



Ubisoft® reports first-half 2009-10 results

- **Sales¹: €166 million**
- **Current operating loss² of €78 million, in line with guidance**
- **2009-10 targets confirmed**

Paris, November 30, 2009 – Today, Ubisoft released its results for the six months ended September 30, 2009.

Key financial data

In € millions	H1 2009-10	%	H1 2008-09	%
Sales	166.0		344.5	
Gross profit*	69.1	41.6%	199.6	57.9%
R&D expenses*	(48.3)	29.1%	(62.8)	18.2%
Selling expenses	(65.4)	39.4%	(75.9)	22.0%
General and administrative expenses	(33.1)	19.9%	(28.0)	8.1%
SG&A expenses*	(98.5)	59.3%	(103.9)	30.2%
Current operating income/(loss) ²	(77.7)	(46.8)%	33.0	9.6%
Net income/(loss)	(52.0)	(31.3)%	24.0	7.0%
Diluted earnings/(loss) per share (in €)**	(0.54)		0.24	
Diluted earnings/(loss) per share before non-recurring items and stock-based compensation (in €)**	(0.48)		0.27	
Cash flows from R&D investments ***	169.7		157.3	
Net cash/(debt)	(67.3)		72.3	

* Supply chain costs that were previously included in SG&A expenses are now classified in gross profit. Costs related to Hybride that were previously included in SG&A expenses are now classified in R&D expenses.

** After the November 14, 2008 two-for-one stock split

*** Including royalties but excluding future commitments and stock-based compensation.

Yves Guillemot, Chief Executive Officer, stated *"First week sales of Assassin's Creed II, up 32%, with positive initial indications for the second week, combined with an overwhelmingly warm reception from gamers, validates our strategy of developing bigger franchises. Based on this initial data, Assassin's Creed 2 looks well positioned to outstrip targets while our Wii games have got off to a more contrasted start in a less predictable market. Finally, sales of James Cameron's Avatar : The Game should benefit from the launch of the movie which is expected to be the biggest blockbuster of this holiday season."*

¹ Sales figures for first-half 2009-10 were released on November 4, 2009.

² Before stock-based compensation.

Main income statement items

Sales for the first six months of 2009-10 came to €166.0 million.

Due to the sharp drop in sales and the significant sales promotions on back-catalog games, gross profit was down sharply on the first half of 2008-09, both in absolute value terms, at €69.1 million versus €199.6 million, and as a percentage of sales, representing 41.6% compared to 57.9%. Gross profit on games launched during the first six months of 2009-10 was higher than in the equivalent prior-year period whereas back catalog titles – which normally generate a gross profit – turned in a negative gross margin.

Ubisoft reported a €77.7 million current operating loss before stock-based compensation, in line with the previously announced guidance of €80.0 million, compared with current operating income of €33.0 million in the first half of 2008-09.

This current operating loss figure reflects the following combined factors:

- A €130.5 million decrease in gross profit.
- A €14.5 million reduction in R&D expenses due to a smaller number of games launches. Total R&D expenses came to €48.3 million, representing 29.1% of sales, versus €62.8 million (18.2% of sales) in the same period of 2008-09.
- A €5.4 million contraction in SG&A expenses, which stood at €98.5 million (59.3% of sales) against €103.9 million (30.2% of sales) in first-half 2008-09.
 - Variable marketing expenses decreased in absolute value terms to €41.9 million (25.2% of sales) from €51.9 million (15.1%).
 - Structure costs rose to €56.6 million (34.1% of sales) from €52.0 million (15.1%), reflecting higher IT expenses and an increase in the number of sales and administrative staff.

Ubisoft recorded an operating loss of €83.0 million for the first six months of 2009-10 compared with operating income of €24.7 million one year prior. The first-half 2009-10 figure includes stock-based compensation amounting to €5.3 million (versus €8.1 million in the corresponding prior-year prior).

Net financial income came to €6.6 million (versus €11.9 million in first-half 2008-09), breaking down as follows:

- €0.0 million in financial income compared with €1.6 million in first-half 2008-09.
- €6.6 million in foreign exchange gains against €1.7 million.

As a reminder, in first-half 2008-09, Ubisoft recorded an €8.5 million gain resulting from Calyon's sale of its remaining Ubisoft shares.

Ubisoft ended the period with a €52.0 million net loss, representing a diluted loss per share³ of €0.54, compared with net income of €24.0 million (representing diluted earnings per share³ of €0.24) in the first six months of 2008-09.

Excluding non-recurring items (i.e. the Equity Swap) and before stock-based compensation, the net loss figure would have amounted to €46.5 million, representing a diluted loss per share³ of €0.48, versus net income of €26.3 million and earnings per share³ of €0.27 for first-half 2008-09.

³ After the November 14, 2008 two-for-one stock split

Main cash flow statement and balance sheet items

Cash flows from operating activities came to a negative €212.9 million (versus a negative €68.9 million in first-half 2008-09), reflecting cash flow from operations* amounting to a negative €139.4 million (compared with a negative €52.6 million) and a €73.5 million increase in working capital requirement (against a €16.3 million increase in the first six months of 2008-09). As a reminder, in first-half 2008-09, the Group's working capital requirement was improved by the €59.3 million positive impact of the sale of Ubisoft shares held in connection with the Equity Swap.

At September 30, 2009, net debt stood at €67.3 million (compared with a net cash position of €72.2 million one year earlier). The change from the net cash position of €154.2 million at March 31, 2009 primarily reflects:

- The above-mentioned €212.9 million net cash outflow from operating activities.
- €9.5 million in purchases of tangible and intangible assets.
- Proceeds from the issue of capital amounting to €4.2 million following employee rights issues and the exercise of stock options.
- A negative €2.9 million effect from exchange rate fluctuations.

** Cash flows from operations includes future commitments on external development contracts and licenses which have no impact on cash flow generation and which decreased by €14.6 million. In the "Cash flow statement for comparison with other industry players", "Costs of internal development and license development", which amounted to €148.4 million, were reduced by this difference of €14.6 million. Before this adjustment, "Costs of internal development and license development" amounted to €163.0 million.*

2009-10 targets confirmed

Ubisoft confirms its previously announced targets for 2009-10, namely:

- Third-quarter sales of around €540 million.
- Full-year sales of approximately €1,040 million and current operating income before stock-based compensation representing at least 7% of sales.

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Disclaimer

This statement may contain estimated financial data, information on future projects and transactions and future business results/performance. Such forward-looking data are provided for estimation purposes only. They are subject to market risks and uncertainties and may vary significantly compared with the actual results that will be published. The estimated financial data have been presented to the Board of Directors and have not been audited by the Statutory Auditors. (Additional information is specified in the most recent Ubisoft Registration Document filed on July 1, 2009 with the French Financial Markets Authority (*l'Autorité des marchés financiers*)).

About Ubisoft

Ubisoft is a leading producer, publisher and distributor of interactive entertainment products worldwide and has grown considerably through a strong and diversified line-up of products and partnerships. Ubisoft has offices in 28 countries and sales in 55 countries around the globe. It is committed to delivering high-quality, cutting-edge video game titles to consumers. Ubisoft generated sales of €1 058 million for the 2008-09 fiscal year. To learn more, please visit www.ubisoftgroup.com

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Consolidated income statement by function

In thousand of euros	09.30.09	09.30.08
Sales	165.957	344.468
Cost of sales	-96.870	-144.833
Gross margin	69.087	199.635
Research and Development costs	-48.255	-62.778
Marketing costs	-65.393	-75.869
General and Administrative costs	-33.104	-27.986
Current operating income	-77.665	33.002
Profit from discontinuing operations	-3	-172
Stock-based compensation	-5.316	-8.142
Operating income	-82.984	24.688
Net borrowing costs	66	1.563
Net foreign exchange losses	6.637	1.674
Other financial income and expenses	-100	8.663
Net financial income	6.602	11.900
Share of profit of associates	125	190
Income tax	24.230	-12.750
Gain on the disposal of discontinued operations	-	-
Profit for the period	-52.027	24.028
Minority interests	-	-
Group Result	-52.027	24.028
Earnings per share		
Basic earnings per share (in €) (*)	-0.55	0.26
Diluted earnings per share (in €) (*)	-0.54	0.24
Weighted average number of shares in issue (*)	94 080	93 234
Diluted weighted average number of shares in issue(*)	96 682	99 158

(*) After stock split

Consolidated balance sheet

ASSETS	Net	Net
In thousands of euros	09.30.09	03.31.09
Goodwill	96.538	99.545
Other intangible assets	590.381	480.911
Property, plant and equipment	28.364	27.423
Investments in associates	468	343
Other financial assets	3.168	3.354
Deferred tax assets	73.257	23.817
Non-current assets	792.176	635.393
Inventory	56.281	62.294
Trade receivables	68.374	69.534
Other receivables	80.422	89.652
Other current financial assets	53.057	20.610
Current tax assets	12.774	19.039
Cash and cash equivalents	78.101	237.207
Current assets	349.009	498.336
Total Assets	1.141.185	1.133.729

LIABILITIES AND EQUITY	09.30.09	03.31.09
In thousand of euros		
Capital	7.308	7.274
Premiums	502.610	489.002
Consolidated reserves	272.820	186.632
Consolidated earnings	-52.027	68.848
Equity (group share)	730.711	751.756
Minority interests	-	-
Total equity	730.711	751.756
Provisions	1.920	1.984
Employee benefit	1.781	1.641
Long-term borrowings	21.707	22.682
Deferred tax liabilities	86.495	60.320
Non-current liabilities	111.903	86.627
Short-term borrowings	123.644	61.822
Trade payables	108.274	136.664
Other liabilities	63.935	76.867
Current tax liabilities	2.718	19.993
Current liabilities	298.571	295.396
Total liabilities	410.474	381.973
Total liabilities and equity	1.141.185	1.133.729

Consolidated cash flow statement for comparison with other industry players

In thousand of euros	09.30.09	09.30.08
Cash flows from operating activities		
Consolidated earnings	-52.027	24.028
+/- Share of profit of associates	-125	-190
+/- Amortization of game software	41.740	51.489
+/- Other amortization	7.511	8.041
+/- Provisions	215	1.054
+/- Cost of share-based payments	5.316	8.142
+/- Gains / losses on disposals	17	172
+/- Other income and expenses calculated	6.301	5
+/- Costs of internal development and license development	-148.350	-145.327
CASH FLOW FROM OPERATIONS	-139.402	-52.586
Inventory	5.034	-14.345
Trade receivables	289	-21.021
Other assets	-43.880	40.828
Trade payables	-27.401	-9.375
Other liabilities	-7.560	-12.430
+/-Change in working capital from operating activities	-73.518	-16.343
TOTAL CASH FLOW GENERATED BY OPERATING ACTIVITIES	-212.920	-68.929
- Payments for the acquisition of property, plant and equipment and other intangible assets	-9.523	-12.292
+ Proceeds from the disposal of intangible assets and property, plant and equipment	11	23
- Payments for the acquisition of financial assets	-8.636	-22.977
+ Repayment of loans and other financial assets	8.695	22.119
+ Proceeds from the disposal of discontinued operations	-	-
+/- Changes in scope ⁽¹⁾	-	-5.880
CASH USED BY INVESTING ACTIVITIES	-9.453	-19.007
Cash flows from financing activities		
+ New finance leases	172	-
- Repayment of finance leases	-28	-29
- Repayment of borrowings	-633	-662
+ Proceeds from shareholders in capital increases	4.131	10.835
+/- Sales / purchases of own shares	-95	182
CASH GENERATED (USED) BY FINANCING ACTIVITIES	3.547	10.326
Net change in cash and cash equivalents	-218.826	-77.610
Cash and cash equivalents at the beginning of the fiscal year	176.893	173.181
Impact of translation adjustments	-2.916	160
Cash and cash equivalents at the end of the fiscal year	-44.849	95.731
⁽¹⁾ Including cash in companies acquired and disposed of	-	-897

Consolidated cash flow statement

In thousand of euros	09.30.09	09.30.08
Cash flows from operating activities		
Consolidated earnings	-52.027	24.028
+/- Share of profit of associates	-125	-190
+/- Depreciation and amortization	49.251	59.530
+/- Provisions	215	1.054
+/- Cost of share-based payments	5.316	8.142
+/- Gains / losses on disposals	17	172
+/- Other income and expenses calculated	6.301	5
+ Interest paid	856	1.639
+ Income tax paid	3.681	12.811
Inventory	5.034	-14.345
Trade receivables	289	-21.021
Other assets	-43.880	40.828
Trade payables	-27.401	-9.375
Other liabilities	-7.560	-12.430
+/-Change in working capital from operating activities	-73.518	-16.343
TOTAL CASH FLOW GENERATED BY OPERATING ACTIVITIES	-60.033	90.848
- Interest paid	-856	-1.639
- Income tax paid	-3.681	-12.811
NET CASH GENERATED BY OPERATING ACTIVITIES	-64.570	76.398
- Payments of internal development and licence development	-148.350	-145.327
- Payments for the acquisition of intangible assets and property, plant and equipment	-9.523	-12.291
+ Proceeds from the disposal of intangible assets and property, plant and equipment	11	23
- Payments for the acquisition of financial assets	-8.636	-22.978
+/- Other cash flows from investing activities	-	-
+ Repayment of loans and other financial assets	8.695	22.119
+/- Changes in scope ⁽¹⁾	-	-5.880
CASH USED BY INVESTING ACTIVITIES	-157.803	-164.334
Cash flows from financing activities		
+ New finance leases	172	-
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- Repayment of borrowings	-633	-662
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