraph 2, and

for all or part of a completed issue, a subscription priority right which does not result in the creation of negotiable rights and which must be exercised in proportion to the number of shares owned by each shareholder and may be supplemented by a right to subscribe on a reducible basis, with the stipulation that, at the end of the priority period, any unsubscribed shares will be made available to the public.

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

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

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

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

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

9 – Resolves that this authorisation nullifies any previous authorisation related to the immediate or future issue of shares of the company without pre-emptive rights and the ability to grant a priority right, including resolution seven of the General Meeting of 27 June 2005.

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

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

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

1 – Authorises the Board of Directors, with authority to sub-delegate, under the conditions provided by law and subject to terms and conditions that comply with the laws and regulations in force at the time of the issue, to increase the number of shares to be issued in case of the issue of shares or securities giving access to the capital with or without pre-emptive rights, as described in resolutions ten and eleven, within the limit, as provided by Article 155-4 of the decree regarding commercial corporations, of 15% of the number of shares in the primary issue, with the stipulation that the issue price will be the same as that of the primary issue.

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

- against the maximum nominal amount set in resolution ten in case of the issue of shares with pre-emptive rights;
- against the maximum nominal amount set in resolution eleven in case of the issue of shares without pre-emptive rights;

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

- against the maximum nominal amount set in resolution ten in case of the issue of shares with pre-emptive rights;
- against the maximum nominal amount set in resolution eleven in case of the issue of shares without pre-emptive rights.

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

Resolution Thirteen (*Authorisation to be granted to the Board of Directors to approve a capital increase reserved for employees of the company and its affiliates pursuant to the provisions of Article L. 225-129-6 of the French Commercial Code and under the conditions set out in Articles L. 444-3 and L. 443-5 of the French Labour Code*)

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

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

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

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

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

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

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

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

7 - Resolves that this authorisation nullifies the authorisation granted by the General Meeting of 27 June 2005 in its eighth resolution.

Resolution Fourteen (*Authorisation given to the Board of Directors to grant stock options to employees*)

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

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

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

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

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

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

- if subscription options are granted: said price may not be less than 80% of the average opening price quoted during the 20 trading sessions preceding the date on which the subscription options are granted;

- if share purchase options are granted: said price may not be less than 80% of the average purchase price of the shares held by the company pursuant to Articles L. 225-208 and L. 225-209 of the French Commercial Code.

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

- to set the dates on which the options will be granted;

- to establish the terms and conditions under which the options will be granted and to draw up the list of recipients, as described above;

- to determine the exercise periods of the options thus granted, with the stipulation that the period during which the options are valid may not exceed 10 years from the date on which they are granted;

- solely on its initiative, to charge the capital increase expenses to the amount of the premiums related thereto and to deduct from this amount the sums needed to bring the legal reserve to one-tenth of the new capital after each capital increase;

- to note the completion of the capital increase(s) and to amend the Articles of Incorporation accordingly;

- to carry out all operations and complete all formalities made necessary by the completion of the capital increase(s).

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

Resolution Fifteen (*Amendment of Article 10 of the Articles of Incorporation*)

The General Meeting, voting in accordance with the quorum and majority conditions required for extraordinary general meetings and having read the Board of Directors' report, resolves, pursuant to law no. 2005-842 of 26 July 2005, to add a fourth subparagraph to Article 10 Paragraph III of the Articles of Incorporation as follows :

“For calculating the quorum and majority, directors participating in the board meeting via videoconference or telecommunication media under the conditions defined by the Board of Directors' rules of procedure are deemed to be present. However, the actual presence or presence by representation will be required for all board proceedings related to the closing of the year-end and consolidated accounts, as well as the drafting of the management report and the report on the group's management”.

Resolution Sixteen (*Powers for legal formalities*)

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

3 PRESENTATION OF THE COMPANY AND THE GROUP

3.1 *Credentials*

Created in December 1999, Gameloft develops and publishes games for mobile devices. This high-technology activity is centred mainly around Java and Brew games that consumers can download directly to their mobile telephone. The company has published an extensive, diversified game catalogue and established itself as one of the world leaders in the mobile games market. Today, Gameloft works with all the key players in this market, including telephone manufacturers such as Nokia and Motorola and telecom operators such as Orange and Vodafone. As of 31 March 2006, Gameloft employed 2,200 people in 16 countries around the world, including France, Germany, the United Kingdom, Italy, Spain, Bulgaria, Romania, the United States, Canada, Japan, China, Vietnam, Argentina, Mexico, India and Korea.

3.2 *Gameloft's activity*

3.2.1 **Mobile telephone games**

The use of mobile telephones has spread very quickly throughout the world. The number of worldwide mobile subscribers was more than 2 billion in September 2005¹ versus only 100 million nine years earlier in 1996². For a game developer and publisher, this user base represents a unique opportunity to sell its products to a population that is considerably larger than that of traditional video games. For this reason, the Gameloft group positioned itself in this market starting in 2000, where it has become a major player thanks to a diversified game catalogue, strong licences and one of the largest customer and distributor networks in the market.

The emergence in 2002 of Java and Brew technologies applied to mobile devices completely transformed the mobile phone games market. These two technologies paved the way for three major advances in the mobile games industry:

- Today, consumers can download action games similar in quality to Sony's PlayStation games directly onto their cell phones. "Over the air" downloading, i.e. through a mobile phone directly on a telecom network, gives consumers flexibility and total freedom when purchasing and saving games. These games can be kept on the phones for as long as the consumer wants, at no additional cost. Depending on the model of the phone, consumers can store from three to 50 games on their telephone.
- The downloading of a game and the game itself are not dependent on the quality of the telecom networks. Current GSM networks allow consumers to download a game in less than one minute. So-called "third generation" GPRS and UMTS networks, therefore, do not need to be implemented to download a Gameloft game. Moreover, once the game is downloaded, consumers play directly on their telephone without being connected to the network. This means that a game cannot be interrupted as a result of network failures. In addition, there is no connection cost for the consumer to play a downloadable game. The price of a downloadable Gameloft game is therefore limited to its sale and download price, which generally runs between three and six euros.
- Java and Brew technologies are standards to which all telephone manufacturers are gradually being forced to adhere. This standardisation allows Gameloft to run its games at a low cost on most of the new telephones sold today. In addition, this widespread adherence to the Java and Brew standards gives Gameloft significant growth potential. In March 2006, the number of Java telephones worldwide was more than 1 billion, compared to 579 million in 2005 and 250 million in March 2004³.

Gameloft was one of the first companies in the world to develop games for Java and Brew telephones and has offered an extensive catalogue of downloadable games since the end of 2001. This catalogue is compatible with most Java and Brew telephones sold today. The games run on Nokia, Motorola, Samsung, Siemens, Sony Ericsson, Sharp, LG,

¹ Source: Wireless Intelligence, September 2005

² Source: CSFB, July 2002

³ Source: Sun Microsystems, March 2006

Mitsubishi and Sagem telephones, to name a few. All in all, the company currently offers more than 70 Gameloft games which can be downloaded onto more than 500 different models of mobile phones.

Ubisoft's acquisition of shareholdings in the company in 2000 resulted in the addition of this company's trademarks and licences to Gameloft's range of games. The Gameloft catalogue therefore includes world-renowned licences such as *Tom Clancy's Splinter Cell*, *Rayman*, *Prince of Persia*, *Tom Clancy's Ghost Recon*, etc. In addition to the Ubisoft licences, the company has also bought rights to many external licences for mobile phones, including Lumines, War of the Worlds, King Kong, golfer Vijay Singh, soccer stars Andrei Chevtchenko, Djibril Cissé and Oliver Kahn, the Vans sport brand, FIFPRO, and so on.

Gameloft has three distinct distribution networks for its mobile games: telecom operators, logo and ringtone portals and media companies, and telephone and mobile console manufacturers.

1. Gameloft games are distributed by more than 150 telecom operators in over 70 countries around the world. The number of potential consumers to which Gameloft has direct access via these operators is more than 1 billion. To date, none of Gameloft's competitors has a comparable worldwide distribution network. These operators' subscribers can purchase and download Gameloft games directly onto their telephones through the operator's portal. Purchasing Java and Brew games is a fast, simple process which costs the consumer a mere three to six euros on average. The operator's portal provides access to Gameloft's game catalogue. This catalogue describes the games and indicates their price. Consumers simply select the game and ask to have it downloaded to their telephone. Billing is handled by the operator with the cost of the game included in the consumer's telephone bill. In this case, the operator acts as a distributor of Gameloft games and the revenues generated are shared between the operator-distributor and Gameloft.

2. Gameloft games are also distributed by many companies that specialise in the sale of mobile applications such as logos and ringtones. Since downloading games is the perfect addition to the product offering of Audiotel and Internet portals that sell applications for portable telephones, these portals have distributed Gameloft products since 2002 through their web portals and Audiotel services. These companies operate, among other things, toll-call phone numbers and SMS services which consumers can use to download games onto their telephone. The length of a call on a toll-call phone number is about three minutes, which means a cost for the consumer of three to six euros on average. Consumers receive the game directly onto their telephone as soon as the call is completed. When consumers use toll-call SMS services, they simply send a toll-call SMS message with the game's code to automatically receive the game on their telephone. The revenues are shared between the portal and Gameloft. To date, Gameloft has set up a network of nearly 150 partners which sell its games via various types of media, including magazines, daily newspapers, websites, television, radio, etc. Gameloft works in partnership with MonsterMob in the United Kingdom, MediaFusion and Prisacom in Spain, NRJ, Fun radio, Tiscali and Wanadoo in France, and Zingy and 9squared in the United States, to name a few. Gameloft also operates its own Audiotel number in several European countries, including France, the United Kingdom, Germany, Italy and Spain.

3. Telephone manufacturers, such as Nokia and Motorola, are also involved in the distribution of Gameloft's mobile games. These manufacturers buy Java and Brew games from Gameloft at a fixed price and integrate them directly into their telephones. The game can therefore be used by the consumer immediately at no additional cost. Gameloft has partnered with manufacturers like Nokia, Motorola, Samsung, Siemens, LG, Sony Ericsson, Sagem, Mitsubishi and Alcatel to integrate its games into portable telephones. However, this type of agreement between Gameloft and telephone manufacturers is being phased out in favour of game downloading via telecom operators.

Gameloft also developed six games in 2003 and 2004 specifically for Nokia's NGage: *Marcel Desailly Pro Soccer*, *Tom Clancy's Splinter Cell*, *Rayman 3*, *Tom Clancy Ghost Recon*, *Asphalt: Urban GT* and *SplinterCell: Chaos Theory*. The NGage, launched by Nokia in the fourth quarter of 2003, offers all the functionality of a cell phone and a game console. Gameloft is the only company specialising in mobile games to be selected by Nokia to develop games for this telephone. The other NGage game developers are players in the console and PC video game sector, such as Electronic Arts, Eidos, THQ, etc. NGage games are sold in stores as game cartridges at a price of 30 to 40 euros.

In 2004, Gameloft also launched *Asphalt: Urban GT* and *Splinter Cell* on Nintendo's new handheld console, the Nintendo DS, which was released in the United States and Japan in the fourth quarter of 2004 and in Europe in the first quarter of 2005. The launch of *Asphalt: Urban GT* on the DS was a major success for Gameloft, with this game ranking among the four best-selling games for Nintendo's handheld console in the United States and Europe. Gameloft was again the only company specialising in mobile games to be selected by Nintendo to develop games for its new console. DS games are sold in stores as game cartridges at a price of 30 to 50 euros.

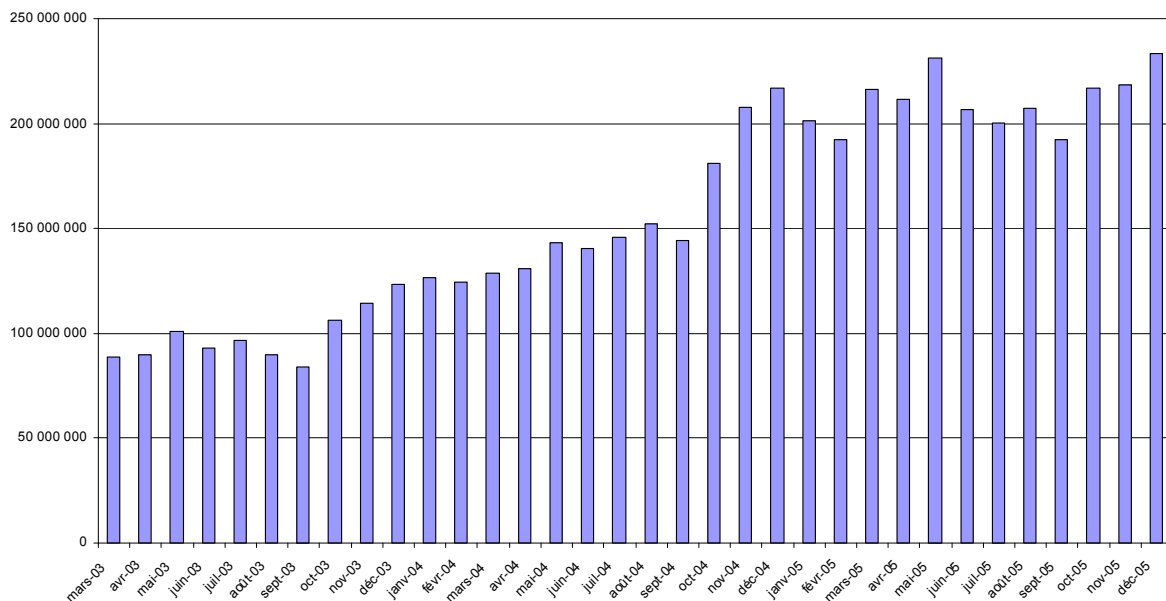
3.2.2 The Internet

In 2005, Gameloft continued to operate the jeuxvideo.com website. This portal targets video game consumers who can

obtain information on the latest games released, consoles, buying tips, solutions to games, and so on. It is one of the most successful websites in France. It has experienced continuous, steady growth since its creation. Its audience has more than quadrupled over the last three years, with 233 million pages viewed in December 2005. Jeuxvideo.com has posted a net profit the last five years. Advertising income accounts for most of the site's revenue and its main customer is the Hi-Media advertising network. Following the closing in June 2002 of the German Gamez web portal, jeuxvideo.com was in 2005 the only Internet asset from the original Gameloft group still in operation. It accounted for 4% of Gameloft's revenue in 2005.

Gameloft completed the sale of its 88% interest in the jeuxvideo.com site to Hi Media on 31 May 2006 in a cash amount of 22.87 million euros. This sale will allow Gameloft to focus on its core business, namely mobile games, which has grown sharply since 2003.

Number of pages viewed per month on jeuxvideo.com



/Graph/

Mar 03 Apr 03 May 03 Jun 03 Jul 03 Aug 03 Sep 03 Oct 03 Nov 03 Dec 03 Jan 04 Feb 04 Mar 04 Apr 04 May 04 Jun 04 Jul 04 Aug 04 Sep 04 Oct 04 Nov 04 Dec 04 Jan 05 Feb 05 Mar 05 Apr 05 May 05 Jun 05 Jul 05 Aug 05 Sep 05 Oct 05 Nov 05 Dec 05

Source: Gameloft December 2005

3.3 The group's strategy and future outlook

3.3.1 The group's strategy

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

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

In 2005, the company continued to build its mobile game development teams: at the end of 2006, 1,960 of the group's 2,220 employees worked exclusively on developing mobile phone games. This expanded workforce has allowed the company to develop a catalogue of more than 70 mobile games covering all genres, including action, sport, puzzle and adventure games, to name a few.

The company's goal for 2006 is to continue to expand its game catalogue by publishing more than 30 new games, some of which will be developed in both 2D and 3D.

Gameloft's game catalogue

Action/Adventure	Mass market/Arcade	Sport
Tom Clancy's Rainbow Six: Broken Wing	Platinum Sudoku	Asphalt: Urban GT
Tom Clancy's Rainbow Six: Raven Shield	Platinum Mahjong	Asphalt: Urban GT II
Tom Clancy's Rainbow Six: Urban Crisis	Gameloft Solitaire	Asphalt: Urban GT II 3D
Tom Clancy's Rainbow Six 3	Gameloft Backgammon	Marcel Desailly Pro Soccer
Tom Clancy's Rainbow Six Lockdown	Cartel Wars	2004 Real Football
Tom Clancy's Splinter Cell	Medieval Combat	2005 Real Football
Tom Clancy's Splinter Cell Extended Ops	1000 Words	2006 Real Football
Tom Clancy's Splinter Cell Pandora Tomorrow	Chessmaster	2006 Real Football 3D
Tom Clancy's Splinter Cell Chaos Theory	Gameloft Casino	L'Equipe Football Challenge
Tom Clancy's Ghost Recon	Planet Zero	Vijay Singh Pro Golf 2005
Prince of Persia: Harem Adventures	Siberian Strike	Vijay Singh Pro Golf 2005 3D
Prince of Persia: The Sands of Time	Siberian Strike Episode II	Derek Jeter Pro Baseball 2005
Prince of Persia: Warrior Within	FHM Sexy Poker 2004	Rayman Golf
Prince of Persia: The Two Thrones	Sexy Poker 2006	Rayman Bowling
Nightmare Creatures	Sexy Poker Top Models	Midnight Bowling
XIII	Sexy Poker Manga	Midnight Pool
Rayman 3	Lock'em Up	Midnight Pool 3D
Sum of All Fears	Rotomino	Massive Snowboarding
Gulo's Tale	Rail Rider	Speed Devils
Incubus 1 & 2	Midnight Hold'em Poker	Summer Volley
Brothers in Arms: Earned in Blood	Platinum Solitaire	Skate and Slam
King Kong: The Official Mobile Game of the Movie	New York Nights: Success in the City	Vans Skate and Slam feat. Geoff Rowley
Might and Magic	Mystery Mansion Pinball	And I Streetball
Totally Spies	Love Triangle : Dating Challenge	
War of the Worlds	Block Breaker Deluxe	
Earth Invasion	Lumines Mobile	
Mission Impossible III		

Source: Gameloft, March 2006

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

- Gameloft was named "Best Developer of the Year" by IGN and by MobileGamesFAQs in 2005.
- In May 2006, the Lumines Mobile game developed by Gameloft was chosen as the "Best Mobile Game of the E3" by both Modojo and 1Up, and as "Best Puzzle Game of the E3 " by IGN. The E3 is the largest video game trade show in the world and is held once a year in Los Angeles, USA. It is the meeting place for all video game professionals.
- *Tom Clancy's Rainbow Six 3*[®] was chosen as best mobile game at E3 2004.
- *Might and Magic*[®] received the award for best mobile game of the year in 2004 at the 2004 Video Game Awards organised by Spike TV in the United States.

Year after year, Gameloft games receive the highest ratings from magazines and websites specialising in video games:

Lumines Mobile:

POCKET GAMER: Mobile Top Five E3 2006

AIR GAMER: "better than Tetris" - 91%

2006 Real Football:

EDGE "2006 Real Football rivals soccer games released on DS, PSP and GBA"

POCKET GAMER "the height of mobile soccer" 9/10 - Gold Award (while its leading competitor received only a mediocre score of 5/10)

AIRGAMER “Gameloft has done it: the first soccer simulation for mobiles that stirs up excitement” - 91% -Air Gamer Award

MOBILEGAMEFAQS “The most solid, most impressive football game” 92% - Ice Cold Award

MOBILE BOARDS “One of the best mobile games today, and the first to receive the highest score from Mobile Boards: 20/20”

MOBILE CHOICE “Everything about this game is good – it’s good simulation, complete, with in-depth passes, heads and one-twos.” 9/10

Brothers in Arms: Earned in Blood:

IGN: “a triumph” - 9.5/10

Overview of Gameloft’s Java and Brew games

Mission Impossible III	Lumines Mobile
	
2006 Real Football 3D	Midnight Hold'em Poker
	

Source: Gameloft

The greatest barrier to penetrating the mobile game sector is the enormous number of telephone models on the market. All mobile phone manufacturers develop their own lines of phones which differ from their competitors’ models. Although the technology used is the same from one telephone to another (Java or Brew), the screens differ in size, the processors have different characteristics, and so on. Each mobile game must therefore be ported to many models of phones in order to reach the largest number of consumers. The increase in development staff in countries like China and Romania has allowed the company to port the games in its catalogue to a wide range of different phone models when the game is released. Today, Gameloft’s catalogue covers more than 500 different telephones in six languages, making it accessible to almost all owners of Java or Brew phones.

The Gartner research firm estimates that there will be nearly 500 million mobile device players in 2007, clearly positioning Gameloft in a mass market. The use of world-renowned licences and trademarks is therefore crucial for gaining a foothold in today's mobile game market. Gameloft has entered into many licence agreements since January 2004 in an effort to enhance its mobile game catalogue and ensure its leadership in this field. For example, the company owns the exclusive rights to the following licences for mobile game development:

- Lumines: originally designed for the PSP by Tetsuya Mizuguchi, Lumines is a puzzle game with a techno-Zen twist. Both catchy and hip, it has been hailed by critics from Gamespot, IGN and Gamespy, three leading websites. According to Gamespot, which gave it a score of 9 out of 10, "*Lumines may well be the best game in the style of Tetris since Tetris itself*". Lumines also received an Editor's Choice Award from IGN and extensive coverage in the mainstream media.
- Meteos: also created by Tetsuya Mizuguchi following the success of Lumines, Meteos is a puzzle game which is based on simple principles but highly innovative in terms of mechanisms and pace. Released for Nintendo DS, this game was as highly acclaimed as Lumines, with a score of 9 out of 10 from IGN and an Editor's Choice Award and 4.5/5 from Gamespy, and is also considered a serious Tetris competitor.
- Mission Impossible III: distributed by Paramount, the latest instalment of Mission Impossible was released worldwide in May 2006 with Tom Cruise in the role of Ethan Hawk.
- King Kong: the latest film by Peter Jackson (director of the Lord of the Rings trilogy) was released at Christmas 2005 and distributed by Universal.
- Paris Hilton: Gameloft plans to develop and produce mobile games starring Paris Hilton. The first title will be geared toward a teen and pre-teen audience, as well as all fans of the Paris Hilton character. Other titles will target a broader audience, allowing Gameloft to further expand its already highly diversified catalogue.
- War of the Worlds: Steven Spielberg and Tom Cruise teamed up for this spectacular film, which was the blockbuster of the summer of 2005.
- FIFPRO Foundation: this licence allows Gameloft to use all the official names of FIFA soccer players and teams.
- Vijay Singh: winner of 19 PGA Tour golf tournaments, Vijay Singh is ranked number 1 worldwide and has won the most tournaments on the PGA Tour.
- Derek Jeter: considered one of the top baseball players, Derek Jeter has won four championship titles in his 10-year career. His talent on the field has earned him some of the most impressive team and individual awards (World Series and Rookie of the Year, 2004 Golden Glove Award, and twice MVP - Most Valuable Player)
- Andrei Chevtchenko, Djibril Cissé and Oliver Kahn: Gameloft's *2006 Real Football* is based on the licence for these three international soccer players who currently play for the top European teams.
- Geoff Rowley: voted skateboarder of the year in 2001, Geoff Rowley is regarded as one of the best skateboarders of his generation.
- And1: the leading brand in US streetball, And1 became known through its Mix Tape cassettes and Mix Tape Tours, which bring together the biggest names in streetball.
- Totally Spies: broadcast in nearly 200 countries on every continent, this series is scheduled on major channels which air it at strategic times for the target audience (Cartoon US, TF1, Jetix Europe, Pro7, Channel 4, Mediaset Rete Italia 4, ITV, Teletoon Canada, Nickelodeon Australia, TV Tokyo and so on).
- Vans: this trendy skateboarding and surfing clothing brand was created in the late 1970s in California. Vans is very well-known among 10-24 year olds and is associated with Gameloft's latest skateboarding game under the Geoff Rowley licence.
- Ford, GM, Jaguar, Lotus, Lamborghini, Nissan, Audi, Aston Martin, TVR, Morgan Motors, Volkswagen: all these automobile manufacturers are Gameloft partners for the *Asphalt: Urban GT* game, which was released in the fourth quarter of 2004 on Nokia's NGage and the Nintendo DS.

Under the exclusive agreement made with Ubisoft at the time of Gameloft's creation, the company has had access since 2000 to world-renowned licences which have made it one of the leaders in this market. The company has used the Ubisoft licences since January 2004 to launch a number of products, including *Splinter Cell Chaos Theory*, *Prince of Persia: The Two Thrones*, *Tom Clancy's Rainbow Six Lockdown* and *Might and Magic*.

With more than 150 operators distributing its games in over 70 countries, Gameloft now has the most complete telecom distribution network in the mobile game sector. All the major European, North and South American and Chinese operators currently work with Gameloft. The company also now works with the three largest Japanese operators following the signing in March 2006 of a distribution agreement with NTT DoCoMo, Japan's leading operator. As a result, the company now has a presence among all major telecom operators worldwide. The company will, however, continue to diversify its operator distribution network in 2006, mainly by targeting India, the Middle East and Africa.

Gameloft's telecom operator partners

North America		Asia Pacific	
United States	Verizon, Sprint, Cingular, Nextel, T-Mobile, US Cellular, Midwest, Alltel, Cricket, Amp'd Mobile, Mobile ESPN, Boost Mobile, Virgin, PlayPhone	Hong Kong	Hutchison, Sunday, Starhub, Peoples, Smartone, CSL
Canada	Rogers, Telus, Bell Mobility, Fido	China	China Mobile, China Unicom
Europe		Japan	DoCoMo, KDDI, Vodafone
Germany	Vodafone, T-Mobile, E-Plus, O2	Malaysia	Maxis, Celcom
United Kingdom	Vodafone, T-Mobile, O2, Orange	Singapore	SingTel, M1, StarHub
France	Orange France, SFR, Bouygues Telecom, NRJ Mobile, M6 Mobile, Universal Mobile	Philippines	Globe Telecom
Italy	TIM, Omnitel Vodafone, Wind	South Korea	SKT, KTF
Spain	Telefonica, Vodafone, Amena	Thailand	Orange, Dtac, AIS
Netherlands	T-Mobile, O2, Vodafone, KPN	Australia	Vodafone, Optus, Telstra
Belgium	Mobistar, Proximus, Base	New Zealand	Vodafone, Telecom NZ
Portugal	Optimus, TMN, Vodafone	South America	
Sweden	Telia, Vodafone, Tele2	Brazil	Vivo, Claro, Oi
Norway	Netcom	Argentina	Movistar
Ireland	Vodafone, O2	Guatemala	BellSouth
Luxembourg	PT	Venezuela	Telcel BellSouth
Austria	T-Mobile, Mobikom, One	Peru	BellSouth, Telefonica
Switzerland	Swisscom, Sunrise	Ecuador	Conecel, BellSouth
Greece	Vodafone, Cosmote	Panama	BellSouth
Czech Republic	Eurotel, T-Mobile, Vodafone	Mexico	Telcel, USACell
Slovakia	Eurotel	Chile	BellSouth, Telefonica
Hungary	T-Mobile, Vodafone, Pannon	Bolivia	Entel
Poland	T-Mobile	Colombia	BellSouth, Columbia Movil
Finland	Elisa, Telia	Nicaragua	Bell South
Lithuania	Bité	Rest of the world	
Estonia	Radiolinja Eesti	Israel	Orange, Cellcom
Romania	Orange, Connex	Turkey	Turkcell
Croatia	VIPnet, HT Mobile	Egypt	Vodafone
Slovenia	SiMobil, Mobitel	Reunion	Orange, SRR
Serbia	Telekom Srbija	Dominican Republic	Orange
Bulgaria	Mobitel	Malta	Vodafone
Denmark	Telia	Morocco	Meditel
Iceland	Iceland Telecom	South Africa	MTN, Vodafone
Russia	MTS	Algeria	Wataniya

Source: Gameloft

3.3.2 Future outlook and recent developments

3.3.2.1 The group's future outlook

The company's goal in FY 2006 is to achieve 40% growth in its consolidated revenue. This sharp growth in the group's 2006 revenue, mainly linked to the mobile telephony activity, will depend on two factors:

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

3.3.2.2 *Recent developments*

Publication of quarterly revenue from 1 January 2006 to 31 March 2006 (millions of euros)

First quarter	FY 2006	FY 2005	Growth
Revenue	14.8	9.9	+49%

Source: Gameloft

The publication of the 2006 first quarter revenue supports the company's revenue growth target of 40% for 2006.

The Jeuxvideo.com website, which accounted for 4% of revenue in the first quarter of FY 2006, was sold to Hi Media for 22.9 million euros in cash on 31 May 2006.

3.3.3 **Growth and investment strategy**

Growth

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

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

Investments

Breakdown of Gameloft's 2000-2005 investments (in €K)

Fiscal year	2000/2001	2001/2002	2003	2004	2005
Tangible investments	475	481	255	1,003	2,526
Intangible investments	16,738	3,258	14	49	112
Financial investments	1,258	1,278	189	184	590
TOTAL	18,471	5,017	458	1,236	3,228

Source: Gameloft

Tangible investments consist primarily of computer equipment and furniture (€1,988,000). The increase in these investments is linked to the significant growth in the company's staff. Intangible investments consist of purchases of licences and computer software. Financial investments pertain to the creation of subsidiaries and deposits of guarantees.

The company expects the required level of investment to decline in the next two years. This investment, which consists mainly of tangible assets, should be as follows:

Gameloft's 2006-2007 investments (in €K)

Fiscal year	2006e	2007e
Mobile games	1,200	1,000
TOTAL	1,200	1,000

Source: Gameloft

3.4 The group's management and organisation

3.4.1 Central functions

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

The company is structured around three international departments:

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

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

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

3.4.2 Subsidiaries

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

- Gameloft, Inc., a wholly-owned subsidiary based in Canada, is a mobile games development studio.
- Gameloft Srl, a 99%-owned subsidiary based in Romania, is a mobile games development studio.
- Gameloft EOOD, a wholly-owned subsidiary based in Bulgaria, is a mobile games development studio.
- Gameloft Software Beijing, a wholly-owned subsidiary based in China, is a mobile games development studio.
- Gameloft Software Shanghai, a wholly-owned subsidiary based in China, is a mobile games development studio.
- Gameloft Company Limited, a wholly-owned subsidiary based in Vietnam, is a mobile games development studio.
- Gameloft Rich Games Production France SARL, a 99.8%-owned subsidiary based in France, is a mobile games development studio.
- Odyssée Interactive Games, a 99.90%-owned subsidiary based in France, is a mobile games development studio.
- Gameloft Software Private Limited, a 99.99%-owned subsidiary based in India, is a mobile games development studio.
- Gameloft S. de RL de C.V., a 99.95%-owned subsidiary based in Mexico, is a mobile games development studio.
- Gameloft Argentina S.A., a 94.75%-owned subsidiary based in Argentina, is a mobile games development studio.
- Gameloft, Inc., a 99.5%-owned subsidiary based in the United States, markets mobile games.
- Gameloft GmbH, a wholly-owned subsidiary based in Germany, markets mobile games.
- Gameloft Ltd., a 99.5%-owned subsidiary based in the United Kingdom, markets mobile games.
- Gameloft Iberica S.A., a wholly-owned subsidiary based in Spain, markets mobile games.
- Gameloft Srl, a 97.5%-owned subsidiary based in Italy, markets mobile games.
- Gameloft KK, a 99.9%-owned subsidiary based in Japan, markets and develops mobile games.
- Gameloft Company Limited, a wholly-owned subsidiary based in South Korea, markets and develops mobile games.
- Jeuxvideo.com, the group's 88%-owned subsidiary based in France, is the leading French website dedicated to video games.

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

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

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

3.4.3 The company's administrative and financial organisation

The Administrative department's areas of responsibility include cash flow management, monitoring of accounting and management rules, legal affairs, identifying external growth investments, finance, and relations with the financial community and shareholders. It also coordinates the company's corporate policy. Each manager of a development or marketing subsidiary is a signatory on the subsidiary's bank account and manages its expenses and physical investments

independently (limited for the most part to computer equipment). Every month, however, each subsidiary manager sends a detailed monthly income statement and a cash flow report to the Administrative department, which can then monitor very closely changes in income and expenses on a global scale. For cash fund management, management control and tracking of accounts payable and trade receivables, the company has installed an accounting software package which the finance department uses to track changes in the various accounts on a daily basis.

3.4.4 Partnership agreements

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

3.4.5 Gameloft's strengths and weaknesses

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

In addition, the company has very extensive expertise in the area of mobile phone games as well as one of the best game catalogues on the market. The company won four awards at the Mobiles Awards 2005, which were held on the occasion of the CTIA Wireless event in the United States in the first quarter of 2005.

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

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

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

3.5 Risk factors

3.5.1 Risks related to failure to implement the development plan

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

3.5.2 Risks related to the company's recent creation

Because of its recent creation, an assessment of the company and its prospects is particularly difficult. Gameloft's growth prospects must be considered in light of the risks frequently faced by companies in the first phase of their development.

To avoid these risks, the company must, among other things, assure the quality of its content, adequately develop and adapt its business strategy, continue to develop and adapt its infrastructure, provide flexible, reliable service which exceeds that of its competitors, recruit, retain and motivate qualified employees, and respond to its competitors' growth.

3.5.3 Dependence on strategic partners and indirect sales networks

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

3.5.4 General legal risks

Gameloft's game catalogue is protected by intellectual property law. This catalogue's success, however, could lead to attempts at copying and piracy. To avoid this risk, the company must implement a permanent monitoring system and act quickly when illegal copies are placed online.

3.5.5 Risks related to the need for additional capital

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

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

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

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

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

3.5.7 Risks related to growth management

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

3.6 *Exceptional events and lawsuits*

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

3.7 *Insurance*

The company does not have business interruption insurance.

The group has no private insurance.

4 FINANCIAL INFORMATION REGARDING GAMELOFT

4.1 Consolidated financial statements at 31 December 2005

4.1.1 Consolidated balance sheet at 31 December 2005 (in €K) – 12-month fiscal year

ASSETS	Notes	Gross	Amort/ Depr	Net	Net	Net
		31/12/05	31/12/05	12-month fiscal year (IFRS) 31/12/05	12-month fiscal year (IFRS) 31/12/04	Initial fiscal year (IFRS) 01/01/04
Goodwill	I	927	-	927	927	927
Other intangible assets	II	1,654	99	1,555	304	65
Tangible assets *	III	4,102	1,414	2,688	890	378
Non-current financial assets	IV	785	113	672	156	77
Deferred tax assets	V	783	-	783	1	-
Non-current assets		8,251	1,626	6,625	2,278	1,447
Inventory and work in progress	VI	241	-	241	98	7
Trade receivables and related accounts	VII	17,034	35	16,999	8,899	4,183
Financial assets **	VIII	-	-	-	130	-
Other receivables and accruals	IX	5,330	-	5,330	1,982	713
Cash and cash equivalents	X	8,848	-	8,848	2,475	2,555
Current assets		31,453	35	31,418	13,584	7,458
Total Assets		39,704	1,661	38,042	15,861	8,905

* including financial assets under a financial lease: €83,000

** including advances to affiliates not fully or proportionately consolidated at 31 December 2005: €0

LIABILITIES		12-month fiscal year (IFRS) 31/12/05	12-month fiscal year (IFRS) 31/12/04	Initial fiscal year (IFRS) 01/01/04
Capital		3,443	3,228	47,765
Additional paid-in capital		55,389	44,411	40,597
Consolidated reserves		-42,295	-42,807	-89,807
Other reserves		4,324	1,643	634
Consolidated profit:		1,364	282	2,120
Shareholders' equity (group share)	XI	22,225	6,758	1,309
Minority interests	XII	210	133	84
Total shareholders' equity		22,435	6,891	1,393
Provisions for contingencies and charges	XIII	11	25	2,157
Obligations toward employees	XIV	33	16	-
Financial debts	XV	5,108	1,095	2,956
Deferred tax liabilities	XVI	807	-	-
Non-current liabilities		5,959	1,137	5,113
Provisions for contingencies and charges	XIII	43	2,164	-
Financial debts *	XV	34	6	-
Trade payables and related accounts	XVII	5,660	3,413	1,061
Tax and social security liabilities	XVIII	3,837	1,888	1,188
Other debts	XVIII	74	362	150
Current liabilities		9,648	7,833	2,399
Total Liabilities		38,042	15,861	8,905

* including advances received by affiliates not fully or proportionately consolidated at 31 December 2005: €0

4.1.2 Consolidated income statement at 31 December 2005 (in €K)

	Notes	12-month fiscal year (IFRS) 31/12/05	12-month fiscal year (IFRS) 31/12/04
Revenue	I	46,841	23,236
Other business-related income	II	2,536	1,288
Cost of goods sold	III	3,122	1,757
Change in inventory and finished products	III	-150	-92
Other external expenses	IV	17,142	8,545
Taxes and duty		566	446
Personnel expenses	V	28,094	12,047
Depreciation	VI	904	502
Provisions	VII	70	72
Other operating income and expenses		176	-37
Operating income on ordinary activities		-195	1,210
Non-recurring expenses	VIII	1,378	-7,954
Operating profit/loss		1,183	-6,743
Cash and cash equivalents income		147	-262
Cost of gross financial indebtedness		-443	4,000
Cost of net financial indebtedness		591	-4,261
Financial income		227	12,094
Financial expense		31	491
Net financial income/expense	IX	787	7,341
Tax	X	529	267
Share in earnings of equity-accounted companies		-	-
Net profit/loss before income from operations discontinued or being sold		1,441	331
Profit/loss from operations discontinued or being sold		-	
Net profit/loss:			
Of the consolidated group		1,364	282
Minority interests		77	49
Earnings per share		0.0206	0.004
Diluted earnings per share		0.0179	0.004

* including - financial income from affiliates not fully or proportionately consolidated at 31 December 2005: €0
- financial expenses related to affiliates not fully or proportionately consolidated at 31 December 2005: €90,000

4.1.3 Consolidated funds flow statement at 31 December 2005 (in €K)

	12-month fiscal year (IFRS)	12-month fiscal year (IFRS)
	31/12/05	31/12/04
Cash flow from operating activities		
Net profit/loss	1,364	282
Depreciation of tangible and intangible assets	904	502
Change in provisions	-2,341	-7,853
Change in deferred taxes	-3	8
Income related to stock options and similar	2,475	-
Capital gains and losses	170	7,860
Cash from operations	2,569	1,835
Change in inventory	-143	-91
Change in trade receivables	-12,099	-6,116
Change in operating liabilities	4,719	3,247
Change in non-trade receivables	-2,330	418
Change in non-operating liabilities	-	-
Total cash flow	-9,853	-2,542
Investment-related cash flow		
Purchases of intangible assets	-112	-15
Purchases of tangible assets	-2,530	-840
Purchases of financial assets	-	-119
Purchase of other financial assets	-590	-46
Purchase of advances on licences	-1,771	-251
Purchase of other Gameloft shares	-	-
Sale of fixed assets	32	41
Repayment of loans and other financial assets	56	-
Repayment of advances on licences	583	-
Change in reporting entity: net fixed assets	-	-
Change in reporting entity: other assets	48	-
Change in reporting entity: other liabilities	-46	-
Change in reporting entity: cash and other assets	239	177
Total investment-related cash flow	-4,091	-1,053
Cash flow from financing operations		
New long and medium-term loans	83	-
Repayment of loans	-5	-
Capital increase	88	-
Increase in issue premium	1,105	-
Change in shareholders' current accounts	13,961	2,041
Other cash flows	-	81
Total cash flows from financing operations	15,231	2,122
Impact of translation gains and losses	186	-29
Change in cash and cash equivalents	4,042	333
Net cash and cash equivalents at start of fiscal year	2,304	1,971
Net cash and cash equivalents at end of fiscal year	6,346	2,304

4.1.4 Statement of changes in consolidated shareholders' equity

In €K

	Capital	Additional paid-in capital	Consolidated reserves and earnings	Reserves related to financial instruments	Consolidated reserves stock options	Other		Shareholders' equity	Minority interests	Total shareholders' equity
						Translation gains and losses	Own shares	Group share		
Position at 31 December 2003	47,765	40,597	-87,105		0	15	-	1,272	84	1,356
IFRS 2: Share-based payment			-355		355			0		0
IAS 38: Intangible assets			-37					-37		-37
IAS 21: Effect of changes in foreign exchange rates			-208			176		-32		-32
Other restatements			113			-8		105		105
Changes in accounting methods			-487	0	355	168		37	0	37
Position at 1 January 2004	47,765	40,597	-87,592	0	355	183		1,308	84	1,392
Change in capital of the consolidating company	-44,537	3,814	44,623					3,900		3900
Consolidated profit/loss for the fiscal year (Gameloft SA net profit: €1,625,000)			282					282		282
Change in translation gains and losses	-	-	-			69		69		69
Other changes	-		162		1 036			1,198	49	1,247
Position at 31 December 2004	3,228	44,411	-42,525	0	1 391	252	-	6,757	133	6,890
Change in capital of the consolidating company	214	10,978						11,192		11,192
Consolidated profit/loss for the fiscal year (Gameloft SA net profit: €3,102,000)			1,364					1,364		1,364
Other changes	-		231		2 475	206		2,912	77	2,989
Position at 31 December 2005	3,443	55,389	-40,930	0	3,866	458	0	22,225	210	22,435

4.2 Notes to the consolidated financial statements

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

4.2.1 Highlights of the fiscal year

During FY 2005, the company created several subsidiaries: Gameloft EOOD in Bulgaria, Gameloft S. de R.L. de C.V in Mexico, Gameloft Software Private Ltd in India, Gameloft Co. Ltd in Korea and Gameloft Argentina SA in Argentina. During the same period, Gameloft.com Pty Ltd in Australia was liquidated.

Gameloft signed an agreement with the founders of Jeuxvidéo.com which cancels their put option. The impact of this cancellation was +1.8 million euros in FY 2005. This income was recorded on the income statement as non-recurring income.

Gameloft carried out a capital increase through the capitalisation of debt in June 2005 (€10.4 million) and the exercise of stock options and start-up company stock purchase warrants which were due to expire on 25 October 2005 (€830,000). The share capital is currently €3,443,000.

4.2.2 Declaration of compliance and options related to first-time application

In accordance with EU regulation 1606/2002 of 19 July 2002, Gameloft's consolidated financial statements at 31 December 2005 were prepared according to the International Financial Reporting Standards (IFRS) applicable as of 31 December 2005, as approved by the European Union.

Given that this is the first time these standards are applied, reconciliation tables for shareholders' equity and income based on French standards pursuant to CRC regulation 99-02 and the new IFRS standards are presented in note 7.

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

The options used are as follows:

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

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

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

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

Recognition of stock options (IFRS 2):

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

4.2.3 Valuation methods and consolidation principles

The year-end financial statements were prepared by the Board of Directors on 10 March 2006.

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

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

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

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

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

4.2.3.1 Estimates and judgment

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

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

4.2.3.2 Goodwill

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

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

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

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

4.2.3.3 Other intangible assets

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

Other intangible assets include trademarks, licences and office software:

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

4.2.3.4 Tangible assets

Fixed assets are shown on the balance sheet at their acquisition cost minus discounts and investment grants issued, if any. Given the types of assets owned, no item separate from the principal assets was noted.

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

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

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

4.2.3.5 Non-current financial assets

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

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

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

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

4.2.3.6 Fixed assets acquired through financial leases

Significant fixed assets financed through financial leases are restated in the consolidated financial statements as if the company had acquired them directly and financed them through loans. The amount recorded on the asset side is equal to the fair value of the leased asset or, if this is lower, at the discounted value of the minimum payments.

4.2.3.7 Deferred taxes and tax payable

Deferred taxes are recognised according to revised IAS 12.

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

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

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

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

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

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

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

Tax payable is calculated based on the net profit for the period at the rate in effect as of the closing date.

4.2.3.8 Inventory

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

Inventories are valued using the first-in first-out method. The gross value of goods and supplies includes the purchase price and incidental expenses. Financial costs are excluded from inventory valuation in all cases.

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

Inventory as of 31 December 2005 consisted of cartridges for Asphalt: Urban GT on Nintendo DS.

4.2.3.9 Trade receivables and related accounts

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

4.2.3.10 Cash and cash equivalents

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

4.2.3.11 Conversion of items expressed in foreign currencies

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

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

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

Conversion to euros of the financial statements of foreign subsidiaries

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

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

4.2.3.12 Provisions for contingencies and charges

A provision is recorded when:

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

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

At 31 December, the provisions for contingencies and charges covered a provision for charges for subsidiaries with a net negative position, a provision to offset the risk of non-compliance with the period of non-transferability related to the stock options, and a provision for charges associated with their liquidation costs.

4.2.3.13 Benefits granted to employees

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

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

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

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

Based on the way each plan works, an actuarial calculation has been used to measure the employer's future obligations. This method entails determining the value of each employee's probable and discounted future benefits at the time of his/her retirement. The assumptions made as of 31 December 2005 are as follows:

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

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

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

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

4.2.3.14 Trade payables and related accounts

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

4.2.3.15 Development costs

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

4.2.3.16 Revenue

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

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

4.2.3.17 Operating income before non-recurring operations and operating income

Operating income on ordinary activities is defined as the difference between all expenses and income not resulting from financial activities, equity-accounted companies, activities discontinued or being sold or taxes.

Operating income includes operating income on ordinary activities and other operating income and expenses.

Other operating income and expenses are few in number and correspond to unusual, abnormal and infrequent events.

4.2.3.18 Cost of financing and other financial income and expenses

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

The cost of net financial indebtedness includes:

- cash and cash equivalents income, which includes income from sales of short-term investment securities and interest income;
- the cost of gross financial indebtedness, which includes all interest expense on financing operations and gains and losses on foreign currency hedges.

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

4.2.3.19 Sector information

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

4.2.3.20 Earnings per share

The group's earnings per share are shown as net earnings, on the one hand, and as net consolidated earnings before tax and minority interests, on the other.

* Earnings per share:

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

* Diluted earnings per share:

These earnings are calculated by dividing:

- net earnings before dilution plus the after-tax sum of financial cost savings that would be realised if the dilutive instruments were converted;
- by the average weighted number of outstanding common shares, plus the number of shares that would be created as a result of the conversion of the convertible instruments into shares and the exercise of rights.

Net earnings at 31 December 2005	€1,364,000
Dividends paid to shareholders:	€0
Financial costs related to bond issues net of tax:	€0
Restated net earnings	€1,364,000

Average weighted number of outstanding shares at 31 December 2005:	68,850,316
Potential shares:	
BSPCE	3,297,100
Stock options	<u>4,061,677</u>
Average weighted number of shares after exercise of the rights attached to the dilutive instruments	76,209,093

Diluted earnings per share at 31 December 2005 = €0.0179

4.2.4 Scope of consolidation

4.2.4.1 Companies included in the Gameloft group's consolidated financial statements at 31 December 2005

Company	Country	Acquisition /creation date	Activity - Sector	Consolidated company	Percentage of interest	Percentage of control	Method	Annual criteria used
GAMELOFT SA:	France	12/1999	Mobile	Yes	-	Parent	Full	

429 338 130			Distribution / Production			company	Consolidati on	
JEUXVIDEO.COM 411 659 675	France	04/2000	Internet Production	Yes	87.97%	88%	Full Consolidati on	Revenue > €300,000 Employees > 5
GAMELOFT INC.	USA	08/2000	Mobile Distribution / Production	Yes	100.00%	100%	Full Consolidati on	Revenue > €300,000 Employees > 5
GAMELOFT INC DIVERTISSEMENT	Canada	02/2000	Mobile Distribution / Production	Yes	100.00%	100%	Full Consolidati on	Revenue > €300,000 Employees > 5
GAMELOFT Ltd	United Kingdom	10/2001	Mobile Distribution	Yes	99.50%	100%	Full Consolidati on	Revenue > €300,000
GAMELOFT GMBH	Germany	10/2001	Mobile Distribution	Yes	100.00%	100%	Full Consolidati on	Revenue > €300,000
GAMELOFT IBERICA SA	Spain	10/2001	Mobile Distribution / Production	Yes	100.00%	100%	Full Consolidati on	Revenue > €300,000 Employees > 5
GAMELOFT SRL	Italy	10/2001	Mobile Distribution	Yes	99.74%	100%	Full Consolidati on	Revenue > €300,000
GAMELOFT SRL	Romania	10/2001	Mobile Production / Distribution	Yes	99.00%	100%	Full Consolidati on	Employees > 5
GAMELOFT SOFTWARE BEIJING Ltd	China	07/2003	Mobile Production / Distribution	Yes	100.00%	100%	Full Consolidati on	Employees > 5 Revenue > €300,000
GAMELOFT SOFTWARE SHANGHAI Ltd	China	04/2004	Mobile Production	Yes	100.00%	100%	Full Consolidati on	Employees > 5
GAMELOFT RICH GAMES PRODUCTION France 450 415 237	France	10/2003	Mobile Production	Yes	99.80%	100%	Full Consolidati on	Employees > 5
GAMELOFT EOOD Bulgaria	Bulgaria	12/2004	Mobile Production	Yes	100.00%	100%	Full Consolidati on	Employees > 5
GAMELOFT KK	Japan	04/2004	Mobile Production / Distribution	Yes	100.00%	100%	Full Consolidati on	Revenue > €300,000 Employees > 5
GAMELOFT LTD VIETNAM	Vietnam	11/2004	Mobile Production	Yes	100.00%	100%	Full Consolidati on	Employees > 5
GAMELOFT S. de R.L. de C.V.	Mexico	04/2005	Mobile Production	Yes	99.85%	100%	Full Consolidati on	Employees > 5
L'ODYSSEE INTERACTIVE GAMES 483 443 743	France	07/2005	Mobile Production	Yes	87.96%	100%	Full Consolidati on	Employees > 5
GAMELOFT PRIVATE LTD	India	09/2005	Mobile Production	Yes	99.00%	100%	Full Consolidati on	Employees > 5
Gameloft Co. Ltd	Korea	10/2005	Mobile Distribution	Yes	100.00%	100%	Full Consolidati on	Employees > 5
GAMELOFT Argentina	Argentina	09/2005	Mobile Production	Yes	100.00%	100%	Full Consolidati on	Employees > 5

The year-end closing date for consolidated companies is 31 December.

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

The criteria for consolidation in 2005 are €300,000 in revenue and/or a minimum of five employees.

4.2.4.2 Change in scope of consolidation

The consolidation scope used for FY 2005 differs from that of the 2004 period as a result of certain consolidation criteria having been met. Several of the group's subsidiaries met the criteria required for admission to the scope of consolidation. Gameloft Ltd Vietnam and Gameloft KK were added to the scope of consolidation on 1 January 2005

and Gameloft EOOD Bulgaria was added in March 2005. In addition, Gameloft S de RL de CV, Gameloft Private Ltd, Gameloft Co. Ltd, Gameloft Argentina and Odyssee Interactive Games were added at the time of their creation.

4.2.4.3 Impact of the change in the scope of consolidation

The impact of the consolidation of the newly consolidated companies on the balance sheet and income statement was not significant. This impact was +€910,000 and -€243,000, respectively.

4.2.5 Notes to the balance sheet

I. GOODWILL

	Date of acquisition of shareholdings	At 31/12/04 Gross	Increases	Decreases	Change in consolidation scope	At 31/12/05 Gross
Jeuxvidéo.com	28/04/2000	927				927
TOTAL		927	-	-	-	927

At 31 December 2005, no impairment test had been performed given the lack of loss of value indicators on this company.

II. OTHER INTANGIBLE ASSETS

Other intangible assets at 31 December 2005 were as follows:

Fixed assets	At 31/12/04 Gross	Increases	Decreases	Change in consolidation scope	Exchange differential	At 31/12/05 Gross
Software	45	112			11	168
Advance payments on licences	292	1771	583		6	1,486
TOTAL	337	1,883	583	-	17	1,654

Depreciation	At 31/12/04 Cumulative	Increases	Decreases	Change in consolidation scope	Exchange differential	At 31/12/05 Cumulative
Software	33	63	-	-	3	99
TOTAL	33	63	-	-	3	99

Advance payments made pertain to licence agreements signed with various automobile manufacturers, top-ranked athletes such as Olivier Kahn, Djibril Cissé, Ludovic Giuly, Paul Scholes and Vincente Rodriguez, FIFPRO (International Federation of Professional Footballers) and so on.

During FY 2005, new licence agreements were signed with Universal, Sony Pictures, Warner Bros., QEntertainment, etc.

The decrease in advances on licences is the result of royalties paid on a prorated basis for sales of the various licensed products.

At 31 December 2005, no impairment test had been performed given the lack of loss of value indicators on the other intangible assets.

III. TANGIBLE ASSETS

Tangible assets are as follows:

Fixed assets	At 31/12/04 Cumulative	Increases	Decreases	Change in consolidation scope	Exchange differential	At 31/12/05 Cumulative
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Technical facilities	194	532	1	24	75	825
Transportation equipment	-	6	-			6
Computer equipment and furniture	1,134	1,904	56	34	170	3,186
Leased computer equipment	-	83	-			83
Construction work in progress	-	1	-			1
TOTAL	1,328	2,526	56	58	245	4,101

The decreases in tangible assets resulted from the sale of computer equipment at Gameloft SA and Gameloft EOOD, and from the disposal of computer equipment at Gameloft Srl Romania and Jeuxvidéo.com.

The change in consolidation scope mainly concerns Gameloft KK (Japan) and Gameloft LTD Vietnam.

The increase in tangible assets was due to:

- the addition to the scope of consolidation of the Japanese and Vietnamese companies, mobile game production subsidiaries;
- the expansion of the other production studios.

Depreciation	At 31/12/04 Cumulative	Increases	Decreases	Change in consolidation scope	Exchange differential	At 31/12/05 Cumulative
Technical facilities	46	109			25	181
Transportation equipment	-	1				1
Computer equipment and furniture	392	861	41	5	2	1,220
Leased computer equipment		12				12
TOTAL	439	983	41	5	27	1,414

IV. NON-CURRENT FINANCIAL ASSETS

Fixed assets	At 31/12/04 Cumulative	Increases	Decreases	Change in consolidation scope	Exchange differential	At 31/12/05 Cumulative
Non-consolidated companies (gross values)	423		191	- 119		113
Deposits and guarantees	116	590	56	13	9	672
TOTAL	539	590	247	- 106	9	785

The change in scope (other equity holdings) resulted from the consolidation of Gameloft KK (€79,000) and Gameloft Ltd Vietnam (€40,000). The decreases are linked to the liquidation of the Australian company.

The increases in deposits and guarantees concerned Gameloft Software Beijing (€227,000), Gameloft KK (€94,000), Gameloft Private Ltd (€75,000), Gameloft Software Shanghai Ltd (€78,000), Gameloft Srl Romania (€41,000) and Gameloft Co. Ltd (€17,000).

The decreases concerned Gameloft Software Shanghai (€31,000) and Gameloft Software Beijing (€15,000).

Provisions	At 31/12/04 Cumulative	Increases	Decreases	Change in consolidation scope	At 31/12/05 Cumulative
Non-consolidated companies	383		191	- 79	113
TOTAL	383		191	- 79	113

The decrease in provisions of non-consolidated companies was due to the liquidation of Gameloft.com Pty Ltd (€191,000), and the change in scope resulted from the consolidation of Gameloft KK in 2005

Percentage of ownership of non-consolidated companies:

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

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

V. DEFERRED TAX ASSETS

	31/12/05	31/12/04
Losses capitalised	779	-
Timing differences	4	1
TOTAL	783	1

Deferred tax assets are recorded if they are likely to be recovered, in particular if taxable income is expected during the period in which the deferred tax assets are valid. Starting this year, the profit outlook for certain subsidiaries made it possible to record deferred tax assets.

The expiration periods of the tax losses are as follows:

- 10 years: €13,000
- 7 years: €723,000
- 5 years: €43,000

Losses capitalised/not capitalised:

	31/12/05		31/12/04
In €K	losses capitalised	losses not capitalised	losses capitalised
Gameloft Divertissements Inc.	694	-	
Gameloft KK	29	-	
Gameloft Co. Ltd	12	-	
Gameloft Argentina	31	-	
Gameloft S de RL de CV	13	-	
Gameloft SA	-	37,951	
GAMELOFT Rich Games Production France	-	36	
Gameloft Inc.	-	2,815	
Gameloft Iberica	-	500	
Gameloft GMBH	-	1,215	
TOTAL	779	42,517	-

VI. INVENTORY

Description	Gross value	Provision	At 31/12/05	At 31/12/04
Scratch cards	-	-	-	7
Asphalt Nintendo DS cartridges	241	-	241	91
TOTAL	241	-	241	98

Asphalt Nintendo DS cartridges are sold worldwide.
The inventory has not been put up as collateral.

VII. TRADE RECEIVABLES AND RELATED ACCOUNTS

At 31/12/05	Gross	Provision	Net	At 31/12/04
Trade receivables and related accounts	17,034	35	16,999	8,899
Total	17,034	35	16,999	8,899

The increase in trade receivables is linked to the sharp growth in activity during FY 2005. The average payment term of the Gameloft group's customers is 90 days. All trade receivables are due in less than one year and the impact of discounting is not significant and not recorded.

VIII. CURRENT FINANCIAL ASSETS

Fixed assets	At 31/12/04 Cumulative	Increases	Decreases	Reclassifications	Change in consolidation	Exchange differentials	At 31/12/05 Cumulative
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			scope	al	
Advances on current accounts	130	- 40	- 93	3	0
TOTAL	130	- 40	- 93	3	0

The decrease in advances on current accounts compared with FY 2004 resulted from the consolidation of Gameloft Vietnam. In addition, no advances were made to non-consolidated subsidiaries in FY 2005.

IX. OTHER RECEIVABLES AND ACCRUALS

Other receivables are as follows:

	31/12/05	31/12/04
VAT	979	423
Other tax and social security claims (1)	2,628	1,120
Credit notes from suppliers	69	38
Receivables from suppliers	23	217
Other	1,042	17
Pre-paid expenses	589	167
TOTAL	5,330	1,982

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

(1) Of which tax claims = €2,521,000, due mainly to the operating subsidies of Gameloft Canada.
Social security claims = €20,000

X. CASH AND CASH EQUIVALENTS

Short-term investment securities consist of the following:

Description	Name	Number	31/12/05		Capital gain/loss €K	31/12/04
			Gross value €K	Fair value €K		Net value €K
Mutual fund	Negotiable CD	1	2,000	2,002	2	-
Unit trust	CAM – Capital Institution Cash	24	487	492	5	164
TOTAL			2,487	2,494	7	164

The “cash on hand” item includes bank account balances totalling €6,354,000 at 31 December 2005 compared with €2,310,000 at 31 December 2004.

The change in net cash breaks down as follows:

Cash detail	31/12/04	31/12/05
Cash on hand	2,310	6,354
Short-term investment securities	164	2,494
Advances in foreign currencies	-	-
Bank overdrafts and short-term credit	- 6	- 8
TOTAL	2,468	8,840

XI. SHAREHOLDERS' EQUITY

Capital

At 31 December 2005, Gameloft S.A.'s share capital consisted of 68,850,316 shares, each with a par value of 0.05 euros, for a total of 3,442,515.80 euros.

On 28 June 2005, Gameloft carried out a capital increase through the capitalisation of debt (€10.4 million) and the exercise of stock options and start-up company stock purchase warrants which were due to expire on 25 October 2005 (€830,000).

Number of Gameloft S.A. shares

	Par value €	Number of shares	Amount in €K
At 01/09/00	0.7622	23,994,925	18,289
Offsetting of claims	0.7622	2,458,125	1,874
At 31/08/01	0.7622	26,453,050	20,164
Reserved capital increase of 07/12/01	0.7622	18,563,502	14,150
Capital reduction with transition to euro			-101
Takeover merger of Ludigames on 29/03/02	0.76	17,832,213	13,552
At 31/12/02	0.76	62,848,765	47,765
No operation over the period			-
At 31/12/03	0.76	62,848,765	47,765
Reduction of par value	0.05	62,848,765	3,142
Offsetting of claims 17/11/04	0.05	1,718,058	86
At 31/12/04	0.05	64,566,823	3,228
Offsetting of claims 28/06/2005	0.05	2,623,296	131
Reserved capital increase of 25/10/2005	0.05	1,660,197	83
At 31/12/05	0.05	68,850,316	3,443

Stock options and BSPCE

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

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

Date of Board of Directors' meeting	21/03/03
Number of shares eligible for subscription:	714,000
Number of people concerned:	39
including managers	0
Start of exercise	21/03/2006
End of exercise	21/03/2008
Subscription price	1.25 euros

Date of Board of Directors' meeting	15/09/03
Number of shares eligible for subscription:	1,544,500
Number of people concerned:	96
including managers	0
Start of exercise	15/09/2006
End of exercise	15/09/2008
Subscription price	1.75 euros

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

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

Date of Board of Directors' meeting	21/03/03
Number of BSPCE warrants allotted:	220,000
Number of people concerned: including managers	9 0
Start of exercise	21/03/2006
End of exercise	21/03/2008
Subscription price	1.25 euros
Date of Board of Directors' meeting	15/09/03
Number of BSPCE warrants allotted:	1,422,500
Number of people concerned: including managers	36 0
Start of exercise	15/09/2006
End of exercise	15/09/2008
Subscription price	1.75 euros
Date of Board of Directors' meeting	03/12/04
Number of BSPCE warrants allotted:	1,486,500
Number of people concerned: including managers	32 0
Start of exercise	31/03/2006
End of exercise	03/12/2009
Subscription price	2.40 euros

In total, a maximum of 7,358,777 shares may be created through the exercise of stock options and BSPCE warrants.

XII. Minority interests

	At 31/12/2004	Increases	Decreases	At 31/12/2005
JeuxVidéo	133	77	-	210
TOTAL	133	77	-	210

At 31 December 2005, Gameloft S.A. held 88% of the capital of Jeuxvidéo.com.

XIII. PROVISIONS FOR CONTINGENCIES AND CHARGES

Non-current liabilities	At 31/12/2004	Allocations for the year	Write-backs for the year		At 31/12/2005
			Amount used during the year	Amount not used during the year	
Provisions for contingencies and charges					
For other risks	8		8		-
For charges	17			6	11
Total	25	-	8	6	11

The write-back of provisions for charges resulted from the liquidation of Gameloft.com Pty Ltd.

Current liabilities	At 31/12/2004	Allocations for the year	Write-backs for the year		At 31/12/2005
			Amount used during the year	Amount not used during the year	
Provisions for contingencies and charges					
For other risks	-	43			43
For charges	2,164		-	2,164	-
Total	2,164	43	-	2,164	43

The write-back of provision for charges refers to the waiver of the exercise of the put option by Jeuxvidéo.com's founders (€2,164,000).

A provision was created to offset the potential risk of non-compliance with the period of non-transferability for exercise of the stock options related to the plan of 3/12/2004.

XIV. OBLIGATIONS TOWARD EMPLOYEES

	At 31/12/2004	Allocations	Write-backs	Exchange differentials	At 31/12/2005
Provisions for retirement	16	17	-	-	33
TOTAL	16	17	-	-	33

The definition and rules for measuring and recording these commitments are described in note 5.3.13 “Accounting principles – Benefits granted to employees”.

The provision for retirement indemnities was increased by €17,000 during the year.

XV. Financial debts

Non-current financial debts are as follows:

	31/12/05	31/12/04
Loans	52	-
Bank overdrafts	-	-
Loans resulting from restatement of financial leases	-	-
Partners' current accounts	5,056	1,095
Financial debts	5,108	1,095

Bank overdrafts are used to fund occasional cash flow shortages.

Current financial debts are as follows:

	31/12/05	31/12/04
Loans	26	-
Bank overdrafts	8	6
Loans resulting from restatement of financial leases	-	-
Partners' current accounts	-	-
Financial debts	34	6

	31/12/05	31/12/04
Non-current financial debts excluding government advances	5,108	1,095
Current financial debts excluding government advances	34	6
Cash on hand	-6,354	-2,310
Short-term investment securities	-2,494	-164
Net financial indebtedness	-3,706	-1,373

At the year-end closing of 31 December 2005, there was a net financial surplus of €3,706,000 versus €1,373,000 at 31 December 2004.

All financial debts are based on a fixed rate.

The breakdown of financial debts by currency is as follows:

	31/12/05	31/12/04
Euros	5,064	1,095
Canadian dollars	78	-
Financial debts	5,142	1,095

XVI. DEFERRED TAX LIABILITIES

	31/12/05	31/12/04
Gameloft Divertissements Inc.	807	-
TOTAL	807	-

These are taxes on subsidies to be received from the Canadian subsidiary.

XVII. TRADE PAYABLES AND RELATED ACCOUNTS

	31/12/05	31/12/04
Trade payables	5,639	3,388
Trade payables on fixed assets	21	25
Total	5,660	3,413

The average period for paying our suppliers is 60 days.

XVIII. TAX AND SOCIAL SECURITY LIABILITIES AND OTHER DEBTS

Other debts are as follows:

	31/12/05	31/12/04
Amounts owed to customers	30	271
Social security liabilities	1,945	913
Tax liabilities	1,892	975
Other debts	43	19
Unearned income	1	72
TOTAL	3,911	2,250

Tax liabilities pertain mainly to Gameloft SA (€568,000), Jeuxvidéo.com (€311,000), Gameloft Ltd (€353,000), Gameloft GMBH (€199,000), Gameloft Srl (Romania) (€116,000) and Gameloft Software Beijing (€93,000).

Social security liabilities mainly concern Gameloft SA (€609,000), Jeuxvidéo.com (€187,000) and Gameloft Inc. Divertissement (€459,000), Gameloft SRL Romania (€278,000), Gameloft Rich Games Production France (€127,000), L'Odyssée Interactive Games (€67,000) and Gameloft Software Beijing (€57,000).

4.2.6 Notes to the income statement

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

I. REVENUE

The breakdown of revenue by geographic zone is as follows:

	12-month fiscal year		12-month fiscal year	
	31/12/05		31/12/04	
	€K	%	€K	%
Europe	26,752	57%	15,718	68%
North America	13,779	29%	6,042	26%
Rest of the world	6,310	13%	1,476	6%
Total	46,841	100%	23,236	100%

The breakdown of revenue by activity is as follows:

	12-month fiscal year		12-month fiscal year	
	31/12/05		31/12/04	
	€K	%	€K	%
Internet	2,027	4%	1,403	6%
Mobile	44,814	96%	21,839	94%
Provision of services - Other	-	-%	-6	0%
Total	46,841	100%	23,236	100%

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

The strong diversification of Gameloft's distribution network allows it to be independent of any particular telecom operator. Thus in FY 2005, no telecom operator accounted for more than 10% of the company's total revenue and the 10 most significant operators represented less than 45% of Gameloft's total revenue.

II. OTHER BUSINESS-RELATED INCOME

Other operating income is as follows:

	31/12/05	31/12/04
Operating subsidies	2,405	781
Write-backs of provisions	-	-
Transfer of charges	131	507
TOTAL	2,536	1,288

Operating subsidies pertain to Canada and are associated with the hiring of production personnel. The payment of subsidies is not subject to any conditions precedent.

III. COST OF GOODS SOLD AND CHANGE IN INVENTORY

	31/12/05	31/12/04
Purchases of goods	2,080	1,211
Purchases of studies, services and other supplies	1,042	546
TOTAL	3,122	1,757

The €1,042,000 spent on purchases of studies and services represent part of the game development costs: translation, testing, etc.

Purchases of goods refer to purchases of game cartridges for *Asphalt: Urban GT* on Nintendo DS and total €2,080,000.

IV. OTHER OPERATING EXPENSES

Other operating expenses are as follows:

	31/12/05	31/12/04
Other external expenses	17,142	8,545
TOTAL	17,142	8,545

Other operating expenses consist of advertising and marketing expenses (€3,879,000), conference and trade fair expenses (€531,000), licence fees (€1,474,000), expenses on small equipment required for game production (€1,063,000 of which is exclusively for purchases of mobile phones), telecommunication costs, rental charges, administrative subcontracting and marketing expenses (€546,000) and professional fees (€1,225,000).

To our knowledge, Gameloft has no dependence on a specific supplier. In particular, no supplier accounted for more than 5% of Gameloft's revenue.

V. PERSONNEL EXPENSES

	31/12/05	31/12/04
Employee compensation	22,846	9,418
Social security charges	5,247	2,628
TOTAL	28,094	12,047

€20,125,000 of personnel expenses pertain to development expenses linked to game production subsidised at a rate of €2,183,000.

The increase in personnel expenses stemmed from the expansion of the production studios, the addition of the Vietnamese, Bulgarian and Japanese companies to the scope of consolidation, and the creation of new production subsidiaries during the year.

Personnel expenses related to stock options and BSPCE totalled €2,475,000 in 2005 versus €1,035,000 in 2004.

VI. DEPRECIATION

Depreciation and provisions are as follows:

	31/12/05	31/12/04
Depreciation of fixed assets	904	502
TOTAL	904	502

Depreciation increased following the purchase of a large amount of computer equipment at all the group's subsidiaries as well as the relocation of several sites.

VII. PROVISIONS

Depreciation and provisions are as follows:

	31/12/05	31/12/04
Provisions	70	72
TOTAL	70	72

Provisions pertain to the recognition of a retirement commitment (€17,000), provisions for trade receivables (€6,000), and a provision for risk related to the stock options (€43,000).

VIII. NON-RECURRING EXPENSES

Non-recurring operations are as follows:

	31/12/05	31/12/04
Income from the sale of fixed assets	- 170	- 7,860
Other non-recurring income	2,165	40
Other non-recurring expenses	617	134
TOTAL	1,378	- 7,954

Other non-recurring income concerns the withdrawal of the put option held by Jeuxvidéo.com's founders (€2,164,000). Other non-recurring expenses refer to the agreement made on the withdrawal of the put option held by Jeuxvidéo.com's founders (€362,000) and the first-time consolidation of Gameloft KK, Gameloft EOOD Bulgaria and Gameloft Ltd Vietnam (€243,000).

IX. NET FINANCIAL INCOME/EXPENSE

Net financial income/expense breaks down as follows:

	31/12/05	31/12/04
Cost of net financial indebtedness	591	- 4,261
<i>Cash and cash equivalents income</i>	58	12
<i>Income from the sale of cash equivalents</i>	89	- 274
<i>Interest on financing operations</i>	-101	- 4,016
<i>Income from currency hedges on cash and cash equivalents</i>	544	17
Financial income	227	12,094
<i>Dividends</i>	-	-
<i>Foreign exchange gains</i>	31	24
<i>Other financial income</i>	197	12,070
Financial expense	31	492
<i>Foreign exchange losses</i>	2	413
<i>Other financial expenses</i>	29	79
TOTAL	787	7,341

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

The company has financial debts in euros and Canadian dollars.

The company had no interest rate or foreign currency hedge at 31 December 2005.

Income from the sale of cash equivalents pertains to sales of Ubisoft stock warrants.

Other financial income refers primarily to the write-back of the provision for equity holdings in Gameloft.com PTY LTD (€191,000) and the cancellation of the provision for liquidation of this subsidiary (€6,000).

The interest on financing operations item includes the financial expenses related to payment of the Guillemot Brothers' current account advance (€90,000).

X. INCOME TAX

Income tax consists of the following:

	31/12/05	31/12/04
Tax payable	623	266
Deferred tax	- 94	-
Total	529	266

- Tax payable:

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

- Deferred tax:

	31/12/05	31/12/04
Deferred tax assets (see detail VI)	783	1
Deferred tax liabilities (see detail XVII)	807	-

Current taxes consist primarily of corporate income tax at a rate of 33.83% on JeuxVidéo.com, which reported a profit, and on Gameloft Ltd and Gameloft Divertissements Inc.

Given the large amount of tax credits at 31 December 2005, the company does not expect to pay a significant amount of tax in the coming fiscal year.

Proof of tax:

	31/12/05	31/12/04
Earnings before tax	2,288	1,928
Notional tax	774	662
Use of tax losses:		
Gameloft SA: 630 * 33.83%	- 213	- 397
Gameloft KK:	- 36	
Add-back:		
Jeuxvidéo.com: 10.8 * 33.83%	4	1
Total	529	266

4.2.7 Sector information

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

Breakdown of operating profit/loss by geographic zone at 31 December 2005:

	Europe*	North America	Rest of the world	Total at 31/12/05
Revenue	26,752	13,779	6,310	46,841

Other business-related income	7	2,146	383	2,536
Cost of goods sold	3,122	-	-	3,122
Change in inventory and finished products	-150	-	-	-150
Other external expenses	8,891	4,697	3,554	17,142
Taxes and duty	310	17	239	566
Personnel expenses	10,952	10,484	6,658	28,094
Depreciation	196	317	391	904
Provisions	70	-	-	70
Other operating income and expenses	93	8	75	176
Operating income on ordinary activities	3,461	418	-4,074	-195
Non-recurring expenses	1,378	-	-1	1,378
Operating profit/loss	4,838	418	-4,075	1,183
Cash and cash equivalents income	138	7	2	147
Cost of gross financial indebtedness	- 484	5	35	-443
Cost of net financial indebtedness	622	2	- 33	591
Financial income	227	-	1	227
Financial expense	2	-	29	31
Net financial income/expense	847	2	- 62	787
Tax	481	123	- 75	529
Share in earnings of equity-accounted companies	-	-	-	-
Net profit/loss before income from operations discontinued or being sold	5,204	298	- 4,061	1,441
Profit/loss from operations discontinued or being sold	-	-	-	-
Net profit/loss:	5,204	298	- 4,061	1,441
Of the consolidated group	5,127	298	- 4,061	1,364
Minority interests	77	-	-	77

* includes European Union member states or accession countries

Geographic breakdown of fixed assets (gross values):

Fixed assets	Europe*		North America		Rest of the world		Total
	Amount	As %	Amount	As %	Amount	As %	Amount
Goodwill	927	100.00%	-	-	-	-	927
Office software	33	19.64%	69	41.07%	66	39.29%	168
Advances	1,220	82.10%	119	8.00%	147	9.90%	1,486
General facilities	32	3.88%	502	60.85%	291	35.27%	825
Transportation equipment	-	-	-	-	6	100.00%	6
Computer equipment and furniture	585	18.36%	1,109	34.81%	1,492	46.83%	3,186
Fixed assets in CB	-	-	83	100.00%	-	-	83
Construction work in progress	-	-	-	-	1	100.00%	1
TOTAL	2,797	41.86%	1,882	28.16%	2,003	29.98%	6,683

* includes European Union member states or accession countries

Geographic breakdown of fixed assets (net values):

Fixed assets	Europe*		North America		Rest of the world		Total
	Amount	As %	Amount	As %	Amount	As %	Amount
Goodwill	927	100.00%	-	-	-	-	927
Office software	8	11.59%	29	42.03%	32	46.38%	69
Advances	1,220	82.10%	119	8.00%	147	9.90%	1,486
General facilities	17	2.64%	389	60.31%	239	37.05%	645
Transportation equipment	-	-	-	-	6	100.00%	6
Computer equipment and furniture	261	13.28%	774	39.37%	931	47.36%	1,966
Fixed assets in CB	-	-	70	100.00%	-	-	70
Construction work in progress	-	-	-	-	1	100.00%	1
TOTAL	2,433	47.06%	1,381	26.71%	1,356	26.23%	5,170

* includes European Union member states or accession countries

Breakdown of net fixed assets by activity:

Fixed assets	Intangible		Tangible		Capital		Total
	Amount	As %	Amount	As %	Amount	As %	Amount

Mobile	2,478	99.84%	2,610	97.10%	666	99.11%	5,754
Internet	4	0.16%	78	2.90%	6	0.89%	88
TOTAL	2,482	100.00%	2,688	100.00%	672	100.00%	5,842

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

Fixed assets	Europe*		North America		Rest of the world		Total
	Amounts	As %	Amounts	As %	Amounts	As %	Amounts
Office software	13	11.61%	60	53.57%	39	34.82%	112
General facilities	14	2.63%	308	57.89%	210	39.48%	532
Transportation equipment	-		-		6		6
Computer equipment and furniture	257	13.50%	630	33.09%	1,017	53.41%	1,904
Fixed assets in CB			83	100.00%			83
Construction work in progress					1	100.00%	1
TOTAL	284	100.00%	1,081	100.00%	1,273	100.00%	2,638

* includes European Union member states or accession countries

Breakdown of consolidated assets (net value) by geographic zone at 31 December 2005:

ASSETS	Europe*	North America	Rest of the world	Total at 31/12/05
Goodwill	927			927
Other intangible assets	1,228	148	179	1,555
Tangible assets *	278	1,233	1,177	2,688
Holdings in affiliates	-	-	-	-
Non-current financial assets	41	85	546	672
Deferred tax assets	4	694	85	783
Non-current assets	2,478	2,160	1,987	6,625
Inventory and work in progress	241	-	-	241
Trade receivables and related accounts	11,039	4,855	1,105	16,999
Financial assets **	-	-	-	-
Other receivables and accruals	996	2,724	1,610	5,330
Cash and cash equivalents	7,241	575	1,032	8,848
Current assets	19,517	8,154	3,747	31,418
Total Assets	21,995	10,314	5,733	38,042

* includes European Union member states or accession countries

4.2.8 Transition from French to IFRS accounting standards

Consolidated balance sheet at 01/01/04:

IAS 21: Effects of changes in foreign exchange rates

IAS 38: Intangible assets

IFRS 2: Share-based payment

Standardisation of depreciation of tangible and intangible assets

					Detail of IFRS restatements					
	published 99-02	IFRS reclassificati ons	IFRS restatements	Total published IFRS 01/01/04	IAS 21	IAS 38	IFRS2	Standardisat ion	Other	Total restatem ents
<u>Non-current assets</u>										
Organisation costs	6	- 6		0						0
Goodwill	13,654	-12,727		927						0
Licences – office software	1,905	-1,890	11	26		-27			38	11
Advance payments	0	39		39						0
Total gross intangible assets	15,564	-14,583	11	992	0	- 27	0	0	38	11
Amort. Organisation costs	6	-6		0						0
Amort. Licences – office software	1,872	-1,890	18	0		- 1		- 14	33	18
Amort Goodwill	12,727	-12,727		0						0
Total amort intangible assets	14,605	-14,623	18	0	0	-1	0	- 14	33	18
Net intangible assets	960	39	-7	992	0	-26	0	14	5	- 7
Technical facilities	233	-130	-42	61	-62				20	-42
Transportation equipment	16	-14		2						0
Computer equipment and furniture	559	-464	219	314	- 17				236	219
Total gross tangible assets	808	-607	177	378	- 79	0	0	0	256	177
Depr. technical facilities	171	-130	- 41	0	- 47			- 5	11	-41
Depr. transportation equipment	13	-13		0						0
Depr. computer equipment and furniture	375	-464	89	0	- 9			- 78	176	89
Total depr. tangible assets	559	-607	48	0	- 56	0	0	- 83	187	48
Net tangible assets	249	0	129	378	- 23	0	0	83	69	129
Deposits and guarantees	58		-12	45	- 12					-12
Current accounts	0	4,013	-93	3,920					-93	-93
Provision for adv on C/A	0	3,920		3,920						0
Net C/A	0	93	- 93	0	0	0	0	0	- 93	- 93
Assets available for sale										
Equity holdings	8,481		-173	8,307					-173	- 173
Provision for securities	8,276			8,276						0
Net securities	205		-173	32	0	0	0	0	-173	- 173
TOTAL financial assets	263	92	-278	77	-12	0	0	0	- 266	- 278
<u>TOTAL non-current assets</u>	1,471	131	-156	1,447	- 35	- 26	0	97	- 192	-156
<u>Current assets</u>										
Advance payments	39	-39		0						0
Net inventory of goods	7			7						0
Gross trade receivables	4,211		1	4,212					1	1
Provision for trade receivables	29			29						0
Net trade receivables and related accounts	4,182		1	4,183	0	0	0	0	1	1
VAT	226			226						0
Current accounts	4,013	- 4,013		0						0
Provision for adv on C/A	3,920	- 3,920		0						0
Social security claims	0		3	3					3	3
Tax claims	281			281						0
Credit notes from suppliers	23			23						0
Receivables from suppliers	2			2						0
Other	16		49	64					49	49
Other receivables	639	-92	52	599					52	52
Net short-term investment securities	582	0	0	582						0
Cash on hand	1,946		27	1,973					27	27
Pre-paid expenses	112		1	113					1	1
<u>TOTAL current assets</u>	7,507	-131	82	7,457	0	0	0	0	82	82

	Total Assets	8,978	0	-74	8,904	- 35	- 26	0	97	- 110	- 74
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	published 99-02	IFRS reclassificat ions	IFRS restatements	Total published IFRS 01/01/04	Detail of IFRS restatements					
					IAS 21	IAS 38	IFRS2	Standardisat ion	Other	Total restatemen ts
LIABILITIES										
Capital	47,765			47,765						0
Issue premium	40,597			40,597						0
Consolidated reserves	-89,463		-249	-89,712	31	-37	-355	105	7	-249
Conversion reserve	15		168	183	176				-8	168
Reserves for employee benefits			355	355			355			355
Result	2,358		-238	2,120	-238					- 238
Total	1,272	0	36	1,309	-31	-37	0	105	- 1	36
Minority interests	53			53						0
Net profit/loss (non-group)	31			31						0
Total shareholders' equity	1,356	0	36	1,393	-31	- 37	0	105	- 1	36
Non-current liabilities										
Provision for contingencies and charges	2,165	-47	- 8	2,110					- 8	- 8
Borrowings and related accounts	0	0	0	0						0
Borrowings and misc. fin. debts	0	0	0	0						0
TOTAL non-current liabilities	2,165	- 47	- 8	2,110	0	0	0	0	- 8	- 8
Current liabilities										
Provision for contingencies and charges		47		47						0
Borrowings and related accounts	2			2						0
Other current accounts	2,949			2,949						0
Accrued interest	5	0	0	5						0
Borrowings and misc. fin. debts	2,954			2,954						0
Trade payables	1,216	-185	22	1,053					22	22
Amounts owed to customers	3	0	0	3						0
Social security liabilities	508		52	560					52	52
Tax liabilities	618		10	628					10	10
Tax and social security liabilities	1,127	0	62	1,188	0	0	0	0	62	62
Debts on fixed assets	8	0	0	8						0
Other debts	113			113						0
Unearned income	35			35						0
TOTAL current liabilities	5,458	- 138	84	5,403	0	0	0	0	84	84
Total Liabilities	8,978	-185	112	8,904	-31	- 37	0	105	75	112

Statement of changes in shareholders' equity at 01/01/04:

	Capital	Additional paid-in capital	Consolida ted reserves	Consolida ted reserves stock options	Result for the year	Earnings recorded directly in SE	Other	Total sharehold ers' equity
							Translat ion gains and losses	Own shares
Position at 31 December 2003	47,765	40,597	-89,463	0	2,358		15	-
IFRS 2: Share-based payment			-355	355				
IAS 38: Intangible assets						-37		
IAS 21: Effect of changes in foreign exchange rates			19		-238	11	176	
Conso. restatements - chine in the financial statements			-8			8		
Conso. restatements - Standardisation						113	-8	
Changes in accounting methods			-344	355	-238	95	168	37
Position at 1 January 2004	47,765	40,597	-89,807	355	2,120	95	183	1,309

	Capital	Additional paid-in capital	Consolida ted reserves	Consolida ted reserves stock options	Result for the year	Earnings recorded directly in SE	Other	Total sharehold ers' equity
							Translat ion gains and losses	Own shares
Position at 31 December 2003	47,765	40,597	-89,463	0	2,358		15	-
Changes in accounting methods			-344	355	-238	95	168	37
Position at 1 January 2004	47,765	40,597	-89,807	355	2,120	95	183	1,309
Change in capital of the consolidating company	- 44,537	3,814	44,623					3,900
Consolidated profit/loss N-1			2,120		-2,120			-
Consolidated profit/loss for the fiscal year (Gameloft SA net profit: €1,625,000)					282			282
Change in translation gains and losses	-	-	-		-		69	69
Other changes	-		257	1,036		-95		1,198
Position at 31 December 2004	3,228	44,411	-42,807	1,391	282	0	252	-

4.2.9 Additional information

1. Off-balance sheet commitments

Guarantees given: none

Collateral provided: none

Guarantees received: none

Off-balance sheet commitments:

* Gameloft SA has commitments toward certain licensors:

- €77,500 toward holders of trademarks and licences used in some of the company's mobile games;
- USD 1,222,000 toward holders of trademarks and licences used in some of the company's mobile games;

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

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

Notes receivable discounted: none

Financial leases: none

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

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

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

There are no other significant off-balance sheet commitments.

2. Development costs

Development costs are charged directly to expenses in the company's accounts. With the exception of expenses related to the development of its mobile phone game catalogue, the company incurred no R&D expenses. Development costs amounted to €28,496,000 in 2005.

3. Compensation of senior executives

The total gross compensation paid to senior executives in 2005 by both the company and its subsidiaries was €228,000. No directors' fees were paid.

No advance or credit was extended to the group's senior executives pursuant to Article L225-43 of the French Commercial Code.

4. Events subsequent to year end

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

5. Personnel

The workforce at 31 December 2005 breaks down as follows:

a) Breakdown by entity:

	31/08/00	31/08/01	31/12/02	31/12/03	31/12/04	31/12/05
Gameloft S.A. (France)	12	12	30	43	37	40
Romania	-	-	21	64	191	454
Canada	71	18	14	52	190	305
JeuxVidéo.com (France)	9	5	10	11	21	39
Germany	12	11	2	2	3	3
USA	20	12	1	1	57	65
Other companies	17	0	3	5	14	86
Gameloft Vietnam						68
Gameloft EOOD						75
Gameloft S de RL de CV						77
Gameloft Argentina						46
Gameloft RGPf (France)					11	26
China					198	500
Total	141	58	81	178	722	1,784

b) Breakdown by department:

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

The sharp increase in personnel between 31 December 2004 and 31 December 2005 was due to both the company's rapid expansion and the addition of subsidiaries to the scope of consolidation.

6. Items pertaining to affiliates

Assets (in €K)

Equity holdings	113
Receivables from suppliers	-
Trade receivables and related accounts	-
Provision for trade receivables	-
Other receivables	-

Liabilities (in €K)

Trade payables and related accounts	9
Financial debts	5 044

Net financial income/expense (n €K)

Financial income	-
Financial expense	90

7. Market risk:

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

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

8. Non-consolidated subsidiaries

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

4.2.10 Auditors' report on the consolidated financial statements

Pursuant to the mission entrusted to us by your General Meeting, we have audited the consolidated financial statements of Gameloft SA for the 12-month fiscal year ended 31 December 2005, as attached to this report.

The consolidated financial statements were drawn up by your Board of Directors. It is our task, on the basis of our audit, to express an opinion on these financial statements. These financial statements were prepared for the first time according to IFRS standards, as applied in the European Union. For comparison purposes, they include the FY 2004 data restated according to these same rules.

I - Opinion on the consolidated financial statements

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

We certify that the consolidated financial statements, in accordance with IFRS standards as applied in the European Union, are true and in good order and fairly present the assets, financial position and net profit or loss of the group comprised of the consolidated companies.

II - Basis for the assessments

In accordance with Article L. 823-9 of the French Commercial Code related to the basis for our assessments, introduced by the Financial Security Act of 1 August 2003, we wish to bring the following points to your attention:

- We felt it appropriate to review the estimates of the provisions for contingencies and charges, Note 5.5 XIII of the Notes. The company provided us with information concerning these estimates, including in particular the evidence requested concerning the reasonableness of the valuation of the provisions.

The assessments thus made are an integral part of our audit of the year-end financial statements as a whole, and therefore helped us form our unqualified opinion, as expressed in the first part of this report.

III - Specific verification

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

Issued in Rennes, 15 May 2006

The Auditors

André Métayer

Roland Travers

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

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

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

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

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

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

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

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

4.3 Individual financial statements at 31 December 2005

4.3.1 Balance sheet at 31 December 2005 (in €K) (12-month fiscal year)

ASSETS		31/12/05	31/12/05	31/12/05	31/12/04	31/12/03
	Notes	Gross €K	Amort/dep €K	12-month fiscal year Net €K	12-month fiscal year Net €K	12-month fiscal year Net €K
Intangible assets	I	1,867	1,863	4	45	27
Tangible assets	II	479	333	146	129	102
Financial assets	III	20,180	15,227	4,953	1,789	1,072
Long-term assets		22,526	17,423	5,103	1,963	1,201
Inventories of goods	IV	241		241	98	6
Advance payments made	V	1,151	-	1,151	269	33
Trade receivables and related accounts	VI	20,826	3,011	17,815	9,045	5,774
Other receivables	VII	2,771	130	2,641	1,625	597
Short-term investment securities	IX	2,002	-	2,002	-	156
Cash on hand	X	2,187	-	2,187	586	950
Current assets		29,178	3,141	26,037	11,623	7,516
Accruals	XI	148	-	148	601	134
Total Assets		51,852	20,564	31,288	14,187	8,851

LIABILITIES		31/12/05	31/12/04	31/12/03
	Notes	12-month fiscal year €K	12-month fiscal year €K	12-month fiscal year €K
Capital		3,443	3,228	47,765
Additional paid-in capital		55,389	44,411	40,597
Reserves		-42,116	-43,741	-92,887
Result for the year		3,102	1,625	4,523
Shareholders' equity	XII	19,818	5,524	-1
Provisions for contingencies and charges	XV	202	2,688	3,996
Misc. financial debts (1)	XVI	5,555	1,585	2,956
Trade payables and related accounts	XVII	4,321	3,422	1,160
Tax and social security liabilities	XVIII	1,178	825	593
Debts on fixed assets		8	22	5
Other debts	XIX	39	19	115
Total debts		11,101	5,873	4,829
Accruals	XX	167	102	27
Total Liabilities		31,288	14,187	8,851
(1) including partners' current accounts		5,547	1,579	2,954

4.3.2 Income statement at 31 December 2005 (in €K)

	Notes	12-month fiscal year ended 31/12/05	12-month fiscal year ended 31/12/04	12-month fiscal year ended 31/12/03
Sales of goods	I	3,383	1,925	38
Production for the year	I	32,203	16,928	8,306
Other operating income and transfers of charges	II	<u>1,117</u>	<u>178</u>	<u>238</u>
Total operating income		36,703	19,031	8,582
Purchases	III	24,554	8,616	2,336
Change in inventories		-150	-92	60
Other purchases and external charges	IV	7,392	3,175	1,482
Taxes		238	288	82
Personnel expenses	V	4,776	3,866	3,104
Other expenses		82	122	192
Depreciation and provisions	VI	<u>233</u>	<u>4,163</u>	<u>113</u>
Total operating expenses		37,125	20,138	7,369
Operating profit/loss		-422	-1,107	1,213
Income from other securities and receivables from long-term assets (1)		-	-	299
Other interest and similar income (1)		75	68	100
Write-backs of provisions		2,021	15,383	7,546
Foreign exchange gains		754	245	67
Net income from sales of short-term investment securities		<u>89</u>	<u>1</u>	<u>600</u>
Total financial income		2,939	15,697	8,612
Provisions		471	597	1,909
Other interest and similar expenses (2)		104	4,008	3,023
Foreign exchange losses		451	171	297
Net expenses on sales of short-term investment securities		=	<u>282</u>	<u>1,596</u>
Total financial expenses		1,026	5,058	6,825
Net financial income/expense	VII	1,913	10,639	1,787
Profit/loss on ordinary activities		1,491	9,532	3,000
Extraordinary profit/loss	VIII	1,630	-7,892	1,523
Earnings before tax		3,121	1,640	4,523
Income tax	IX	19	15	-
Net profit/loss for the year		3,102	1,625	4,523
(1) including income related to affiliates:		39	67	396
(2) including expenses related to affiliates:		101	56	-

4.3.3 Funds flow statement at 31 December 2005 (in €K)

	31/12/2005	31/12/2004	31/12/2003
	12-month fiscal year	12-month fiscal year	12-month fiscal year
Cash flow from operating activities			
Net profit	3,102	1,625	4,523
Depreciation of tangible and intangible assets	102	120	107
Change in provisions	-3,389	-9,636	759
Capital gains and losses	171	7,860	-1,739
Cash from operations	-13	-31	3,650
Change in inventory	-143	-92	2
Change in trade receivables	-10,215	-5,002	-4,353
Change in operating liabilities	1,337	2,473	505
Change in non-trade receivables	-2,002	156	3,518
Change in non-operating liabilities	-	-	-29
Total cash flow	-11,023	-2,465	-357
Investment-related cash flow			
Purchases of intangible assets	-9	-20	-7
Purchases of tangible assets	-134	-130	-40
Purchases of equity holdings	-2,452	-286	-181
Purchases of other financial assets	-	-1	-37
Sales of fixed assets	29	40	2,897
Repayments of loans and other financial assets	-	-	1,375
Total investment-related cash flow	-2,525	-397	4,006
Cash flow from financing operations			
New long and medium-term loans			
Repayments of loans			-2,067
Capital increase	88		
Increase in issue premium	1,105		
Change in shareholders' current accounts	13,968	2,525	-5,889
Other cash flows			
Total cash flow from financing operations	15,160	2,525	-7,956
Change in cash and cash equivalents	1,599	-367	-657
Net cash and cash equivalents at start of fiscal year	580	948	1,605
Net cash and cash equivalents at end of fiscal year	2,179	580	948

4.4 Notes to the individual financial statements

The following notes and tables, presented in thousands of euros, form an integral part of the year-end financial statements for the year ended 31 December 2005 and constitute the notes to the balance sheet before allocation, which shows a total of 31.3 million euros, and to the income statement, which shows a profit of 3.1 million euros.

4.4.1 Highlights of the fiscal year

In FY 2005, the company created several subsidiaries, including Gameloft EOOD in Bulgaria, Gameloft S. de R.L. de C.V in Mexico, Gameloft Software Private Ltd in India, Gameloft Co. Ltd in Korea and Gameloft Argentina SA in Argentina. During the same period, Gameloft.com Pty Ltd was liquidated.

Gameloft signed an agreement with the founders of Jeuxvidéo.com which cancels their put option.

Gameloft carried out a capital increase through the capitalisation of debt in June 2005 (€10.4 million) and the exercise of stock options and start-up company stock purchase warrants which were due to expire on 25 October 2005 (€830,000). The share capital is currently €3,443,000.

4.4.2 Accounting principles

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

- continuity of operation
- consistency of the accounting methods used from one year to the next
- independence of fiscal years

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

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

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

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

4.4.3 Accounting rules and methods

4.4.3.1 Intangible assets

Intangible assets include trademarks and office software:

- Office software is depreciated over a 12-month period according to the straight-line method.
- The trademarks acquired by the company are valued at the end of each year based on their contribution to commercial activity. This contribution is measured using criteria such as the presence among the top-selling brands on their market and revenue likely to be generated in the future. At year-end, if their valuation is less than their book value, a provision is recorded.

4.4.3.2 Tangible assets

These are accounted for at their historical cost.

Fixed assets must be identifiable, provide future economic benefits which the company controls and be used over a period of time. Fixed assets are shown on the balance sheet at their acquisition cost minus discounts and investment grants issued, if any. Given the types of assets owned, no item separate from the principal assets was noted. The company regards the practical life of the assets as their useful life.

The following rates of depreciation are applied:

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

4.4.3.3 Financial assets

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

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

4.4.3.4 Inventory

Inventories are valued based on the cost price determined in normal activity. Inventories are measured using the first-in first-out method.

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

Inventory as of 31 December 2005 consisted of cartridges for *Asphalt: Urban GT* for Nintendo DS.

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

4.4.3.5 Advance payments made

Licences cover distribution and reproduction rights acquired from third-party publishers. The signing of licence agreements results in the payment of guaranteed amounts. These amounts are recorded in account 409 as advance payments made on a prorated basis for the sale of products. If the sums have not yet been recognised in full, an off-balance sheet commitment is recorded for the unrecognised amounts.

At the end of the fiscal year, the amount not yet amortised is compared to future sales forecasts. If these sales estimates are insufficient, additional amortisation is applied.

4.4.3.6 Trade receivables and related accounts

These are measured at their face value. Receivables are depreciated, if necessary, through a provision when their inventory value is less than their book value.

4.4.3.7 Conversion of debts and receivables in foreign currencies

These are converted at the rate in effect at 31 December 2005. The resulting translation gain or loss is recorded on the balance sheet under a specific item. A provision for foreign exchange risk is recorded if the conversion results in unrealised losses.

4.4.3.8 Other receivables

These are primarily advances on current accounts granted to the group's subsidiaries. A provision is set up for these advances if the subsidiary's revalued net position, reduced to the percentage owned, becomes negative. The provision

would then be equal to the negative amount obtained.

4.4.3.9 Short-term investment securities

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

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

4.4.3.10 Cash on hand

Cash on hand consists of bank account balances.

4.4.3.11 Provisions for contingencies and charges

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

At 31 December 2005, the provisions for contingencies and charges pertain to foreign exchange risk related to the discounting of receivables and debts in foreign currencies, retirement indemnity provisions taken into account since 1 January 2003, provisions for subsidiaries which show a net loss or are in the process of being liquidated, and a provision for contingencies concerning stock options.

4.4.3.12 Development costs

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

4.4.4 Notes to the balance sheet

I. Intangible assets

Intangible assets are as follows:

Fixed assets

	At 31/12/04			At 31/12/05
	Gross	Increases	Decreases	Gross
Software	29	9		38
Trademarks	1,870		41	1,829
TOTAL	1,899	9	41	1,867

Amortisation and provisions

	At 31/12/04	At 31/12/05
--	-------------	-------------

	Cumulative	Increases	Decreases	Cumulative
Software	25	9		34
Trademarks	1,829			1,829
TOTAL	1,854	9		1,863

The decrease in trademarks resulted from the reclassification of trademark filings as expenses, in accordance with the new regulation applicable to assets.

II. Tangible assets

Tangible assets are as follows:

Fixed assets

	At 31/12/04 Gross	Increases	Decreases	At 31/12/05 Gross
Technical facilities	13			13
Transportation equipment	-			-
Computer equipment and furniture	369	119	22	466
TOTAL	382	119	22	479

The increases in tangible assets pertain to the purchase of mobile phones and the replacement of computers.

The decreases in tangible assets stem from the sale of computer equipment.

Depreciation

	At 31/12/04 Cumulative	Increases	Decreases	At 31/12/05 Cumulative
Technical facilities	5	2		7
Transportation equipment	-			-
Computer equipment and furniture	248	92	14	326
TOTAL	253	94	14	333

III. Financial assets

Financial assets are as follows:

Fixed assets

	Gross At 31/12/04	Increases	Decreases	Gross At 31/12/05
Equity holdings	17,917	2,452	191	20,178
Other long-term investments	-			-
Deposits and guarantees	2			2
TOTAL	17,919	2,452	191	20,180

The increase in equity holdings is due to the creation of the following subsidiaries: Gameloft EOOD Bulgaria (€53,000), Gameloft S. de R.L. de C.V. (€140,000), Gameloft Software Private Ltd (€2,000), Gameloft Co. Ltd (€80,000) and Gameloft Argentina (€15,000), and to the capital increase through the capitalisation of debt of Gameloft Divertissements Inc (€2,162,000).

The decrease in equity holdings resulted from the liquidation of Gameloft.com Pty Ltd.

Provisions

	At 31/12/04 Cumulative	Increases	Decreases	At 31/12/05 Cumulative
Equity holdings	16,130	223	1,126	15,227
TOTAL	16,130	223	1,126	15,227

The allocations pertain to the shares of Gameloft Co. Ltd (€62,400), Gameloft EOOD Bulgaria (€53,000), Gameloft S. de R.L. de C.V. (€49,700), Gameloft Ltd Vietnam (€40,300), Gameloft Argentina (€15,000), Gameloft Software Private Ltd (€2,000) and Gameloft Software Shanghai (€1,000).

The write-backs of provisions concern JeuxVidéo.com (€565,000) and Gameloft Inc Divertissements (€369,000), Gameloft.com Pty Ltd (€191,000) following its liquidation, and Gameloft Ltd (€2,000).

Subsidiaries and equity holdings:

	Currency	Capital	SE other than capital	Share of capital held (%)	Book value of shares (gross in €)	Book value of shares (net in €)	Total loans and advances granted In €	Total security and guarantees	Revenue at 31/12/05 In foreign currencies	Earnings at 31/12/05 In foreign currencies	Dividends distributed
SUBSIDIARIES AT LEAST 50% OF CAPITAL HELD											
JEUXVIDEO.COM	€	160,000	1,601,977	88.00%	13,851,802	1,550,540	-	-	2,791,827	641,407	-
15 000 Aurillac - 411 659 675 00010											
GAMELOFT INC Divertissement (Canada)	\$ CAD	3,971,142	-3,385	100.00%	2,855,807	2,855,807	10,662	-	11,264,747	487,198	-
GAMELOFT INC (USA)	\$ US	2,001,000	-3,319,859	99.50%	2,316,726	-	-	-	20,268,055	848,030	-
GAMELOFT Ltd	£	1,000	154,835	99.50%	1,666	1,666	-	-	4,023,801	652,691	-
GAMELOFT GMBH	€	25,000	-1,215,481	100.00%	25,000	-	-	-	1,881,825	314,516	-
GAMELOFT IBERICA SA (Spain)	€	60,200	-500,113	100.00%	60,201	-	116	-	3,849,525	6,601	-
GAMELOFT SRL (Romania)	RON	191,600	712,297	99.00%	99,000	99,000	-	-	14,033,197	-43,588	-
GAMELOFT.COM S.A. (Spain)	€	60,101	-59,645	100.00%	60,101	-	-	-	-	-	-
GAMELOFT.COM Ltda (Brazil)	BRL	102,616	-68,192	99.00%	53,312	-	-	-	-	-	-
GAMELOFT SRL (Italy)	€	96,900	-366,174	99.74%	97,870	-	-	-	955,873	-68,858	-
GAMELOFT SOFTWARE BEIJING Ltd	RMB	1,663,264	14,420,640	100.00%	173,340	173,340	-	-	42,470,454	9,919,493	-
GAMELOFT RICH GAMES PRODUCTION France SARL	€	7,500	-41,408	99.80%	7,485	-	-	-	1,106,499	-33,025	-
75 001 Paris - 450 415 237 00012											
GAMELOFT KK	YENS	10,000,000	-23,666,169	99.90%	78,720	-	108,588	-	204,683,636	-7,466,931	-
GAMELOFT SOFTWARE SHANGHAI Ltd	RMB	1,655,320	-49,848	100.00%	166,661	161,995	-	-	13,622,174	-41,371	-
GAMELOFT Ltd (Vietnam)	\$	50,000	-80,433	100.00%	40,317	-	93,244	-	450,000	64,515	-
GAMELOFT EOOD (Bulgaria)	€	52,510	-71,867	100.00%	53,000	-	-	-	409,000	-68,615	-
GAMELOFT S. de R.L. de C.V.	\$ PESO	1,997,000	-864,537	99.95%	140,028	90,293	-	-	1,896,649	-864,537	-
GAMELOFT PRIVATE LTD	INR	103,026	-2,584,012	99.99%	1,977	-	-	-	-	-2,584,012	-
GAMELOFT Co. Ltd	KRW	100,000,000	-79,022,433	100.00%	80,111	17,711	203,197	-	-	-79,022,433	-
GAMELOFT Argentina	ARS	50,000	-73,441	95.00%	14,500	-	339,121	-	380,540	-73,442	-
EQUITY HOLDINGS BETWEEN 10 AND 50% OF CAPITAL HELD											

In €K	Subsidiaries		Equity holdings	
	French	Foreign	French	Foreign
Book value of shares held:				
- gross	13,859	6,318	-	-
- net	1,551	3,400	-	-
Total loans and advances granted	-	755	-	-
Total security and guarantees provided	-	-	-	-
Total dividends collected	-	-	-	-

IV Inventory

Description	At 31/12/04	Gross value	Provision	At 31/12/05
Scratch cards	7	-	-	-
Asphalt game cartridge	91	241	-	241
TOTAL	98	241	-	241

As of 31 December 2005, inventory consisted of game cartridges for *Asphalt: Urban GT* on Nintendo DS.

V. Advance payments made on licences

	At 31/12/04	Increase	Decrease	At 31/12/05
Advance payments made/licences	269	1,372	490	1,151
TOTAL	269	1,372	490	1,151

Advance payments made pertain to licence agreements signed with various automobile manufacturers, top-ranked athletes such as Olivier Kahn, Djibril Cissé, Ludovic Giuly, Paul Scholes and Vincente Rodriguez, FIFPRO (International Federation of Professional Footballers) and so on.

During the year, new licence agreements were signed mainly with Universal, Sony Pictures, Warner, Q Entertainment, etc.

The decrease in advances on licences is the result of royalties paid on a prorated basis for sales of the various licensed products.

VI. Trade receivables and related accounts

	At 31/12/04	Gross value	Provision	At 31/12/05
Trade receivables and related accounts	9,045	20,826	3,011	17,815
TOTAL	9,045	20,826	3,011	17,815

The provisions for trade receivables are equal to the negative shareholders' equity of our subsidiaries. The increase in trade receivables is linked to the sharp growth in our activity during FY 2005 compared with 2004.

The provisions for trade receivables are equal to the negative shareholders' equity of our subsidiaries. The increase in trade receivables is linked to the sharp growth in our activity during FY 2005 compared with 2004.

All trade receivables are due in less than one year.

VII. Due dates of receivables and debts

STATUS OF RECEIVABLES	Gross amount	less than 1 year	more than 1 year
Receivables on current assets			
Inventory	241	241	
Advance payments made/licences	1,151	1,151	
Trade receivables and similar accounts	20,826	20,826	
Government (VAT credit, etc.)	511	511	
Group and partners	752	752	
Credit notes from suppliers	124	124	
Receivables from suppliers	1,333	1,333	
Other misc. debtors	51	51	
TOTAL	24,989	24,989	-
STATUS OF DEBTS	Gross amount	less than 1 year	more than 1 year
Loans & similar accounts	8	8	
Trade payables and related accounts	4,321	4,321	
Tax and social security liabilities	1,178	1,178	

Other debts	39	39
Debts on fixed assets	8	8
Group and partners	<u>5,547</u>	<u>5,547</u>
TOTAL	11,101	11,101

Provisions in the amount of €130,000 were recorded at 31 December 2005 for advances on current accounts of subsidiaries. The interest rate on these advances is 2.5%.

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

In FY 2005, the company received advances on current accounts from its majority shareholders (€14,049,000) and from its Jeuxvidéo.com subsidiary (€12,000). During the year, it also repaid €10,000 on the advances received following a capital increase through the capitalisation of debt.

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

VIII. Revenue accruals

	31/12/05	31/12/04
Credit notes from suppliers	124	38
Unbilled income	4,761	1,934
Government, revenue accruals	2	-
TOTAL	4,887	1,972

IX. Short-term investment securities

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

Short-term investment securities consist of the following:

Description	Net 31/12/04	Gross value at 31/12/05	Provision at 31/12/05	Net at 31/12/05	Value per share used on the balance sheet	Share price at 31/12/05	% of ownership at 31/12/05
Negotiable CD	-	2,002	-	2,002	-	-	-
TOTAL	-	2,002	0	2,002	-	-	-

X. Cash on hand

The "cash on hand" item includes bank account balances totalling €2,187,000 at 31 December 2005 compared with €586,000 at 31 December 2004.

XI. Accrual assets

	31/12/05	31/12/04
Pre-paid expenses	130	119
Translation adjustments	18	482
Total	148	601

XII. Shareholders' equity

	Balance at 31/12/04	Capital increase	Change in capital	Result 31/12/04	Result 31/12/05	Balance at 31/12/05
Capital	3,228	214	-	-	-	3,443
Issue premium	43,787	10,978	-	-	-	54,765
Merger premium	624	-	-	-	-	624
Other reserves	-43,741	-	-	1,625	-	-42,116
Result for the year	1,625	-	-	-1,625	3,102	3,102
TOTAL	5,524	11,192	-	-	3,102	19,818

Number of Gameloft S.A. shares

	Par value €	Number of shares	Amounts in €K
At 01/09/00	0.7622	23,994,925	18,289
Offsetting of claims	0.7622	2,458,125	1,874
At 31/08/01	0.7622	26,453,050	20,164
Reserved capital increase of 07/12/01	0.7622	18,563,502	14,150
Capital reduction with transition to euro			-101
Takeover merger of Ludigames on 29/03/02	0.76	17,832,213	13,552
At 31/12/02	0.76	62,848,765	47,765
No operation over the period	-	-	-
At 31/12/03	0.76	62,848,765	47,765
Reduction of par value	0.05	62,848,765	3,142
Offsetting of claims	0.05	1,718,058	86
At 31/12/04	0.05	64,566,823	3,228
Offsetting of claims	0.05	2,623,296	131
Reserved capital increase SO and BSPCE	0.05	1,660,197	83
At 31/12/05	0.05	68,850,316	3,443

At 31 December 2005, the share capital consisted of 68,850,316 shares with a par value of 0.05 euros, for a total of 3,443,515.80 euros.

Stock options and BSPCE

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

Date of Board of Directors' meeting	25/10/02	Balance at 31/12/05
Number of shares eligible for subscription:	774,674	217,377
Number of people concerned: including managers	35 0	
Start of exercise	25/10/2005	25/10/2005
End of exercise	25/10/2007	25/10/2007
Subscription price	0.5 euros	0.5 euros
Date of Board of Directors' meeting	21/03/03	
Number of shares eligible for subscription:	714,000	
Number of people concerned: including managers	39 0	
Start of exercise	21/03/2006	
End of exercise	21/03/2008	
Subscription price	1.25 euros	
Date of Board of Directors' meeting	15/09/03	
Number of shares eligible for subscription:	1,544,500	
Number of people concerned: including managers	96 0	
Start of exercise	15/09/2006	
End of exercise	15/09/2008	
Subscription price	1.75 euros	
Date of Board of Directors' meeting	03/12/04	
Number of shares eligible for subscription:	1,585,800	
Number of people concerned: including managers	91 0	
Start of exercise	31/03/2006	
End of exercise	03/12/2009	
Subscription price	2.40 euros	
Date of Board of Directors' meeting	25/10/02	Balance at 31/12/05
Number of BSPCE warrants allotted:	1,271,000	168,100
Number of people concerned: including managers	28 0	
Start of exercise	25/10/2005	25/10/2005
End of exercise	25/10/2007	25/10/2007
Subscription price	0.50 euros	0.50 euros

Date of Board of Directors' meeting	21/03/03
Number of BSPCE warrants allotted:	220,000
Number of people concerned:	9
including managers	0
Start of exercise	21/03/2006
End of exercise	21/03/2008
Subscription price	1.25 euros
Date of Board of Directors' meeting	15/09/03
Number of BSPCE warrants allotted:	1,422,500
Number of people concerned:	36
including managers	0
Start of exercise	15/09/2006
End of exercise	15/09/2008
Subscription price	1.75 euros
Date of Board of Directors' meeting	03/12/04
Number of BSPCE warrants allotted:	1,486,500
Number of people concerned:	32
including managers	0
Start of exercise	31/03/2006
End of exercise	03/12/2009
Subscription price	2.40 euros

In total, a maximum of 7,358,777 shares may be created through the exercise of stock options and BSPCE warrants.

XIII. Accrued expenses

	31/12/05	31/12/04
Suppliers, invoices pending	1,187	1,449
Rebates, discounts, reductions pending	-	-
Tax liabilities	514	378
Social security liabilities	663	447
TOTAL	2,364	2,274

XIV. Items pertaining to affiliates

Assets

Equity holdings	20,178
Trade receivables and related accounts	15,409
Prov. on trade receivables	3,011
Other receivables	752
Prov. on other receivables	130
Receivables from suppliers	1,310

Liabilities

Trade payables and related accounts	810
Financial debts	5,547

Net financial income/expense

Financial income	39
Financial expense	101

XV. Provisions recorded on the balance sheet

	At 31/12/04	Allocations for the year	Write-backs for the year	At 31/12/05
Provisions for contingencies and charges				
For foreign exchange risk	482	18	482	18
For other risks	24	15	9	30
For charges	2,182	143	2,170	155
Provisions for depreciation				
of trademarks	1,829			1,829
of equity holdings	16,130	223	1,126	15,227
of inventories	-			-

of trade receivables	4,035	69	1,093	3,011
of other receivables	407	130	407	130
of short-term investment securities	=	=	=	=
Total	22,401	422	2,626	20,197
Total	25,089	598	5,287	20,400

The provision for retirement indemnities was increased by €15,000 during the year. A write-back of €9,000 was recorded on the provision for penalties related to business tax.

The provisions for charges pertain to the subsidiaries whose shareholders' equity is negative (€143,000).

The write-backs of the provision for charges concern the exercise of the put option by Jeuxvidéo.com's founders (€2,164,000) and the provision for liquidation of the Australian subsidiary (€6,000).

The write-back of the provision for equity holdings pertains to Jeuxvidéo.com (€564,000) Gameloft Canada (€369,000) and the liquidated Australian subsidiary (€191,000).

The provisions for equity holdings consist primarily of the shares of Gameloft EOOD Bulgaria (€53,000), Gameloft Ltd Vietnam (€40,000), Gameloft S. de R.L. de C.V. (€50,000), Gameloft Co. Ltd (€62,000) and Gameloft Argentina (€15,000).

The provisions for trade receivables concern the Gameloft group's consolidated subsidiaries (€69,000).

The write-backs on trade receivables pertain to the receivables of Gameloft Ltd (€699,000), Gameloft GmbH (€315,000) and Gameloft KK (€44,000).

The provisions for other receivables refer to the advances made to Gameloft Vietnam (€26,000), Gameloft KK (€98,000) and Gameloft Argentina (€6,000).

The write-backs of provisions for depreciation of other receivables concern only Gameloft Inc (€407,000).

XVI. Financial debts

Financial debts are as follows:

	31/12/05	31/12/04
Loans & similar accounts	8	6
Advances on current accounts	5,547	1,579
Financial debts	5,555	1,585

	less than 1 year	1 year to 5 years	more than 5 years
Amounts still due at 31/12/05	555	5,000	-

Financial indebtedness:

	31/12/05	31/12/04
Financial debts	5,555	1,585
Cash on hand	-2,187	-586
Short-term investment securities	-2,002	-
Net financial indebtedness	1,366	999

At 31 December 2005, net financial indebtedness was €1,366,000 versus €999,000 at 31 December 2004.

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

XVII. Trade payables and related accounts

	31/12/05	31/12/04
Trade payables	4,321	3,422
Total	4,321	3,422

The average period for paying our suppliers is 45 days.

The increase in trade payables is linked to the sharp growth in the company's activity during FY 2005.

XVIII. Tax and social security liabilities

	31/12/05	31/12/04
Tax liabilities	514	378
Social security liabilities	663	447
Total	1,177	825

XIX. Other debts

	31/12/05	31/12/04
Customers – credit notes pending	2	-
Credit balances of customer accounts	23	2
Other debts	14	17
Total	39	19

XX. Accrual liabilities

	31/12/05	31/12/04
Unearned income	-	71
Translation gains	167	31
Total	167	102

The translation gain pertains mainly to the discounting of trade receivables (€163,000).

4.4.5 Notes to the income statement

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

Development costs are recorded as expenses over the entire year.

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

For FY 2005, development costs totalled €24,228,000.

I. Revenue

The breakdown of revenue by activity at 31 December 2005 is as follows:

	31/12/05		31/12/04	
	€K	%	€K	%
Mobile	35,586	100%	18,853	100%
Provision of services	-	-%	-	-%
Internet	-	-%	-	-%
Total	35,586	100%	18,853	100%

The breakdown of revenue by geographic zone at 31 December 2005 is as follows:

	31/12/05		31/12/04	
	€K	%	€K	%
Europe	22,764	64%	13,267	70%
<i>including France</i>	8,756	25%	3,787	20%
North America	9,972	28%	4,960	26%
Other	2,850	8%	626	4%
Total	35,586	100%	18,853	100%

II. Other operating income and transfer of charges

Other operating income is as follows:

	31/12/05	31/12/04
Write-backs of provisions	1,093	-
Transfer of charges	10	174
Other income	14	4
Total	1,117	178

The transfer of charges concerns the re-invoicing of overhead costs (€10,000).

The write-backs of provisions pertain to the trade receivables of the Gameloft group's subsidiaries.

III. Purchases and other supplies

Cost of goods sold consist of purchases of products and goods intended for resale (€2,080,000), mobile game development costs (€21,419,000) and related expenses (€1,055,000).

The change in inventory resulted from the addition to inventory of Asphalt DS game cartridges (€150,000).

IV. Other operating expenses

Other operating expenses consist primarily of telecommunication and mobile phone costs (€1,084,000), advertising and marketing expenses (€1,961,000), conference and trade fair expenses (€360,000), travel expenses (€457,000), administrative subcontracting and marketing expenses, commissions and brokerage fees on sales (€444,000), royalties (€1,167,000) and professional fees (€309,000).

V. Personnel expenses

At 31 December 2005, the company had 41 employees.

The amount of personnel expenses corresponding to game production is €1,754,000.

VI. Operating depreciation and provisions

Depreciation and provisions are as follows:

	31/12/05	31/12/04
Amortisation of intangible assets	9	1
Depreciation of tangible assets	93	118
Provisions	1 31	4 044
TOTAL	233	4 163

Amortisation of intangible assets pertains to the amortisation of software.

Provisions pertain to the recording of a provision for retirement commitments (€15,000) and provisions for trade receivables, all of which concerned some of the Gameloft group's consolidated subsidiaries (€69,000), and a provision for risk related to stock options (€43,000).

VII. Net financial income/expense

Net financial income/expense breaks down as follows:

	31/12/05	31/12/04
Financial income:		
Income from other securities and receivables from long-term assets	-	-
Other interest and similar income	75	68
Write-backs of provisions	2,021	15,383
Foreign exchange gains	754	245
Net income from sales of short-term investment securities	89	1
	2,939	15,697
Financial expense:		
Provisions	471	597
Other interest and similar expenses	104	4,008
Net expenses on sales of short-term investment securities	-	282
Foreign exchange losses	451	171
	1,026	5,058
Net financial income/expense	1,913	10,639

The write-backs of provisions pertain to the provisions for advances on current accounts (€407,000), equity holdings (€1,126,000), including €369,000 in write-backs on Gameloft Inc Divertissements, liquidated shares of Gameloft Australia (€191,000), shares of Jeuxvidéo.com (€564,000), foreign exchange losses (€482,000) and the liquidation of Gameloft.com Pty Ltd (€6,000).

Net income on sales of short-term investment securities pertain to the sales of Ubisoft stock warrants.

Provisions consist mainly of a provision for equity holdings (€223,000), a provision for advances on current accounts (€130,000), a provision for subsidiaries whose shareholders' equity is negative (€100,000), and a provision for foreign exchange losses (€18,000).

Other interest and similar expenses totalling €104,000 pertain to interest expenses.

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

The company had no interest rate or foreign currency hedge at 31 December 2005.

VIII. Extraordinary profit/loss

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

Extraordinary profit/loss breaks down as follows:

	31/12/05	31/12/04
Extraordinary income:		
Write-backs of provisions	2,173	38
Extraordinary income from management operations		
Extraordinary income from capital transactions	29	40
	2,202	78
Extraordinary expenses:		
Extraordinary expenses on management operations	372	-
Extraordinary expenses on capital transactions	200	7,899
Depreciation and provisions	-	71
	572	7,970
Total extraordinary profit/loss	1,630	-7,892

Extraordinary income from capital transactions refers to the sale of computer equipment (€9,000) and the liquidation of Gameloft AG (€20,000).

The write-backs of provisions concern the withdrawal of the put option held by Jeuxvidéo.com's founders (€2,164,000)

and the risk of fines and penalties (€9,000).

Extraordinary expenses on capital transactions pertain to the net book value of tangible assets (€9,000) and the liquidation of Gameloft.com Pty Ltd (€191,000).

Extraordinary expenses on management operations refer to the agreement made on the withdrawal of the put option held by Jeuxvidéo.com's founders (€362,000) and the penalties related to the parafiscal tax (€9,000).

IX. Corporate income tax

No income tax was recorded for this year as a result of carry-over losses.

	31/12/05	31/12/04	31/12/03	31/12/02	31/08/01	31/08/00
Carry-over losses*	-	-	-	13,801	14,916	-
<i>Including LT capital losses</i>			1,207	28,869	5,162	-
Deferred depreciation*	-	-	-	194	8,661	379
TOTAL	-	-	-	13,995	23,577	379

* non-cumulative data

In FY 2005, the reductions and increases in the future tax burden were as follows:

Future tax burden	Basis	Tax
Organic provision for the year	52.4	17.7
Tax on tourism and company vehicles	3.8	1.3
Construction work	13	4.4
Unrealised gains on exchange	167.1	56.5
TOTAL REDUCTIONS	236.3	79.9

The tax rate in effect at 31 December 2005 was 33.33% plus 1.5%.

Income tax consists of the following:

At 31/12/05	Accounting basis	Corporate tax
Pre-tax profit/loss on ordinary activities	1,491	0
Extraordinary profit/loss	1,630	0
Profit/loss before tax	3,121	0

At 1 January 2006, the company had €28,717,000 in non-lapsing losses carried forward plus €9,234,000 in deferred depreciation.

4.4.6 Additional information

1. Consolidating company

GAMELOFT SA – 81 rue Réaumur 75 002 Paris

2. Average number of employees

In FY 2005, the staff consisted of 30 managers and 11 employees on average.

3. Financial commitments and other information

Guarantees given: none

Collateral provided: none

Guarantees received: none

Off-balance sheet commitments:

* Gameloft SA has commitments toward certain licensors:

- €77,500 toward holders of trademarks and licences used in some of the company's mobile games;
- USD 1,050,000 toward holders of trademarks and licences used in some of the company's mobile games;

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

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

Gameloft S.A. sent letters of intent to the Gameloft Ltd, Gameloft Ltd Vietnam and Gameloft Iberica subsidiaries on 31 December 2005 as shareholder regarding the continued operation of these financially troubled companies.

Notes receivable discounted: none

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

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

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

4. Events subsequent to close of year

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

5. Compensation of senior executives

Compensation paid to the administrative bodies during FY 2005 was €228,000.

No advance or credit was extended to the group's senior executives pursuant to Article L225-43 of the French Commercial Code.

4.4.7 Auditors' report

4.4.7.1 General Auditors' report for the fiscal year ended 31 December 2005

Pursuant to the mission entrusted to us by your General Meeting, we present to you our report for the 12-month fiscal year ended 31 December 2005 regarding:

- The audit of the year-end financial statements of GAMELOFT SA, as attached to this report;
- The basis for our assessments;
- The specific verifications and information required by law.

The year-end financial statements were drawn up by your Board of Directors. It is our task, on the basis of our audit, to express an opinion on these financial statements.

I - Opinion regarding the year-end financial statements

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

We certify that the year-end financial statements, in accordance with French accounting rules and principles, are true and in good order and fairly present the company's net profit from operations during the previous fiscal year, as well as its financial position and assets at the end of said year.

II - Basis for the assessments

In accordance with Article L. 823-9 of the French Commercial Code related to the basis for our assessments, introduced by the Financial Security Act of 1 August 2003, we wish to bring the following points to your attention:

- As part of our assessment of the accounting estimates, we felt it appropriate to verify the estimates of the provisions for financial assets and for contingencies and charges, notes 4.3 III and 4.3 XV of the Notes, respectively. The company provided us with information concerning these estimates, including in particular the evidence requested concerning the reasonableness of the valuation of the provisions.

The assessments thus made are an integral part of our audit of the year-end financial statements as a whole, and therefore helped us form our unqualified opinion, as expressed in the first part of this report.

III - Specific verifications and information

In accordance with the professional standards applicable in France, we also conducted the specific verifications required by law.

We have no observation to make regarding the fairness and consistency with the year-end financial statements of the information provided in the Board of Directors' management report and in the documents sent to the shareholders pertaining to the financial position and year-end financial statements.

In accordance with the law, we have verified that all the information relative to acquisitions of shareholdings and control, the identity of holders of capital and reciprocal shareholding was provided to you in the management report.

The Auditors

André Métayer

Roland Travers

4.4.7.2 *Special Auditors' report for the fiscal year ended 31 December 2005*

In our capacity as your company's auditors, we present to you our report on regulated agreements.

1) AGREEMENTS MADE DURING THE FISCAL YEAR AND PREVIOUSLY AUTHORISED

Pursuant to Article L. 225-40 of the French Commercial Code, we have been advised of the agreements for which prior authorisation was granted by your Board of Directors.

It is not our responsibility to determine the possible existence of other agreements, but rather to inform you, based on the information provided to us, of the characteristics and essential terms and conditions of those brought to our attention, without our being required to comment on their usefulness and relevance. It is our responsibility, pursuant to Article 92 of the decree of 23 March 1967, to assess the advantage of entering into these agreements with a view to their approval.

We inform you that we have not been notified of any agreement referred to in Article L225-38 of the French Commercial Code.

2) AGREEMENTS APPROVED IN PRIOR FISCAL YEARS WHICH WERE PERFORMED DURING THE FISCAL YEAR:

In addition, pursuant to the decree of 23 March 1967, we have been informed that the following agreements, approved in prior fiscal years, were performed during the previous fiscal year.

1- GAMELOFT SA entered into a commercial lease with UBISOFT WORLD STUDIOS.

The rent paid during the fiscal year totalled 128,918.86 euros, exclusive of tax.
Corresponding lease charges totalled 24,705.61 euros, exclusive of tax.

Directors concerned: Messrs. Christian, Claude, Gérard, Michel and Yves Guillemot.

2- Trademark licence contract made with UBISOFT ENTERTAINMENT.

On 28 August 2003, a trademark licence contract was made with UBISOFT ENTERTAINMENT S.A. under which UBISOFT ENTERTAINMENT granted to GAMELOFT S.A. a licence to operate trademarks which it owns or for which it was granted a licence to operate. This licence contract took effect retroactively as of 1 April 2002.

The trademark licence was granted in return for the payment of royalties proportional to the revenue earned by GAMELOFT S.A.

During the year, the total royalties owed amounted to 470,334.39 euros, exclusive of tax.

Directors concerned: Messrs. Christian, Claude, Gérard, Michel and Yves Guillemot.

3- Repayment of the advances on current accounts made by Odyssée Interactive Jeuxvidéo.com SAS.

Two agreements for advances on current accounts totalling 500,000 euros were made with Odyssée Interactive Jeuxvidéo.com SAS in 2004.

These advances were repaid at a rate of 2.5%.

During the year, total interest amounted to 12,517 euros.

Directors concerned: Messrs. Christian, Claude, Gérard, Michel and Yves Guillemot.

4- Repayment of the advances on current accounts made by GUILLEMOT BROTHERS S.A.

Two agreements for advances on current accounts totalling 1,040,000 euros were made with Guillemot Brothers S.A. in 2004.

These advances were repaid at a rate of 2% until 28 June 2005, at which time they were fully capitalised following the reserved capital increase.

During the year, total interest amounted to 10,284.45 euros.

Directors concerned: Messrs. Christian, Claude, Gérard, Michel, Yves and Marcel Guillemot.

3) AGREEMENTS MADE DURING THE FISCAL YEAR AND NOT PREVIOUSLY AUTHORISED

We also present to you our report on the agreements referred to in Article L.225-42 of the French Commercial Code.

Pursuant to Article L.823-12 of this Code, we inform you that these agreements were not granted prior authorisation by your Board of Directors.

It is our responsibility, based on the information provided to us, to inform you of the characteristics and essential terms and conditions of these agreements, as well as the circumstances which caused the authorisation process to be bypassed, without our being required to comment on their usefulness and relevance.

The following agreements could not be authorised by your Board of Directors given the fact that all the directors are concerned and that the law prohibits them in such cases from participating in the vote regarding the requested authorisation.

Repayment of the advances on current accounts made by GUILLEMOT BROTHERS S.A.:

The various advances granted by GUILLEMOT BROTHERS between 4 January 2005 and 31 May 2005 totalling 8,960,500 euros were repaid at a rate of 2% until 28 June 2005, at which time they were fully capitalised following the reserved capital increase.

During the year, total interest related to these advances was 34,963.42 euros.

On 26 July 2005, GUILLEMOT BROTHERS granted another advance in the amount of 5,000,000 euros. This advance was also repaid at a rate of 2% and total interest amounted to 43,611.10 euros.

Directors concerned: Messrs. Christian, Claude, Gérard, Michel, Yves and Marcel Guillemot.

We have conducted our audit in accordance with the accounting standards applicable in France. These standards require that we follow certain procedures to ensure the consistency of the information provided to us with the source documents from which it was derived.

Issued in Rennes, 15 May 2006

THE AUDITORS,

André Métayer

Roland Travers

5 The group's Board of Directors and management

• THE GROUP'S MANAGEMENT:

Name	Start date of term	Expiration date of term
Michel Guillemot CEO	3 December 2001 Term renewed on 27 June 2003	At the end of the AGM called to approve the financial statements for the fiscal year ended 31 December 2008
Christian Guillemot Executive Vice President Administration	Statutory meeting of 1 December 1999 Term renewed on 27 June 2003	At the end of the AGM called to approve the financial statements for the fiscal year ended 31 December 2008
Claude Guillemot Executive Vice President Technology	Statutory meeting of 1 December 1999 Term renewed on 27 June 2003	At the end of the AGM called to approve the financial statements for the fiscal year ended 31 December 2008
Yves Guillemot Executive Vice President Strategy and Development	Statutory meeting of 1 December 1999 Term renewed on 27 June 2003	At the end of the AGM called to approve the financial statements for the fiscal year ended 31 December 2008
Gérard Guillemot Executive Vice President Publishing and Marketing	Statutory meeting of 1 December 1999 Term renewed on 27 June 2003	At the end of the AGM called to approve the financial statements for the fiscal year ended 31 December 2008

• BOARD OF DIRECTORS:

Name	Start date of term	Expiration date of term
Michel Guillemot Chairman of the Board of Directors	Appointed to replace Mr. Gérard Guillemot who resigned on 3 December 2001 Term renewed on 27 June 2003	At the end of the Ordinary General Meeting called to approve the financial statements for the fiscal year ended 31 December 2008
Christian Guillemot Director	Statutory meeting of 1 December 1999 Term renewed on 27 June 2003	At the end of the Ordinary General Meeting called to approve the financial statements for the fiscal year ended 31 December 2008
Claude Guillemot Director	Statutory meeting of 1 December 1999 Term renewed on 27 June 2003	At the end of the Ordinary General Meeting called to approve the financial statements for the fiscal year ended 31 December 2008
Yves Guillemot Director	Statutory meeting of 1 December 1999 Term renewed on 27 June 2003	At the end of the Ordinary General Meeting called to approve the financial statements for the fiscal year ended 31 December 2008
Gérard Guillemot Director	Statutory meeting of 1 December 1999 Term renewed on 27 June 2003	At the end of the Ordinary General Meeting called to approve the financial statements for the fiscal year ended 31 December 2008
Marcel Guillemot Director	Statutory meeting of 1 December 1999 Term renewed on 27 June 2003	At the end of the Ordinary General Meeting called to approve the financial statements for the fiscal year ended 31 December 2008

5.1 *Offices held by the Directors*

Mr. Michel Guillemot

• *Offices held during the fiscal year ended 31 December 2005:*

President of Gameloft Inc. (United States)
President of Gameloft Inc. (Canada)
President of Gameloft Limited (Great Britain)
President of Gameloft Srl (Romania)
President of Gameloft KK (Japan)
President of Gameloft Software Beijing Company Ltd (China)
President of Gameloft Software Shanghai Company Ltd (China)
President of Gameloft Company Ltd (Vietnam)
Director of Gameloft Iberica SA (Spain)
Manager of Gameloft Rich Games Production France SARL
Manager of Gameloft GmbH (Germany)
Manager of Gameloft Srl (Italy)
Manager of Gameloft EOOD (Bulgaria)
Manager of Gameloft S. de R.L. de C.V. (Mexico)
President of Gameloft Argentina S.A. (Argentina)
President of Gameloft Private India (India)
President of Gameloft Co. Ltd (Korea)
Director and Executive Vice President of Guillemot Corporation SA
Director of Guillemot Inc (United States)
Director of Guillemot Limited (Great Britain)
Director of Guillemot Inc (Canada)
Manager of Ubi Studios Srl (Italy)
Manager of Ubisoft Studios SL (Spain)
Director and Executive Vice President of Ubisoft Entertainment SA
Director and Vice President of Ubisoft Divertissements Inc (Canada)
Director of Ubisoft Canada Inc (Canada)
Director of Ubisoft Ltd (Hong Kong)
Director of Ubisoft Inc (United States)
Director of Ubisoft Holdings Inc (United States)
Director of Shanghai Ubi Computer Software Company Ltd (China)
Director of Ubi Computer Software Beijing Company Ltd (China)
Director of Ubisoft SA (Spain)
Director of Ubisoft KK (Japan)
Director and Executive Vice President of Guillemot Brothers SA

• *Offices held during the last five fiscal years:*

Director of Jeuxvideo.com S.A.
Manager of Ludigames Srl (Italy)
President of Ludiwap Inc (United States)
Director and Vice President of GameLoft SA
Director of Guillemot France SA
Director of Guillemot Ventures SA
Director of Hercules Technologies SA
Director of Thrustmaster SA
Director of Guillemot Online.com Inc (United States)
Director of Hercules Technologies Inc (United States)
Director of Thrustmaster Inc (United States)
Manager of Ubi Simulations SARL
Manager of Ubi Color SARL
Director of Ubi Soft Diffusion SA
Director of Ubi Soft France SA
Director of Ubi.com SA
Director of Ubi World SA
Director of Ubi Soft Marketing & Communication SA
Director and Vice President of Ubi Ventures SA

Director of Students-Life.com SA
Director of Ubi Soft Publishing OEM Inc (Canada)
Director of Ubisoft SpA
Director of Students-Life.com SA
CEO of Ludigames SA

Mr. Claude Guillemot

• *Offices held during the fiscal year ended 31 December 2005:*

Director of Gameloft Inc (United States)
Director of Gameloft Iberica SA (Spain)
Director of Gameloft Inc (Canada)
Director of Gameloft Limited (Great Britain)
CEO of Guillemot Corporation SA
President of Hercules Thrustmaster SAS
President and Director of Guillemot Inc (Canada)
President of Guillemot Recherche et Développement Inc (Canada)
President and Director of Guillemot Inc (United States)
Manager of Guillemot Recherche et Développement Sarl
Manager of Guillemot GmbH (Germany)
Director of Guillemot Limited (Great Britain)
Director of Guillemot B.V. (Netherlands)
Director of Guillemot Corporation (HK) Limited (Hong Kong)
Director of Guillemot SA (Belgium)
Director of Guillemot SA (Spain)
Director of Guillemot Srl (Italy)
Director of Guillemot Romania Srl (Romania)
Director and Executive Vice President of Ubisoft Entertainment SA
Director of Ubisoft Divertissements Inc (Canada)
Director of Ubisoft Canada Inc (Canada)
Director of Ubisoft Ltd (Hong Kong)
Director of Ubisoft Inc (United States)
Director of Ubisoft Holdings Inc (United States)
Director of Ubisoft Nordic A/S (Denmark)
Director of Ubisoft Sweden A/B (Sweden)
Director of Shanghai Ubi Computer Software Company Ltd (China)
Director and Executive Vice President of Guillemot Brothers SA

• *Offices held during the last five fiscal years:*

Director of Ludiwap Inc (United States)
Director of Gameloft.com Limited (Great Britain)
Director of Hercules Technologies SAS
President of Thrustmaster SAS
President and Director of Guillemot Online.com Inc (United States)
President and Director of Hercules Technologies Inc (United States)
President and Director of Thrustmaster Inc (United States)
Manager of Guillemot Studio Graphique SARL
Manager of Guillemot Support Technique SARL
Director of Guillemot Logistic Limited (Great Britain)
Director of Guillemot Manufacturing Limited (Great Britain)
Director of Guillemot Ventures SA
Director of Ubi Soft France SA
Director of Ludimédia SA
Director of Ubi Studios SA
Director of Ubi World SA
Director of Ubi Soft Diffusion SA
Director and Vice President of Ubi Soft Edutainment SA
Director and Vice President of Ubi Ventures SA
Director of Students-Life.com SA
Director of Ubisoft SpA (Italy)
Director of Ubi Soft Publishing OEM Inc (Canada)

Director of Ubi Studios Ltd (United Kingdom)
Director and Vice President of Ludigames SA
Director of Students-Life.com SA

Mr. Yves Guillemot

• *Offices held during the fiscal year ended 31 December 2005:*

Director of Gameloft Inc (United States)
Director of Gameloft Inc (Canada)
Director and Executive Vice President of Guillemot Corporation SA
Director of Guillemot Inc (United States)
Director of Guillemot Limited (Great Britain)
Director of Guillemot Inc (Canada)
Director and CEO of Ubisoft Entertainment SA
President of Ubisoft France SAS
President of Ubisoft World SAS
President of Ubisoft World Studios SAS
President of Ubisoft Ltd
President of Tiwak SAS
President of Ubisoft Norway A/S (Norway)
President of Ubi Games SA (Switzerland)
President of Ubisoft Finland OY (Finland)
President of Ubisoft SpA (Italy)
President of Ubisoft SA (Spain)
President of Ubisoft KK (Japan)
President of Ubisoft Ltd (Hong Kong)
President of Ubi Computer Software Beijing Company Ltd (China)
President of Ubisoft Divertissements Inc (Canada)
President of Ubisoft Canada Inc (Canada)
President of Ubisoft Inc (United States)
President of Ubisoft Holdings Inc (United States)
President of Red Storm Entertainment Inc (United States)
Vice President of Shanghai Ubi Computer Software Company Ltd (China)
Manager of Ubisoft Books and Records SARL
Manager of Ubisoft Manufacturing & Administration SARL
Manager of Ubisoft Pictures SARL
Manager of Ubisoft Emea SARL
Manager of Ubisoft Computing SARL
Manager of Ubisoft Simulations SARL
Manager of Ubisoft Design SARL
Manager of Ubisoft Graphics SARL
Manager of Ubisoft Organisation SARL
Manager of Ubisoft Productions France SARL
Manager of Ubisoft Développement SARL
Manager of Ubisoft Sprl (Belgium)
Manager of Ubisoft Sarl (Morocco)
Manager of Ubisoft BV (Netherlands)
Manager of Ubisoft GmbH (Germany)
Manager of Blue Byte GmbH (Germany)
Director of Red Storm Ltd (Great Britain)
Manager of Ubisoft Warenhandels GmbH (Austria)
Co-Manager of Ludifactory SARL
Director of Ubisoft Nordic A/S (Denmark)
Director of Ubisoft Pty Ltd (Australia)
Director of Ubisoft Sweden AB (Sweden)
Director and Executive Vice President of Guillemot Brothers SA

• *Offices held during the last five fiscal years:*

Director of Jeuxvideo.com S.A.
Director of Ludiwap Inc (United States)
Director of Guillemot France SA

Director of Guillemot Ventures SA
 Director of Hercules Technologies SA
 Director of Thrustmaster SA
 Director of Guillemot Online.com Inc (United States)
 Director of Hercules Technologies Inc (United States)
 Director of Thrustmaster Inc (United States)
 Manager of Ubi Animation SARL
 Manager of Ubi Administration SARL
 Manager of Ubi Research and Development SARL
 Manager of Ubi Marketing Research SARL
 Manager of Ubi Info Design SARL
 Manager of Ubi Sound Studio SARL
 Manager of Ubi World Studios SARL
 President and Director of Ubi Soft Edutainment SA
 Director and Vice President of Ubi Ventures SA
 Director of Ludimédia SA
 Director of Ubi Soft Diffusion SA
 Director of Students-Life.com SA
 President and Director of Ubi.com SA
 Director of Ubi World SA
 President of Ubisoft Marketing & Communication SAS
 Manager of Ubisoft SprL (Belgium)
 Director of Ubi.com Inc (United States)
 Director of Blue Byte Software Ltd (United Kingdom)
 President and Director of Wolfpack Inc (United States)
 President and Director of Blue Byte Software Inc (United States)
 Director of Ubi Studios Ltd (United Kingdom)
 Director of Sinister Games Inc (United States)
 President of Ubi Digital Movies Inc (Canada)
 President and Director of Ubi Soft Publishing OEM Inc (Canada)
 Director of Students-Life.com SA
 Director and Vice President of Ludigames SA

Mr. Gérard Guillemot

• *Offices held during the fiscal year ended 31 December 2005:*

Director of Gameloft Inc (United States)
 Director of Gameloft Inc (Canada)
 Director and Executive Vice President of Guillemot Corporation SA
 Director of Guillemot Limited (Great Britain)
 Director of Guillemot Inc (United States)
 Director of Guillemot Inc (Canada)
 President and Director of Ubisoft Music Inc (Canada)
 President and Director of Ubisoft Music Publishing Inc (Canada)
 President of Longtail Studios Inc (United States)
 Co-Manager of Ludifactory SARL
 Director and Executive Vice President of Ubisoft Entertainment SA
 Director of Ubisoft Spa (Italy)
 Director of Ubisoft Divertissements Inc (Canada)
 Director of Ubisoft Ltd (Hong Kong)
 Director of Ubisoft KK (Japan)
 Director of Shanghai Ubi Computer Software Company Ltd (China)
 Director of Ubisoft Inc (United States)
 Director of Ubisoft Holdings Inc (United States)
 Director of Ubisoft SA (Spain)
 Director and Executive Vice President of Guillemot Brothers SA

• *Offices held during the last five fiscal years:*

CEO of GameLoft SA
 Director of Jeuxvideo.com S.A.
 President of Gameloft AG (Germany)

Director of Ludiwap Inc (United States)
 President of Gameloft.com Limited (Great Britain)
 President of Ludimédia SAS
 President of Gameloft.com AS (Denmark)
 President of Gameloft.com AB (Sweden)
 President and Director of Gameloft.com España (Spain)
 Director of Gameloft.com Pty Limited (Australia)
 Director of Guillemot France SA
 Director of Guillemot Ventures SA
 Director of Hercules Technologies SA
 Director of Thrustmaster SA
 Director of Guillemot Online.com Inc (United States)
 Director of Hercules Technologies Inc (United States)
 Director of Thrustmaster Inc (United States)
 Manager of Ubisoft Networks SARL
 Director of Ubi Soft Diffusion SA
 Director of Ubi Soft France SA
 Director of Ubi Studios SA
 Director of Ubi World SA
 Director of Students-Life.com SA
 President and Director of Ludimédia SA
 Director and Vice President of Ubi Soft Edutainment SA
 President and Director of Ubi Soft Entertainment Inc (New York)
 President and Director of Ubi Voices Inc (United States)
 Director of Ubi Soft Publishing OEM Inc (Canada)
 President of Ubi Digital Movies Inc (Canada)
 Director of Ubisoft SpA
 Vice President of Ludigames SA
 Director of Students-Life.com SA

Mr. Christian Guillemot

• *Offices held during the fiscal year ended 31 December 2005:*

Director of Gameloft Inc (United States)
 Director of Gameloft Iberica SA (Spain)
 Director of Gameloft Inc (Canada)
 Director of Gameloft Limited (Great Britain)
 Director and Executive Vice President of Guillemot Corporation SA
 Manager of Guillemot Administration et Logistique SARL
 Director of Guillemot Inc (United States)
 Director of Guillemot Limited (Great Britain)
 Director of Guillemot Corporation (HK) Limited (Hong Kong)
 Director of Guillemot SA (Belgium)
 Director of Guillemot Inc (Canada)
 Director of Guillemot Recherche et Développement Inc (Canada)
 Director and Executive Vice President of Ubisoft Entertainment SA
 Director of Ubisoft Divertissements Inc (Canada)
 Director of Ubisoft SpA (Italy)
 Director of Ubisoft Canada Inc (Canada)
 Director of Ubisoft Nordic A/S (Denmark)
 Director of Ubisoft Ltd (Great Britain)
 Director of Ubisoft Ltd (Hong Kong)
 Director of Shanghai Ubi Computer Software Company Ltd (China)
 Director of Ubisoft Inc (United States)
 Director of Ubisoft Holdings Inc (United States)
 Director of Ubisoft Sweden AB (Sweden)
 Director of Longtail Studios Inc (United States)
 CEO of Guillemot Brothers SA

• *Offices held during the last five fiscal years:*

Director of Jeuxvideo.com S.A.

Director of Gameloft.com A.S. (Denmark)
 Director of Ludiwap Inc (United States)
 Director of Gameloft AG (Germany)
 Director of Gameloft.com AS (Denmark)
 Director of Gameloft.com AB (Sweden)
 Director of Gameloft.com España (Spain)
 Director of Gameloft.com Pty Limited (Australia)
 CEO of Guillemot Ventures SA
 President of Guillemot Logistique Inc (Canada)
 Manager of Guillemot Administration SARL
 Manager of Guillemot Logistique SARL
 Manager of Guillemot Conditionnement SARL
 Manager of Guillemot Logistique France SARL
 Manager of Guillemot Logistik GmbH (Germany)
 Director and Executive Vice President of Guillemot France SA
 Director and Vice President of Hercules Technologies SA
 Director and Vice President of Thrustmaster SA
 Director of Guillemot Logistica S.L. (Spain)
 Director of Guillemot Logistic Limited (Great Britain)
 Director of Guillemot Logistics Ltd (Hong Kong)
 Director of Guillemot Manufacturing Limited (Great Britain)
 Director of Guillemot Online.com Inc (United States)
 Director of Hercules Technologies Inc (United States)
 Director of Thrustmaster Inc (United States)
 Manager of Ubisoft SprL (Belgium)
 Director of Ubi.com Inc (United States)
 Director of Blue Byte Software Ltd (United Kingdom)
 President and Director of Wolfpack Inc (United States)
 President and Director of Blue Byte Software Inc (United States)
 Director of Ubi Studios Ltd (United Kingdom)
 Director of Sinister Games Inc (United States)
 President of Ubi Digital Movies Inc (Canada)
 President and Director of Ubi Soft Publishing OEM Inc (Canada)
 Manager of Ubi Books and Records SARL
 Manager of Ubi Administration SARL
 Manager of Ubi Pictures SARL
 Director of Ubi Soft Diffusion SA
 Director of Ubisoft France SA
 Director of Students-Life.com SA
 Director of Ludimédia SA
 Director of Ubi Studios SA
 Director of Ubi World SA
 Director of Ubi.com SA
 Director and Vice President of Ubi Soft Edutainment SA
 Manager of Ubi Soft Sarl (Morocco)
 Director of Ubi Soft Publishing OEM Inc (Canada)
 Director of Ubi.com Inc (United States)
 Director of Sinister Games Inc (United States)
 Director of Ubi Soft Entertainment Inc (New York – United States)
 Director of Ubisoft SpA
 Director and Vice President of Ludigames SA
 Director of Students-Life.com SA

Mr. Marcel Guillemot

• *Offices held during the fiscal year ended 31 December 2005:*

Director of Guillemot SA (Belgium)
 Director of Guillemot Corporation SA
 Director of Guillemot Brothers SA

• *Offices held during the last five fiscal years:*

Director of Ludigames SA

5.2 Fraud conviction, liquidation proceeding, sanctions imposed on members of the Board of Directors

To the company's knowledge, over the last five years:

- None of the members of the Board of Directors has been convicted of fraud;
- None of the members of the Board of Directors has been associated with a bankruptcy, receivership or court-ordered liquidation proceeding;
- No official public incrimination and/or sanction has been delivered by a statutory or regulatory authority against any of the members of the Board of Directors.

To the company's knowledge, in the last five years no member of the Board of Directors has been prohibited by a court from acting in his capacity as a member of an issuer's administrative, management or supervisory body or from being involved in the management or running of an issuer's business.

5.3 Possible conflicts of interest concerning members of the Board of Directors

To the company's knowledge, there is no potential conflict of interest between any of the members of the company's Board of Directors' obligations toward the company and their own private interests.

Messrs. Michel, Claude, Yves, Gérard and Christian Guillemot are members of the Management and Board of Directors of Gameloft SA and Ubisoft Entertainment SA. As such, there may be potential conflicts of interest when these two companies have occasion to work together on certain projects.

The companies are bound by a trademark licence contract under which Ubisoft Entertainment SA granted to Gameloft SA a licence to operate trademarks which it owns or for which it was granted a licence to operate. The trademark licence was granted in return for the payment of royalties proportional to the revenue earned by Gameloft SA. This agreement is one of Gameloft SA's regulated agreements.

In addition, the two companies collaborated on the launch of Nintendo DS games in FY 2004 and 2005. Since Gameloft SA had developed several titles on Nintendo DS but lacked the necessary experience and know-how to distribute them physically, Ubisoft Entertainment SA handled sales of the game among the distribution chains. Gameloft SA's Nintendo DS games were distributed in return for the payment to Ubisoft Entertainment SA of royalties proportional to the revenue earned.

Gérard Guillemot is Manager and Director of Gameloft SA and Longtail Studios Inc. Christian Guillemot is Director of Gameloft SA and Longtail Studios Inc. Gameloft SA distributed to its telecom operator customers the "Love Triangle" mobile game developed by the design studios at Longtail Studios Inc.

5.4 Interest of the senior executives

5.4.1 Compensation of the company managers

The following table gives a summary of the total gross compensation and benefits of any kind paid or owed for FY 2005 to each company manager either by Gameloft S.A. itself or by the controlled companies pursuant to Article L.233-16 of the French Commercial Code or the companies that control it.

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

Amounts in euros	Gameloft SA	Ubisoft Entertainment SA		Guillemot Brothers SA	TOTAL compensation for 2005
	Gross fixed compensation	Gross fixed compensation	Benefits in kind	Gross fixed compensation	
Michel Guillemot	45,600	109,200	0	45,600	200,400
Claude Guillemot	45,600	109,200	0	45,600	200,400
Gérard Guillemot	45,600	109,200	0	45,600	200,400
Yves Guillemot	45,600	109,200	0	45,600	200,400
Christian Guillemot	45,600	109,200	0	45,600	200,400

Mr. Marcel Guillemot is not paid for his duties as a director within the Gameloft group. Currently, no directors' fees are paid.

5.4.2 Obligations of any kind assumed by the company in favour of the company managers

No obligation has been assumed in favour of the members of the Board of Directors with regard to compensation, financial consideration or benefits owed or likely to be owed as a result of the discontinuation or change in their duties or subsequent to said duties, except as described in paragraph 15.1.

5.4.3 Stock option plan

The senior executives and members of the Board of Directors have no option to buy or subscribe for shares.

5.4.4 Information regarding transactions carried out with members of the administrative and managing bodies

None

5.4.5 Loans and guarantees granted to or established in favour of the administrative and managing bodies

None

5.5 *Employee profit-sharing*

5.4.1 Incentive contract and profit-sharing agreement

The company has not established an incentive contract or profit-sharing agreement.

5.4.2 Options granted to personnel regarding the company's shares

The Combined General Meeting of 27 June 2005 authorised the Board of Directors to create stock option plans (cf. paragraph 2.2.1.3).

5.4.3 Stock option plan

The Combined General Meeting of 27 June 2005 approved the issuance of stock options (cf. paragraph 2.2.1.3).

5.6 *The President's report on the conditions governing the preparation and organisation of the Board of Directors' work and on the internal control procedures implemented by the company*

This report is prepared in accordance with Articles L 225-37 and L 225-68 of the French Commercial Code resulting from Article 117 of the Financial Security Act of 1 August 2003.

It reports on the conditions governing the preparation and organisation of the Board's work and on the internal control procedures implemented at Gameloft.

1. *Preparation and organisation of the Board of Directors' work*

At 31 December 2005, the company's Board of Directors consisted of six directors, none of which is independent as defined in the 2002 Bouton report. Given Gameloft's small size, it did not seem necessary to appoint independent directors to the Board of Directors in 2005. In view of the company's adherence to the principles of corporate governance, it is possible that one or more independent directors may be appointed to Gameloft's Board of Directors in the future based on the company's growth. Please refer to sections VII-1, VII-2 and VII-3 of the Management Report

for information regarding the composition of Gameloft's Board of Directors and the offices held by its directors during the last five fiscal years.

The directors are appointed, reappointed or removed by the Ordinary General Meeting. Directors are appointed for six years. Their terms of office expire at the end of the Ordinary General Meeting called to approve the financial statements of the preceding fiscal year and held during the year in which their terms expire.

The Board of Directors defines the company's general strategic policies, which are in turn implemented by General Management under its supervision. Subject to the powers expressly granted to shareholders' meetings and within the limits of the corporate purpose, the Board of Directors deals with all issues affecting the company's proper functioning and, through its proceedings, handles all matters concerning the company. In addition to the Board of Directors' meetings, each Director receives information on a regular basis from General Management regarding the company's business and current operations.

To help the Board members prepare their work and based on necessity, memoranda are sent in advance to the directors. Minutes of the Board of Directors' meetings are prepared at the end of the meeting and sent immediately to all the directors.

The Board of Directors' meetings are held at the registered office or any other place indicated in the meeting notice. The directors were notified at least eight days in advance by ordinary mail. Pursuant to Article L 225-38 of the French Commercial Code, the Auditors were called to the Board meeting at which the year-end financial statements were reviewed and approved.

The Board met 15 times in 2005. The attendance rate in 2005 was 71.11%. The following table summarises the meetings of the Board of Directors in 2005.

Date of Board of Directors' meeting	Agenda
7 January 2005	<i>Authorisation to make a new amendment to the trademark licence contract with Ubisoft Entertainment SA.</i>
22 February 2005	<i>Creation of a subsidiary in Mexico: Gameloft S. de R.L. de C.V.</i>
1 March 2005	<i>Preparation of the individual and consolidated financial statements for the fiscal year ended 31 December 2004. Proposal to allocate and distribute profits. Notice to attend the annual Ordinary General Meeting.</i>
8 April 2005	<i>Registration of the company in Argentina; creation of a subsidiary in Argentina.</i>
11 April 2005	<i>Authorisation of a guarantee commitment in favour of Gameloft S. de R.L. de C.V. (lease agreement for offices in Mexico City).</i>
12 April 2005	<i>Authorisation of a first demand guarantee commitment in favour of Divertissements Gameloft Inc., the company's subsidiary in Canada.</i>
14 April 2005	<i>Authorisation of guarantee commitments in favour of Gameloft Srl (Italy), Gameloft Iberica SA (Spain), Gameloft Limited (United Kingdom) and Gameloft GmbH (Germany).</i>
29 April 2005	<i>Establishment of the procedure which the company's senior executives should follow to inform the company of transactions carried out by them on the company's shares.</i>
12 May 2005	<i>Creation of a subsidiary in India.</i>
13 May 2005	<i>Notice to attend the Combined General Meeting of 27 June 2005.</i>
28 June 2005	<i>Capital increase reserved for Guillemot Brothers S.A. and Messrs. Sébastien Pissavy and Jérôme Stolfo.</i>
11 July 2005	<i>Creation of a subsidiary in China: Gameloft Software (Cheng Du) Ltd.</i>
7 October 2005	<i>Creation of a subsidiary in Korea: Gameloft Co. Ltd.</i>
21 October 2005	<i>Authorisation of guarantee commitments.</i>
28 November 2005	<i>Write-off of the debts of Gameloft Canada; participation in the capital increase of Gameloft Inc. Canada.</i>

2. Principles of internal control

Internal control at Gameloft is founded on the principles defined in the "Coso Report". This reference document on matters of internal control defines such control as "a process, effected by an entity's Board of Directors, management or other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial reporting;
- compliance with applicable laws and regulations”.

This process is the responsibility of the company’s personnel and organisation. A distinction is made between each employee’s responsibility for the result of his/her action and management’s control over employees’ activity.

3. Organisation of internal control

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

The organisation of internal control is centred around three international departments:

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

These three central departments are overseen by Gameloft’s CEO, whose powers are derived from certain laws and regulations. The company has introduced a procedures manual and conducts application tests on a regular basis.

The Development department oversees the activity of the 10 mobile game development subsidiaries located in France, Canada, the United States, Romania, China (Peking and Shanghai), Vietnam, India, Mexico and Argentina. The studios report weekly to the Development department on the progress of the games currently under development. Publishing decisions for the development of new games are made by the Development department together with the Publishing department.

The Publishing department oversees the activity of the eight mobile game marketing subsidiaries located in France, Germany, the United Kingdom, Spain, Italy, the United States, Japan, Korea, China and Argentina. These marketing subsidiaries handle the distribution and marketing of mobile games in the geographic zones for which they are responsible. The managers of these departments have broad latitude in terms of seeking out new partners to distribute the games. However, all partnership and game distribution agreements are approved by the Publishing department located in France, which facilitates monitoring and minimises risk. Each marketing subsidiary sends a detailed weekly account of its sales and marketing activity (new contacts, report of customer meetings, etc.) to the Publishing department.

The Administrative department’s areas of responsibility include cash flow management, monitoring of accounting and management rules, legal affairs, identifying external growth investments, finance, and relations with the financial community and shareholders. It also coordinates the company’s corporate policy. The administrative departments at the registered office may be consulted by the company’s subsidiaries outside of management channels. Each manager of a development or marketing subsidiary is a signatory on the subsidiary’s bank account and manages independently its expenses and physical investments (limited for the most part to computer equipment). Every month, however, each subsidiary manager sends a detailed monthly income statement and a cash flow report to the Administrative department, which can then monitor very closely changes in income and expenses on a global scale. These monthly income statements are then sent immediately to the company’s two other departments, thus enabling them to monitor changes in the subsidiaries for which they are responsible.

In terms of financial information, Gameloft has a decentralised organisation. Each subsidiary’s financial statements are prepared by the local accounting and financial teams under the supervision of the subsidiary’s managers. The financial statements are audited by local auditors every six months.

The consolidated financial statements are prepared by the Administrative department based on data collected from the information systems and the financial statements prepared by the subsidiaries. These consolidated financial statements are audited by Gameloft’s auditors, who work closely with the subsidiaries’ auditors in this regard.

The Administrative department also monitors the off-balance sheet commitments and assets of the parent company and all the company’s subsidiaries.

Generally speaking, all of Gameloft’s financial information is prepared by the Administrative department under the supervision of the CEO and is subject to final approval by the Board of Directors.

4. Management rules

Gameloft's management rules are founded on three basic principles:

- forecasts and actual costs come from the field;
- the quality of the forecasts is essential;
- management is consistent with the accounting records.

The monthly income statement is the basic management tool. The income statement is generated locally with the help of accounting software used at all the subsidiaries. Expenses are entered into this program by the accounting departments and income is entered by the subsidiary manager.

Each person is responsible at his/her level for the figures provided.

Prior to the start of development of any new game, forecasts are made regarding the composition of the development team, the amount of time allocated to development and the number of telephones on which the game will be developed. This work method makes it possible to determine with the greatest accuracy the estimated cost of developing each game and serves as an efficient alert system in case of a delay in development of the game. Any variance between estimated and actual costs is analysed and subsequent games benefit from the lessons learned. The performance of the development subsidiary managers is measured with the help of this forecasting tool.

The accounting records are the only management reference. There is therefore only one income: accounting income. It is the responsibility of the managers of the business subsidiaries to determine income, which is the true value of progress. Each manager is informed of the performance of his/her colleagues.

5. Compliance with applicable laws and regulations

Gameloft is a corporation listed on the Nouveau Marché of Eurolist Paris. It is therefore subject to the obligations inherent to listed companies, with which it is bound to comply in the strictest sense.

Its principal activity, game software development and publishing, is governed mainly by intellectual property law as well as industrial property rights.

Gameloft's organisation is highly centralised in terms of procedures to ensure compliance with the applicable laws and regulations. Management of such matters is therefore solely the responsibility of the Administrative department.

To this end, the Administrative department works closely with the subsidiary managers and coordinates activities outside of France with the assistance of third-party consultants.

The auditors also play a very specific role in terms of their procedures and controls, which are also aimed at compliance with the applicable accounting and financial standards.

6. Management and prevention of the risk of fraud or errors

Prevention of the risk of fraud or errors is the responsibility of every Gameloft employee. Nevertheless, the subsidiary managers are first and foremost responsible for managing and preventing these types of risk within their departments.

Since the risks of fraud or errors pertain mainly to a company's finances, they are covered by the procedures described earlier in this document with regard to verification and validation of financial information.

7. Powers of the CEO and Executive Vice Presidents

The Board of Directors has not deemed it necessary to limit the powers of the CEO and Executive Vice Presidents.

8. Conclusions

Gameloft's general management is mindful of changes in the legal and regulatory framework of corporate governance and internal control.

In collaboration with the Board of Directors, it is introducing more stringent measures in both these areas, while endeavouring to ensure that all the company's management levels remain flexible and responsive.

This is evidenced by the creation of a Compensation Committee and a working group on internal control.

Issued in Paris on 7 March 2006,

Chairman of the Board of Directors.

5.7 *The Auditors' report on the Chairman of the Board of Directors' report concerning the conditions governing the preparation and organisation of the Board of Directors' work and the internal control procedures implemented by the company*

In our capacity as Gameloft's auditors and in accordance with the provisions of the last paragraph of Article L. 225-235 of the French Commercial Code, we present to you our report on the report prepared by your company's President pursuant to the provisions of Article L. 225-37 of the French Commercial Code for the fiscal year ended 31 December 2005.

Under the supervision of the Board of Directors, it is management's responsibility to define and implement adequate, effective internal control procedures. The President is responsible for giving an account, in his report, of the conditions governing the preparation and organisation of the Board of Directors' work and the internal control procedures implemented at the company.

It is our responsibility to give you our observations based on the information provided in the President's report concerning the internal control procedures related to the preparation and treatment of accounting and financial information.

We have performed our work in accordance with the accounting standards applicable in France. These standards require that we follow certain procedures to assess the fairness of the information provided in the President's report concerning the internal control procedures related to the preparation and treatment of accounting and financial information. These procedures consist in:

- acquiring an understanding of the objectives and general organisation of internal control and of the internal control procedures related to the preparation and treatment of accounting and financial information, as presented in the President's report;
- acquiring an understanding of the work underlying the information thus provided in the report.

Based on this work, we have no observation to make regarding the information about the company's internal control procedures related to the preparation and treatment of accounting and financial information, as contained in the Chairman of the Board of Directors' report, which was prepared in accordance with the provisions of the last paragraph of Article L. 225-37 of the French Commercial Code.

Rennes,
15 May 2006

The Auditors

André Métayer

Roland Travers

