



Ubisoft® reports full-year 2010-11 results

- **Full-year sales up 19% to €1,039 million**
- **Stronger financial performance:**
 - **Current operating income¹: €29 million**
 - **Net Income excluding non-recurring items¹: €21 million**
 - **Net loss: €(52) million**
- **Net cash position: €99 million**
- **Initial targets for fiscal 2011-12**

Paris, May 12, 2011 – Today, Ubisoft released its sales and earnings figures for the fiscal year ended March 31, 2011.

Key financial data

In € millions	2010-11	%	2009-10	%
Sales	1,038.8		871.0	
Gross profit	673.6	64.8%	512.8	58.9%
R&D expenses*	(363.5)	-35.0%	(309.4)	-35.5%
Selling expenses	(212.9)	-20.5%	(196.1)	-22.5%
General and Administrative expenses	(67.9)	-6.5%	(66.9)	-7.7%
Total SG&A expenses	(280.7)	-27.0%	(263.0)	-30.2%
Current operating income/(loss)¹	29.4	2.8%	(59.6)	-6.8%
Non-recurring reorganization charges	(95.9)		-	
Operating income/(loss)	(80.4)	-7.7%	(72.1)	-8.3%
Profit/(loss) for the period	(52.1)	-5.0%	(43.7)	-5.0%
Diluted earnings/(loss) per share (in €)	(0.54)		(0.45)	
Diluted earnings/(loss) per share before non-recurring items and stock-based compensation (in €)	0.22		(0.33)	
Cash flows from operating activities	64.6		(89.9)	
R&D investment expenditure*	400.4		353.5	
Net cash position	99.2		41.3	

* Including royalties but excluding future commitments.

¹ Before stock-based compensation.

Yves Guillemot, Chief Executive Officer, stated *"Ubisoft saw a sharp upturn in revenue and current operating income¹ in 2010-11 and strengthened its financial position. The Casual segment returned to significant levels thanks to our leadership positions in the dance game segment, on Kinect and on 3DS. At the same time, we continued to make progress in the Online segment, doubling revenue and above all improving the management of our online communities, our service offering and their monetization. Lastly, in the High-Definition segment, we scored another success with Assassin's Creed Brotherhood. This performance was achieved thanks to our continuing creativity and an innovative multiplayer mode which proved highly popular with the large community of players who are increasingly engaged with the franchise. Our objective now is to replicate this success for our other strong franchises"*.

Sales

Sales for the fourth quarter of 2010-11 came to €178 million, down 15.2% (down 16.2% at constant exchange rates) on the €210 million recorded for the same period of 2009-10.

Full-year sales for fiscal 2010-11 totaled €1,039 million versus €871 million for fiscal 2009-10, representing an increase of 19.3% (+12.9% at constant exchange rates).

Fourth-quarter sales were higher than the guidance of around €159 million issued when Ubisoft released its sales figures for the third quarter of 2010-11. This fourth-quarter performance reflects the following:

- Continued solid sales for our dance titles.
- Successful launches for our 3DS titles, with a leading position on the console since its launch.

Main income statement items

Gross profit represented a significantly higher percentage of sales in 2010-11, coming in at 64.8% (€673.6 million) compared to 58.9% (€512.8 million) in 2009-10 and above the previously announced guidance of around 64%. This performance was due to the solid level of sell-through sales in the fourth quarter which enabled us to achieve higher-than-expected average prices.

Current operating income before stock-based compensation amounted to €29.4 million, representing a sharp increase on the €59.6 million loss reported in 2009-10. The 2010-11 figure reflects the combination of the following factors:

- A €160.8 million increase in gross profit.
- A €54.1 million increase in R&D costs to €363.5 million from €309.4 million in 2009-10. As a percentage of sales, however, these costs decreased slightly to 35.0% from 35.5%. They came in higher than the previously announced guidance of between €340 million and €350 million due to anticipated R&D depreciation recorded on a title scheduled for release in 2011-12.
- A €17.7 million absolute-value increase in total SG&A expenses to €280.7 million from €263.0 million in 2009-10 but a reduction as a percentage of sales to 27.0% from 30.2%. Overall, total SG&A expenses came in below the previously announced guidance of between €285 million and €295 million as a result of tight cost control:
 - Variable marketing expenses represented 15.4% of sales (€160.4 million) compared with 16.5% (€143.6 million) in 2009-10.
 - Structure costs represented 11.5% of sales (€120.3 million) compared with 13.7% (€119.4 million) in 2009-10.

¹ Before stock-based compensation.

Non-recurring reorganization charges

Ubisoft has taken measures to adapt its structure to major changes in the industry by reorganizing the roles and operations of its studios, which has resulted in the termination of certain projects. As a result of these terminations, as well as the decision to cease the sale of figurines in newsstands in Spain and Italy, which was made before the end of the fiscal year, the Company recognized €95.9 million in non-recurring reorganization charges, including €33.8 million in the second half of 2010-11. The total amount breaks down as €85.4 million for Research & Development and €10.5 million in other charges. Those non-recurring charges had a limited impact on cash flow.

Taking into account the above-mentioned €95.9 million in non-recurring charges, Ubisoft ended the year with an operating loss of €80.5 million, compared with a €72.1 million operating loss in 2009-10. This figure includes stock-based compensation of €12.6 million for 2010-11 (€12.1 million in 2009-10).

Net financial expense came to €3.7 million (compared with net financial income of €4.7 million in 2009-10), primarily breaking down as follows:

- €5.0 million in financial charges (€0.5 million in 2009-10). This figure included €3.6 million related to the sale of tax carry-back receivables.
- €4.3 million in foreign exchange losses, versus foreign exchange gains of €5.2 million in 2009-10.
- A €5.7 million positive impact from the sale of 2.8 million Gameloft shares. Following this transaction, 6.3 million Gameloft shares are still recorded as part of the Equity Swap.

Ubisoft reported a net loss of €52.1 million for 2010-11, representing a diluted loss per share of €0.54, versus a net loss of €43.7 million and a diluted loss per share of €0.45 for 2009-10.

Excluding non-recurring items and before stock-based compensation, the Group would have generated profit for the period amounting to €21.4 million, representing diluted earnings per share of €0.22, versus a €31.6 million net loss and a diluted loss per share of €0.33 in 2009-10.

Main cash flow statement and balance sheet items (unaudited)

Cash flows from operating activities came to €64.6 million versus a negative €89.9 million in 2009-10, representing a significant year-on-year improvement. This reflects €34.2 million in cash flow from operations compared with a negative €56.7 million the previous year, as well as a €30.4 million reduction in working capital requirement against a €33.2 million increase in 2009-10.

At March 31, 2011, Ubisoft had a net cash position of €99.2 million versus €41.3 million at March 31, 2010. The year-on-year rise primarily reflects:

- The above-mentioned €64.6 million in cash flows from operating activities, which includes €11.0 million from the sale of Gameloft shares and €31.0 million sales of Canadian tax credit.
- €21.9 million from sales of tax carry-back receivables.
- €22.0 million in purchases of tangible and intangible assets.

¹ Before stock-based compensation.

Outlook

Full-year 2011-12

Yves Guillemot stated *"In fiscal 2011-12 we intend to pursue our growth strategy founded on our three key pillars.*

The Casual segment offers enormous potential and in the past five years we have demonstrated our ability to seize the numerous opportunities available. Going forward, we intend to consolidate our leadership position in dance games, particularly by launching several titles and releasing them also on Kinect and Move. We will also continue to offer new experiences to casual players through new platforms such as the 3DS, as well as through innovative titles such as Rocksmith.

In the High Definition segment, the 2011-12 line-up will be particularly rich in established brands, offering a favorable comparison with 2010-11. It will notably include Assassin's Creed Revelations, which further demonstrates the strength of our cross-studio collaboration model put in place for the franchise – a model that offers both creativity for gamers and a steady flow of releases. Our High Definition line-up will also include, among others, Driver San-Francisco, Ghost Recon Future Soldier, Rayman Origins, and an adaptation of the Tintin movie. The vast majority of these High Definition games will have robust multiplayer modes. In order to increase the revenue-generation potential for each of these titles, we also offer gamers additional online content and services, in particular through Uplay, as well as the possibility to continue and extend their experience, wherever they are and whatever platform they are using.

Lastly, we continue to grow our Online segment with the release of numerous gamer and casual titles. We intend to capitalize on the experience gained in the past year and on the strength of our franchises. For example, we plan to launch a free-to-play world based on our highly popular franchise for young girls, Imagine, which will be an addition to our recurring revenue from Settlers Online and Might & Magic Heroes Kingdoms. In the coming days, we will officially announce an ambitious project on PC based on one of our top gamer franchises that will illustrate our capacity to take advantage of new business models. In addition, Trackmania² Canyon – the sequel to Trackmania, the industry's most successful online racing game – will be available as a closed beta in the next few months."

Yves Guillemot concluded by saying, *"The efforts we have made over the past few years to achieve greater productivity in our High Definition segment combined with investments we have made in the high-potential Casual and Online segments, should enable us to post further growth in both sales and current operating income in 2011-12 and 2012-13."*

The Group expects 2011-12 sales to come in at between €1,040 million and €1,080 million and recurring operating income¹ to amount to between €40 million and €60 million. This estimate is based on the following:

- A slight growth of the High Definition segment sales over the €565 million achieved in 2010-11.
- A slight decrease of the Casual segment sales compared to the €435 million achieved in 2010-11.
- A strong growth of the Online segment sales over the €38 million achieved in 2010-11.
- A one or two percentage point increase in gross margin.

¹ Before stock-based compensation.

Sales for the first quarter of 2011-12

The first three months of 2011-12 will see the following main releases:

- Michael Jackson The Experience for Kinect and Move
- Child of Eden™ for Kinect
- Might and Magic Clash of Heroes and Outland for XBLA, PSN

As the line-up for first-quarter 2011-12 is not as extensive as for the same period of 2010-11 – which saw the launch of Splinter Cell Conviction® and Prince of Persia The Forgotten Sands™ – first-quarter 2011-12 sales are expected to come in at around €90 million, approximately 44% lower than in first-quarter 2010-11.

Significant events

Market share: In the first three months of calendar 2011, Ubisoft was the number 3 independent editor in the United States with 8.2% market share (compared with number 4 and 5.4% one year earlier) and number 3 in Europe with 8.5% market share (compared with number 3 and 8.7%).

Increased financing capacities: The signature of a new credit line of €25 million over 2 years, brings the total amount of available credit line to more than €300 million.

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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 June 30, 2010 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 26 countries and has sales in more than 55 countries around the globe. It is committed to delivering high-quality, cutting-edge video game titles to consumers. For the 2010-11 fiscal year Ubisoft generated sales of €1,039 million. To learn more, please visit: www.ubisoftgroup.com.

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¹ Before stock-based compensation.

APPENDICES

Breakdown of sales by geographic region

	% Sales	% Sales	% Sales	% Sales
	Q4 2010/11	Q4 2009/10	12 Months 2010/11	12 months 2009/10
Europe	47%	52%	39%	49%
North America	47%	40%	55%	43%
Rest of world	6%	8%	6%	8%
TOTAL	100%	100%	100%	100%

Breakdown of sales by platform

	Q4 2010/11	Q4 2009/10	12 Months 2010/11	12 months 2009/10
Nintendo DS™	5%	13%	5%	14%
Nintendo 3DS™	20%	-	3%	-
PC	17%	17%	4%	8%
PLAYSTATION®3	7%	13%	19%	23%
PSP™	2%	4%	2%	4%
Wii™	37%	41%	38%	26%
XBOX 360™	9%	9%	27%	22%
Other	3%	1%	1%	2%
TOTAL	100%	100%	100%	100%

Breakdown of sales by business line

	Q4 2010/11	Q4 2009/10	12 Months 2010/11	12 months 2009/10
Development	86%	87%	96%	90%
Publishing	10%	6%	3%	7%
Distribution	5%	7%	1%	4%
TOTAL	100%	100%	100%	100%

¹ Before stock-based compensation.

Title Release Schedule

1st Quarter (April – June 2011)

BEYOND GOOD AND EVIL [®]	PSN
CHILD OF EDEN [™]	Xbox 360 [™] Kinect
COSMIC FAMILY [®]	iPad
CUBIC NINJA [™] 3D	Nintendo 3DS [™]
MICHAEL JACKSON THE EXPERIENCE	Xbox 360 [™] Kinect, PLAYSTATION [®] 3 Move
MIGHT AND MAGIC [®] CLASH OF HEROES [®]	XBLA, PSN
OUTLAND [™]	XBLA, PSN

¹ Before stock-based compensation.

The audit procedures for the consolidated financial statements have been completed. The Statutory Auditors' certification report will be issued after the management report and notes to the consolidated financial statements have been verified and the procedures required to file the registration document have been finalized.

Consolidated income statement

In thousands of euros	03/31/2011	03/31/2010
Sales	1 038 826	870 954
Cost of sales	-365 208	-358 118
Gross Margin	673 618	512 836
Research and Development costs	-363 505	-309 403
Marketing costs	-212 868	-196 115
General and Administrative costs	-67 880	-66 894
Current operating income before SO	29 365	-59 576
Stock-based compensation	-11 121	-12 099
Current operating income	18 244	-72 100
Fair Value Variation	-1 354	-367
Other operating income and expenses	-95 942	-53
Non-current Stock-based compensation	-1 434	-
Operating income	-80 486	-72 095
Net borrowing costs	-5 087	-546
Net foreign exchange losses	-4 310	5 246
Other financial income and expenses	5 718	50
Net financial income	-3 679	4 750
Share of profit of associates	0	50
Income tax	32 045	23 624
Profit for the period	-52 120	-43 671
Earnings per share		
Basic earnings per share (in €)	-0,55	-0,46
Diluted earnings per share (in €)	-0,54	-0,45
Weighted average number of shares in issue	94 454	94 192
Diluted weighted average number of shares in issue	96 961	96 532

¹ Before stock-based compensation.

Consolidated balance sheet

ASSETS	Net	Net
In thousands of euros	3/31/11	3/31/10
Goodwill	108 125	106 498
Other intangible assets	451 701	526 383
Property, plant and equipment	34 824	31 800
Investments in associates	393	393
Other financial assets	3 335	3 613
Deferred tax assets	82 525	65 884
Non current assets	680 903	734 571
Inventory	35 217	47 973
Trade receivables	49 263	68 748
Other receivables	59 478	89 159
Other current financial assets	29 112	33 271
Current tax assets	10 574	25 080
Cash and cash equivalents	193 354	185 316
Current assets	376 998	449 547
Total assets	1 057 901	1 184 118

LIABILITIES AND EQUITY	3/31/11	3/31/10
In thousands of euros		
Capital	7 341	7 320
Premiums	527 469	512 444
Consolidated reserves	231 305	285 380
Consolidated earnings	-52 120	-43 672
Equity (Group share)	713 995	761 472
Minority interests		
Total equity	713 995	761 472
Provisions	2 295	2 215
Employee benefits	1 196	1 710
Long-term borrowings	1 894	22 548
Deferred tax liabilities	30 990	32 921
Non-current liabilities	36 375	59 394
Short-term borrowings	92 732	121 784
Trade payables	110 947	144 499
Other liabilities	96 847	93 617
Current tax liabilities	7 005	3 352
Current liabilities	307 531	363 252
Total liabilities	343 906	422 646
Total liabilities and equity	1 057 901	1 184 118

¹ Before stock-based compensation.

Consolidated cash flow statement for comparison with other industry players
(Unaudited and not included in the consolidated financial statements)

In thousands of euros	31.03.11	31.03.10
Consolidated earnings	-52 120	-43 672
+/- Share of profit of associates	0	-50
+/- Amortization of game software	382 906	287 398
+/- Other amortization	22 377	17 428
+/- Provisions	6 684	4 335
+/- Cost of share-based payments	12 556	12 099
+/- Gains / losses on disposals	356	170
+/- Other income and expenses calculated	271	-2 937
+/- Costs of internal development and license development	-338 820	-331 474
CASH FLOW FROM OPERATIONS	34 210	-56 703
Inventory	4 862	12 057
Trade receivables	19 389	2 440
Other assets	3 635	-80 343
Trade payables	-4 559	14 851
Other liabilities	7 110	17 797
+/-Change in working capital from operating activities	30 437	-33 198
TOTAL CASH FLOW GENERATED BY OPERATING ACTIVITIES	64 647	-89 901
- Payments for the acquisition of property, plant and equipment and other intangible assets	-22 246	-19 635
+ Proceeds from the disposal of intangible assets and property, plant and equipment	231	566
- Payments for the acquisition of financial assets	-16 095	-16 563
+ Repayment of loans and other financial assets	17 003	16 472
+ Proceeds from the disposal of discontinued operations	0	0
+/- Changes in scope ⁽¹⁾	-5 465	-8 382
CASH USED BY INVESTING ACTIVITIES	-26 572	-27 542
Cash flows from financing activities		
+ New finance leases	86	129
+ New borrowings	36	43
- Repayment of finance leases	-192	-81
- Repayment of borrowings	-750	-649
+ Proceeds from shareholders in capital increases	1771	5033
+/- Sales / purchases of own shares	-422	-154
+/- other flows (carry back sold)	21 886	0
CASH GENERATED (USED) BY FINANCING ACTIVITIES	22 415	4 321
Net change in cash and cash equivalents	60 490	-113 122
Cash and cash equivalents at the beginning of the fiscal year	64 976	176 890
Impact of translation adjustments	-3 433	1 210
Cash and cash equivalents at the end of the fiscal year	122 034	64 978

¹ Before stock-based compensation.

Consolidated cash flow statement

In thousands of euros	31.03.11	31.03.10
Cash flows from operating activities		
Consolidated earnings	-52 120	-43 672
+/- Share of profit of associates	0	-50
+/- Depreciation and amortization	405 283	304 826
+/- Provisions	6 684	4 335
+/- Cost of share-based payments	12 556	12 099
+/- Gains / losses on disposals	356	170
+/- Other income and expenses calculated	271	-2 937
+ Income tax paid	- 32 042	- 23 624
Inventory	4 862	12 057
Trade receivables	19389	2440
Other assets	46 821	-18 996
Trade payables	-4 559	14 851
Other liabilities	9 023	-8 526
+/-Change in working capital from operating activities	75 536	1 826
TOTAL CASH FLOW GENERATED BY OPERATING ACTIVITIES	416 524	252 973
- Income tax paid	-13 057	-11 588
NET CASH GENERATED BY OPERATING ACTIVITIES	403 467	241 385
- Payments of internal development and license development		
- Payments for the acquisition of intangible assets and property, plant and equipment	-338 820	-323 097
+ Proceeds from the disposal of intangible assets and property, plant and equipment	-22 246	-28 012
- Payments for the acquisition of financial assets	231	566
+/- Other cash flows from investing activities	-16 095	-16 562
+ Repayment of loans and other financial assets	17 003	16 472
+/- Changes in scope ⁽¹⁾	-5 465	-8 157
CASH USED BY INVESTING ACTIVITIES	-365 392	-358 790
Cash flows from financing activities		
+ New finance leases	36	129
+ New borrowings	86	43
- Repayment of finance leases	-192	-81
- Repayment of borrowings	-750	-649
+ Proceeds from shareholders in capital increases	1 771	5 033
+/- Sales / purchases of own shares	-422	-154
+/- Other flows (carry back sold)	21 886	0
CASH GENERATED (USED) BY FINANCING ACTIVITIES	22 415	4 321
Net change in cash and cash equivalents	60 490	-113 084
Cash and cash equivalents at the beginning of the fiscal year	64 976	176 890
Impact of translation adjustments	-3 433	1 169
Cash and cash equivalents at the end of the fiscal year	122 033	64 975
⁽¹⁾ Including cash in companies acquired and disposed of	141	-399

¹ Before stock-based compensation.

Reconciliation of Net income before non recurring elements and stock based compensation

In million of Euros	<u>2010-11</u>	<u>2009-10</u>
Net income	-52,1	-43,7
Gameloft	-3,9	0,0
Goodwill amortization	1,4	
Non-recurring charges (restructuring)	63,5	0,0
Stock-based compensation	12,6	12,1
Net income before non recurring elements and stock based compensation	21,4	-31,6
Diluted EPS before non-recurring elements and stock based compensation	0,22	-0,33

¹ Before stock-based compensation.