



# ANNUAL REPORT 2011

This French version of the Annual Report was recorded on June, 28 2011 in accordance with Article 212-3 of the Autorité des Marchés Financiers General regulation (The French Securities and Exchange Commission).

This document is a translation of the Reference document of the Ubisoft group for the year ended March 31, 2011.

Its purpose is to assist English speaking readers. The greatest attention has been paid to its preparation. However, the only official document is the 2011 Reference Document in French, filed with the French securities regulator (Autorité des Marchés Financiers – AMF) on June, 28 2011.

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# FINANCIAL REPORT

# 1 THE GROUP'S BUSINESS ACTIVITIES AND RESULTS FOR FINANCIAL YEAR 2010/2011

## 1.1 GROUP PRESENTATION

In 2010, Ubisoft was ranked third worldwide among independent publishers (sources: NPD, Chart-Track, GFK). The Group's activities are centered around development, publishing and distribution of video games:

- high-definition with games for Xbox 360™, PlayStation®3 and PC,
- casual with games for Nintendo®, KINECT and the PlayStation®3 Move,
- online for on-line games.

Ubisoft currently employees 6,350 staff.

### 1.1.1 HISTORY

In a constantly evolving industry, the Group has built and is continuing to establish solid foundations that allow it to anticipate the entertainment of the future.

1986: Creation of Ubisoft by the five Guillemot brothers, who started up a Company to publish and distribute software that is both recreational and educational.

1989-1995: International expansion

Ubisoft opens its first distribution subsidiaries in the US, Germany and the United Kingdom and its first internal development studios in France and Romania. To date, over 31 million players have played *Rayman*® and the *Raving Rabbids*.

1996-2001: Organic growth and strategic acquisitions

Flotation on the Paris stock exchange in 1996. Opening of new studios (Shanghai in 1996, Montreal in 1997, Morocco, Spain and Italy in 1998, Annecy and Montpellier in France in 1999) and new distribution offices (Hong Kong, Netherlands, Denmark, etc.). In 2000, acquisition of *Red Storm Entertainment* (Tom Clancy games); acquisition in 2001 of Blue Byte Software (*The Settlers*®) and the video games division of The Learning Company (*Myst*® and *Prince of Persia*®). This strategy powered Ubisoft into the world's top 10 independent publishers in 2001.

2002-2006: A strategy of developing owned brands

Ubisoft nearly tripled its number of flagship brands, from three to eight, increasing its market share in new territories. In 2006: acquisition of the *Driver*® and *Far Cry*® franchises; opening of a sales office in Mexico and a studio in Bulgaria.

2007-2011: A true creator

Ubisoft built on its reputation as a key player: the Group became the third-largest independent publisher, with the number of multimillion-selling brands rising from 10 to 18. 29 million copies of *Assassin's Creed*® have been sold to date and 14 million for *Just Dance*®.

Opening of a new studio in China (Chengdu) in 2007 and acquisition of a studio in Japan (Digital Kids). Acquisition of the Tom Clancy name for video games and ancillary products, and of the *Anno*® brand. Acquisition of 4 new studios: Action Pants (Vancouver, Canada), Southlogic® (Porto Alegre, Brazil), Massive Entertainment (Sweden) and a studio in Pune (India). In 2008, acquisition of Hybride, a studio specializing in cinema special effects. In 2009, acquisition of the Nadéo studio and of the cult online brand *TrackMania*®; agreement signed with the government of Ontario regarding the opening of a studio in Toronto. In 2010, closure of the two Brazilian studios and acquisition of Quazal Technologies, leader in the creation of online technology solutions.

## 1.1.2 HIGHLIGHTS OF THE 2010/2011 FINANCIAL YEAR

### May 2010: Subscription of 2 new credit lines

Ubisoft signed for € 70 million in new credit lines maturing in May 2013.

### July 2010: Release of Electronic Arts Inc from the share capital of the Company

On 16<sup>th</sup> July, 2011, Electronic Arts Inc. sold off-market all the shares it held in the share capital of the Company.

### September 2010:

- **Sell-off on tax credit sales**

Ubisoft Entertainment SA has mobilized a tax credit sales for €25.6 million (partial use of tax deficit 2010) it was assigned without recourse by way of discount to Natixis at €22 million.

- **R&D activity stopped in Brazil**

This decision has resulted in the total depreciation of goodwill arising from acquisition of the Southlogic studio for €1,354 thousand.

### First half: Reorganization of the studios

Faced with a highly competitive and demanding environment, Ubisoft decided to focus on game development of outstanding quality. Achieving this goal requires a significant reorganization of the studios, allowing a focus on brands with strong potential and a regular release of very high quality games.

The implementation of this strategy has led to games being discarded and wage costs being accounted for under "other operating expenses" for €87 million.

### April to October 2010: disposal of Gameloft shares

The disposal of 2.8 million Gameloft shares under the equity swap has generated a capital gain of €5.9 million over the fiscal year

### February 2011

Outstanding performance of the dance titles, *Just Dance*®, *Just Dance*® 2, *Just Dance*® Kids, *Michael Jackson The Experience* and *Dance on Broadway*™ reaching an aggregate of more than 10.5 million sell-in units in the third fiscal year quarter.

Through 2010, Ubisoft increased its market share in the United States (7.3% compared with 5.4% in 2009) and in Europe (9.2% compared with 7.8%). Ubisoft was ranked leading independent publisher for the launch of KINECT, with 18% market share in the United States and 21% in Europe.

### Second half: Cessation of EMEA region merchandising

This decision led to €9.5 million of non current expenses, including €8.2 million for the entire depreciation of inventory related to this activity.

### March 2011: Factoring agreement

A factoring agreement relating to Credit Multimedia shares (Canada) has been signed between the BNC and Ubisoft Divertissements Inc. At year end closing, the amount of assigned receivables came to €32.5 million.

### March 2011

Ubisoft was ranked leading independent publisher worldwide for the launch of Nintendo3DS™.

**Highlights of the online activities****June 2010**

*Assassin's Creed® Brotherhood* won the award for best multiplayer game at the E3 show.

**November 2010**

Ubisoft announced the acquisition of Quazal Technologies, a leader in the creation of online technology solutions for video game developers.

**November 2010**

Success of *Scott Pilgrim™* on Xbox Live® and PlayStation® Network

**February 2011**

Promising launch of *CSI Crime City* on Facebook® and *The Settlers®* Online in Germany.

### 1.1.3 KEY FIGURES

The consolidated financial statements for the year ended March 31, 2011 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at March 31, 2011, as adopted by the European Union.

Only the standards approved by the European Commission and published in its official journal before March 31, 2011, and whose application was mandatory as of April 1, 2010, have been applied by the Group to the consolidated financial statements for the year ended March 31, 2011. No standard or interpretation whose application has become mandatory since March 31, 2011 has been applied early to the consolidated financial statements for the year ended March 31, 2011.

The IFRS as adopted by the European Union differ on certain points from the IFRS published by the IASB. However, the Group has made sure that the financial information presented would not have been substantively different if it had applied IFRS standards as published by the IASB.

On April 1 2010, for the first time the Group applied revised IFRS 3 and the amended IAS 27 – Business combinations and consolidations – was applied in the consolidated accounts at March 31, 2011 for the acquisition of Quazal Technologies Inc.

These business combinations have no significant impact on the comparability on financial statements of the Group.

In thousands of euros	03/31/11	03/31/10
<b>Sales</b>	<b>1,038,826</b>	<b>870,954</b>
Gross margin	673,618	512,836
R&D costs	-363,505	-309,403
SG&A expenses	-280,748	-263,009
<b>Operating profit (loss) from continuing operations</b>	<b>29,365</b>	<b>-59,576</b>
Non-recurring restructuring expenses	-95,942	-
Operating profit (loss)	-80,486	-72,096
Net financial income	-3,679	<b>4,750</b>
Share in profit of associates	-	50
Income tax (credit)	32,045	23,624
<b>Net income (group share)</b>	<b>-52,120</b>	<b>-43,672</b>
Equity	713,995	761,471
Capital expenditure on internal production	287,470	260,806
Staff	6,331	6,402

\* excl. share-based payments

Cash flow statement for comparison with other industry players (unaudited and not part of the consolidated accounts)

in thousands of euros	31/03/11	31/03/10
Consolidated earnings	-52,120	-43,672
+/- Share in profit of associates	-	-50
+/- Gaming software amortization	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
+/- Internal development and license development costs	-338,820	-331,474
<b>Cash flows from operating activities</b>	<b>34,210</b>	<b>-56,703</b>
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*
<b>+/- Change in WCR linked to operating activities</b>	<b>30,437</b>	<b>-33,198</b>
<b>TOTAL CASH FLOW GENERATED BY OPERATING ACTIVITIES</b>	<b>64,647</b>	<b>-89,901</b>
<b>Cash flows from investment activities</b>		
- 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	-16,562
+/- Other cash flows from investing activities	-	-1
+ Repayment of loans and other financial assets	17,003	16,472
+/- Changes in consolidation scope <sup>(1)</sup>	-5,465	-8,382
<b>CASH USED FROM INVESTING ACTIVITIES</b>	<b>-26,573</b>	<b>-27,542</b>
<b>Cash flows from financing activities</b>		
+ New finance leases contracted	36	43
- Repayment of finance leases	-192	-81
New borrowings	86	129
- Repayment of borrowings	-750	-649
+ Funds received from shareholders in capital increases	1,771	5,033
+/- Sales/purchases of own shares	-422	-154
+/- Other cash flows (disposal of tax credit resulting from loss carry-back)	21,886	-
<b>CASH GENERATED (USED) BY FINANCING ACTIVITIES</b>	<b>22,415</b>	<b>4,321</b>
<b>Net change in cash and cash equivalents</b>	<b>60,490</b>	<b>-113,122</b>
Cash and cash equivalents at the beginning of the period	64,976	176,890
Impact of translation adjustments	-3,433	1,210
<b>Cash and cash equivalents at the end of the period</b>	<b>122,034</b>	<b>64,976</b>
<sup>(1)</sup> Including cash in companies acquired and disposed of	141	-399

\* The presentation of the WCR from 31/03/10 has been amended and includes variations of deferred income tax

This cash flow statement differs from the cash flow statement required by IFRS standards mainly due to the reclassification of internal and external developments in cash flows from operations.



## 1.2 ANALYSIS OF ACTIVITY AND COMMENTS ON RESULTS FOR FINANCIAL YEAR 2010/2011

### 1.2.1 QUARTERLY AND ANNUAL CONSOLIDATED REVENUE

Sales in millions of euros	2010/2011	2009/2010	Change at current exchange rates	Change at constant exchange rates
Q1	161	83	+94%	+81%
Q2	100	83	+19%	+12%
Q3	600	495	+21%	+15%
Q4	178	210	-15%	-16%
Financial year total	1,039	871	+19%	+13%

At current rate, sales were up 19% in the financial year 2010/2011 and 13% at constant exchange rates. Sales were boosted by strong growth in the casual titles which increased from around €220 million in 2009/2010 to €434 million in 2010/2011.

### 1.2.2 SALES BY BUSINESS LINE

The breakdown of sales by business line is as follows:

Breakdown of sales by business line, as %	2010/2011	2009/2010
Development	96%	90%
Publishing	3%	7%
Distribution	1%	4%
TOTAL	100 %	100 %

The Development activity benefited this year from the success of the games *Assassin's Creed*<sup>®</sup> and *Just Dance*<sup>®</sup>. Publishing and Distribution are down as a consequence of the strategy of concentrating on internal titles.

### 1.2.3 CHANGE IN THE NUMBER OF TITLES DEVELOPED

Number of titles released from internal production, third-party co-production, publishing and distribution:

Number of titles*	2010/2011	2009/2010	2008/2009	2007/2008
Development	56	67	60	35
<i>Internal production</i>	37	27	22	21
<i>Co-production</i>	19	40	38	14
Publishing	10	14	31	20
Distribution	12	8	21	12
TOTAL	78	89	112	67

The number of games launched continues to fall in line with the strategy of focusing on a smaller number of titles.

## 1.2.4 SALES BY PLATFORM

	2010/2011	2009/2010
Nintendo DS™	5%	14%
Nintendo 3 DS™	3%	-
PC	4%	8%
PlayStation®3	19%	23%
PSP™	2%	4%
Wii™	38%	26%
XBOX 360™	27%	22%
Other	1%	2%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

Although the market for the Wii™ declined sharply in 2010, the Company's sales for this platform increased strongly due to the success of its dance titles. The share for the Xbox360® also grew on account of the success of Assassin's Creed® Brotherhood; the exclusive launch of Splinter Cell Conviction® and the successful launch of KINECT.

## 1.2.5 SALES BY GEOGRAPHIC DESTINATION

The Group's sales by geographic destination break down as follows:

Financial year in millions of euros	2010/2011	%	2010/2011	%
France	76	7%	68	8%
Germany	61	6%	71	8%
United Kingdom	146	14%	113	13%
Rest of Europe	131	13%	168	19%
<b>Total</b>	<b>414</b>	<b>40%</b>	<b>419</b>	<b>48%</b>
United States/Canada	559	54%	382	44%
Asia/Pacific	59	6%	59	7%
Rest of world	7	1%	12	1%
<b>TOTAL</b>	<b>1,039</b>	<b>100%</b>	<b>871</b>	<b>100%</b>

The United States share showed strong growth in this financial year due both to the success of the dance games in this region and changes in the US dollar (1.322 at March 31, 2011 against 1.414 at March 31, 2010).

## 1.2.6 CHANGES IN THE INCOME STATEMENT

The gross profit margin as a percentage of sales is up significantly at 64.8% (€673.6 million) compared with 58.9% (€512.8 million) in 2009/2010. The gross profit margin is ahead of the target of around 64% published previously due to the quality of fourth quarter sell-through sales which enabled the achievement of higher than anticipated average prices.

The profit from recurring operations excluding share-based payments amounts to €29.4 million; a significant improvement on the €(59.6) million loss in 2009/2010.

Current operating income before share-based payments is as follows:

- Increase of €160.8 million in the gross margin.
- €54.1 million increase in R&D costs at €363.5 million compared with €309.4 million in 2009/2010. These costs are down slightly as a percentage of sales at 35%, compared to 35.5% in 2009/2010. They exceed the target of €340-350 million published previously due to accelerated depreciation on a title to be released in 2011/2012.
- €17.7 million rise in SG&A expenses to €280.7 million, down in terms of percentage of sales (27%), compared to €263 million (30.2%) in 2009/2010. SG&A expenses are below the previously-published target of €285-295 million thanks to sound expenditure management:
  - Variable marketing expenses are at 15.4% of sales (€160 million), compared with 16.5% (€143.6 million) in 2009/2010.
  - Structural costs amount to 11.5% of sales (€120.3 million), compared with 13.7% (€119.4 million) in 2009/2010.

#### Non-recurring restructuring expenses

The Company has aligned itself with major changes in the industry with a reorganization of roles and operations at its studios which has resulted in some projects being withdrawn. The withdrawal of these projects and ceasing newsstand sales of figurines in Spain and Italy – a decision taken prior to closure of the financial period – has meant that the Company recorded €95.9 million in restructuring expenses of which €33.8 million in the second half of the year. The total sum breaks down to €85.4 million for R&D and €10.5 million for other expenses. These non-recurring expenses had a limited impact on cash flow.

Including the €95.9 million in non-recurring charges, the operating loss amounts to €(80.5) million, compared with an operating loss of €(72.1) million in 2009/2010. This also includes share-based payments of €12.6 million (€12.1 million in 2009/2010).

Financial charges amounted to €3.7 million (compared with financial income of €4.7 million in 2009/2010) and can largely be broken down as follows:

- €5 million in financial expenses (€0.5 million in 2009/2010) including €3.6 million in factoring expenses of loss carry back refund claims.
- €4.3 million in foreign exchange losses compared with a gain of €5.2 million.
- €5.7 million positive impact from mainly the sale of 2.8 million Gameloft shares. As a result of this operation, 6.3 million shares remain accounted for under equity swaps.

A net loss of €(52.1) million was recorded, corresponding to a net loss per share (diluted) of €(0.54), compared with net loss of €(43.7) and (0.45) in 2009/2010.

## **1.2.7 CHANGE IN THE WORKING CAPITAL REQUIREMENT (WCR) AND DEBT LEVELS**

The working capital requirement was down by €30.4 million compared with an increase of €33.2 million the previous year. The principal variations related to:

- with regard to increases, trade payables (+€7 million) due to reduced activity at the end of the year

- with regard to reductions: the items for Inventory (€-4.8 million), Receivables (€-19.4 million) other assets (€-3.6 million) and other liabilities (€-7.1) million.

The sharp fall in the Receivables item is linked to reduced activity at the end of the year and a reduction in the time limits for recovery. The reduction in the Inventory item reflects increased efforts in the management of inventories and destocking activities.

The net financial surplus as at March 31, 2011 amounted to €99.2 million. The €+41.3 million variation compared with March 31, 2010 can be explained largely by:

- the generation of cash from operating activities amounting to €64.6 million, including €11 million from the disposal of Gameloft shares and €31 million from disposal of subsidies due,
- loss carryback refund claims amounting to €22 million,
- investment in property, plant and equipment and intangible assets of €22 million,

## 1.2.8 ASSET FINANCING POLICY

The Company does not use securitization agreements, Daily Act assignment of receivables or repurchase agreements, but it does use discounting and factoring, mostly in Germany and the United Kingdom.

The factoring position is as follows:

(in millions of euros)	31/03/11	31/03/10	31/03/09
United Kingdom	15.8	22	22,5
Germany	12.6	21.9	15.9
<b>Total</b>	<b>28.4</b>	<b>43.9</b>	<b>38.4</b>

The Company finances its peak cash requirements using confirmed credit facilities of €280 million, including a syndicated loan of €180 million as well as €100 million in bilateral credit facilities.

## 1.3 CASH AND CAPITAL

### 1.3.1 CHANGES IN EQUITY

The video games business line calls for investments in development of around 35% of revenue. This capital expenditure takes place over average periods of between 24 and 36 months, which publishers must be able to finance out of their own resources. Furthermore, publishers are required to launch new releases on a regular basis, and their level of success cannot be guaranteed.

For these reasons, significant capitalization is essential to guarantee the continuous financing of capital expenditure and to deal with contingencies stemming from the success or failure of a particular title without endangering the future of the Company.

With equity of €714 million, down €47 million, Ubisoft easily finances its capital investments in games, which amount to €339 million.

### 1.3.2 CASH FLOW

Video game publishers have two kinds of cash flows:

- Cash flows for financing development costs are spread evenly over a period of 24 to 36 months, given that each project progressively scales up but that teams work on a number of projects. They represented over €400 million in 2010/2011;
- Cash flows linked to the marketing of games, which are highly seasonal in nature (25% of sales are made in the first half of the year and 75% over the second half), and the lag between production costs and cash inflows. This is because the Company must first finance product manufacturing, which accounts for 35% of sales and is payable at 30 days on average, and also finance marketing costs (around 15% of sales) before cash flows in at an average of 46 days after the games hit the shelves. For this reason, the Company must finance significant cash peaks around Christmas time before seeing its cash climb back up during February and March. This timing may be different if Q4 of the financial year is very strong, because in this case, working capital requirements may be higher.

Accordingly, in the financial year 2010/2011, the Company's net cash varied between €41 million and €99 million, with debt peaking from October to December.

### 1.3.3 BORROWING TERMS AND FINANCING STRUCTURE

In 2010/2011, most of the financing used came from a medium-term loan of €20 million from the syndicated loan of €180 million agreed in May 2008 and from bilateral credit facilities.

The average cost of borrowing was under 2% for the financial year 2010/2011.

The covenants with which the Company must comply in relation to the syndicated loan as well as those for the €90 million bilateral credit facilities are as follows:

	2010/2011
Net debt restated for assigned receivables/equity restated for goodwill <	0.8
Net debt restated for assigned receivables/Ebitda <	1.5

Furthermore, in 2006/2007, the Company contracted a €10 million credit line, which is subject to the same covenants but uses 0.9 for the net debt/equity ratio.

For the financial year 2011/2012, and unless the Company makes a major acquisition, Ubisoft should be able to finance its operations from cash and the various facilities made available to it, including €280 million in confirmed bilateral credit facilities (including €180 million from the Syndicated Loan signed in 2008) and €74.5 million from short-term facilities.

## 1.4 SUSTAINABLE DEVELOPMENT

### 1.4.1 HUMAN RESOURCES

Ubisoft key figures as at March 31, 2011

	As at 03/31/11	As at 03/31/10	As at 03/31/09
Number of employees	6,331	6,402	5,765
Average headcount	6,289	6,144	5,076
Number of countries	28	28	28
Average age	32.1 years	31.9 years	31.2 years
Average seniority	4.9 years	4.1 years	3.6 years

#### Breakdown of headcount by region

ACTIVITIES	Headcount as at 03/31/11	%	Headcount as at 03/31/10	%	Headcount as at 03/31/09	%
Production	5,318	84%	5,347	84%	4,790	83%
Business	1,013	16%	1,055	16%	975	17%
<b>Total</b>	<b>6,331</b>		<b>6,402</b>		<b>5,765</b>	

#### Breakdown of headcount by region

COUNTRY	Headcount as at 03/31/11	Headcount as at 03/31/10	Headcount as at 03/31/09
North America	2,939	2,885	2,609
Europe + North Africa	2,515	2,630	2,297
Asia-Pacific	877	887	859
<b>Total</b>	<b>6,331</b>	<b>6,402</b>	<b>5,765</b>

#### 1.4.1.1 PROMOTING INNOVATION AND QUALITY

##### A POWERFUL FORCE IN-HOUSE DESIGN TEAM

The current economic environment presents a large number of challenges but, equally, numerous opportunities stemming either from technological changes, the release of new consoles or the opening of new markets. It is therefore essential for the Group to continue its efforts and its investments in the future in order to be in a position to seize promptly any opportunities that may emerge.

Headcounts have remained stable this year and in terms of internal creative power, Ubisoft holds second place in the industry; a crucial competitive advantage for the Company enabling it to be responsive and innovative. This creative power enabled Ubisoft to be among the first publishers to propose products on Microsoft KINECT and to become the leading third-party publisher of KINECT games at Christmas 2010 in the United States. Ubisoft also put forward 4 games for the new portable Nintendo 3DS™ console at its launch at the end of March 2011.

Moreover, having its own development studios allows Ubisoft to guarantee and manage the quality of its products which is an essential factor in the success of games on a market which is becoming more and more competitive.

##### RECOGNIZED EXPERTISE

To remain on the cutting edge of innovation, Ubisoft strives to recruit the finest talents. The success of Ubisoft and its products makes the Company particularly attractive, even in the eyes of specialists in

the video game industry. As a result, the Group's recruitment site receives over 55,000 visits each month. Furthermore, the Company's international and strategic presence at 24 production sites enables it to attract experts renowned in the industry from the four corners of the globe. And this is why three Ubisoft studios are ranked among the 100 top studios in the world by the magazine *Develop* in its annual ranking for 2010.

Ubisoft has moreover pursued a policy of targeted acquisitions with a view to integrating additional, specialized expertise into the expertise the Group already has. The integration of the teams from Quazal, one of the leaders in the creation of technology solutions in the online field, constitutes a major asset for meeting the Company's objectives in the field of online games. Also, the teams from the Longtail studio who entered the Ubisoft studio in Québec brought in their experience of Microsoft KINECT and contributed to the development of key projects such as the creation of the game, *Michael Jackson The Experience*.

## DIVERSIFIED TEAMS

The process of creating a game requires a high level of cooperation among teams, since all technical and artistic areas of expertise interact with one another from start to finish. Ubisoft always bears in mind the need to encourage team diversity, ensuring that differing points of view are taken into consideration in the creation process, thus leading to games of the utmost quality.

The Company's daily life revolves around multiculturalism and open-mindedness:

- There are more than 50 areas of expertise at Ubisoft, from 3D graphic artists to brand managers, not to mention programmers and game designers, all of whom are driven by the same passion and shared goals.
- Ubisoft teams are present in 28 countries, which means there are at least that many different nationalities in the Group.
- As video games continue to primarily appeal to men, Ubisoft teams are composed of 78% men (compared with 22% women). However, it should be noted that women hold 40% of the business-related positions.

A true entertainment Company in the wider sense, Ubisoft is also successfully developing the expertise of its teams in new areas: comic books, book publishing, toys and figurines of our characters. The Ubisoft teams are currently working with the directors and producers, Steven Spielberg and Peter Jackson, to develop a game drawing on the next film "The Adventures of Tintin: the Secret of the Unicorn". A partnership has also been developed with the Aardman animation studio with a view to creating a pilot and short features based on the characters in *Raving Rabbids*. Links between Ubisoft and related industries (music, film, television, publishing, etc.) are being developed and exchanges with experts in these industries are encouraged.

### 1.4.1.2 SUPPORTING INDIVIDUAL DEVELOPMENT

#### PROVIDING A STIMULATING AND INNOVATIVE ENVIRONMENT

Ubisoft makes it a point to maintain a work environment that reflects corporate values and culture and promotes expertise, creativity and innovation.

#### DIRECT COMMUNICATION THAT INVOLVES EVERY EMPLOYEE IN THE COMPANY'S DAILY OPERATIONS

Teams are regularly informed of the Company's strategy and news through various communication channels: an open Group portal, local intranets, a monthly Group newsletter, internal meetings at all subsidiaries and team seminars.

An internal survey is carried out on average every two years to consult all employees on the Company's major strategic decisions and to get an idea of the level of team satisfaction (78% participation was reported in the most recent survey in June 2009). Actions and programs are implemented in response to the results of the survey, and employees are given regular progress reports.



## A FRIENDLY WORKPLACE

Ubisoft is committed to maintaining close-knit teams by favoring structures built to a human scale wherever possible (85% of sites have fewer than 200 employees): managers are available to their teams and HR managers are in close contact with daily operations. Initiatives have been introduced to facilitate contact between team members, as for example the presentations given by in-house or external experts at information-sharing or experience feedback sessions.

More broadly, the open nature of the work environment remains a cornerstone of the corporate culture, as expressed by over 95% of employees in the most recent internal survey.

## AUTONOMY AND INITIATIVE ON A PERSONAL LEVEL

Employees enjoy significant autonomy in their work, as demonstrated by the results of the most recent internal survey in which 92% reported that they are able to take initiative in their daily work. The working methods that Ubisoft has implemented strongly encourage employee involvement. Production methods are constantly evolving and guarantee a work environment that encourages experimentation, innovative ideas and empowerment of teams at all levels.

## EMPOWERING EMPLOYEES BY OFFERING A PERSONAL FRAMEWORK

### SKILL DEVELOPMENT: A STRATEGIC FOCUS

In a sector where continuous innovation, staying on top of technological advances and developing expertise are key, naturally, all forms of training are a top priority. Video gaming is a relatively new business, and up-to-date and tailored training courses are widespread within the Group, complementing the on-the-job training that all teams receive.

Training is organized primarily at local level. High-level international training courses of the corporate university type are also offered in the Group's key business areas, such as game design and project management.

Excluding on-the-job training, the training programs offered in financial year 2010/2011 can be summarized as follows:

- The budget allocated to training (excluding salaries) amounted to €2,733 thousand over the period.
- 9,738 days of training were provided within the Group
- The majority of this training dealt with the technical skills required for production work (50.3%).

Training also takes place on-the-job through exchanges between teams. The Group is committed to creating an environment that enables and encourages the sharing of skills:

- Open forums and business-specific databases continue to be developed and structured. Their goal is to facilitate collaboration, organization and the sharing of key information related to teams, projects, business lines and sites, etc. The Group Portal is a gateway to business resources and a platform for the exchange of information and best practices with peers.
- A Group training portal with access to e-learning tools allows people to develop their skills and knowledge.
- The use of technologies or applications that facilitate exchanges is promoted, such as instant messaging, web conferencing and the use of video as a communication medium.
- Integration and sponsorship programs for new employees are available at most sites. These allow new recruits to learn about the Group's fundamental business methods from the outset.
- Skill-sharing between sites through personal visits is also commonplace. In 2010/2011, 173 employees traveled on short- and long-term assignments.
- Collaboration between sites is increasing with the shared productions necessitating more and more exchanges between the studios as was the case for *Assassin's Creed Brotherhood* which was the fruit of close collaboration between the Ubisoft studios in Montréal, Singapore, Bucharest, Québec and Annecy.

## ENCOURAGING DIVERSE CAREER PATHS

The Group currently offers numerous possibilities for advancement within specific fields and other areas of activity. For Ubisoft, such decisions are based on two key factors: existing opportunities and



the desire to offer each person, within a flexible environment, a challenge commensurate with their desires and skills.

As well as local interdepartmental transfers and promotions, the Group's presence in 28 countries offers teams opportunities to work abroad. All international job offers are available in real-time to all employees on the Group portal.

#### COMPENSATION THAT AIMS TO RECOGNIZE PERFORMANCE AND COMMITMENT

Ubisoft has established a bonus policy that reflects its desire to reward personal and collective performance:

- Production teams receive a bonus calculated according to the profitability of the game on which they worked and their individual contribution.
- Business teams receive a bonus calculated on the basis of achieving quantifiable results set at the beginning of the year.

Employee share ownership is also an excellent way for Ubisoft to let employees participate in the Company's success. Capital increases reserved for employees took place in France, in the United States, Canada and the United Kingdom.

Overall, total registered shares held by employees or indirectly through an FCPE (Company mutual fund) amounted to 1.27% of the capital.

Lastly, stock options are awarded on a discretionary basis to employees who have consistently exceeded performance expectations. All plans combined, as at March 31, 2011 nearly 23% of the Group's employees had received such options.

#### 1.4.1.3 EMPLOYMENT AT UBISOFT IN FRANCE

- Average headcount of 1,171 employees over the financial year,
- 73% men and 27% women,
- 73% on the production side and 27% on the business side,
- Average age of 32.6 years,
- Average seniority of 5.8 years.

#### WORK ENVIRONMENT AND WORKING CONDITIONS

##### WORKING TIME:

Full-time work is 35 hours per week. This working time can be spread over five days, or there is the option to work longer with additional time off, depending on the constraints of the activity and the choices expressed by employees.

2.05% of employees work part-time.

Overtime worked during the year was in compliance with legal and contractual provisions.

The rate of absence in 2010/2011 was 1.12%<sup>1</sup> and broke down as follows:

- 81.51% due to illness
- 12.04% due to exceptional leave<sup>2</sup>
- 6.46% due to accidents at work

##### OUTSOURCING:

From time to time, Ubisoft employs individuals under freelance contracts (particularly for artistic services) and temporary contracts.

Peripheral activities at certain sites (security, cleaning, and computer maintenance) are subcontracted to outside companies.

<sup>1</sup> The rate of absence does not include maternity and paternity leave.

<sup>2</sup> Covering notably leave for a birth, marriage, house-move etc.

**HEALTH AND SAFETY:**

Ubisoft complies with statutory rules on health and safety in France<sup>3</sup>.

**RECREATION:**

The recreation department offers discount prices on show tickets (2,576 tickets subsidized 40% by Ubisoft in 2010/2011), reductions on certain cultural and gym memberships, leisurely weekends and various social events.

A media lending library provides staff with video games and consoles.

A sports hall reserved for employees offers fitness activities and group lessons.

**SKILL DEVELOPMENT**

Ubisoft has integrated France's DIF (Personal Training Right) into its professional training policy. In 2010/2011, the budget allocated to training (excluding salaries) amounted to €1,197 thousand. Ubisoft also took on interns and trainees during the 2010/2011 financial year. Internships often represent pathways to hiring. In France, for example, 35% of the junior employees recruited this year had previously completed an internship at Ubisoft.

**EMPLOYMENT AND ANTI-DISCRIMINATION**

Information on employment and anti-discrimination in France is as follows:

- 71.34% of Ubisoft's workforce are executives;
- women represent 27% of total employees and 75.6% of women are executives;
- with regard to compensation, professional equality between men and women is respected;
- 80.2% of employees are employed on permanent open-ended contracts.
- staff have representation within Ubisoft in France.
- during the 2010/2011 financial year, Ubisoft employed two disabled workers and contributed €121 thousand to funds for the employment of disabled persons.

**COMPENSATION**

Compensation in France includes a fixed and a variable portion (see paragraph 1.4.1.2.).

In addition, under Group Savings Plans first implemented in 2001, French employees benefit from a discount on the Company share price on the financial markets.

<sup>3</sup> As is the case in all Ubisoft subsidiaries.

## 1.4.2 SOCIAL PROJECTS

Ubisoft depends on the talent its teams possess and the human factor has remained a central concern in all its operations since the Company's formation. Entertainment, training and development of each individual's potential are central to our mission as a Company.

For seven years now, the Group has been running a sponsorship program entitled Sharing More Than Games providing management and other support for solidarity initiatives, both individual efforts and those that are broader-based, within the Group. The scope of this program aims to coincide with our core business and our values as it ties in initiatives promoting access to education, culture and leisure for children, teenagers and young adults from deprived backgrounds or who are ill.

There is a wide variety of different initiatives conducted under this program: financial aid, partnership with an association, gift of games or sponsoring skills and these initiatives may be extended to an individual or locally or even on an international scale.

Some initiatives become ongoing actions such as the U.Care program, initiated in 2009 by Ubisoft Shanghai and Ubisoft Chengdu, in response to the earthquake which hit the area of Sichuan (China). In 2010, the teams' efforts were concentrated on the children of the Gansu province, near the Shanghai studio, and involved gifts of goods, money and skills. As in previous years, Ubisoft is also maintaining its commitment to associations providing support to children. These include the Breakfast Club in Canada which provides a healthy, balanced breakfast for almost 15,000 children each day; the Fondation Théodora in Spain which visits children in hospital; the Toys for Tots association in the United States which collects new toys still in their packaging to distribute to children in need and UNICEF.

There were also some new actions this year such as the organization of an exhibition of artwork produced by mentally- or physically-handicapped youngsters in the Romanian association, I nas ni ima. Ubisoft again combined work with solidarity by taking part in the Extra Life video game marathon in Great Britain, in aid of local children's hospitals, and also by setting up the charity campaign, Experience the Glove, in the United States (coinciding with the release of the video game, *Michael Jackson The Experience*) where American artists, athletes and celebrities wore, signed and then sold a copy of Michael Jackson's famous glove. All the profits went to various associations providing support to deprived children.

Finally, given our teams on site and all our Japanese fans, the Group felt particularly drawn to contribute to the aid provided to the victims of the earthquake followed by tsunami which hit Japan in March 2011. In response to this catastrophe, Ubisoft Japan donated 100,000 dollars to the Japanese Red Cross. Ubisoft Montreal and Ubisoft Chengdu organized a collection among their employees which was also sent to the Japanese Red Cross. The idea conceived by the studio in Chengdu was a system selling goods in the game on the *Castle & Co* social networks and all the money raised was sent to the Japanese Red Cross.

All in all, this year, over 50 initiatives and different projects were organized throughout the Group thanks to the efforts of almost one employee out of three.

### 1.4.3 ENVIRONMENTAL DATA

Data on the Group's environmental impact solely covers its direct video game production and publishing activities. To the extent that the Company does not manufacture the video games it publishes and distributes, its direct impact on the environment is very low, whether in terms of air emissions, water effluent or soil pollution or with regard to noise pollution or foul odors. Ubisoft's water consumption is not significant.

The Group nonetheless takes the issues of respect for and protection of the environment very seriously. The Company's approach focuses on three main areas:

#### 1) Finding the best drivers for reducing its carbon footprint and greenhouse gas emissions

- Reducing the Group's energy consumption:
  - Improving the energy efficiency of information systems (Green IT)
  - Reducing the energy consumption of buildings
- Promoting videoconferencing tools and business travel policy

#### 2) Identifying short-, medium- and long-term opportunities to reduce its environmental impact and manage resources sustainably (excluding greenhouse gas emissions)

- For recycling:
  - Life-cycle management and recycling of computer equipment
  - Reduction of consumption and recycling of consumables
  - Processing and recycling unmarketable products
  - Processing waste
- For operations:
  - Developing a responsible and sustainable procurement policy
  - Involving suppliers in a responsible, environmentally friendly approach

#### 3) Raising awareness of environmental issues among staff and the general public

- Identifying sound environmental practices suited to our sector of activity, and applying them at Company level;
- Promoting internal initiatives to help protect the environment and introducing them at other subsidiaries of the Group;
- Identifying key changes in employees' behavior and encouraging change using innovative communication tools;
  - Raising awareness among the general public regarding environmental problems through the products that it markets.

An internal survey is carried out every year at subsidiaries to evaluate environmental policies, programs and indicators.

Each subsidiary manages its own action in accordance with the country's regulations and depending on the wishes and involvement of its staff.

The subsidiary in Montreal is a good example, as it has formalized its commitment through an Environmental Policy that has been adopted by the management of the studio. This policy is the result of an environmental impact assessment in the first half of 2008 and establishes short- and medium-term action plans to minimize the subsidiary's impact on the environment.

### 1.4.3.1 CARBON FOOTPRINT AND GREENHOUSE GAS EMISSIONS

#### Energy consumption

In the financial year 2010/2011, the Group managed to maintain its total electricity consumption at the previous year's level (20 million kWh).

The countries with the highest electricity consumption at the Group were:

	CANADA	FRANCE	ROMANIA	UNITED STATES	CHINA	OTHER COUNTRIES
Consumption in KWh (in thousands) in FY 2010/2011	10,327	3,684	1,733	1,172	987	2,213
Consumption in KWh (in thousands) in FY 2009/2010	8,865	4,053	1,300	1,123	1,247	3,412
Change by country	+ 16%	- 9%	+ 33%	+ 4,3%	- 20%	-35%

The significant increases in consumption in Canada and Romania were due to the opening of a new subsidiary (Toronto, Canada which should create 800 jobs within 10 years) and by headcount increases in these subsidiaries in 2010/2011.

In 2011, the Group continued to encourage measures to reduce overall energy consumption.

The Group is also striving to bring lower-energy light bulbs into general use. Almost 80% of our subsidiaries currently use this type of light bulb, (Canada, Romania, Denmark, China, the Netherlands, India and Singapore. And almost half of our studios and subsidiaries are equipped with timers or switches with movement detectors in meeting rooms and rest rooms.

Many subsidiaries have introduced good practices to limit consumption of air-conditioning and heating systems, which are mostly shut down at weekends (server rooms being an exception). In 2010, Ubisoft Sofia upgraded the air-conditioning system and promoted the switching off of electronic devices not in use which achieved energy savings of almost 30% over the year. In Japan, premises are equipped with a system which automatically shuts off the heating, air-conditioning and lighting when the main door is locked.

Ubisoft Montreal, which accounts for more than one-fifth of the total staff of Ubisoft, has formed a partnership with the electricity supplier, Hydro-Québec, 98% of whose production comes from hydroelectric dams.

Some studios plan to set energy-saving objectives following the initiative of Ubisoft Chengdu, which has planned a 5% reduction in energy consumption per year and per employee. The studio in Vancouver would like to renovate a section of the offices building in order to optimize natural lighting.

Finally, campaigns to provide information on and to raise awareness of energy saving have been organized at Group level. Last year, in line with its fitness brand, *Your Shape: Fitness Evolved*, the Group organized a poster campaign in all its studios and subsidiaries to encourage employees to use the stairs rather than the elevator.

Subsidiaries and studios regularly receive local messages by email informing them of good practices related to energy saving (electricity or water). Japan, Canada, France and Romania are all examples of this.

## GREENHOUSE GAS EMISSIONS (GHGE)

### CARBON FOOTPRINT

To the extent that the Company does not manufacture the video games it publishes and distributes, the Group's carbon footprint remains very low resulting solely from employee travel and events organized by the Group.

The Group nonetheless takes the issues of respect for and protection of the environment very seriously and makes every effort to reduce its carbon footprint as far as possible.

At the studio in Montreal, the two major events (the internal meeting and the Christmas Party) are carbon-neutral being entirely offset by carbon credits purchased from the organization, Planetair.

### PROMOTING VIDEOCONFERENCING TOOLS AND BUSINESS TRAVEL POLICY

Due to the Group's international scale, employees frequently have to travel to other sites.

Group policy seeks to limit the environmental impact of these business trips and minimize the consequences of travel wherever possible.

The following measures are favored:

- efficient management of employees' appointments so that their travel is limited to the absolute minimum;
- choosing the least expensive but at the same time most environmentally friendly means of transport;
- videoconferencing (Breeze), conference calls (Communicator) and other collaborative means.

Most of the Group's subsidiaries have dedicated videoconferencing rooms and those that do not have these yet (such as Ukraine and Chengdu in China) expect to have them within two years. The majority of the subsidiaries have also implemented a specific policy aiming to reduce business travel.

The Group is also aiming to make the use of web conferencing widespread, by systematically equipping new work stations with webcams and microphones.

### 1.4.3.2 ECOLOGICAL IMPACT AND SUSTAINABLE MANAGEMENT OF RESOURCES USED (EXCLUDING GREENHOUSE GAS EMISSIONS)

In some countries, recycling complies with strict environmental regulations: in Germany, Ubisoft holds a "Green License" in connection with the European directive on packaging.

In order to obtain the Green Dot label on its cardboard packaging, Ubisoft participates in the Eco-packaging contribution scheme and similar schemes at its French, Spanish and Italian subsidiaries.

### CONSUMPTION OF PAPER

All subsidiaries are made aware of the ecological impact of paper consumption; they take advantage of municipal or government programs to recycle their paper through waste sorting at their premises or collection areas such as in Germany, Australia, Korea, Italy, Switzerland and the United Kingdom. Many subsidiaries use outside specialists as in Canada, the United States and France.

As at March 31, 2011, more than four out of every five subsidiaries had introduced a paper recycling process, while nearly half used recycled paper for some or all of their supplies.

In order to reduce their paper consumption, French and Italian subsidiaries, for example, have opted for a paperless pay slip management policy as of June 2010 (Novapost). The Italian subsidiary estimates that this enables an annual saving of 20,000 sheets of paper and the French subsidiary more than 30,000 sheets.

Finally, Ubisoft announced plans in April 2010 to digitize its games manuals for all of its PlayStation®3, PC, and XBOX 360™ titles.

The production of one ton of paper used for games manuals consumes on average two tons of wood, for which 13 trees must be cut down, with net energy consumption of 28 million BTU (the equivalent of

the average energy used by one household per year), the equivalent of almost 3 tons of CO<sub>2</sub> and almost 6,000 liters of wastewater.

## CONSUMPTION OF WATER

Even if Ubisoft's water consumption is not significant, in view of its activities, measures have been put in place to raise employees' awareness of their consumption.

Many subsidiaries are using low-consumption taps or taps with automatic shut-off and low-consumption toilets, as in Italy, Germany, Sweden, United Kingdom, Australia and Shanghai (China). Some subsidiaries have implemented simple measures to encourage employees to limit their water consumption, for example in India, where notices have been placed next to each water outlet.

## PROCESSING AND RECYCLING UNMARKETABLE PRODUCTS

Subsidiaries are directly responsible for scrapping at distribution platforms. This is organized by suppliers or subsidiaries' warehouse managers.

The various destruction tasks (grinding or compacting), carried out under the supervision of official bodies, were outsourced to external companies for:

- burning (in Japan, Belgium, the Netherlands and the United Kingdom for whatever cannot be recovered), or
- burial (Italy and Switzerland), or
- recycling (United Kingdom, United States, Germany, Australia, Canada, France, Japan, and Romania).

For half of the subsidiaries, products are destroyed under the supervision of a government body. The destruction of products in France is carried out by a company specializing in recycling CDs, DVDs, computer disks and all types of plastic electronic media. The products are first ground down and sorted before being transformed into fine particles and resold to the plastic processing sector.

## LIFE-CYCLE MANAGEMENT AND RECYCLING OF COMPUTER EQUIPMENT

For over half of our studios and subsidiaries, the IT and electronic equipment is purchased in accordance with energy-consumption standards (Energy Star standard). This is the case in, for example, Canada, Bulgaria, Spain, Germany, Australia and, as far as possible, in Chengdu and Seoul.

Ubisoft takes an active part in the recycling of its used IT, electric and electronic equipment. Except in a few countries where services of this kind are not available (Morocco), the vast majority of subsidiaries manage the disposal of their computer equipment by calling on external service providers, specialist organizations or companies.

Depending on the case, equipment disposed of by the Group is reused by schools or charities, which may be chosen by local authorities. IT equipment that has reached the end of its life is sometimes sold directly to employees (whereby the proceeds are given directly to charities or schools).

In France, Ubisoft has its computer equipment recycled by companies specializing in the dismantling of such equipment, with which a recovery, disassembly and recycling contract has been signed. These activities involving the processing of electrical and electronic waste and the cleanup of monitors are carried out in compliance with the applicable laws and standards. This year, the French subsidiaries recycled around 9.5 tons of computer equipment.

Foreign subsidiaries are also carefully recycling their computer equipment in collaboration with specialist companies.

For example, the National Computer Recycling company processes IT hardware reaching the end of its life at the Newcastle studio. It is recycled, donated or destroyed in compliance with relevant European standards.

The subsidiary in Montreal donates some of its used equipment to a social enterprise operating in the IT sector, which runs work and job-finding schemes for young adults with difficulties. This enterprise



takes on the task of recycling and reconditioning the equipment and selling it on to welfare organizations.

In Romania, recycling of PCs, batteries, printer cartridges and electronic components is entrusted to a specialist external company (3r Green SRL). The studio has recycled 1,480kg of equipment in 10 months by this method.

## PROCESSING AND RECYCLING OF CONSUMABLES

### INK CARTRIDGES

Most of the Group's subsidiaries reuse ink cartridges by refilling them several times. Otherwise, any ink cartridges that are not reused are systematically recycled or returned to the supplier for recycling.

### BATTERIES

In 90% of the subsidiaries, batteries are collected and recycled at collection points located at strategic points on the premises (reception, the entrance to each floor etc.). The Hong Kong office has opted for rechargeable batteries.

### OTHER CONSUMABLES

Numerous initiatives have been taken in France and at international subsidiaries to reduce the ecological impact of resources consumed by the Group in the course of its business.

For example, many sites have sought to reduce or stop the procurement of consumables. In Shanghai, Switzerland and the US offices, for example, disposable plastic cups have given way to glasses or personalized mugs made of bamboo fiber (70% biodegradable)

The subsidiaries are also seeking to minimize the ecological footprint of these consumables. For example, fruit available in the cafeterias of the sites in Montreuil (France) and Montreal is certified organic, and plates and cutlery in Montreal are made from 100 % biodegradable reconstituted potato starch. Ubisoft France includes recycled office supplies in its ordering catalogue.

In Annecy – and since April 2010, in Montreuil - coffee capsules are collected and recycled.

## PROCESSING WASTE

Many subsidiaries have already introduced sorting systems, often in partnership with local authorities.

The studio in Montreal, for example, has removed all individual waste baskets in favor of shared recycling bins in order to improve the sorting of waste and minimize the burying of non-recyclable waste. This studio has also implemented a pilot composting project next to the cafeteria. Since March 2010, Montreal is the holder of the “*Ici, on recycle*” level 2 certification for its efforts related to the processing and recycling of waste.

The Japanese subsidiaries have collection bins in communal areas where paper, bottles and other recyclable materials can be sorted as well as flammable and non-flammable waste.

Head Office has installed compactors at the three Montreuil sites (France) for recycling cans. 15,867 cans were recycled in 2010/2011 which equates to 24 bikes.

## INVOLVING SUPPLIERS IN A RESPONSIBLE, ENVIRONMENTALLY FRIENDLY APPROACH

Ubisoft uses environmentally concerned suppliers.

The main production facilities of Ubisoft's assemblers in the EMEA zone are ISO 9001 certified, which means that they comply with the “Safety and quality” process. Two thirds of them also have ISO 14001 certification, which specifically relates to the environment. This standard promotes the Company's efforts to:



- minimize the harmful effects of its activities on the environment,
- continually improve its environmental performance.

On top of these efforts to reduce the use of paper in packaging for its games, Ubisoft has teamed up with Technimark, Inc. to produce more environmentally friendly DVD cases for all its future PC games in North America.

The new case, which is made of 100 % recycled polypropylene and is called “ecoTech”, was launched with *Tom Clancy’s Splinter Cell Conviction™* for PCs in April 2010.

### 1.4.3.3 RAISING AWARENESS AND SHARING SOUND ENVIRONMENTAL PRACTICES

#### APPLYING SOUND ECOLOGICAL PRACTICES AT GROUP LEVEL

At a Group level, Ubisoft identifies ecological initiatives that follow the objectives of its environmental policy. These sound practices may be inspired by initiatives already implemented at subsidiaries or other companies with exemplary environmental behavior.

The Group favors initiatives that offer a pragmatic response to environmental challenges, have proved their effectiveness and help to streamline operations and investment.

These sound practices will then be highlighted in a dedicated section on our intranet so that all the subsidiaries can benefit from the know-how at Group level.

In the years to come, the Group also plans to set up a Committee to handle environmental questions at a global level. The task of this Committee will be to identify areas for improvement within the Group and to communicate guidelines and proposed actions to the subsidiaries.

#### PROMOTING INITIATIVES

Alongside the actions it takes to minimize its impact on the environment, the Group considers it equally important to encourage individual changes in behavior. Many subsidiaries implement local awareness campaigns to steer employees towards sound environmental practices.

In 2009/2010, Ubisoft Sofia for example launched the “Reduce, Reuse, Recycle” program. The campaign’s objective was to raise the teams’ awareness of recycling options and procedures available at the studio: recycling paper, plastic and damaged electronic equipment as well as the use of recycled materials and promoting energy savings. As a result of this initiative, the quantity of paper used by the studio was reduced by half and 150 kg of plastic were recycled.

Ubisoft Chengdu has undertaken to reduce its carbon footprint with the launch of the “To live a low carbon life, I’m in!” program in 2009/2010. A collection of clothes, shoes and books was organized at the studio. The items were then redistributed to a charity organization thus enabling a saving on the carbon generated in manufacture.

In 2010/2011, Ubisoft Shanghai implemented an internal communications campaign entitled “Green Rabbit Action” with the aim of raising employee awareness of wasting energy. Without informing employees, during the night the communications team at the studio put green rabbit stickers on the screens of computers that had been left switched on. The following day, employees at the studio received an email reminding them to switch off their PCs and electronic equipment at night. The same procedure was repeated three times and on the third occasion, the number of PCs and items of electronic equipment left switched on was noticeably lower.

Several subsidiaries have set up an Environment Committee with the aim of raising awareness locally among the teams, to recommend concrete actions encouraging the preservation and respect of the environment and the assessment of progress made. This is the case in Montreal, Quebec, Vancouver, Mexico, San Francisco, Sofia, Barcelona and Malmö (Sweden) for example.

Last year, the Environment Committee in Montreal supervised measures to optimize the recycling of paper and used batteries, in addition to the sorting of glass and metal.

The studio also worked on the implementation of basic projects such as the creation of a software program for car pooling, the use of a policy to automatically switch computers to stand-by when not in use, and the widespread use of recycled paper in printers.

This year, the Montreal committee has introduced an awareness campaign related to the use of paper cups, a partnership with an organic farm (distribution of seasonal organic vegetable boxes) and contributed to the setting up of a terrace on the studio roof (selection of plants and planting).

In Montreal, employees also have access to a blog where information and practical advice related to the environment is posted regularly by members of the "Environment Committee".

The Environment Committees of the various subsidiaries are also keen to establish contact with users and enter into partnerships with external organizations. This is the case with the San Francisco studio, which worked in 2009 with Urban Forest to develop green spaces and plant trees in the area around the studio.

## **RAISING AWARENESS OF ENVIRONMENTAL ISSUES AMONG THE GENERAL PUBLIC**

The Group also helps to make the general public aware of environmental issues through its games. For example, the Planet Rescue product range spreads a message of ecological responsibility and provides a recreational environment in which players can learn sound practices in matters of sustainable development.

The themes of protection of nature and fauna are also presented in recent games such as *Shawn White Skateboarding*, *From Dust*, *Child of Eden* and even *Anno 2070*.

In *Shawn White Skateboarding*, the player has to transform his play area using his skateboard and bring back colors and nature to the urban landscape. The mechanics of the game, *From Dust*, are based entirely on awareness of the fragility of nature. The player adopts the role of a god who can modify the natural elements as he wants (water, earth, plants, fire etc.), fatally modifying the ecological landscape. In *Child of Eden*, the player finds himself immersed in a sensory experience in which he has to save the world of Eden peopled with organic creatures from an unknown virus. Finally, *Anno 2070* transports the player to a time in the near future where ecological and environmental changes, such as the rising of water levels and the reduction of hospitable land, have forced humans to adapt their way of life. Players are required to face numerous ecological challenges in order to build their empire.

## 1.5 SUBSIDIARIES AND EQUITY INVESTMENTS

### 1.5.1 INVESTMENTS DURING THE FINANCIAL YEAR

#### *Creation of new companies:*

- April 2010 creation of the subsidiary Ubisoft Services SARL in France
- April 2010 creation of the subsidiary Ubisoft Learning & Development SARL in France
- January 2011: creation of the subsidiary Ubisoft Motion Pictures SARL in France

#### *Acquisitions:*

- October 2010: Acquisition of Quazal Technologies Inc.  
On 29 October 2010, Ubisoft acquired Quazal Technologies, a leader in the creation of online technology solutions for video game developers.

### 1.5.2 BUSINESS ACTIVITIES OF THE SUBSIDIARIES

#### Production subsidiaries:

These are responsible for the design and development of the software.

In order to align itself with major changes in the industry, the Company has reorganized the roles and operations at its studios, which has resulted in reductions in staffing levels and the withdrawal of some projects.

#### Sales and marketing subsidiaries:

The sales and marketing subsidiaries are responsible for distributing Ubisoft products throughout the world.

During the second half of the year, the Merchandising activity was abandoned in the EMEA zone. This decision resulted in depreciation of the stocks of these products and a reduction in staffing levels.

#### Relations between the parent Company and subsidiaries:

The relationship between the parent Company and the subsidiaries involves:

- Production subsidiaries billing the parent Company for development costs based on the progress of their projects. These costs are capitalized at the parent Company and amortized from the commercial launch date.
- The parent Company invoices distribution subsidiaries for a contribution to development costs.

The parent Company also centralizes a certain number of costs that it then allocates to its subsidiaries, in particular:

- The purchase of computer equipment,
- General and administrative expenses,
- Interest expenses related to the cash management agreement, guarantees and loans

#### Main subsidiaries:

Subsidiary (in thousands of euros)	31/03/11			31/03/10			31/03/09		
IFRS financial statements	Sales	Operating profit (loss)	Earnings	Sales	Operating profit (loss)	Earnings	Sales	Operating profit (loss)	Earnings
Ubisoft Inc. (United States)	513,284	12,063	6,971	342,647	8,192	4,694	396,794	15,873	11,901
Ubisoft Ltd (United Kingdom)	159,274	2,196	1,319	122,647	1,337	1,064	175,528	4,388	3,406
Ubisoft GmbH (Germany)	75,922	2,880	2,106	85,781	1,793	1,244	107,753	3,394	2,326
Ubisoft France SAS	71,911	972	891	61,706	664	165	123,454	3,087	2,650

### 1.5.3 UBISOFT ENTERTAINMENT SA SUBSIDIARIES AND EQUITY INVESTMENTS (1)

#### PRODUCTION

##### FRANCE

Ludi Factory SAS  
 Nadéo SAS  
 Tiwak SAS  
 Ubisoft Art SARL  
 Ubisoft Castelnau SARL  
 Ubisoft Créa SARL  
 Ubisoft Computing SARL  
 Ubisoft Design SAS  
 Ubisoft Design Montpellier SARL  
 Ubisoft Editorial SARL  
 Ubisoft Gameplay SARL  
 Ubisoft Graphics SAS  
 Ubisoft Innovation SARL  
 Ubisoft Marketing International SARL  
 Ubisoft Paris Studio SARL  
 Ubisoft Pictures SAS  
 Ubisoft Production Annecy SARL  
 Ubisoft Production Internationale SARL  
 Ubisoft Productions France SAS  
 Ubisoft Production Montpellier SARL  
 Ubisoft Simulations SAS  
 Ubisoft Studios Montpellier SARL  
 Ubisoft Support Studios SARL  
 Ubisoft World Studios SAS

##### GERMANY

Blue Byte GmbH  
 Related Designs Software GmbH <sup>(2)</sup>

##### BULGARIA

Ubisoft EooD

##### CANADA

Ubisoft divertissement Inc (Montreal)  
 Ubisoft Divertissements Inc. (Quebec) <sup>(4)</sup>  
 Ubisoft Music Inc  
 Ubisoft Music Publishing Inc  
 Ubisoft Toronto Inc.  
 Ubisoft Vancouver Inc.  
 Quazel Technologies Inc.

##### CHINA

Chengdu Ubi Computer Software Co. Ltd  
 Shanghai Ubi Computer Software Co. Ltd

##### SPAIN

Ubi Studios SL

##### UNITED STATES

Red Storm Entertainment Inc.

##### INDIA

Ubisoft Entertainment India Private Ltd

##### ITALY

Ubisoft Studios Srl

##### JAPAN

Ubisoft Osaka KK

##### MOROCCO

Ubisoft Sarl

##### ROMANIA

Ubisoft Srl

##### UNITED KINGDOM

Ubisoft Entertainment Ltd

##### SINGAPORE

Ubisoft Singapore Pte Ltd

##### SWEDEN

Ubisoft Entertainment Sweden AB

##### UKRAINE

Ubisoft Ukraine LLC

#### POST-PRODUCTION VIDEO

##### CANADA

Hybride Technologies Inc.

#### FILM PRODUCTION

##### FRANCE

Ubisoft Motion Pictures SARL

#### COMMERCIALISATION

##### FRANCE

Ubisoft Emea SARL  
 Ubisoft France SAS  
 Ubisoft Development SARL  
 Ubisoft IT Project Management SARL  
 Ubisoft Manufacturing & Administration SARL  
 Ubisoft Marketing France SARL  
 Ubisoft Operational Marketing SARL

##### GERMANY

Ubisoft GmbH

##### AUSTRIA

Ubisoft GmbH <sup>(3)</sup>

##### AUSTRALIA

Ubisoft Pty Ltd

##### BELGIUM

Ubisoft BV <sup>(3)</sup>

##### BRAZIL

Ubisoft Entertainment Ltda

##### CANADA

Ubisoft Canada Inc.

##### KOREA

Ubisoft Entertainment SA <sup>(3)</sup>

##### DENMARK

Ubisoft Nordic AS

##### SPAIN

Ubisoft SA

##### UNITED STATES

Ubisoft Inc. <sup>(1)</sup>

##### HONG KONG

Ubisoft Ltd

##### ITALY

Ubisoft SpA

##### JAPAN

Ubisoft KK

##### MEXICO

Ubisoft Canada Inc. <sup>(5)</sup>

##### NETHERLANDS

Ubisoft BV

##### POLAND

Ubisoft GmbH <sup>(3)</sup>

##### UNITED KINGDOM

Ubisoft Ltd

##### SWEDEN

Ubisoft Sweden AB

##### SWITZERLAND

Ubisoft Games SA

#### SUPPORT

##### FRANCE

Ubisoft Books SAS  
 Ubisoft Counsel & Acquisition SARL  
 Ubisoft Learning & Development SARL  
 Ubisoft Market Research SARL  
 Ubisoft Organisation SAS  
 Ubisoft Services SARL  
 Ubisoft Talent Management SARL  
 Ubisoft World SAS

(1) 100% direct or indirect interest

(2) 29.95% indirect interest

(3) branch

(4) office opened

(5) representative office

## 1.6 GENERAL INFORMATION

### 1.6.1 CAPITAL EXPENDITURE POLICY

Ubisoft continued its sustained capital expenditure policy, which should enable the Company to gain traction in new platforms, create new licenses in various genres, develop the online activity and more generally increase its market share. Accordingly, in 2010/2011, internal production costs rose 11% from €259 million to €287 million.

	2010/2011	2009/2010	2008/2009
Production-related capex	€287 million	€259 million	€209 million
% of total sales ex-VAT	27.66%	29.70%	19.73%
Capex per member of production staff (average headcount)	€57,003	€50,451	€50,179

### 1.6.2 RESEARCH AND DEVELOPMENT POLICY

In order to develop exceptional video games, Ubisoft has established a project-led R&D policy for tools and technologies, using the most recent technological advances: the choice of development engines, tools and processes takes place well upstream in a project, because this choice determines the potential for innovation and the necessary investment in terms of time, human resources and financing for the game.

Its close-knit team of engineers who have mastered the best available technologies now enables Ubisoft to take a highly pragmatic approach to its projects: depending on the challenges and expected results on a game, the choice of tools may involve specific internal developments, software already available on the market, or a combination of the two. Research is thus focused on innovation and functionality, using technologies suited to a high-quality product.

Development costs on in-house software are capitalized and amortized over three years, with additional impairment losses recognized to reflect the product life cycle. During the financial year, they were amortized in the amount of €319 million.

The Group does not carry out any fundamental research.

### 1.6.3 PROPERTY, PLANT AND EQUIPMENT

Ubisoft owns the land and building occupied by its Hybride Technologies Inc. subsidiary in Canada, at 111 Chemin de la gare, Piedmont, Quebec.

## 1.7 RISK FACTORS

The Company conducted a risk review which may have a significant negative effect on its activity, its financial position and its result (or on its capacity to reach objectives). The Company does not believe that there are any other significant risks than those listed.

Identified risks are categorized by type.

### 1.7.1 RISKS LINKED TO THE BUSINESS AND THE VIDEO GAMES MARKET

#### 1.7.1.1 RISKS ASSOCIATED WITH PRODUCT STRATEGY, POSITIONING AND BRAND MANAGEMENT

Ubisoft, like all publishers, is dependent on the success of its product catalogue and the suitability of its offering with regard to consumer demand.

In order to meet market demand, Ubisoft takes particular care in building its product catalogue by concentrating on:

- Regularly strengthening its existing franchises in the high-definition segment,
- The launch of innovative products in order to seize opportunities in the Casual segment,
- The development of its online and digital activity.

In order to diversify and enrich its brand portfolio and thus ensure steady income in the long term, Ubisoft favors a strategy of creating its own brands and producing internally, underpinned by a targeted acquisition strategy.

The Company allocates the necessary marketing and sales resources to showcase its products through a distribution network covering over 55 countries. Its position as the third-largest independent publisher in Europe and the United States provides the Group with a high-performance distribution platform for its products.

#### 1.7.1.2 RISKS ASSOCIATED WITH MARKET CHANGES

Ubisoft operates on a market that is becoming increasingly competitive and selective and is subject to concentration and economic fluctuations, and is marked by rapid technological changes requiring significant R&D investment.

Ubisoft also faces new challenges such as the dematerialization of physical media (which is set to gradually replace games boxes at some point in the future), a growing second-hand market, online games and emerging competitors in Asia.

The sector overall, therefore, should be a growing one in 2011, led by the online games sector which is experiencing rapid growth while the consoles market may remain down despite the arrival of the Nintendo 3DS™.

To speed up its development and creativity process, Ubisoft launched *Might & Magic Heroes Kingdoms™* in February 2010 and *The Settlers Online* in December 2010; the Company's first two online games. This popular market is experiencing strong growth but is also highly competitive.

In order to remain competitive, it is essential for a publisher to choose the development format for a game wisely; an inappropriate choice could have a negative impact on the expected sales and profitability.

While continuing to invest in new technology (for example, 3D camera technology for the launch of KINECT, Ubisoft managed to capitalize on the success of its *Just Dance*® franchise although sales on the Wii™ market fell sharply in 2010.

The Company is also striving to promote collaboration between its various development studios in order to ensure the optimization of its development power and to benefit fully from its presence in low-cost zones.

In Canada and in Singapore, Ubisoft depends on substantial grants and any change in government policy could have a significant impact on production costs and the Company's profitability. Ubisoft ensures that it renegotiates these agreements on a regular basis and does not foresee any risk over the next few years.

The current operating income and the generation of cash showed an improvement for the financial year 2011 thanks to the success of *Assassin's Creed*® *Brotherhood*, *Just Dance*® 2, *Michael Jackson: The Experience* and our games for KINECT. Nevertheless, the uncertain economic situation and the technological changes that are taking place may continue to impact the Company's performance.

### 1.7.1.3 RISKS OF A DELAY OR POOR START TO THE RELEASE OF A FLAGSHIP GAME

Seasonal trends in the video games business:

Sales/quarter in millions of euros	2010/2011	Breakdown	2009/2010	Breakdown	2008/2009	Breakdown
1 <sup>st</sup> quarter	161	15%	83	10%	169	16%
2 <sup>nd</sup> quarter	99	10%	83	10%	175	17%
3 <sup>rd</sup> quarter	600	58%	495	56%	508	48%
4 <sup>th</sup> quarter	178	17%	210	24%	206	19%
Consolidated annual sales	1,039	100%	871	100%	1,058	100%

The third quarter of the financial year represents, on average, 54% of annual sales over the last three financial years.

In a very competitive and above all seasonal market, increasingly characterized by the need to release big hits, the announcement of a delay in releasing an expected game may have a negative impact on the Group's income and future results and thus cause a drop in its share price.

A game's launch may be delayed by the difficulty in accurately predicting the time required to develop or test it. For example, in 2010/2011, Ubisoft (like other players in the sector) was obliged to postpone *Tom Clancy Ghost Recon*® and *Driver*®.

The launch of a game below the standard required for it to fully realize its potential can negatively impact the Company's results. This is the case with below-expectation sales of the game *Prince of Persia The Forgotten Sands*®.

Whether in the organization of its teams or ongoing research into improving development processes, Ubisoft relies on the efficiency of its in-house expertise and synergies between its studios in order to anticipate these risks and alert the management teams as necessary.



As part of tax assessment at Ubisoft Divertissements Inc., (Canada) from 1999 to 2003, and from 2004 to 2008, a bilateral transfer price agreement has been initiated with the tax authorities. Pending the final agreement, the provision of CAD 3 million is maintained unchanged.

#### **1.7.1.4 RISKS ASSOCIATED WITH RECRUITING AND RETAINING TALENTED STAFF**

The Group's success largely depends on the talent and skills of its production and marketing teams in a highly competitive international market. If the Group were no longer able to attract and retain new talents, or were no longer capable of retaining or motivating its key employees, the Company's growth prospects and financial position could be affected.

The Company follows an active policy of recruitment, training and retention through the following initiatives in particular:

- Company/university collaboration: strong relationships with the main universities in the various countries where the Group operates,
- The addition of tools and forums to encourage skills sharing,
- Implementation of various high-level training programs for core production activities.

All of the programs established by Human Resources at a local and international level are first and foremost designed to attract, train, retain and motivate employees with strong technical and/or managerial skills: development opportunities, share purchase plans, stock option plans, personal development plans etc.

#### **1.7.1.5 RISKS ASSOCIATED WITH THE ACQUISITION AND INTEGRATION OF NEW ENTITIES**

The Company has an international expansion policy, regularly reflected in the opening and acquisition of production studios in new territories. The integration of these studios is critical for the Company's success in order to meet future growth targets.

In order to ensure that these new entities are integrated successfully, the Company has put in place a number of solutions to support the teams. Similarly, the Company continues to develop the skills of its administrative teams in order to limit financial, tax or legal risks.

A sound financial structure for the target Company (net financial surplus and the available equity) is expected to minimize these risks.

Nevertheless, the following risks could arise:

- dilution of the current shareholder structure as a result of an acquisition paid in shares;
- creation of significant long-term debt;
- potential losses that could have a negative impact on profitability;
- provisioning for goodwill or other intangible assets.

The potential loss of key employees at the target Company could have a negative impact on financial performance. However, to date, Ubisoft has always proven capable of integrating acquired companies into the Group.

### **1.7.2 LEGAL RISKS**

#### **1.7.2.1 LAWSUITS – LEGAL PROCEEDINGS AND ARBITRATION**

There are no government, legal or arbitration proceedings pending that are likely to have or that over the past 12 months have had a material impact on the financial position or profitability of the Company and/or the Group.



The Group is subject to regular tax inspections in the countries where it is present.

### **1.7.2.2 REGULATORY ENVIRONMENT**

The Company has developed tools and implemented the requisite procedures to comply with local laws and regulations relating to consumer protection, covering also information given to consumers on the content of games (in accordance with age-rating classifications of PEGI in Europe and ESRB in the United States); the protection of personal data (by putting in place the systems, so-called “opt in” in Europe or “opt out” in the United States) and the protection of minors (notably by setting up parental consent procedures). The Company has introduced internal control procedures to check compliance to the above.

It is a member of the ESA (Entertainment Software Association) in the United States, the ISFE (Interactive Software Federation of Europe) and the SELL (Syndicat des Éditeurs de Logiciels de Loisirs) in France, and complies with the classification systems PEGI (Europe) and ESRB (United States).

### **1.7.2.3 RISKS ASSOCIATED WITH INTELLECTUAL PROPERTY RIGHTS**

Given the importance and intrinsic value of its brands, the Company has taken the necessary measures to protect its portfolio of commercial brands as well as the other intellectual property rights that it holds:

- Procedure for checking the pre-existence of brands proposed for games at European and international level, registration of brands and domain names of games designed at European and international level;
- Legal monitoring of brands that are similar or identical to those of the Company and that have been registered by third parties at a global level;
- A dedicated anti-pirating team, whose task is to carry out a technology watch, advise development teams and coordinate action between the various internal and external teams;
- Copyright infringement pressing civil claims in criminal proceedings where applicable, or via any other available criminal or civil avenues, and measures against hackers in order to obtain the removal of games illegally put online.

Ubisoft is not dependent on any particular patents.

### **1.7.2.4 LICENSING AGREEMENT RISKS**

Every year, Ubisoft signs a series of partnership agreements with, in particular, prestigious partners such as film studios, music labels etc., enabling it to develop its game catalogue and increase sales. The biggest licensor accounts for nearly 7.6% of sales.

The potential interruption of certain partnerships, for whatever reason, at the behest of Ubisoft or its partners, would likely have a negative impact on the revenue and future performance of the Company as it would not be offset by other new licenses.

## **1.7.3 OPERATIONAL RISKS**

### **1.7.3.1 RISK OF DEPENDENCY ON CUSTOMERS**

Because it has many large retailer customers in numerous countries, the Company believes it has no significant dependency on any customer that could affect its growth plan.

**Share of the main customers in the Group's sales ex-VAT:**

Share in %	2010/2011	2009/2010	2008/2009
<b>Top customer</b>	12%	10%	10%
<b>Top 5 customers</b>	41%	32%	33%
<b>Top 10 customers</b>	54%	45%	46%

Moreover, in order to protect itself against the risk of default, the Group's main subsidiaries, which account for approximately 85% of consolidated sales, are all covered by credit insurance.

**1.7.3.2 RISK OF DEPENDENCY ON SUPPLIERS AND SUBCONTRACTORS**

The Company has no significant financial dependency on subcontractors or suppliers likely to affect its growth plan.

Ubisoft and its subsidiaries mainly use services or products from suppliers such as systems integrators (printers to produce manuals and product packaging, disk suppliers to subcontract the supply and duplication of CD-ROMs and DVD-ROMs, other systems integrators), technology providers, suppliers of licenses and maintenance in connection with the Company's operations.

However, there is a dependency on manufacturers. Ubisoft, like all console-game publishers, purchases cartridges and gaming media from console manufacturers (Sony, Nintendo and Microsoft). Supply is thus subject to prior approval of the manufacturers, the production of these media in sufficient quantities and the establishment of royalty rates. Any change in the terms of sale by manufacturers could have a material impact on the Company's results. For PC games, there is no specific dependency.

Despite the priority given to games developed internally, which account for 90% of sales, the Company may call on outside studios in the context of its development activities in order to work on traditional subcontracting projects by supplying additional and/or specialized production capacity or to take on original projects in which they have specific expertise. These independent development studios may sometimes have a limited capital base that may put the completion of a project at risk.

To limit such risks, Ubisoft has introduced internal monitoring procedures, limited the number of games entrusted to a single studio, and ensured that it assimilates all or a portion of the technology they use.

**Ubisoft Entertainment SA 's terms for trade payables:**

Pursuant to the provisions of article L 441-6-1 art.1 of the Commercial Code, please note that the Company's liabilities to suppliers at the close of the last financial year break down by due date as follows:

Liabilities by contractual due date			
Due date	Total trade payables: 1 to 30 days	Total trade payables: 31 to 60 days	TOTAL
As at 03/31/11	€46,426,845	€456,881	€46,883,726

### 1.7.3.3 FINANCIAL AND ACCOUNTING RISKS

The reliability of financial and accounting information, risk management and the related internal control system are explained in the report by the Chairman of the Board of Directors on the internal control procedures implemented by the Company.

### 1.7.3.4 CHALLENGES INHERENT IN INFORMATION SECURITY

Like any other international Company with a strong presence on the Internet, Ubisoft is exposed to multiple prerequisites such as changes in regulations and standards related to data protection, management of sensitive data and also faces numerous threats in many areas: mobility solutions, social networking, online services and games, partnerships for development to mention just a few.

Information is a strategic resource that represents considerable value for Ubisoft and must be suitably protected. Hence, Ubisoft's security department is responsible for protecting information from external and internal threats in order to guarantee its confidentiality, integrity and availability, and to ensure business continuity. To achieve this, Ubisoft is investing more and more heavily in specialist resources to reduce current risks and to increase our ability to anticipate future threats.

Efforts have been continued with regard to policies and standards and both technical and human resources dedicated to various initiatives in progress: security relay points are now in place at all the Group's subsidiaries to handle local problems and relay information. A centralized incident management system is in place, a secure and standardized solution for teleworking enabling enhancement of the collaboration within the Group and with our numerous partners. Internal and external audits are conducted regularly for the purposes of validating the various architectures and technological choices within our project portfolio. Ubisoft is clearly adapting and progressing by modifying its approach to risk management in order to meet future challenges in an environment where technologies are constantly evolving.

## 1.7.4 MARKET RISKS

### 1.7.4.1 FINANCIAL RISKS:

In the course of its business, the Group is exposed to varying degrees of financial risk (foreign-exchange, financing, liquidity, interest-rate), counterparty risk and equity risk.

Group policy consists of:

- minimizing the impact of its exposure to market risks on both its income and, to a lesser extent, its balance sheet,
- tracking and managing this exposure centrally whenever regulatory and monetary circumstances allow,
- using derivatives for hedging purposes only.

The risk management policy and its organization within the Group – notably through the Treasury Department, attached to the Finance Department – are described in the Chairman's internal audit report.

Additional information and figures on exposure to these different risks are detailed in Note 16 to the consolidated financial statements.

## FOREIGN-EXCHANGE RISK

In light of its international presence, the Group may be exposed to exchange-rate fluctuations in the following three cases:

- through its operating activities: sales and operating expenses of Group subsidiaries are largely denominated in local currency. Some transactions, however, such as license agreements and intercompany invoicing are denominated in another currency. The operating margin of the subsidiaries concerned may therefore be exposed to fluctuations in exchange rates involving their operational currency;
- through its financing activities: applying its policy of centralizing risks, the Group has to manage financing and cash in various currencies;
- during the process of translating the accounts of its subsidiaries from foreign currencies into euros: current operating income may be generated in currencies other than the euro. As a result, fluctuations in foreign currency exchange rates against the euro may have an impact on the Group's income statement. These fluctuations also affect the carrying amount of assets and liabilities denominated in foreign currencies and appearing in the consolidated balance sheet.

The Group first uses natural hedges provided by transactions in the other direction (development costs in foreign currency offset by royalties from subsidiaries in the same currency). The parent company uses foreign currency borrowings, forward sales or foreign-exchange options to hedge any residual exposures and non-commercial transactions (such as inter-company loans in foreign currencies).

The sensitivity of Group earnings to changes in the value of its main currencies is described in Note 16 to the consolidated financial statements.

### *Impact of a +/- 1% variation in the main currencies on revenue and operating income/loss*

Currency	Impact on revenue	Impact on operating income/loss <sup>(1)</sup>
<b>USD</b>	<b>5,082</b>	<b>1,727</b>
<b>GBP</b>	<b>1,577</b>	<b>1,096</b>
<b>CAD</b>	<b>602</b>	<b>853</b>

in thousands of euros

### *Impact of a variation (+/- 1%) in the main currencies on goodwill and brands*

Currency	Impact on equity <sup>(1)</sup>
<b>USD</b>	<b>591</b>
<b>GBP</b>	<b>116</b>
<b>CAD</b>	<b>19</b>

<sup>(1)</sup> in thousands of euros

## FINANCING AND LIQUIDITY RISK

In the course of its operating activity, the Group has no recurrent or significant debts. Operating cash flows are generally sufficient to finance operating activity and organic growth. However, the Group may need to increase its debt by using credit lines to finance Merger & Acquisition activity. In order to finance temporary needs related to increases in working capital during especially busy periods, the Group has a €180 million syndicated loan, €100 million in confirmed credit facilities and other bank credit facilities totaling €74.5 million at March 31, 2011.

The Group's liquidity risk mainly lies with the maturity of a €20 million debt on which interest is paid, as well as payment flows on derivatives, and this risk is therefore not significant.

## INTEREST-RATE RISK

Interest-rate risk is mainly incurred through the Group's interest-bearing debt. This is essentially euro-denominated and centrally managed. Interest-rate risk management is primarily designed to minimize the cost of the Group's borrowings and reduce exposure to this risk. For this purpose, the Group uses primarily fixed-rate loans for its long-term financing needs and variable-rate loans to finance specific needs related to increases in working capital during particularly busy periods.

At March 31, 2011, the Group's net debt included a variable-rate loan and bank overdrafts which, given the Group's positive net cash position, are used essentially to finance the high year-end working capital requirement entailed in the highly seasonal nature of the business.

The sensitivity of debt to a change in interest rates is described in Note 16 to the consolidated financial statements.

### 1.7.4.2 COUNTERPARTY RISK

The Group is exposed to counterparty risk – mostly banking-related – in the course of its financial management. The aim of the Group's banking policy is to focus on the creditworthiness of its counterparties and thus reduce its risks.

### 1.7.4.3 SECURITIES RISK

#### RISK TO THE COMPANY'S SHARES

In accordance with its share buyback policy and within the authorizations granted by the Shareholders' Meeting, the Company may decide to buy back its own shares. The fluctuations in the price of shares bought in this way have no impact on the Group's income.

#### RISK ON OTHER SECURITIES

The Gameloft shares are covered by an equity swap agreement signed by the Group with CA-CIB (Crédit Agricole Corporate & Investment Bank). For these Shares, a significant and/or prolonged drop in the share price may have an adverse effect on the Group's income.

As of March 31, 2011, the fair value of this receivable with Calyon is reflected in the balance sheet (see Note 9 to the consolidated financial statements and accounting principles).

## 1.7.5 INDUSTRIAL OR ENVIRONMENT-RELATED RISKS

The Group currently has no knowledge of any industrial or environmental risk.

Ubisoft did not record any provision, purchase any insurance to cover potential environmental risks, or pay any compensation in this regard during the financial year.

Nevertheless, the Company remains alert to regulatory changes in countries where it is present.

Even if the Company has no direct impact on the environment, this issue is an integral part of the Group's policy and has become a subject for discussion. It is presented and discussed in more detail in the "Sustainable development" section of this report.

### 1.7.6 INSURANCE AND RISK COVERAGE

The policy of insuring the Group aims to protect it against the consequences of certain potential and identified events that could have an adverse effect on it. This policy falls under the general scope of risk management, downstream of prevention plans and business continuity plans.

The following are the principal areas covered by insurance:

- corporate general liability and corporate officers,
- property damage and, where appropriate, trading loss,
- goods in transit,
- vehicles
- employee health risks and employee benefits,
- business travel
- expatriate cover,
- etc.

Most of the policies currently in place are taken out locally at subsidiary level, taking account of the specific nature of that subsidiary's activity and the country in which it is present, using brokers as appropriate. The Group has decided to proceed with an audit of its insurance cover which will be carried out in the first part of the financial year 2012 across all its subsidiaries. In line with the findings of this audit, the Group envisages harmonization of certain policies and the creation of an international program combined with local cover where relevant.

There were no major losses in the financial year 2011.

Total premiums paid on insurance policies valid during the financial year ended March 31, 2011 amounted to €1,159 thousand excluding credit insurance.

## 1.8 RECENT EVENTS, OUTLOOK AND STRATEGY

### 1.8.1 RECENT DEVELOPMENTS

Ubisoft has adopted a clear targeted strategy for dealing with recent developments in the market, in the high-definition console games activity, in the casual one and in the online games activity:

- For high-definition games, the Company is focusing its efforts on its strong franchises, in order to increase the quality and regularity of releases,
- For casual games, the launch of new consoles including the KINECT™, Sony Move and 3DS is expected to reward the investment made in technology over the last few years,
- For online games, a market that is expanding rapidly, Ubisoft plans to launch several online games, including *Trackmania*® and *Imagine*® Town. The Company will also continue to develop its online services portal Uplay, which is intended to reinforce direct links with consumers.

In April 2011, a bilateral credit line amounted of €25 million was subscribed for a period of 2 years. Attributed to Canadian studio, Ubisoft Divertissements Inc., this line is secured by Ubisoft Entertainment SA and follows the same covenants as other lines.

In 2011/12, sales between €1,040 million and €1,080 million are expected and current operating income between €40 million and €60 million.

### 1.8.2 MARKET OUTLOOK

In 2010, the console video games market recorded a 6% drop in Europe and 5% in North America. The sector is expected to experience a decline in 2011 compared with 2010. In return, it is anticipated that the online video games market should experience another year of strong growth enabling growth overall in the gaming market.

## 2 COMMENTS ON THE CORPORATE FINANCIAL STATEMENTS OF UBISOFT ENTERTAINMENT SA FOR THE YEAR ENDED MARCH 31, 2011

### **Sales** (in thousands of euros)

Revenue basically consists of royalties invoicing to subsidiaries.

€ thousand	March 31, 2011	March 31, 2010
Production/sales	729,169 <sup>(1)</sup>	558,548
Operating loss (profit)	-116,929	-102,217
Net financial income	-11,077	18,040
Pre-tax loss (profit) from continuing operations	-128,006	-84,177
Non-recurring items	-54,550	-69,675
Earnings	-152,117	-153,066

<sup>(1)</sup> including capitalized production: €341,589 thousand (internally developed software: €311,150 thousand and externally developed software: €30,439 thousand)

### **Internal development costs**

As at March 31, 2011, internal development costs came to €311 million as compared with €280 million as at March 31, 2010.

### **Tax consolidation scope:**

As at March 31, 2011, the tax group includes all French companies, with the exception of those created during the financial year.



**Income statement for the last five years**

Financial Year	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
Capital stock (€)	7,036,578	7,164,812	7,273,867	7,319,603	7.341.411
Number of ordinary shares	45,397,276 <sup>(1)</sup>	46,224,592	93,856,346 <sup>(2)</sup>	94,446,494	94.727.890
Number of preference shares	-	-	-	-	-
Maximum number of shares to create	3,020,002	4,164,407	9,976,148	12,860,572	15,590,840
through exercise of stock options	3,020,002	3,808,907	9,509,468	12,003,892	14,473,220
through the allocation of bonus shares.	-	355,500	466,680	856,680	1,117,620
Sales (€ thousand)	435,190	571,034	576,476	558,548	729,169
Earnings before tax, employee profit sharing, depreciation and provisions (€ thousand)	236,943	309,662	326,750	190,346	257,594
Income tax (€ thousand)	- 89	1,961	13,532	-786	-30,439
Employee profit-sharing	-	-	-	-	-
Earnings after tax, employee profit sharing, depreciation and provisions (€ thousand)	16,047	75,212	33,553	-153,066	-152,117
Distributed earnings	-	-	-	-	-
Per share, earnings after tax, before depreciation and provisions (€)	5.22	6.66	3.34	2.02	3.04
Per share, earnings after tax, depreciation and provisions (€)	0.35	1.63	0.36	-1.62	-1.61
Dividend per share	-	-	-	-	-
Average headcount	5	5	5	5	5
Payroll (€ thousand)	546	546	664*	687*	681*
Social security contributions and employee benefits (€ thousand)	215	204	279	243	239

\* The compensation of one corporate officer is booked in subcontracting.

(1) Two-for-one stock split on December 11, 2006

(2) Two-for-one stock split on November 14 2008

**Contingent assets and liabilities**

To the best of our knowledge, there were no contingent assets or liabilities as at March 31, 2011.

**Events after the balance sheet date**

**April 2011:** subscription of a bilateral credit line for a period of 2 years and amounted of €25 million. Attributed to Canadian studio, Ubisoft Divertissements Inc., this line is secured by Ubisoft Entertainment SA and follows the same covenants as other lines.

### 3 INFORMATION ABOUT THE COMPANY AND ITS CAPITAL

#### 3.1 INFORMATION ABOUT THE COMPANY

<b>CORPORATE NAME</b>	UBISOFT ENTERTAINMENT
<b>REGISTERED OFFICE</b>	107, Avenue Henri Fréville - BP 10704 - RENNES (35207) CEDEX 2
<b>LEGAL FORM</b>	French corporation (Société Anonyme) with a Board of Directors, governed by the French Commercial Code
<b>DATE OF INCORPORATION AND TERM</b>	The Company was incorporated on March 28, 1986 and listed on the Rennes Trade and Companies Register on April 9, 2006, for a term of 99 years unless such term is extended or the Company is dissolved at an earlier date.
<b>TRADE AND COMPANIES REGISTER</b>	335 186 094 RCS RENNES APE industry code: 5821Z
<b>PLACE WHERE LEGAL DOCUMENTS MAY BE CONSULTED</b>	The Company's legal documents may be consulted at its business address at 28, rue Armand Carrel – 93100 MONTREUIL-SOUS-BOIS, France, or at its registered office.
<b>FINANCIAL YEAR</b>	The financial year runs from April 1 to March 31.

#### 3.2 ARTICLES OF ASSOCIATION

Amendments to the Articles of Association are made by decision of the Extraordinary General Meeting.

##### 3.2.1 CORPORATE PURPOSE (ARTICLE 3 OF THE ARTICLES OF ASSOCIATION)

Ubisoft Entertainment SA has the following purpose, in France and abroad, both directly and indirectly:

- the creation, production, publishing and distribution of all kinds of multimedia, audiovisual and IT products, including videogames, educational and cultural software, cartoons and literary, film and television works on any media, current or future;
- the distribution of all kinds of multimedia and audiovisual products, especially through new communication technologies such as networks and online services;
- the purchase, sale and, in general, all forms of trading, including both import and export, via rental or otherwise, of any computer and word-processing hardware with its accessories, as well as any hardware or products for reproducing sound and images;
- the marketing and management of all data processing and word-processing computer programs;
- consulting, support, assistance and training relating to any of the above-mentioned fields;
- the investment by the company in any operation that may relate to its purpose, by the creation of new companies, the subscription or purchase of securities or corporate rights, by mergers or by other means;
- and in general, any operation related directly or indirectly to the above purpose or similar and related purposes likely to promote the Company's development.

### **3.2.2 FORM OF SHARES AND IDENTIFICATION OF SHAREHOLDERS (ARTICLE 5 OF THE ARTICLES OF ASSOCIATION)**

Fully paid shares may be registered or bearer shares, depending on the preference of the shareholder, subject to applicable legal and regulatory provisions.

The shares of the Company require book-entry under the terms and conditions required by applicable legal and regulatory provisions, and are transferred between accounts by bank transfer.

The Company may at any time, in accordance with legal and regulatory provisions, request information from the French securities clearing organization SICOVAM in order to allow the Company to identify shareholders granted either immediate or future voting rights at Meetings, as well as the number of shares held by any one shareholder and, where applicable, any restrictions to which the shares may be subject.

### **3.2.3 SIGNIFICANT SHAREHOLDING DISCLOSURE REQUIREMENT (ARTICLE 6 OF THE ARTICLES OF ASSOCIATION)**

Without prejudice to the thresholds provided for in Article L 233-7 of the French Commercial Code, any shareholder acting alone or in concert with others who directly or indirectly comes to own at least 4% of the capital or voting rights in the Company or a multiple of this amount less than or equal to 28% is required to inform the Company in writing – by registered letter with acknowledgement of receipt sent to the registered office within the period prescribed in Article L 233-7 of the French Commercial Code – of the total number of shares, voting rights and securities ultimately granting entitlement to the capital of the Company that are held directly or indirectly or in concert.

The disclosure upon crossing any threshold equaling a multiple of 4% of the capital or voting rights provided for in the above paragraph should also be made when the interest in the capital or voting rights falls below one of the aforementioned thresholds.

Non-compliance with disclosure of the crossing of the thresholds specified in the Articles of Association shall result in a loss of entitlement to voting rights in the manner provided for in Article L 233-14 of the French Commercial Code on a request, recorded in the minutes of the Shareholders' General Meeting, by one or more shareholders together owning at least 5% of the capital or voting rights in the Company.

### **3.2.4 RIGHTS AND DUTIES ATTACHED TO SHARES (ARTICLES 7 AND 8 OF THE ARTICLES OF ASSOCIATION)**

Each share shall give rights to ownership of the corporate assets and the liquidating dividend equal to the proportion of the share capital that it represents.

Whenever it is necessary to own several shares in order to exercise a right of any kind, especially in the event of the exchange, consolidation or allocation of shares, or following a capital increase or reduction of whatever form, regardless of the terms and conditions thereof or subsequent to a merger or any other transaction, shareholders having fewer than the required number of shares may only exercise their rights on condition they make it their own business to group together and, if applicable, purchase or sell the required number of shares or fractionable shares or rights.

A double voting right, over that granted to other shares having regard to the proportion of the share capital they represent, is granted to all fully paid-up shares that can be shown to have been registered in the name of the same shareholder for at least two years.

This right is also granted from issue to registered shares granted free to a shareholder by virtue of existing shares for which the shareholder already has this right in the case of capital increases via the capitalization of reserves, earnings or issue premiums.

It should be noted that Article L 225-124 of the French Commercial Code provides that this double voting right is automatically revoked for any share that has been converted to bearer form or for which ownership is transferred, excluding any transfer of ownership between registered accounts as a result of inheritance or family gift or liquidation of marital property.

### 3.2.5 GENERAL MEETINGS (ARTICLE 14 OF THE ARTICLES OF ASSOCIATION)

General Meetings shall consist of all the shareholders of Ubisoft Entertainment SA, with the exception of the Company itself. They represent the totality of shareholders.

They shall be convened and deliberate under the conditions prescribed by the French Commercial Code. General Meetings shall be held at the registered office or at any other place indicated in the meeting notice. They shall be chaired by the Chairman of the Board of Directors or, in his absence, by a Director appointed for this purpose by the Meeting.

The right to participate in meetings is subject to fulfillment of the formalities provided for under applicable regulations. Shareholders may vote by correspondence or by proxy subject to the requirements of legal and regulatory provisions.

Shareholders may participate in meetings (via videoconference or vote by any means of telecommunication or remote transmission, including internet), under the conditions prescribed by the applicable regulations, provided that a decision to this effect by the Board of Directors is published in the convening notice and/or the meeting notice.

Where a decision to the following effect is reached by the Board of Directors, shareholders may send their voting or proxy arrangements by correspondence, whether in paper form or via telecommunications or remote transmission, in line with the time frames set out by the applicable laws and regulations. If remote transmission (including electronic means) is the selected arrangement, the electronic signature may take the form of a process meeting the requirements defined in the first sentence of the second paragraph of Article 1316-4 of the Civil Code.

### 3.2.6 DISTRIBUTION OF EARNINGS (ARTICLE 17 OF THE ARTICLES OF ASSOCIATION)

The income from the financial year after deduction of operating expenses, allowances for depreciation, amortization and provisions constitutes the earnings. From earnings from the financial year after deduction of losses carried forward from previous years where appropriate, the following items are deducted:

- the sums to be allocated to reserves in accordance with the law and the Articles of Association and, in particular, at least 5% to make up the legal reserve. This allocation is no longer required when the reserve reaches one tenth of the share capital. It is once again required when, for any reason, the legal reserve falls below this percentage; and
- any amounts which the Annual General Meeting, on a proposal from the Board of Directors, deems appropriate to allocate to any extraordinary or special reserves or to carry forward as retained earnings.

The balance shall be distributed to the shareholders. However, except in the event of capital reductions, no distribution may be made to shareholders where the shareholders' equity is, or would be if such distribution were to take place, less than the amount of the capital plus reserves that are non-distributable under the law or the Articles of Association.

In accordance with Article L 232-18 of the French Commercial Code, the Annual General Meeting may grant each shareholder the option between payment in cash or in shares for all or part of the interim or final dividend.

## 3.3 INFORMATION ABOUT THE CAPITAL

### 3.3.1 SHARE CAPITAL

As of March 31, 2011, the share capital totaled €7,341,411.48 divided into 94,727,890 fully paid-up shares with a nominal value of €0.0775 each.

The following table outlines the number of shares created between April 1, 2010 and March 31, 2011:

As at April 1, 2010	94,446,494 shares
Exercise of subscription options	176,234 shares
Reserved capital increase	105,162 shares
As at March 31, 2011	94,727,890 shares

### 3.3.2 AUTHORIZED UNISSUED CAPITAL

#### 3.3.2.1 STATUS OF CAPITAL INCREASE AUTHORIZATIONS IN FORCE GRANTED TO THE BOARD OF DIRECTORS

In accordance with Article L 225-100, paragraph 7 of the French Commercial Code, the table below summarizes current authorizations granted by the Shareholders' Meeting to the Board of Directors, and the use made of these authorizations during the year.

Type	Date of Meeting - Resolution -	Term Expiry at	Maximum use	Use	Creation Allocation
<b>Share buyback</b>	07/02/10 7 <sup>th</sup> resolution	18 months 01/01/12	10% of the capital Maximum purchase price: €60	see 3.3.4.1	
<b>Capital reduction</b> by cancelation of own shares	07/02/10 9 <sup>th</sup> resolution	18 months 01/01/12	10% of the capital	N/A	N/A
<b>Capital increase</b> by capitalization of reserves, earnings, premiums or other	07/02/10 10 <sup>th</sup> resolution	26 months 09/01/12	€10 million	N/A	N/A
<b>Capital increase</b> with preferential subscription rights preserved	07/02/10 11 <sup>th</sup> resolution <sup>(2)</sup>	26 months 09/01/12	In capital: €1,450 thousand Debt securities: €400 million	N/A	N/A
<b>Capital increase</b> with waiving of preferential subscription rights by way of a public offering	07/02/10 12 <sup>th</sup> resolution <sup>(2) (3)</sup>	26 months 09/01/12	In capital: €1,450 thousand Debt securities: €400 million	N/A	N/A
<b>Capital increase</b> with waiving of preferential subscription rights by way of a private placement	07/02/10 13 <sup>th</sup> resolution <sup>(2) (3)</sup>	26 months 09/01/12	In capital: €1,450 thousand Debt securities: €400 million	N/A	N/A
<b>Setting the issue price for capital increases</b> with waiving of preferential rights (public offering or private placement) within an annual limit of 10%	07/02/10 14 <sup>th</sup> resolution <sup>(2) (3)</sup>	26 months 09/01/12	€734 thousand	N/A	N/A
<b>Capital increase</b> as consideration for contributions in kind	07/02/10 15 <sup>th</sup> resolution <sup>(2)</sup>	26 months 09/01/12	10% of Company capital on the date of the meeting	-	-
<b>Capital increase</b> for the benefit of employees subscribing to the Group savings plan	07/10/09 10 <sup>th</sup> resolution <sup>(1) (4)</sup>	26 months 09/09/11	0.2% of the capital on the date of use by the Board	03/11/10	0
	07/02/10 16 <sup>th</sup> resolution <sup>(2)</sup>	26 months 09/01/12		see 3.3.2.5	
<b>Allotment of stock purchase or subscription options</b>	07/10/09 11 <sup>th</sup> resolution <sup>(1) (4)</sup>	38 months 09/09/12	3.4% of the number of shares outstanding on the date of allocation by the Board	12/15/09	4,500
	07/02/10 17 <sup>th</sup> resolution <sup>(2)</sup>	38 months 09/01/13		04/29/10 06/30/10	119,000 3,088,758
<b>Capital increase</b> reserved for employees of Company subsidiaries (outside France)	07/10/09 12 <sup>th</sup> resolution <sup>(4)</sup>	18 months 01/09/11	0.4% of the capital on the date of the Board's decision	12/07/10	105,162
<b>Bonus share grants</b>	09/22/08 12 <sup>th</sup> resolution <sup>(5)</sup>	38 months 11/21/11	1% of the capital on the date of the Board's decision	06/30/10	173,020
				11/15/10	215,000

(1) The unused portion of these authorizations was canceled by the Meeting of July 2, 2010, which approved similar resolutions.

(2) Charged against the overall limit of €4 million set by the Meeting of July 2, 2010 (18<sup>th</sup> resolution)

(3) Charged against the limits of €1,450 thousand of capital and €400 million of debt securities (without preferential subscription rights) set by the Meeting of July 2, 2010 (12<sup>th</sup>, 13<sup>th</sup>, 14<sup>th</sup> resolutions)

(4) Charged against the overall limit of €4 million authorized by the Meeting of July 10, 2009 (13<sup>th</sup> resolution)

(5) Charged against the overall limit of €4 million authorized by the Meeting of September 22, 2008 (16<sup>th</sup> resolution)

### 3.3.2.2 SECURITIES GRANTING ENTITLEMENT TO THE CAPITAL OF THE COMPANY/POTENTIAL CAPITAL AS AT MARCH 31, 2011

As at March 31, 2011:

- the number of subscription options open but not yet exercised was 14,473,220:
  - taking into consideration only those options considered "in the market" (plans 7, 11, 12 and 23: see paragraph 3.3.2.4), there would be dilution of 4.15%, since the options relating to the other plans (plans 13, 14, 15, 16, 17, 18, 19, 20, 21, 22: see paragraph 3.3.2.4) have a strike price greater than the share price on March 31, 2011 (€7.209)
  - if all of the options, regardless of the strike price at which they were allocated (i.e. whether greater or less than the share price), were exercised on March 31, 2011, dilution would be 13.25%.
- the number of bonus shares granted was 1,117,620, representing a potential dilution of 1.17%.

### 3.3.2.3 BONUS SHARE GRANTS (PLANS OPEN AS AT MARCH 31, 2011)

Date of General Meeting Date of Board Meeting	Number of beneficiaries of grants	Number of shares granted	Of which corporate officers	Of which top 10 employee beneficiaries	Number of shares canceled (2)	Balance as at 03/31/11	Date of acquisition Date of transfer	Performance conditions
04/04/07 10/02/07	69	233,500 <sup>(1)</sup>	0	82,000 <sup>(1)</sup>	65,000 <sup>(1)</sup>	168,500 <sup>(1)</sup>	10/02/11 10/03/11	Yes <sup>(4)</sup>
04/04/07 03/17/08	12	122,000 <sup>(1)</sup>	0	110,000 <sup>(1)</sup>	6,000	116,000 <sup>(1)</sup>	03/16/12 03/17/12 03/17/14 <sup>(3)</sup>	Yes <sup>(4)</sup>
04/04/07 06/13/08	5	30,600 <sup>(1)</sup>	0	30,600 <sup>(1)</sup>	2,000	28,600 <sup>(1)</sup>	06/12/12 06/13/12 06/13/14 <sup>(3)</sup>	Yes <sup>(4)</sup>
04/04/07 09/15/08	21	80,580 <sup>(1)</sup>	0	61,000 <sup>(1)</sup>	12,580	68,000 <sup>(1)</sup>	09/14/12 09/15/12	Yes <sup>(4)</sup>
09/22/08 04/09/09	17	45,500	0	34,000	1,500	44,000	04/08/13 04/09/13	Yes <sup>(4)</sup>
09/22/08 11/17/09	2	15,000	0	15,000	-	15,000	11/16/13 11/17/13	Yes <sup>(4)</sup>
09/22/08 12/15/09	42	355,000	0	152,000	55,000	300,000	12/14/13 12/15/13 12/15/15 <sup>(3)</sup>	Yes <sup>(4)</sup>
09/22/08 06/30/10	1,252	12,520	0	100	0	12,520	06/29/12 06/30/14 <sup>(3)</sup>	No <sup>(5)</sup>
09/22/08 06/30/10	26	160,500	0	105,000	8,500	152,000	06/29/14 06/30/14 06/30/16 <sup>(3)</sup>	Yes <sup>(4)</sup>
09/22/08 11/15/10	38	215,000	0	112,000	2,000	213,000	11/14/14 11/15/14 11/15/16 <sup>(3)</sup>	Yes <sup>(4)</sup>
<b>TOTAL</b>		<b>1,270,200</b>	<b>0</b>	<b>701,600</b>	<b>152,580</b>	<b>1,117,620</b>		

(1) Two-for-one stock split taking effect November 14, 2008.

(2) Cancellations between grant date and March 31, 2011.

(3) Two-year lock-in for French beneficiaries

(4) Individual performance targets linked to the beneficiary's job

(5) Granted to employees of French subsidiaries ([Article L 225-186-1](#) of the French Commercial Code)

## 3.3.2.4 STOCK OPTIONS

Date of General Meeting Date of Board Meeting	Plan number	Options granted (1) (2)	Of which to officers (2)	Conditions		Price (1) (2)	Exercise d (1) (2)	03/31/11	
				Period	Terms and conditions			Canceled (1) (2)	To be exercised (1) (2)
10/19/01 ----- 08/16/02	7	1,556,260	-	from 01/19/05 to 08/15/12	50% at 01/19/05 75% at 08/16/05 100% at 08/16/06	€3.21	-	-	28,250
07/23/04 ----- 10/14/04	11	1,552,600	-	from 10/14/05 to 10/13/14	24% after one year then 2% per month	€3.88	18,874	1,712	327,889
07/23/04 ----- 11/17/04	12	1,485,000	-	from 11/17/05 to 11/16/14	24% after one year then 2% per month	€3.68 (France) €3.87 (Italy)	53,490	3,200	715,209
09/21/05 ----- 02/23/06	13	2,711,784	-	from 02/23/07 to 02/22/13 (3)	25% per year from 02/23/07	€7.91	103,870	39,504	1,722,683
09/25/06 ----- 04/26/07	14	3,154,800	150,000	from 04/26/08 to 04/25/12	25% per year from 04/26/08	€17.65	-	126,954	2,575,018
09/25/06 ----- 06/22/07	15	24,072	-	from 06/22/08 to 06/21/12	25% per year from 06/22/08	€18.77	-	876	18,898
07/04/07 ----- 06/13/08	16	1,804,100	-	from 06/13/09 to 06/12/13	25% per year from 06/13/09	€27.75	-	133,000	1,548,100
07/04/07 ----- 06/27/08	17	1,362,500	138,000	from 06/27/09 to 06/26/13	25% per year from 06/27/09	€27.66	-	40,700	1,291,400
07/04/07 ----- 09/15/08	18	100,160	-	from 09/15/09 to 09/14/13	25% per year from 09/15/09	€29.30 (France) €28.13 (world)	-	4,900	92,360
09/22/08 ----- 05/12/09	19	3,073,400	124,000	from 05/12/10 to 05/11/14	25% per year from 05/12/10	€14.92 (France) €14.40 (world)	-	147,450	2,893,450
09/22/08 ----- 06/18/09	20	119,755	-	from 06/18/10 to 06/17/14	25% per year from 06/18/10	€15.60 (France) €16.90 (world)	-	4,400	107,205
07/10/09 ----- 12/15/09	21	4,500	-	from 12/15/10 to 12/14/14	25% per year from 12/15/10	€10.04	-	-	4,500
07/10/09 ----- 04/29/10	22	119,000	119,000	from 04/29/11 to 04/28/15	25% per year from 04/29/11	€10.02	-	-	119,000
07/10/09 ----- 06/30/10	23	3,088,758	-	from 06/30/11 to 06/29/15	25% per year from 06/30/11	€7.10 (France) €6.386 (world)	-	59,500	3,029,258
TOTAL		20,156,689	531,000				176,234	562,196	14,473,220

(1) Two-for-one stock split taking effect December 11, 2006: plans concerned - numbers 7, 11, 12, 13

(2) Two-for-one stock split taking effect November 14, 2008: plans concerned – numbers 7, 11, 12, 13, 14, 15, 16, 17, 18

(3) Two-year extension following Board of Directors' decision of January 10, 2011



**STOCK OPTIONS GRANTED AND EXERCISED AS OF MARCH 31, 2011**  
**SUBSCRIPTION OPTIONS GRANTED BY THE COMPANY AND EXERCISED**  
**DURING THE FINANCIAL YEAR ENDED MARCH 31, 2011**

**CORPORATE OFFICERS <sup>(1)</sup>**

**Subscription options granted during the financial year ended March 31, 2011**

Corporate officer	Number of subscription options granted	Strike price	Plan number and expiry date
Yves Guillemot	75,000		
Claude Guillemot	11,000		
Michel Guillemot	11,000	€10.02	Plan 22
Christian Guillemot	11,000		Expiry 04/28/15
G�rard Guillemot	11,000		

**Options exercised during the financial year ended March 31, 2011**

N/A

**TEN EMPLOYEES (NOT CORPORATE OFFICERS)**

**Subscription options granted during the financial year ended March 31, 2011**

	Number of subscription options granted to the 10 main beneficiaries	Average weighted price	Plan number Expiry date
<b>Complete information, all Group companies combined</b>	443,000	�6.92	Plan 23 Expiry 06/29/15

**Options exercised during the financial year ended March 31, 2011**

	Number of options exercised by the 10 employees exercising the highest number	Average weighted price	Plan number Expiry date
<b>Complete information, all Group companies combined</b>	101,840	�6.03	Plan 11 Expiry 10/13/14 Plan 12 Expiry 11/16/14 Plan 13 Expiry 02/22/13 <sup>(2)</sup>

<sup>(1)</sup> Performance and lock-in conditions attached to this plan are laid out in section 4.5.3.

<sup>(2)</sup> Two-year extension following Board of Directors' decision of January 10, 2011

### 3.3.2.5 EMPLOYEE SHAREHOLDING UNDER THE FCPE (COMPANY MUTUAL FUND)

As of March 31, 2011, employees held 748,587 shares, or 0.79% of the share capital, via the "FCPE Ubi actions" fund.

The extraordinary part of the Combined General Meeting of July 2, 2010 renewed the authorization previously granted to the Board of Directors by the Combined General Meeting of July 10, 2009, giving the Board entire discretion to perform a capital increase reserved for subscribers to a savings plan of the Group, an associated company and/or companies within the meaning of Article L 225-180 of the French Commercial Code, within the limit of 0.2% of the total amount of shares comprising the share capital at the time of its use by the Board of Directors, in particular via a company mutual fund.



Within the scope of this delegation of authority, the Board of Directors resolved on February 8, 2011 to increase the capital of the Company within a limit of 189,423 shares. The Board of Directors resolved to authorize the Chief Executive Officer to fix both the period and price of subscription (the average opening price of Ubisoft Entertainment SA shares over the 20 trading days prior to the date of the decision setting the start date for subscriptions, with a discount of 15%).

### 3.3.2.6 SECURITIES NOT REPRESENTING CAPITAL

There are currently no securities issued by the Company that do not represent capital.

### 3.3.3 CHANGE IN COMPANY CAPITAL OVER THE PAST THREE FINANCIAL YEARS

Date of Board decision	Type of transaction	Number of securities issued	Amount (in cash)	Premiums	Cumulative number of shares	Amount of share capital
After two-for-one stock split on December 11, 2006 (Board Meeting of December 5, 2006) Par value after split €0.155						
04/10/08	Exercise of subscription options from 10/01/07 to 03/31/08	215,357	€1,789,697.45	€1,756,317.11	46,224,592	€7,164,811.76
06/30/08	Exercise of subscription options from 04/01/08 to 06/30/08 and capital increase (Group savings plan)	306,385	€6,682,515.91	€6,635,026.23	46,530,977	€7,212,301.44
09/10/08	Exercise of subscription options from 07/01/08 to 08/31/08 and capital increase (for the benefit of employees of certain foreign subsidiaries)	137,050	€3,955,110.43	€3,933,867.67	46,668,027	€7,233,544.19
11/12/08	Exercise of subscription options from 09/01/08 to 11/07/08	33,928	€500,483.09	€495,224.26	46,701,955	€7,238,803.03
After two-for-one stock split on November 14, 2008 (Board Meeting of November 12, 2008) Par value after split €0.0775						
04/09/09	Exercise of subscription options from 11/14/08 to 03/31/09	452,436	€1,660,687.10	€1,625,623.31	93,856,346	€7,273,866.82
07/01/09	Exercise of subscription options from 14/01/09 to 06/30/09 and capital increases (for the benefit of employees of certain foreign subsidiaries/Group savings plan)	375,826	€3,820,575.56	€3,791,449.05	94,232,172	€7,302,993.33
04/22/10	Exercise of subscription options from 07/01/09 to 03/31/10	214,322	€1,212,081.36	€1,195,471.41	94,446,494	€7,319,603.29
12/17/10	Exercise of subscription options from 04/01/10 to 11/30/10 and capital increases (for the benefit of employees of certain foreign subsidiaries)	223,178	€1,401,659.69	€1,384,363.40	94,669,672	€7,336,899.58
04/15/11	Exercise of subscription options from 12/01/10 to 03/31/11	58,218	€369,688.34	€365,176.44	94,727,890	€7,341,411.48

### 3.3.4 SHARE BUYBACK PROGRAM

#### 3.3.4.1 AUTHORIZATION IN PLACE AT THE TIME OF THIS REPORT

##### LEGAL FRAMEWORK

The Combined General Meeting of July 2, 2010 renewed the authorization previously granted to the Board of Directors by the Combined General Meeting of July 10, 2009, allowing the company to buy back its own shares in accordance with Article L 225-209 *et seq.* of the French Commercial Code (hereafter the “Buyback Program”).

##### BALANCE AS OF MARCH 31, 2011

Percentage of own shares held directly and indirectly	0.151%
Number of shares canceled over the previous 24 months	N/A
Number of shares in portfolio <sup>(a)</sup>	143,295
Portfolio carrying amount	€1,119,896.28
Portfolio market value <sup>(b)</sup>	€1,033,013.66

<sup>(a)</sup> All shares were purchased under the liquidity agreement with Exane BNP PARIBAS.

<sup>(b)</sup> Closing price on March 31, 2011: €7.209

##### BREAKDOWN OF OWN-SHARE PURCHASES AND SALES OVER THE YEAR

(Article L 225-211 of the French Commercial Code)

<b>Number of shares held in the Company's name as of March 31, 2010</b>	<b>94,318</b>
Number of shares acquired over the year	1,559,161
Average price on acquisition	€8.21
Number of shares sold over the year	1,510,184
Average price on sale	€8.20
Number of shares canceled over the year	N/A
Execution fees	N/A
<b>Number of shares held in the Company's name as of March 31, 2011</b>	<b>143,295</b>
Value of shares held in the Company's name as of March 31, 2011 <sup>(a)</sup>	€1,119,896.28
Par value of shares held in the Company's name as of March 31, 2011 <sup>(b)</sup>	€11,105.36
Number of shares used over the year	1,510,184
Reallocation taking place over the year	N/A
Percentage of capital held as treasury stock as of March 31, 2011	0.151%

<sup>(a)</sup> Measured at purchase price.

<sup>(b)</sup> Liquidity agreement with Exane BNP PARIBAS.

##### ALLOCATION OF TREASURY STOCK BY OBJECTIVE

The own shares held by the Company were all purchased under the liquidity agreement with Exane BNP PARIBAS acting to ensure trading liquidity and stability of the share price, as well as to avoid price lags unjustified by market trends.

#### 3.3.4.2 LIQUIDITY AGREEMENTS

Since January 2, 2006, the Company has set Exane BNP PARIBAS the task of implementing a liquidity agreement in line with the code of ethics of the AMAFI recognized by the French Securities and Exchange Commission (AMF), hereafter the “Agreement”, with a one-year term that is tacitly renewable. The Company allocated €1.5 million for the implementation of this agreement over the last financial year.

By virtue of an amendment to the Agreement dated April 5, 2011, the total figure allocated to the Agreement was increased to €1.7 million.

### 3.3.4.3 DESCRIPTION OF THE SHARE BUYBACK PROGRAM SUBMITTED FOR THE APPROVAL OF THE COMBINED GENERAL MEETING OF JUNE 30, 2011

Pursuant to Articles 241-2 and 241-3 of the AMF's general regulations, and to European regulation 2273/2003 of December 22, 2003, the Company describes below the share buyback program that will be submitted for the approval of the Combined General Meeting of June 30, 2011.

**Shares concerned:** ordinary shares in Ubisoft Entertainment SA, listed on Euronext Paris, division A, ISIN code FR0000054470

**Maximum percentage of capital:** 10% of the total number of shares making up the capital on the buyback date, in other words – and based for guidance on the number of shares in circulation at April 30, 2011 (94,732,106), taking into account the number of shares held at May 12, 2011 – 148,815 shares representing 0.155% of the capital: 9,326,395 or 9.845%

**Maximum purchase price:** a maximum of €284,196,300 based on the share capital as at April 30, 2011

**Objectives:**

- To ensure liquidity and market-making for the Ubisoft Entertainment SA stock via an investment service provider acting independently in accordance with the code of ethics recognized by the AMF;
- To hand over shares upon the exercise of rights attached to securities giving entitlement by any means, whether immediately or over time, to the Company's share capital;
- Granting shares to employees and corporate officers of the Ubisoft Group under any arrangement authorized by law and, in particular, via a company profit-sharing scheme, any company savings scheme, any bonus share grant plan, or any stock option plan for some or all of the Group's employees or corporate officers;
- To retain shares for delivery at a later date in exchange or as payment for future acquisitions, up to a limit of 5% of the existing capital;
- To cancel shares on the condition that the Shareholders' Meeting of June 30, 2011 adopts the corresponding resolution;
- Implementing any market practice that is or may come to be recognized by law or the AMF.

**Duration of authorization:** 18 months from the Shareholders' Meeting of June 30, 2011.

#### Summary statements of transactions completed from July 3, 2010 <sup>(\*)</sup> to May 12, 2011, the date of this report

Percentage of own shares held directly and indirectly	0.155%
Number of shares canceled over the previous 24 months	N/A
Number of shares in portfolio <sup>(1)</sup>	146,815
Portfolio carrying amount	€1,032,943.14
Portfolio market value <sup>(2)</sup>	€975,585.68

<sup>(1)</sup> All shares were purchased under the liquidity agreement with Exane BNP PARIBAS.

<sup>(2)</sup> Closing price on May 12, 2011: €6.645

<sup>(\*)</sup> In accordance with the provisions of AMF directive 2005-06, the period concerned starts on the day following the date on which the statement of the previous program was drawn up.

	Total flows (*)		Positions open as of May 12, 2011			
	Purchases	Sales Transfers	Open buy positions		Open sell positions	
			Call options bought	Forward purchases	Call options sold	Forward sales
Number of shares <sup>(1)</sup>	1,190,563	1,186,455				
Average maximum term (2)					N/A	
Average transaction price	€7.87	€7.87				
Strike price (average)	-	-				
Amounts	9,370,463	9,340,053				

(1) All shares were purchased under the liquidity agreement with Exane BNP PARIBAS.

(2) Validity of the authorization granted by the Shareholders' Meeting of July 2, 2010: January 1, 2012 or by early termination if the Shareholders' Meeting approves a similar resolution before then.

(\*) Total gross flows include spot buying and selling as well as transactions on options, exercised or fallen.

### 3.3.5 MARKET IN COMPANY SHARES

#### 3.3.5.1 UBISOFT SHARE IDENTIFICATION SHEET

ISIN code	FR0000054470
Place listed	Euronext Paris – Division A
Par value	€0.0775
Number of shares in circulation as of March 31, 2011	94,727,890
Closing price on March 31, 2011	€7.209
Market capitalization as of March 31, 2011	€682,893.36
Flotation price on July 1, 1996	€38.11
Five-for-one stock split on November 11, 2000	€7.62
Two-for-one stock split on December 11, 2006	€3.81
Two-for-one stock split on November 14, 2008	€1.90

#### 3.3.5.2 CHANGE IN THE SHARE PRICE OVER THE LAST 18 MONTHS

Month	Highest price (in €)	Lowest price (in €)	Volume traded (in shares)
<b>2009</b>			
November 2009	11.55	9.711	23,350,442
December 2009	10.935	9.456	22,927,186
<b>2010</b>			
January 2010	11.29	9.10	34,094,513
February 2010	10.69	8.855	19,401,168
March 2010	10.54	8.54	22,267,375
April 2010	11.255	9.50	18,305,395
May 2010	9.86	7.34	20,178,977
June 2010	8.21	6.19	23,723,693
July 2010	7.49	6.074	28,120,286
August 2010	7.88	6.65	12,255,204
September 2010	8.49	6.75	15,836,726
October 2010	9.449	8.022	12,992,351
November 2010	10.075	7.181	30,330,989
December 2010	8.199	7.384	13,226,907
<b>2011</b>			
January 2011	8.734	7.893	11,111,281
February 2011	9.431	7.78	15,541,669
March 2011	8.069	6.858	10,580,994
April 2011	7.80	6.663	10,965,983

(Source: Euronext)

#### 3.3.5.3 ENTITY PROVIDING SECURITIES SERVICES

**BNP PARIBAS** Grands Moulins de Pantin  
 Shareholder relations  
 9, rue du Débarcadère - 93761 PANTIN CEDEX

### 3.3.6 BREAKDOWN OF THE CAPITAL AND THE VOTING RIGHTS

#### 3.3.6.1 CHANGE OVER THE LAST THREE YEARS

	03/31/11		03/31/10		03/31/09	
	Number of shares	Number of voting rights <sup>(2)</sup>	Number of shares	Number of voting rights <sup>(2)</sup>	Number of shares	Number of voting rights <sup>(2)</sup>
	%	%	%	%	%	%
Guillemot Brothers SA	6,803,580 7.182%	13,607,160 12.779%	6,803,580 7.204%	13,607,160 12.835%	7,003,580 7.462%	14,007,160 11.765%
Claude Guillemot	725,244 0.766%	1,410,488 1.325%	685,244 0.726%	1,370,488 1.293%	685,244 0.73%	1,251,096 1.051%
Yves Guillemot	836,608 0.883%	1,673,216 1.571%	836,608 0.886%	1,673,216 1.578%	836,608 0.891%	1,403,796 1.179%
Michel Guillemot	499,984 0.528%	999,968 0.939%	499,984 0.529%	999,968 0.943%	499,984 0.533%	943,444 0.792%
Gérard Guillemot	520,428 0.549%	1,040,856 0.978%	520,428 0.551%	1,040,856 0.982%	520,428 0.554%	1,040,856 0.874%
Christian Guillemot	276,788 0.292%	553,576 0.52%	316,788 0.335%	633,576 0.598%	456,788 0.487%	863,576 0.725%
Other members of the Guillemot family	109,148 0.115%	218,296 0.205%	109,148 0.115%	218,296 0.205%	109,148 0.116%	176,648 0.148%
Guillemot Corporation SA	863,874 0.912%	1,727,748 1.623%	863,874 0.915%	1,727,748 1.630%	863,874 0.920%	1,727,748 1.451%
Concert <sup>(1)</sup>	10,635,654 11.228%	21,231,308 19.940%	10,635,654 11.261%	21,271,308 20.064%	10,975,654 11.694%	21,414,324 17.986%
Ubisoft Entertainment SA	143,295 0.151%	- -	94,318 0.100%	- -	80,914 0.086%	- -
FCPE Ubi Actions	748,587 0.79%	1,497,174 1.406%	748,587 0.793%	1,417,504 1.337%	770,610 0.821%	1,421,693 1.194%
Public	83,200,354 87.831%	83,748,865 78.654%	82,967,935 87.846%	83,326,709 78.599%	82,029,168 87.399%	96,221,776 80.819%
<b>TOTAL</b>	<b>94,727,890</b> <b>100%</b>	<b>106,477,347</b> <b>100%</b>	<b>94,446,494</b> <b>100%</b>	<b>106,015,521</b> <b>100%</b>	<b>93,856,346</b> <b>100%</b>	<b>119,057,793</b> <b>100%</b>

<sup>(1)</sup> The concert — consisting of Guillemot Brothers SA, Guillemot Corporation SA and the Guillemot family — held 10,635,654 shares, which are all granted double voting rights, as of March 31, 2011.

<sup>(2)</sup> In accordance with the Company's Articles of Association, a double voting right is conferred on shares that have been registered for at least two years.

#### 3.3.6.2 BREAKDOWN OF CAPITAL AND VOTING RIGHTS AS OF APRIL 30, 2011

	Capital		Voting rights	
	Number of securities	%	Number	%
Guillemot Brothers SA <sup>(1)</sup>	6,803,580	7.182%	13,607,160	12.779%
Claude Guillemot	725,244	0.766%	1,410,488	1.325%
Yves Guillemot	836,608	0.883%	1,673,216	1.571%
Michel Guillemot	499,984	0.528%	999,968	0.939%
Gérard Guillemot	520,428	0.549%	1,040,856	0.977%
Christian Guillemot	276,788	0.292%	553,576	0.520%
Other members of the Guillemot family	109,148	0.115%	218,296	0.205%
Guillemot Corporation SA	863,874	0.912%	1,727,748	1.623%
<b>Concert</b>	<b>10,635,654</b>	<b>11.227%</b>	<b>21,231,308</b>	<b>19.939%</b>
Ubisoft Entertainment SA	143,060	0.151%	-	-
FCPE Ubi Actions	748,587	0.790%	1,497,174	1.406%
Public	83,204,805	87.832%	83,754,716	78.655%
<b>TOTAL</b>	<b>94,732,106</b>	<b>100%</b>	<b>106,483,198</b>	<b>100%</b>

<sup>(1)</sup> This company is wholly owned by the Guillemot family

### 3.3.6.3 SHAREHOLDERS OWNING MORE THAN 5% OF THE SHARE CAPITAL AS OF MARCH 31, 2011 <sup>(1)</sup>

Shareholder	% capital	% voting rights
Invesco Ltd.	10.042% <sup>(2)</sup>	8.934% <sup>(2)</sup>
Harbinger Capital Partners LLC	8.980% <sup>(2)</sup>	7.989% <sup>(2)</sup>
FMR LLC <sup>(3)</sup>	6.873%	6.115%
Altrinsic Global Advisors <sup>(4)</sup>	6.406%	5.699%

(1) Information provided on the basis of statements made to the Company and/or AMF and summarized hereafter.

(2) Declaration of downward crossing of the threshold subsequent to closing (see 3.3.6.4 below)

(3) FMR LLC is a holding company of an independent group of portfolio management companies, commonly referred to as Fidelity Investments.

(4) Investment service provider acting in accordance with a discretionary mandate.

### 3.3.6.4 CROSSING OF THRESHOLDS

During the financial year ended March 31, 2011, and up to the date of issue of the Company's reference document, the following crossings of legal thresholds were declared:

Name of Shareholder	Date	Threshold (%)	crossed	Type	Interest after crossing of threshold (%)	
		Capital	Voting rights		Capital	Voting rights
Electronic Arts Inc. <sup>(1)</sup>	07/16/10	10% 5%	10% 5%	Decline due to an off-market sale	0%	0%
Harbinger Capital Partners LLC <sup>(2)</sup>	07/16/10	5%	5%	Up due to an off-market acquisition	9%	8.01%
	04/14/11	5%	5%	Decline due to a sale on the market	4.98%	4.43%
Goldman Sachs Group Inc. <sup>(3)</sup>	07/21/10	5%	5%	Up due to an off-market acquisition	7.34%	6.53%
	07/22/10	5%	5%	Decline due to a return of collateral	4.48%	3.99%
Invesco Ltd <sup>(2)</sup>	11/29/10	10% 5%	5%	Up due to an acquisition on the market	10.06%	8.94%
	04/04/11	10%	-	Decline due to a sale on the market	9.99%	8.87%
Guillemot concert <sup>(4)</sup>	12/08/10	-	20%	Increase in the total number of shares and voting rights	11.25%	19.99%

(1) Directly and indirectly via its wholly-owned subsidiary EA International (Studio and Publishing) Ltd.

(2) Acting on behalf of the fund under its management.

(3) Directly and indirectly via its subsidiaries Goldman Sachs International, Goldman Sachs & Co. and Goldman Sachs Funds Management

(4) Consists of Guillemot Brothers SA (wholly owned by the members of the Guillemot family), Guillemot Corporation SA and the members of the Guillemot family in their own names (see paragraph 3.3.6.2)

### 3.3.6.5 CHANGE OF CONTROL

To the best of the Company's knowledge:

- there are no agreements between shareholders that could lead to restrictions on the transfer of shares or the exercise of voting rights;
- there are certain agreements reached by the Company that would be amended or terminated in the event of a change in control at the Company, but for reasons of confidentiality it seems unwise to specify the nature of these contracts;
- there are no measures that could delay, postpone or prevent a change of control.

**3.3.6.6 SHAREHOLDERS' PACT**

To the best of the Company's knowledge there are no disclosed or undisclosed shareholder agreements concerning Ubisoft stock.

**3.3.6.7 CONDITIONS REGARDING ALL VESTING RIGHTS OR REQUIREMENTS ASSOCIATED WITH SUBSCRIBED CAPITAL NOT PAID UP**

N/A

**3.3.6.8 SHARE CAPITAL OF UBISOFT GROUP COMPANIES SUBJECT TO AN OPTION OR IN RESPECT OF WHICH AN AGREEMENT HAS BEEN MADE THAT PROVIDES FOR PLACING SUCH SHARE CAPITAL SUBJECT TO AN OPTION**

N/A

**3.3.6.9 CLAUSE REQUIRING FORMAL APPROVAL**

N/A



## 4 CORPORATE GOVERNANCE

### 4.1 CORPORATE GOVERNANCE CODE

The Company referred to the corporate governance code for listed companies published in December 2008 (the "AFEP-MEDEF Code"), particularly in preparing the report required by Article L 225-37 of the French Commercial Code.

The AFEP-MEDEF Code is available on the MEDEF website ([www.medef.fr](http://www.medef.fr));

The conditions in which the Board's work is prepared and organized, the Company's internal control procedures, the recommendations of the AFEP-MEDEF Code that have been put aside and the reasons for which this was the case are mentioned in the Chairman of the Board of Directors' report.

### 4.2 MEMBERSHIP AND FUNCTIONING OF THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

#### 4.2.1 MEMBERSHIP OF THE BOARD OF DIRECTORS

Name Position in the Company	Date of birth	Date of taking office	Expiry at which AGM approving financial statements for FY ended	Number of shares at 03.31.11
<b>Yves Guillemot</b> Director Chief Executive Officer	07/21/60	02/28/88	03/31/12	836,608
<b>Claude Guillemot</b> Director Executive Vice President, Operations	10/30/56	02/28/88	03/31/13	725,244
<b>Michel Guillemot</b> Director Executive Vice President, Development, Strategy and Finance	01/15/59	02/28/88	03/31/13	499,984
<b>G�rard Guillemot</b> Director Executive Vice President, Publishing & Marketing	07/14/61	02/28/88	03/31/12	520,428
<b>Christian Guillemot</b> Director Executive Vice President, Administration	02/10/66	02/28/88	03/31/13	276,788
<b>Marc Fiorentino</b> Director	12/08/59	07/10/06	03/31/12	4

<sup>(1)</sup> The offices and positions held in all companies by each of the Directors are set out in 4.4.

The other offices held by directors currently or over the last five years appear in 4.4. below.

## 4.2.2 GROUP MANAGEMENT

Executive Director, EMEA TERRITORIES  
Executive Director, North America  
Chief Financial Officer  
Executive Director, Worldwide Production  
Chief Creative Officer

Alain Corre  
Laurent Detoc  
Alain Martinez  
Christine Burgess-Quemard  
Serge Hascoet

## 4.2.3 RULES APPLICABLE TO THE APPOINTMENT AND SUBSTITUTION OF MEMBERS OF THE BOARD OF DIRECTORS

Following the recommendations of the AFEP-MEDEF Code, the General Shareholders' Meeting of July 10, 2009 resolved to amend Article 9 of the Company's Articles of Association and to reduce the term of office for directors from six years to four years, while introducing a system of staggered renewals to ensure a smooth transition and avoid an ad hoc replacement.

Over the life of the Company, Directors are appointed or reappointed by the Ordinary Shareholders' General Meeting. However, in the event of a merger or demerger, the appointment may be made by the Extraordinary Shareholders' General Meeting held to deliberate on the operation concerned.

Between two Meetings and in the event of a vacancy due to death or resignation, appointments may be made on a provisional basis by the Board of Directors. They are subject to ratification at the following Shareholders' Meeting.

Pursuant to applicable legislative and regulatory provisions, if a Director is appointed to replace another, he or she shall only hold this position for the remainder of his or her predecessor's term.

The term of office of directors ends following the Ordinary Shareholders' General Meeting called to approve the financial statements for the previous financial year and held in the year in which their term of office expires.

## 4.2.4 FUNCTIONING OF THE BOARD OF DIRECTORS / SENIOR MANAGEMENT

The Board of Directors has the broadest possible powers to determine business policies and ensure their implementation within the limits of the corporate objects and the powers expressly granted by law to the Shareholders' General Meeting.

Pursuant to Article L 225-51 of the French Commercial Code, the Board of Directors, at its meeting of October 22, 2001, decided on the manner in which the Company's senior management functions would be exercised. It decided not to separate the positions of Chairman of the Board of Directors and of Chief Executive Officer, mainly to encourage close relations between managers and shareholders, in the tradition of Ubisoft Entertainment SA.

As a result, Yves Guillemot, as Chairman of the Board of Directors, is legally responsible for representing the Company's Board of Directors, organizing its work and reporting on it to the Shareholders' General Meeting, overseeing the smooth operation of the Company's corporate bodies and ensuring in particular that the Directors are capable of carrying out their responsibilities. With regard to the position of Chief Executive Officer, and subject to the powers legally attributed to the Shareholders' General Meetings and the Board of Directors, he has the broadest authority to act in all circumstances on behalf of the Company and to represent it in its relations with third parties.

At its meeting of March 14, 2011, the Board of Directors updated its by-laws. The by-laws provide the opportunity for directors to participate in the board's deliberations via videoconference or telecommunications which enable them to be identified and which guarantee their effective participation, under the conditions determined by the regulations in force.

The by-laws provide the operating rules for the permanent committees set up within the Board of Directors.

#### **4.2.5 NO CONVICTION FOR FRAUD, INVOLVEMENT IN A BANKRUPTCY AND/OR OFFICIAL REPRIMAND OR CHARGES**

To the best of the Company's knowledge, over the past five years:

- no member of the Board of Directors has been found guilty of fraud;
- no member of the Board of Directors has been involved in a bankruptcy, impoundment or liquidation as a member of an administrative, management or supervisory body;
- no official reprimand and/or charges have been made against any member of the Board of Directors other than warnings and/or financial penalties from the AMF enforcement committee on February 28, 2008 (AMF press release of June 9, 2008), April 3, 2008 (AMF press release of June 6, 2008) and January 8, 2009 (AMF press release of February 27, 2009) for – directly or indirectly – Mr Marc Fiorentino, in his capacity as Chief Executive Officer of Euroland Finance,
- no member of the Board of Directors or Executive Committee has been disqualified by a court from serving as a member of an administrative, management or supervisory body of an issuer, or from participating in the management or conduct of the business of an issuer in the last five years.

#### **4.2.6 LOANS AND GUARANTEES GRANTED TO MEMBERS OF THE BOARD OF DIRECTORS**

The Company has not granted any loans or guarantees to any member of the Board of Directors.

#### **4.2.7 ABSENCE OF POTENTIAL CONFLICTS OF INTEREST RELATING TO THE MEMBERS OF THE BOARD OF DIRECTORS**

To the best of the Company's knowledge, there are no potential conflicts of interest between members of the Board of Directors regarding either their Company duties or their personal interests.

Michel, Claude, Yves, Gérard and Christian Guillemot are brothers and are members of Management and Board of Directors of Gameloft SA and Ubisoft Entertainment SA. In this respect, there may be potential conflicts of interest when these two companies collaborate on certain projects.

The two companies are linked in particular by a brand licensing agreement according to which Ubisoft Entertainment SA grants Gameloft SA a license for the use of brands belonging to it or for which it has been granted an operating license. The brand license was agreed to in return for the payment of a license fee proportionate to the sales achieved by Gameloft SA. This agreement is one of Gameloft SA's related-party agreements.

#### **4.2.8 SERVICE PROVISION AGREEMENTS WITH THE ISSUER AND ITS SUBSIDIARIES**

There are no service agreements linking members of the Board of Directors to the issuer or any Group subsidiary, the terms of which provide for the granting of benefits.

## 4.3 MEMBERSHIP, ROLE AND DUTIES OF BOARD COMMITTEES

### 4.3.1 COMMITTEE MEMBERSHIP

In November 2007, the Board of Directors set up two specialist committees to help it examine specific issues.

STRATEGY AND DEVELOPMENT COMMITTEE	COMPENSATION COMMITTEE
Yves Guillemot, Chairman Claude Guillemot, Secretary Gérard Guillemot Michel Guillemot Christian Guillemot	Yves Guillemot, Chairman Christian Guillemot, Secretary Marc Fiorentino

### 4.3.2 ROLE AND DUTIES OF BOARD COMMITTEES

The role and duties of Board Committees are described below, as well as in the Chairman's Report, in accordance with Article L 225-37 of the French Commercial Code.

In its by-laws, the Board of Directors has set out the responsibilities and powers of its various permanent committees, these being:

- the Strategy and Development Committee
- the Compensation Committee.

The Committees meet at the behest of their Chairman and may be called by any means. The Committees may meet at any place and in any way, including by videoconferencing and teleconferencing. They may only meet validly if at least half their members are present. The Strategy and Development Committee meets at least twice annually and the Compensation Committee at least once a year.

The agenda of the meetings is set by their Chairman. The Committees report on their work to the subsequent Board Meeting in the form of oral statements, opinions, proposed recommendations or written reports.

The Committees may not unilaterally decide to discuss issues overstepping their terms of reference. They have no decision-making power but only that of making recommendations to the Board of Directors.

The main responsibilities of the Strategy and Development Committee and the Compensation Committee are summarized below:

STRATEGY AND DEVELOPMENT COMMITTEE	COMPENSATION COMMITTEE
Consideration and examination of all decisions relating to the major strategic, economic, employment, financial and technological policies of the Company and Group	Examination, analysis and comparison with market practices: <ul style="list-style-type: none"> <li>• examining and submitting proposals on the compensation of corporate officers (fixed and variable portions)</li> <li>• giving opinions on the general stock option allocation policy and more specifically the percentage allocated to managers</li> <li>• proposing an overall amount of directors' fees</li> <li>• approving information given to shareholders in the annual report on the compensation of managers</li> </ul>

## 4.4 OTHER OFFICES HELD BY DIRECTORS

### Yves GUILLEMOT

- ✓ Director since February 28, 1988
- ✓ Expiry of term of office March 31, 2012
- ✓ Main position in the Company: Chief Executive Officer
- ✓ Main position held outside the company: Executive vice president and director of Guillemot Brothers SA

#### OTHER POSITIONS WITHIN THE GROUP AS AT MARCH 31, 2011

##### FRANCE

- **CHAIRMAN** of Ludi Factory SAS, Ubisoft Books & Records SAS, Ubisoft Design SAS, Ubisoft France SAS, Ubisoft Graphics SAS, Ubisoft Manufacturing & Administration SAS, Ubisoft Organisation SAS, Ubisoft Pictures SAS, Ubisoft Productions France SAS, Ubisoft Simulations SAS, Ubisoft World SAS, Ubisoft World Studios SAS, Tiwak SAS, Nadéo SAS
- **MANAGER** of Ubisoft Art SARL, Ubisoft Castelnau SARL, Ubisoft Computing SARL, Ubisoft Counsel & Acquisitions SARL, Ubisoft Development SARL, Ubisoft Editorial SARL, Ubisoft EMEA SARL, Ubisoft Gameplay SARL, Ubisoft Marketing International SARL, Ubisoft Market Research SARL, Ubisoft Marketing France SARL, Ubisoft Operational Marketing SARL, Ubisoft Paris Studios SARL, Ubisoft Production Internationale SARL, Ubisoft Production Annecy SARL, Ubisoft Production Montpellier SARL, Ubisoft Support Studios SARL, Ubisoft Design Montpellier SARL, Ubisoft Talent Management SARL, Ubisoft IT Project Management SARL, Ubisoft Innovation SARL, Ubisoft Services SARL, Ubisoft Créa SARL, Ubisoft Studios Montpellier SARL, Ubisoft Learning & Development SARL, Ubisoft Motion Pictures SARL

##### ABROAD

- **MANAGER** of Ubisoft GmbH (Germany), Blue Byte GmbH (Germany), Sunflowers Interactive Entertainment Software GmbH (Germany), Spieleentwicklungskombinat GmbH (Germany), Max Design Entertainment Software Entwicklungs GmbH (Austria), Ubisoft Studios Srl (Italy), Ubisoft Entertainment SARL (Luxembourg), Ubisoft Sarl (Morocco), Ubisoft BV (Netherlands)
- **CHAIRMAN AND DIRECTOR** of Ubisoft Divertissements Inc. (Canada), Ubisoft Canada Inc. (Canada), Ubisoft Music Inc. (Canada), Ubisoft Music Publishing Inc. (Canada), Ubisoft Digital Arts Inc. (Canada), Hybride Technologies Inc. (Canada), Ubisoft Vancouver Inc. (Canada), Ubisoft Toronto Inc. (Canada), Quazal Technologies Inc (Canada), Chengdu Ubi Computer Software Co. Ltd (China), Ubisoft Nordic A/S (Denmark), Ubisoft Holdings Inc. (United States), Red Storm Entertainment Inc. (United States), Ubisoft Entertainment India Private Ltd (India), Ubi Games SA (Switzerland)
- **VICE-PRESIDENT AND DIRECTOR** of Ubisoft Inc. (United States)
- **EXECUTIVE DIRECTOR** of Shanghai Ubi Computer Software Co. Ltd (China)
- **DIRECTOR** of Ubisoft Pty Ltd (Australia), Ubisoft SA (Spain), Ubi Studios SL (Spain), Ubisoft Ltd (Hong Kong), Ubisoft Ltd (Ireland), Ubisoft SpA (Italy), Ubisoft KK (Japan), Ubisoft Osaka KK (Japan), Ubisoft Srl (Romania), Ubisoft Ltd (United Kingdom), Ubisoft Entertainment Ltd (United Kingdom), Ubisoft Singapore Pte Ltd (Singapore), Ubisoft Entertainment Sweden A/B (Sweden), Ubisoft Sweden A/B (Sweden)

**SOLE MEMBER OF THE LIQUIDATION COMMITTEE AND CHAIRMAN** of Ubisoft Norway A/S (Norway)

#### OTHER POSITIONS OUTSIDE THE GROUP AS AT MARCH 31, 2011

##### FRANCE

- **EXECUTIVE VICE PRESIDENT AND DIRECTOR** of Gameloft SA and Guillemot Corporation SA

##### ABROAD

- **DIRECTOR** of Gameloft Inc. (Canada), Guillemot Inc. (Canada), Gameloft Live Développements Inc. (Canada), Guillemot Inc. (United States), Guillemot Ltd (United Kingdom)
- **DIRECTOR** of Advanced Mobile Applications Ltd (United Kingdom)

**EXPIRED POSITIONS WITHIN THE GROUP** (last 5 financial years)

##### FRANCE

- **CO-MANAGER** of Ludi Factory SARL
- **MANAGER** of Ubisoft Graphics SARL, Ubisoft Organisation SARL, Ubisoft Simulations SARL, Ubisoft Books & Records SARL, Ubisoft Manufacturing & Administration SARL, Ubisoft Pictures SARL, Ubisoft Design SARL, Ubisoft Productions France SARL

##### ABROAD

- **CHAIRMAN AND DIRECTOR** of Ubi Computer Software Beijing Company Ltd (China)
- **CHAIRMAN** of Ubisoft Finland OY (Finland)
- **MANAGER** of Ubisoft SprL (Belgium), Ubisoft Warenhandels GmbH (Austria)
- **DIRECTOR** of Ubisoft Norway A/S (Norway)
- **LIQUIDATOR** of Ubisoft Warenhandels GmbH (Austria)

**EXPIRED POSITIONS OUTSIDE THE GROUP** (last 5 financial years)

##### FRANCE

**DIRECTOR** of Jeuxvidéo.com SA

##### ABROAD

**DIRECTOR** of Gameloft Inc (United States)

### Claude GUILLEMOT

- ✓ Director since February 28, 1988
- ✓ Expiry of term of office March 31, 2012
- ✓ Main position in the Company: Executive Vice President and Director
- ✓ Main position held outside the company: Chief Executive Officer of Guillemot Corporation SA

#### OTHER POSITIONS WITHIN THE GROUP AS AT MARCH 31, 2011

##### ABROAD

- **DIRECTOR** of Ubisoft Sweden A/B (Sweden), Ubisoft Nordic AS (Denmark)
- **ALTERNATE DIRECTOR** of Ubisoft Entertainment Sweden A/B (Sweden)
- **ALTERNATE MEMBER OF THE LIQUIDATION COMMITTEE** of Ubisoft Norway A/S (Norway)

#### OTHER POSITIONS OUTSIDE THE GROUP AS AT MARCH 31, 2011

##### FRANCE

- **CHAIRMAN** of Hercules Thrustmaster SAS

- **EXECUTIVE VICE PRESIDENT AND DIRECTOR** of Gameloft SA and Guillemot Brothers SA

#### ABROAD

- **CHAIRMAN AND DIRECTOR** of Guillemot Inc. (Canada), Guillemot Recherche et Développement Inc. (Canada), Guillemot Inc. (United States)
- **DIRECTOR** of Guillemot SA (Belgium), Gameloft Inc. (Canada), Gameloft Live Développements Inc. (Canada), Gameloft Iberica SA (Spain), Gameloft Inc. (United States), Gameloft Ltd (United Kingdom), Guillemot Corporation (HK) Ltd (Hong Kong), Guillemot Srl (Italie), Guillemot Romania Srl (Romania)
- **DIRECTOR** of Advanced Mobile Applications Ltd (United Kingdom)
- **MANAGER** of Guillemot GmbH (Germany)

#### EXPIRED POSITIONS WITHIN THE GROUP (last 5 financial years)

##### ABROAD

- **VICE-PRESIDENT AND DIRECTOR** of Ubisoft Divertissements Inc. (Canada)
- **VICE-PRESIDENT** of Ubisoft Digital Arts Inc. (Canada)
- **DIRECTOR** of Ubisoft Canada Inc. (Canada), Ubisoft Music Inc. (Canada), Ubisoft Music Publishing Inc. (Canada), Shanghai Ubi Computer Software Co. Ltd (China), Ubisoft Inc. (United States), Ubisoft Holdings Inc. (United States), Ubisoft Ltd (Ireland), Ubisoft Ltd (Hong Kong)
- **ALTERNATE DIRECTOR** of Ubisoft Norway A/S (Norway)

#### EXPIRED POSITIONS OUTSIDE THE GROUP (last 5 financial years)

##### FRANCE

- **DIRECTOR** of Jeuxvidéo.com SA

##### ABROAD

- **DIRECTOR** of Gameloft.com España (Spain), Guillemot SA (Spain)

### Gérard GUILLEMOT

- ✓ Director since February 28, 1988
- ✓ Expiry of term of office March 31, 2012
- ✓ Main position in the company: Executive Vice President and Director
- ✓ Main position held outside the company: Chairman of Longtail Studios Inc.

#### OTHER POSITIONS OUTSIDE THE GROUP AS AT MARCH 31, 2011

##### FRANCE

- **EXECUTIVE VICE PRESIDENT AND DIRECTOR** of Guillemot Corporation SA, Guillemot Brothers SA, Gameloft SA

##### ABROAD

- **CHAIRMAN** of Longtail Studios Halifax Inc (Canada), Longtail Studios PEI Inc (Canada), Studios Longtail Quebec Inc (Canada)
- **DIRECTOR** of Gameloft Inc. (Canada), Gameloft Live Développements Inc. (Canada), Guillemot Inc. (Canada), Gameloft Inc. (United States), Guillemot Inc. (United States), Guillemot Ltd (United Kingdom)
- **DIRECTOR** of Advanced Mobile Applications Ltd (United Kingdom)

#### EXPIRED POSITIONS WITHIN THE GROUP (last 5 financial years)

### FRANCE

**CO-MANAGER** of Ludi Factory SARL

#### ABROAD

- **CHAIRMAN AND DIRECTOR** of Ubisoft Music Inc. (Canada), Ubisoft Music Publishing Inc. (Canada)
- **DIRECTOR** Ubisoft Divertissements Inc. (Canada), Shanghai Ubi Computer Software Co. Ltd (China), Ubisoft SA (Spain), Ubisoft Inc. (United States), Ubisoft Holdings Inc. (United States), Ubisoft Ltd (Hong Kong), Ubisoft KK (Japan)

#### EXPIRED POSITIONS OUTSIDE THE GROUP (last 5 financial years)

##### FRANCE

- **EXECUTIVE VICE PRESIDENT** of Gameloft SA
- **DIRECTOR** of Jeuxvideo.com S.A. (France)

##### ABROAD

- **CHAIRMAN AND DIRECTOR** of Gameloft.com España (Spain)
- **CHAIRMAN** of Gameloft AG (Germany)
- **DIRECTOR** of Gameloft.com Pty Ltd (Australia)

### Michel GUILLEMOT

- ✓ Director since February 28, 1988
- ✓ Expiry of term of office March 31, 2012
- ✓ Main position in the Company: Executive Vice President and Director
- ✓ Main position held outside the company: Chief Executive Officer of Gameloft SA

#### OTHER POSITIONS WITHIN THE GROUP AS AT MARCH 31, 2011

##### ABROAD

- **DIRECTOR** of Chengdu Ubi Computer Software Co. Ltd (China)

#### OTHER POSITIONS OUTSIDE THE GROUP AS AT MARCH 31, 2011

##### FRANCE

- **CHAIRMAN** of Ludigames SAS, Gameloft Partnerships SAS, Gameloft Live SAS
- **MANAGER** of Gameloft Rich Games Production France SARL
- **EXECUTIVE VICE PRESIDENT AND DIRECTOR** of Guillemot Corporation SA, Guillemot Brothers SA

##### ABROAD

- **CHAIRMAN** of Gameloft Software (Beijing) Company Ltd (China), Gameloft Software (Shanghai) Company Ltd (China), Gameloft Software (Chengdu) Company Ltd (China), GameloftSoftware (Shenzhen) Company Ltd (China), Gameloft Srl (Romania)
- **CHAIRMAN AND DIRECTOR** of Gameloft Argentina S.A. (Argentina), Gameloft Inc. (Canada), Gameloft Live Développements Inc. (Canada), Gameloft Co. Ltd. (Korea), Gameloft Iberica SA (Spain), Gameloft Inc. (United States), PT Gameloft Indonesia (Indonesia) Gameloft Ltd (United Kingdom), Gameloft Ltd (Hong Kong), Gameloft KK (Japan), Gameloft Philippines Inc. (Philippines), Gameloft Pte Ltd (Singapore), Gameloft Company Ltd (Vietnam), Gameloft Private India Ltd (Inde)
- **MANAGER** of Gameloft GmbH (Germany), Gameloft S.P.R.L. (Belgium), Gameloft EOOD (Bulgaria), Gameloft



Srl (Italy), Gameloft S. de R.L. de C.V. (Mexico), Gameloft S.r.o. (Czech Republic)

- **DIRECTOR** of Gameloft Australia Pty Ltd (Australia), Guillemot SA (Belgium), Guillemot Inc. (Canada), Guillemot Inc. (United States), Gameloft Ltd (Malta), Guillemot Ltd (United Kingdom), Gameloft de Venezuela SA (Venezuela)

- **DIRECTOR** of Advanced Mobile Applications Ltd (United Kingdom)

**EXPIRED POSITIONS WITHIN THE GROUP** (last 5 financial years)

#### FRANCE

- **VICE-PRESIDENT AND DIRECTOR** of Ubisoft Divertissements Inc. (Canada)

- **DIRECTOR** of Ubisoft Canada Inc. (Canada), Ubi Computer Software Beijing Company Ltd (China), Shanghai Ubi Computer Software Co. Ltd (China), Ubisoft SA (Spain), Ubisoft Inc. (United States), Ubisoft Holdings Inc. (United States), Ubisoft Ltd (Hong Kong), Ubisoft KK (Japan)

- **MANAGER** of Ubi Studios SL (Spain), Ubisoft Studios Srl (Italy)

**EXPIRED POSITIONS OUTSIDE THE GROUP** (last 5 financial years)

#### FRANCE

- **DIRECTOR** of Jeuxvidéo.com SA
- **MANAGER** of L'Odyssée Interactive Games SARL

#### ABROAD

**MANAGER** of Ludigames Srl (Italy)

## Christian GUILLEMOT

- ✓ Director since February 28, 1988
- ✓ Expiry of term of office March 31, 2013
- ✓ Main position in the Company: Executive Vice President and Director
- ✓ Main position held outside the company: Chief Executive Officer of Guillemot Brothers SA and Chairman and Director of Advanced Mobile Applications Ltd.

**OTHER POSITIONS WITHIN THE GROUP AS AT MARCH 31, 2011**

#### ABROAD

- **VICE-PRESIDENT** of Ubisoft Holdings Inc. (United States)
- **DIRECTOR** of Ubisoft Nordic A/S (Denmark), Ubisoft Sweden A/B (Sweden)

**OTHER POSITIONS OUTSIDE THE GROUP AS AT MARCH 31, 2011**

#### FRANCE

- **MANAGER** of Guillemot Administration et Logistique SARL
- **EXECUTIVE VICE PRESIDENT AND DIRECTOR** of Gameloft SA and Guillemot Corporation SA

#### ABROAD

- **DIRECTOR** of Gameloft Live Développements Inc. (Canada), Guillemot SA (Belgium), Guillemot Inc. (Canada), Guillemot Recherche et Développement Inc. (Canada), Gameloft Inc. (Canada), Gameloft Iberica SA (Spain), Gameloft Inc. (United States), Guillemot Inc. (United States), Guillemot Ltd (United Kingdom), Gameloft Ltd (United Kingdom), Guillemot Corporation (HK) Ltd (Hong Kong)

**EXPIRED POSITIONS WITHIN THE GROUP** (last 5 financial years)

#### ABROAD

- **DIRECTOR** of Ubisoft Divertissements Inc. (Canada), Ubisoft Canada Inc. (Canada), Ubisoft Music Inc. (Canada), Shanghai Ubi Computer Software Co. Ltd (China), Ubisoft Holdings Inc. (United States), Ubisoft Inc. (United States), Ubisoft Ltd (Hong Kong), Ubisoft KK (United Kingdom)

**EXPIRED POSITIONS OUTSIDE THE GROUP** (last 5 financial years)

#### FRANCE

- **DIRECTOR** of Jeuxvidéo.com SA

#### ABROAD

- **DIRECTOR** of Gameloft AG (Germany), Gameloft.com España (Spain), Gameloft.com Pty Ltd (Australia)

## Marc Fiorentino

- ✓ Director since October 7, 2006
- ✓ Expiry of term of office March 31, 2012
- ✓ Main position in the company: director
- ✓ Main position held outside the Company: Chief Executive Officer of Euroland Finance SA

**OTHER POSITIONS OUTSIDE THE GROUP AS AT MARCH 31, 2011**

#### FRANCE

- **DIRECTOR** of ISFPME SA, Allo Finance SA
- **MANAGER** of Nextvision SARL

**EXPIRED POSITIONS OUTSIDE THE GROUP** (last 5 financial years)

#### FRANCE

- **CHAIRMAN** of TFJ
- **MANAGER** of V-Prod, Allo Finance
- **DIRECTOR** of Prosodie, Groupe de l'Olivier, Allo Finance SA

## 4.5 COMPENSATION OF MANAGERS

In accordance with Article L 225-102-1, paragraphs 1 and 2 of the French Commercial Code, a breakdown of the total compensation and benefits of any kind paid to corporate officers over the financial year appears below.

This chapter includes all information required by the French Commercial Code, along with the tables recommended by the AFEP-MEDEF Code – or by the AMF on December 22, 2008 – giving the information on compensation of corporate officers that should appear in registration documents.

### 4.5.1 MANAGEMENT AND CORPORATE OFFICER COMPENSATION

The compensation policy for Company corporate officers aims as far as possible to comply with the AFEP/MEDEF recommendations, including those published on October 6, 2008.

Compensation granted to the Chief Executive Officer, and to the executive vice presidents, is set by the Board of Directors following a proposal by the compensation committee, which bases its judgment on comparative studies of large firms and/or companies operating in the same business sector.

Messrs Guillemot are remunerated for their positions as CEO and Executive Vice Presidents. This represents a fixed portion of compensation.

In consideration – albeit very partial – of the responsibilities assumed and also the time spent in preparing board meetings and actively participating therein, the General Meeting of September 25, 2006 authorized the Company to pay directors' fees amounting to a maximum of €250,000 per annum. The Board of Directors, exercising this authorization, established a fixed portion and a variable portion setting out new requirements.

### 4.5.2 SUMMARY TABLES OF COMPENSATION

The tables below combine the compensations and benefits of any kind due and/or paid to corporate officer by (i) the company and (ii) the companies controlled by the company in which the position is held, in the meaning of Article L. 233-16 of the French Commercial Code; it being specified that the company is not controlled by any other company in the meaning of Article L. 233-16.

The total gross compensation paid by the company to corporate officers during the financial year amounted to €842 thousand.

During the 2010/2011 financial year, members of the Board of Directors received €150 thousand in directors' fees.

No commitments have been made by the Company in favor of its corporate officers related to their termination or change in responsibilities.

There are no agreements to compensate Board members if they resign or are dismissed without real cause, or if their employment is terminated due to a public offering.



Table 1 SUMMARY OF COMPENSATION, STOCK OPTIONS AND SHARES FOR EACH MANAGER AND CORPORATE OFFICER								
Name of the director	Compensation due for the financial year (see breakdown in Table 2)		Valuation of options granted during the financial year <sup>(1)</sup> (see breakdown in Table 4)			Valuation of performance shares granted during the financial year <sup>(2)</sup>		
	Ubisoft	Other companies 03/ 31/ 10	Ubisoft	Other companies	03/ 31/ 10	Ubisoft	Other companies	03/ 31/ 10
Yves Guillemot	500,004	500,004	283,200	-	283,200	-	-	-
Claude Guillemot	62,496	62,496	38,940	-	38,940	-	-	-
Michel Guillemot	62,496	62,496	38,940	-	38,940	-	-	-
Gérard Guillemot	178,408	178,408	38,940	-	38,940	-	-	-
Christian Guillemot	62,496	62,496	38,940	-	38,940	-	-	-
<b>TOTAL</b>	<b>865,900</b>	<b>865,900</b>	<b>438,960</b>	<b>-</b>	<b>438,960</b>	<b>-</b>	<b>-</b>	<b>-</b>
Name of the director	Compensation due for the financial year (see breakdown in Table 2)		Valuation of options granted during the financial year <sup>(1)</sup> (see breakdown in Table 4)			Valuation of performance shares granted during the financial year <sup>(2)</sup>		
	Ubisoft	Other companies	03/ 31/ 11	Ubisoft	Other companies	03/ 31/ 11	Ubisoft	Other companies
Yves Guillemot	500,004	500,004	184,500	-	184,500	-	-	-
Claude Guillemot	62,496	62,496	27,060	-	27,060	-	-	-
Michel Guillemot	56,080	56,080	27,060	-	27,060	-	-	-
Gérard Guillemot	161,373	161,373	27,060	-	27,060	-	-	-
Christian Guillemot	62,496	62,496	27,060	-	27,060	-	-	-
<b>TOTAL</b>	<b>842,449</b>	<b>842,449</b>	<b>292,740</b>	<b>-</b>	<b>292,740</b>	<b>-</b>	<b>-</b>	<b>-</b>

(1) This is the IFRS fair value on the grant date, i.e. €3.54 per option for options granted for the year ended March 31, 2010, and €2.46 per option for options granted for the year ended March 31, 2011.

(2) No performance shares were granted to the directors holding corporate office by the Company.

Table 2 SUMMARY OF THE COMPENSATION OF MANAGERS HOLDING CORPORATE OFFICES PAID BY THE ISSUER AND BY ANY COMPANY (Article L. 233-16 of the French Commercial Code)				
Yves Guillemot Chief Executive Officer	03/ 31/ 10		03/ 31/ 11	
	Amounts paid in € <sup>(1)</sup>	Amounts due in € <sup>(2)</sup>	Amounts paid in € <sup>(1)</sup>	Amounts due in € <sup>(2)</sup>
Gross fixed compensation before tax	500,004	500,004	500,004	500,004
Variable compensation	-	-	-	-
Extraordinary compensation	-	-	-	-
Ubisoft directors' fees	Fixed portion <sup>(3)</sup> 15,000	15,000	15,000	15,000
	Variable portion <sup>(4)</sup> 15,000	15,000	15,000	15,000
Benefits in kind	-	-	-	-
<b>TOTAL</b>	<b>530,004</b>	<b>530,004</b>	<b>530,004</b>	<b>530,004</b>
Claude Guillemot Executive Vice President	03/ 31/ 10		03/ 31/ 11	
	Amounts paid in € <sup>(1)</sup>	Amounts due in € <sup>(2)</sup>	Amounts paid in € <sup>(1)</sup>	Amounts due in € <sup>(2)</sup>
Gross fixed compensation before tax	62,496	62,496	62,496	62,496
Variable compensation	-	-	-	-
Extraordinary compensation	-	-	-	-
Ubisoft directors' fees	Fixed portion <sup>(3)</sup> 15,000	15,000	15,000	15,000
	Variable portion <sup>(4)</sup> 7,500	7,500	15,000	15,000
Benefits in kind	-	-	-	-
<b>TOTAL</b>	<b>84,996</b>	<b>84,996</b>	<b>92,496</b>	<b>92,496</b>

Table 2 SUMMARY OF THE COMPENSATION OF MANAGERS HOLDING CORPORATE OFFICES PAID BY THE ISSUER AND BY ANY COMPANY (Article L. 233-16 of the French Commercial Code)				
Michel Guillemot		03/ 31/ 10		03/ 31/ 11
Executive Vice President		Amounts paid in € <sup>(1)</sup>	Amounts due in € <sup>(2)</sup>	Amounts paid in € <sup>(1)</sup> Amounts due in € <sup>(2)</sup>
Gross fixed compensation before tax		62,496	62,496	56,080 56,080
Variable compensation		-	-	- -
Extraordinary compensation		-	-	- -
Ubisoft directors' fees	Fixed portion <sup>(3)</sup>	15,000	15,000	15,000 15,000
	Variable portion <sup>(4)</sup>	7,500	7,500	- -
Benefits in kind		-	-	- -
TOTAL		84,996	84,996	71,080 71,080
Gérard Guillemot		03/ 31/ 10		03/ 31/ 11
Executive Vice President		Amounts paid in € <sup>(1)</sup>	Amounts due in € <sup>(2)</sup>	Amounts paid in € <sup>(1)</sup> Amounts due in € <sup>(2)</sup>
Gross fixed compensation before tax		178,408	178,408	161,373 161,373
Variable compensation		-	-	- -
Extraordinary compensation		-	-	- -
Ubisoft directors' fees	Fixed portion <sup>(3)</sup>	15,000	15,000	15,000 15,000
	Variable portion <sup>(4)</sup>	-	-	- -
Benefits in kind		-	-	- -
TOTAL		193,408	193,408	176,373 176,373
Christian Guillemot		03/ 31/ 10		03/ 31/ 11
Executive Vice President		Amounts paid in € <sup>(1)</sup>	Amounts due in € <sup>(2)</sup>	Amounts paid in € <sup>(1)</sup> Amounts due in € <sup>(2)</sup>
Gross fixed compensation before tax		62,496	62,496	62,496 62,496
Variable compensation		-	-	- -
Extraordinary compensation		-	-	- -
Ubisoft directors' fees	Fixed portion <sup>(3)</sup>	15,000	15,000	15,000 15,000
	Variable portion <sup>(4)</sup>	15,000	15,000	15,000 15,000
Benefits in kind		-	-	- -
TOTAL		92,496	92,496	92,496 92,496

(1) All compensation paid to managers holding corporate offices for their duties over the year.

(2) Compensation awarded to managers holding corporate offices for their duties over the year, whatever the date of payment.

(3) Half of the fixed portion of directors' fees is paid in January (for the period January to June) and the other half in July (for the period July to December).

(4) The variable portion is paid in July and is contingent on Board members attending meetings held between July 1 and June 30 of the previous year.

Table 3 TABLE OF DIRECTORS' FEES AND OTHER COMPENSATION PAID TO NON-EXECUTIVE CORPORATE DIRECTORS				
		03/ 31/ 10		03/ 31/ 11
Name of the director		Ubisoft directors' fees	Other compensation	Ubisoft directors' fees Other compensation
<b>Marc Fiorentino</b>				-
Fixed portion <sup>(1)</sup>	15,000	-	15,000	-
Variable portion <sup>(2)</sup>	15,000	-	15,000	-
TOTAL		30,000	-	30,000 -

(1) Half of the fixed portion of directors' fees is paid in January (for the period January to June) and the other half in July (for the period July to December).

(2) The variable portion is paid in July and is contingent on Board members attending meetings held between July 1 and June 30 of the previous year.

Pursuant to Article L 225-43 of the French Commercial Code, no loans or advances were made to the Company's directors.

#### 4.5.3 SHARE PURCHASE AND SUBSCRIPTION OPTION PLANS

At its meeting of April 29, 2010, the Board of Directors exercised the authorization from the General Shareholders' Meeting of July 10, 2009, allocating share subscription options to corporate officers in the proportions shown below.

Pursuant to the provisions of French Law No. 2006-1770 of December 30, 2006, the Board of Directors set at 5 % the amount of shares that must be kept as registered by corporate officer beneficiaries until such time as they have given up their positions.

Furthermore, the share subscription options granted to corporate officers by virtue of this plan and pursuant to the eleventh resolution decided upon by the Shareholders' Meeting of July 10, 2009, come with performance conditions based on a cumulated objective of sales and profitability.

The stock options thereby granted are exercisable by instalments of 25% over four years from April 20, 2010.

Table 4 SHARE PURCHASE AND SUBSCRIPTION OPTIONS AWARDED TO EACH CORPORATE OFFICER BY THE ISSUER OR ANY COMPANY DURING THE YEAR (Article L. 233-16 of the French Commercial Code )							
Identity of the director	Company granting the options	Plan number and date	Type of option	Valuation of options according to the method used for the consolidated financial statements <sup>(1)</sup>	Number of options awarded during the financial year	Strike price	Period of the financial year
<b>Yves Guillemot</b>	Ubisoft Entertainment SA	Plan 22 04/ 29/10	Subscription options	<b>€2.46</b>	<b>75,000</b>	<b>€10.02</b>	25 % per year from 04/ 29/ 2011 to 04/28/ 2015
<b>Claude Guillemot</b>	Ubisoft Entertainment SA	Plan 22 04/ 29/10	Subscription options	<b>€2.46</b>	<b>11,000</b>	<b>€10.02</b>	25 % per year from 04/ 29/ 2011 to 04/28/ 2015
<b>Michel Guillemot</b>	Ubisoft Entertainment SA	Plan 22 04/ 29/10	Subscription options	<b>€2.46</b>	<b>11,000</b>	<b>€10.02</b>	25 % per year from 04/ 29/ 2011 to 04/ 28/ 2015
<b>G�rard Guillemot</b>	Ubisoft Entertainment SA	Plan 22 04/ 29/10	Subscription options	<b>€2.46</b>	<b>11,000</b>	<b>€10.02</b>	25 % per year from 04/ 29/ 2011 to 04/28/ 2015
<b>Christian Guillemot</b>	Ubisoft Entertainment SA	Plan 22 04/ 29/10	Subscription options	<b>€2.46</b>	<b>11,000</b>	<b>€10.02</b>	25 % per year from 04/ 29/ 2011 to 04/28/ 2015
<b>TOTAL ALLOCATIONS BY UBISOFT ENTERTAINMENT SA</b>					<b>119,000</b>		

<sup>(1)</sup> This corresponds to the value of options and financial instruments when granted, as per IFRS 2, after taking into account any discount linked to performance criteria and the likelihood of presence at the company at the end of the vesting period, but before the effect of spreading expenses over the vesting period as permissible under IFRS 2.

Table 5 SHARE PURCHASE OR SUBSCRIPTION OPTIONS EXERCISED DURING THE YEAR BY EACH CORPORATE OFFICER			
Identity of director	Plan number and date	Number of options exercised during the period	Strike price

N/A

Past share purchase and subscription option grants, and the status of share purchase and subscription options granted to the 10 leading employees not classed as corporate officers, and the options exercised by these individuals over the year, appear in Section 3.2.2.6.

#### 4.5.4 BONUS SHARE GRANTS

The Company did not grant any bonus shares to corporate officers in the last financial year or in previous years.

#### 4.5.5 COMPENSATION AND BENEFITS OWED DUE TO THE CORPORATE OFFICERS LEAVING THEIR POSITION

Name	Corporate office combined with employment contract		Top-up pension scheme		Compensation or benefits due or likely to be due as a result of individuals leaving or changing positions		Compensation relating to an anti-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Yves GUILLEMOT Chief Executive Officer		X		X		X		X
Claude GUILLEMOT Executive Vice President		X		X		X		X
Michel GUILLEMOT Executive Vice President		X		X		X		X
G�rard GUILLEMOT Executive Vice President		X		X		X		X
Christian GUILLEMOT Executive Vice President		X		X		X		X

#### 4.6 TRANSACTIONS COVERED BY ARTICLE L 621-18-2 OF THE FRENCH MONETARY AND FINANCIAL CODE AND ARTICLE 222-15-3 OF THE AMF'S GENERAL REGULATIONS

TRANSACTIONS INVOLVING SECURITIES AND/OR FINANCIAL INSTRUMENTS					
Name, First name, Position at the date of the transaction	Type of transaction	Date of the transaction	Number of securities	Unit price	Total amount of the transaction
Securities transactions by managers					
Christian GUILLEMOT Executive Vice President	Disposal	02/ 18/ 11	40,000	�8.513	�340,520
Claude GUILLEMOT Executive Vice President	Acquisition	08/ 24/ 10	40,000	�6.99	�279,600

# FINANCIAL STATEMENTS

# 1 CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2011

## 1.1 BALANCE SHEET

ASSETS In thousands of euros	Notes	Net 03/31/11	Net 03/31/10
Goodwill	1	108,125	106,498
Other intangible assets	2	451,701	526,383
Property, plant and equipment	3	34,824	31,800
Investments in associates	4	393	393
Non-current financial assets	5	3,335	3,613
Deferred tax assets	25	82,525	65,884
<b>Non-current assets</b>		<b>680,903</b>	<b>734,571</b>
Inventory	6	35,218	47,973
Trade receivables	7	49,263	68,748
Other receivables	8	59,478	89,159
Current financial assets	9	29,112	33,271
Current tax assets	25	10,574	25,080
Cash and cash equivalents	10	193,354	185,316
<b>Current assets</b>		<b>376,999</b>	<b>449,547</b>
<b>Total assets</b>		<b>1,057,902</b>	<b>1,184,118</b>

LIABILITIES In thousands of euros	Notes	03/31/11	03/31/10
Share capital		7,341	7,320
Premiums		527,469	512,444
Consolidated reserves		231,305	285,380
Consolidated earnings		-52,120	-43,672
<b>Total equity</b>	11	<b>713,995</b>	<b>761,472</b>
Provisions	12	2,295	2,215
Employee benefits	13	1,196	1,710
Long-term borrowings	15	1,895	22,548
Deferred tax liabilities	25	30,990	32,921
<b>Non-current liabilities</b>		<b>36,376</b>	<b>59,394</b>
Short-term borrowings	15	92,732	121,784
Trade payables	17	110,947	144,499
Other liabilities	18	96,847	93,617
Current tax liabilities	25	7,005	3,352
<b>Current liabilities</b>		<b>307,531</b>	<b>363,252</b>
<b>Total liabilities</b>		<b>343,907</b>	<b>422,646</b>
<b>Total liabilities and equity</b>		<b>1,057,902</b>	<b>1,184,118</b>

## 1.2 CONSOLIDATED INCOME STATEMENT BY DESTINATION

in thousands of euros	Notes	03/31/11	%	03/31/10	%
<b>Sales</b>	19	<b>1,038,826</b>		<b>870,954</b>	
Cost of sales		-365,208		-358,118	
<b>Gross margin</b>		<b>673,618</b>	<b>65%</b>	<b>512,836</b>	<b>59%</b>
R&D costs		-369,585		-311,424	
Marketing costs		-214,541		-197,787	
Administrative and IT costs		-71,248		-75,300	
<b>Operating profit (loss) from continuing operations</b>		<b>18,244</b>	<b>2%</b>	<b>-71,675</b>	<b>-8%</b>
Goodwill Depreciation		-1,354		-367	
Other non-current operating expenses	22	-97,669		-905	
Other non-current operating income	22	293		852	
<b>Operating profit (loss)</b>		<b>-80,486</b>		<b>-72,095</b>	
Interest on borrowings		-6,546		-1,972	
Income from cash		1,458		1,426	
<i>Net borrowing cost</i>		-5,088		-546	
Result from foreign-exchange operations		-4,310		5,246	
Other financial expenses		-345		-92	
Other financial income		6,064		142	
<b>Net financial income</b>	23	<b>-3,679</b>		<b>4,750</b>	
Share in profit of associates		-		50	
Total income tax	25	32,045	<b>38,7%</b>	23,624	<b>35,3%</b>
<b>Profit (loss) for the period *</b>		<b>-52,120</b>	<b>-5%</b>	<b>-43,671</b>	<b>-5%</b>
<b>Earnings per share – Continuing operations</b>	26				
Basic earnings per share (in euros)		-0,55		-0,46	
Diluted earnings per share (in euros)		-0,54		-0,45	

\* The profit (loss) for the period is entirely attributable to equity holders

### 1.3 STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	03/31/11	03/31/10
Translation adjustment on foreign operations	-6,531	10,145
Fair value adjustment of financial assets	1,118	17,637
Effective part of the change in fair value of cash flow hedges	271	-4,312
Tax on other items of comprehensive income	-4,639	6,548
Other items	-200	36
<b>Other items of comprehensive income</b>	<b>-9,981</b>	<b>30,054</b>
<b>Net profit (loss) for the period</b>	<b>-52,120</b>	<b>-43,672</b>
<b>Profit (loss)</b>	<b>-62,101</b>	<b>-13,618</b>

\* The profit (loss) is entirely attributable to equity holders



## 1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euros	Capital	Premiums	Consolidated reserves	Hedging reserve	Fair value reserve	Treasury stock	Translation adjustments	Income for the period	Total equity Group share
<b>Balance as at March 31, 2009</b>	<b>7,274</b>	<b>489,002</b>	<b>224,728</b>	<b>2,655</b>	<b>-</b>	<b>214</b>	<b>-40,965</b>	<b>68,848</b>	<b>751,756</b>
<b>Earnings</b>								-43,672	-43,672
<b>Other items of comprehensive income</b>			477	-2,836	22,268		10,145		30,054
<b>Profit (loss)</b>			<b>477</b>	<b>-2,836</b>	<b>22,268</b>		<b>10,145</b>	<b>-43,672</b>	<b>-13,618</b>
Allocation of consolidated earnings in N-1			68,848					-68,848	-
Change in the share capital of the parent company	46	4,987	101						5,134
Options on ordinary shares issued		18,455							18,455
Sales and purchases of treasury stock						-255			-255
<b>Balance as at March 31, 2010</b>	<b>7,320</b>	<b>512,444</b>	<b>294,154</b>	<b>-181</b>	<b>22,268</b>	<b>-41</b>	<b>-30,820</b>	<b>-43,672</b>	<b>761,472</b>
Net profit (loss)								-52,120	-52,120
<b>Other items of comprehensive income</b>			-230	181 <sup>(1)</sup>	-3,401		-6,531 <sup>(1)</sup>		-9,981
<b>Profit (loss)</b>			<b>-230</b>	<b>181</b>	<b>-3,401</b>		<b>-6,531</b>	<b>-52,120</b>	<b>-62,101</b>
Allocation of consolidated earnings in N-1			-43,672					43,672	-
Change in the share capital of the parent company	21	1,749	-213						1,557
Options on ordinary shares issued		13,276							13,276
Sales and purchases of treasury stock						-209			-209
<b>Balance as at March 31, 2011</b>	<b>7,341</b>	<b>527,469</b>	<b>250,039</b>	<b>-</b>	<b>18,867</b>	<b>-250</b>	<b>-37,351</b>	<b>-52,120</b>	<b>713,995</b>

<sup>(1)</sup> See breakdown in Note 11.

## 1.5 CASH FLOW STATEMENT

In thousands of euros	Notes	03/31/11	03/31/10
<b>Cash flows from operating activities</b>			
Consolidated earnings		-52,120	-43,672
Share in profit of associates		-	-50
Net amortization and depreciation on property, plant and equipment and intangible assets <sup>(1)</sup>	1 / 2 / 3	405,283	304,826
Net provisions	5 / 6 / 7 / 12/13	6,684	4,335
Cost of share-based payments	14	12,556	12,099
Gains/losses on disposals		356	170
Other income and expenses calculated		271	-2,937
Tax expense		-32,042	-23,624
<b>Cash flows from operating activities</b>		<b>340,988</b>	<b>251,146</b>
Inventory	6	4,862	12,057
Trade receivables	7	19,389	2,440
Other assets (excluding deferred tax assets)	8 / 9	46,821	-18,995
Trade payables	17	-4,559	14,851
Other liabilities (excluding deferred tax liabilities)	15 / 18	9,023	-8,523
<b>Change in WCR linked to operating activities</b>		<b>75,536</b>	<b>1,830</b>
Current tax		-13,057	-11,588
<b>TOTAL CASH FLOW GENERATED BY OPERATING ACTIVITIES *</b>		<b>403,467</b>	<b>241,388</b>
<b>Cash flows from investment activities</b>			
Payments linked to internal and external developments <sup>(2) (3)</sup>	2 / 3	-338,820	-331,474
Payments for other intangible assets and property, plant and equipment	2 / 3	-22,246	-19,635
Proceeds from the disposal of intangible assets and property, plant and equipment	2 / 3	231	566
Payments for the acquisition of financial assets	5	-16,095	-16,562
Other cash flows from investing activities		1	-1
Repayment of loans and other financial assets	5	17,003	16,472
<b>Changes in scope</b>		<b>-5,465</b>	<b>-8,157</b>
<b>CASH USED FROM INVESTING ACTIVITIES</b>		<b>-365,391</b>	<b>-358,792</b>
<b>Cash flows from financing activities</b>			
New finance leases contracted		36	43
New borrowings	15	86	129
Repayment of finance leases	15	-192	-81
Repayment of borrowings	15	-750	-649
Loss carryback refund claim	11	21,886	-
Funds received from shareholders in capital increases		1,771	5,033
Sales/purchases of own shares		-422	-154
<b>CASH GENERATED (USED) BY FINANCING ACTIVITIES</b>		<b>22,415</b>	<b>4,321</b>
<b>Net change in cash and cash equivalents</b>		<b>60,491</b>	<b>-113,083</b>
Cash and cash equivalents at the beginning of the period	10	64,977	176,890
Impact of translation adjustments		-3,433	1,170
<b>Cash and cash equivalents at the end of the period **</b>	<b>10</b>	<b>122,035</b>	<b>64,977</b>
* Including interest paid		-6,546	-1,972
** Including cash in companies acquired and disposed of		141	-399
(1) Excluding €7,515 thousand in provisions related to stock-based compensation			
(2) Including a change of €28,231 thousand over the financial year linked to commitments guaranteed but not paid			
(3) Excluding €8,235 thousand in provisions related to stock-based compensation			

## 1.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The notes and tables that follow are presented in thousands of euros, unless expressly stated otherwise.

### 1.6.1 COMPANY PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

Ubisoft Entertainment is domiciled in France.

The consolidated financial statements for the year ended March 31, 2011 cover Ubisoft Entertainment and its subsidiaries (collectively referred to as "the Group") together with interests in associates.

The consolidated financial statements were approved by the Board of Directors on May 12, 2011 and will be presented to the General Shareholders' Meeting on June 30, 2011.

### 1.6.2 HIGHLIGHTS OF THE FINANCIAL YEAR

#### **May 2010: Subscription of 2 new credit lines**

Ubisoft signed for € 70 million in new credit lines maturing in May 2013.

#### **September 2010: Sell-off on tax credit sales**

Ubisoft Entertainment SA has mobilized a tax credit sales for €25.6 million (partial use of tax deficit 2010) it was assigned without recourse by way of discount to Natixis at €22 million. The financial cost of €3.7 million was recorded over the fiscal year

#### **September 2010: R&D activity stopped in Brazil**

This decision has resulted in the total depreciation of goodwill arising from acquisition of the Southlight studio for €1,354 thousand.

#### **First half: Reorganization of the studios**

Faced with a highly competitive and demanding environment, Ubisoft decided to focus on game development of outstanding quality. Achieving this goal requires a significant reorganization of the studios, allowing a focus on brands with strong potential and a regular release of very high quality games.

The implementation of this strategy has led to games being discarded and wage costs being accounted for under "other operating expenses" (see note 22). Current operating income has not been impacted by these non-recurring items.

#### **Second half: Cessation of EMEA region merchandising**

This decision led to €9.5 million of non current expenses, including €8.2 million for the entire depreciation of inventory related to this activity. (see note 22).

#### **April to October 2010: Disposal of Gameloft shares**

The disposal of 2.8 million Gameloft shares under the equity swap has generated a capital gain of €5.9 million over the fiscal year.

#### **March 2011: Factoring agreement**

A factoring agreement relating to Credit Multimedia shares (Canada) has been signed between the BNC and Ubisoft Divertissements Inc. At year end closing, the amount of assigned receivables came to €32.5 million.

### 1.6.3 CHANGES IN CONSOLIDATION SCOPE

#### October 2010: Acquisition of Quazal Technologies Inc.

On October 29, 2010, Ubisoft acquired 100% of the equities of the company Quazal Technologies Inc., a leader in the creation of online technology solutions for videogame developers.

The goodwill amounts to CAD 6,621 million and mainly represents human capital, which could not be identified separately. The following assets and liabilities were taken into account at the date of entry into the scope:

In thousands of Canadian dollars	03/31/11
Net assets and liabilities acquired	3,072
Goodwill	6,621
Fair value of the consideration transferred	9,693
Cash acquired	750

Acquisition costs expensed amounted of CAD 0.1 million

Allocation of purchase price will occur on fiscal year 2011/2012. Consequently the goodwill calculation will be finalized at this time.

#### Opening of subsidiaries:

- April 2010: *Creation of the subsidiary Ubisoft Services SARL in France*
- April 2010: Creation of the subsidiary Ubisoft Learning & Development SARL in France
- December 2010: Reconsolidation of the subsidiary Ubisoft Music Publishing Inc. in Canada
- January 2011: Creation of the subsidiary Ubisoft Motion Pictures SARL in France

#### Closing of subsidiaries:

- March 2011: Liquidation of the subsidiary Ubisoft Ltd in Ireland
- March 2011: Liquidation of the subsidiaries Ubisoft Norway AS and Ubisoft Finland OY.

There is no significant impact on the Consolidated Financial Statement.

### 1.6.4 DECLARATION OF CONFORMITY

The consolidated financial statements for the year ended March 31, 2011 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at March 31, 2011, as adopted by the European Union.

Only the standards approved by the European Commission and published in its official journal before March 31, 2011, and whose application is mandatory as of April 1, 2010, have been applied by the Group to the consolidated financial statements for the year ended March 31, 2011. No standard or interpretation whose application has become mandatory since March 31, 2011 has been applied early to the consolidated financial statements for the year ended March 31, 2011.

The IFRS standards as adopted by the European Union differ in certain ways from the IFRS standards published by the IASB. However, the Group has made sure that the financial information presented would not have been substantively different if it had applied IFRS standards as published by the IASB.

The Group applied the following for the first time as of April 1, 2010:

- The revised IFRS 3 and amended IAS 27 - Business combinations and consolidation - has been applied in the consolidated accounts at March 31, 2011 for the acquisition of Quazal Technologies Inc.

The other IFRS standards, amendments and interpretations below had no impact on the accounts:

- IAS 39 (revised) - Exposures qualifying for hedge accounting;
- IFRS 1 (revised) - First-time adoption of IFRS;
- IFRIC 15 – Agreement for the construction of Real Estate
- IFRIC 16 – Hedges of a net Investment in a Foreign Operation
- IFRIC 17 - Distributions of non-cash assets to owners;
- IFRIC 18 – Transfers of assets from customers;
- Amendments to IFRS 2 – Group cash-settled share-based payments;
- Amendments to IFRS 1 - Additional exemptions for first-time adopters;
- Amendments to IAS 32 - Classification of rights issues;
- The improvements made to international financial reporting standards in 2009;

### Options used when preparing financial information during the transition to IFRS

In accordance with the provisions of IFRS 1, the Group opted for the following exemptions from the general principle of retrospectively applying IFRS when drawing up its opening balance sheet for 2004 and preparing its first IFRS accounts.

Standards		Option chosen
IFRS 2	Share-based payments	The Group has chosen to apply IFRS 2 only to equity instruments issued after November 7, 2002 for which rights had not yet vested at December 31, 2004. Similarly, liabilities resulting from transactions for which payment is based on shares and which had been settled before December 31, 2004 have not been restated.
IFRS 3	Business combinations	The Group has not made any retrospective adjustments for business combined before January 1, 2004.
IAS 19	<i>Pension commitments and similar employee benefits</i>	Total unrecognized actuarial differences linked to the corridor existing on the transition date have been fully recognized under balance sheet liabilities by writing off against equity.
IAS 21	<i>Translation adjustments due to foreign activities</i>	Translation differences at January 1, 2004 relative to the exchange rates used for overseas activities in financial statements have been rebooked under consolidated reserves in the transitional balance sheet.
IAS 39	Financial instruments	Certain financial instruments have been classed as "financial assets held-for-sale" or "financial assets at fair value through profit and loss" from the application date of IAS 39 and not from their initial recognition.

### Standards published but whose application is not yet mandatory

Ubisoft has not opted for an early application of the new standards, amendments or interpretations published at March 31, 2011 (adopted or being adopted by the European Union) and presented below:

Standards		Consequences for the Group
IAS 24 (revised)	Related parties (applicable to accounting periods starting from July 1, 2011)	The amendments focus on simplifying the provisions regarding disclosures about entities related to public administration and the clarification of the definition of a related party. This text will have no effect on the Group's consolidated financial reports.
IAS 12 amended	Deferred Tax: Recovery of Underlying Assets	The amendment introduces a presumption that recovery of the carrying amount will normally be, be through sale, unless the entity prove recovery will occur by another way. This text will have no effect on the Group's consolidated financial reports.
IFRS 1 amended	Limited exemption from comparative IFRS 7 disclosures for first-time adopters (applicable to accounting periods starting from July 1, 2010)	The amendments to IFRS 1 is to allow first-time adopters to benefit from the exemption from the requirement to provide comparative information under IFRS 7 "Financial Instruments: Disclosures" in relation to assessments at fair value and liquidity risks for annual periods presented for comparison purposes ending before December 31, 2009. This text will have no effect on the Group's consolidated financial reports.
IFRS 9	Financial Instruments: classification and measurement of financial assets and liabilities	IFRS 9 use a single rule to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39
IFRIC 19	Extinguishing financial liabilities with equity instruments (applicable to accounting periods starting from July 1, 2010)	This text clarifies the accounting for the fair value of equity instruments issued. This text will have no effect on the Group's consolidated financial reports.
IFRS 14 amended	Prepayment of minimum funding requirement (applicable to accounting periods starting from January 1, 2011)	The amendments to IFRIC 14 provides that when a benefit plan for staff requires minimum contributions, such prepayments shall be recognized as an asset, as shall any other payment in advance. This text will have no effect on the Group's consolidated financial reports.

## 1.6.5 ACCOUNTING PRINCIPLES AND VALUATION METHODS

### 1.6.5.1 COMPARABILITY OF FINANCIAL STATEMENTS

#### CHANGES IN ACCOUNTING METHODS

##### Accounting for business combinations

Since January 1<sup>st</sup>, 2010, the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The accounting change has been applied prospectively and has no significant impact on earnings per share.

The application of IFRS 3 revised is described in paragraph 1.6.3- Changes in consolidation scope and 1.6.5.3 – consolidation principles.

### 1.6.5.2 PREPARATION BASES

#### MEASUREMENT BASES

The consolidated financial statements have been prepared using the historical cost method, with the exception of the following assets and liabilities, which are measured at fair value or at amortised cost: derivatives, financial instruments held for trading and available-for-sale financial assets.

#### OPERATING AND PRESENTATION CURRENCY

The consolidated financial statements are presented in euros, which is the parent company's operating currency. All financial data presented in euros are rounded to the nearest thousand.

#### USE OF ESTIMATES

Preparation of consolidated financial statements in accordance with IFRS requires the Group's management to make estimates and assumptions that affect the application of the accounting methods and the amounts recognized in the financial statements.

These estimates and the underlying assumptions are established and reviewed continuously on the basis of past experience and other factors considered reasonable in light of the circumstances. They therefore serve as a basis for the calculation of the carrying amounts of assets and liabilities that cannot be obtained from other sources. Actual values may differ from estimates.

Both the estimates presenting a significant risk of changes in future years and the judgments made by the management when applying IFRS, and likely to have a significant impact on the financial statements, are presented in the following notes:

Estimate		Nature of information disclosed
§ 1.6.3	Main acquisitions, disposals and changes in consolidation scope	Where appropriate, presentation of the main valuation methods and assumptions used when identifying intangible assets on business combinations.
§ 1.6.5.3	Impairment losses	Main assumptions used to determine the recoverable value of assets.
Note 13	Employee benefits	Discount rate, inflation, return on plan assets and wage growth.
Note 14	Payments in shares	Model and underlying assumptions used to determine fair values.
Note 12	Provisions	Underlying assumptions made to appraise and estimate risks.
Note 18	Revenue Recognition	The Group estimates the credit to issue and book an accrual.
Note 25	Corporation tax	Assumptions used to recognize deferred tax assets and methods of applying tax legislation.

The accounting methods outlined below were applied:

- on a permanent basis to all periods presented in the consolidated financial statements,
- consistently by all Group entities.

### 1.6.5.3 CONSOLIDATION PRINCIPLES

#### ***Subsidiaries***

A subsidiary is an entity controlled by Ubisoft Entertainment SA. Control exists where the Company has the power to manage, either directly or indirectly, the entity's financial and operational policies in order to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained to the date at which such control ends.

If necessary, the accounting methods of subsidiaries are amended to align them with those adopted by the Group.

#### ***Associates***

Associates are entities over which Ubisoft Entertainment SA exercises significant influence on the financial and operational policies but no control. The consolidated financial statements include the Group share in the total amount of profits and losses recognized by the associates, using the equity accounting method, starting from the date when significant influence is exercised to the date at which such influence ends.

Ubisoft consolidates ad hoc entities in which the Company does not hold a direct or indirect interest but that it controls in substance because it has the right to receive the majority of benefits or it retains the majority of residual risks inherent to the ad hoc entity or its assets.

As at March 31, 2011, all companies controlled by the Group are fully consolidated; only Related Designs Software GmbH, in which the Group has a 30% interest, is accounted for under the equity method.

#### ***Transactions eliminated in the consolidated financial statements***

Balance sheet amounts, and income and expenses resulting from intragroup transactions, are eliminated during the preparation of the consolidated financial statements.

Gains resulting from transactions with associates are eliminated for the Group's percentage interest in the company.

Losses are eliminated in the same way as gains, but only to the extent that they are not indicative of impairment.

#### ***Translation of transactions denominated in foreign currencies***

Transactions denominated in foreign currencies are translated by applying the exchange rate prevailing on the date of the transaction.

At closing date, all monetary assets and liabilities denominated in foreign currencies (excluding derivatives) are translated into euros at the closing exchange rate. Any resulting translation adjustments are recorded in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction.

Derivatives are valued and booked in accordance with the methods described in the note on financial instruments.



***Translation into euros of the financial statements of foreign subsidiaries***

The operating currency of Ubisoft's foreign subsidiaries is their local currency, in which they record most of their transactions. The assets and liabilities of Group companies whose operating currency is not the euro are translated into euros at the exchange rate prevailing at the end of the accounting period.

The income and expenses of these companies, along with their cash flows, are translated at the average exchange rate over the year. Differences arising on translation are booked directly in consolidated other items of comprehensive income, as a separate item.

Goodwill and fair value adjustments resulting from the acquisition of a foreign entity are considered to belong to the foreign entity and are therefore expressed in the entity's operating currency. They are translated at the closing rate prevailing at the end of the accounting period.

Upon disposal of a foreign subsidiary, the relevant translation reserves booked in other items of comprehensive income are recognized in profit and loss.

The Group does not operate in countries suffering from hyperinflation.

***Goodwill***

Business combinations are accounted for under the purchase method by acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into account the potential voting rights that are currently exercisable.

**Acquisitions since January 1st, 2010**

For acquisitions completed since January 1<sup>st</sup>, 2010, the Group assesses goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the amount recorded of non-controlling interest in the acquiree; plus, if the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; less
- the net of the acquisition-date amounts (usually at fair value) of the identifiable assets acquired and the liabilities assumed

When the difference is negative, a gain on a bargain purchase terms is immediately recognized in the profit and loss.

The consideration transferred excludes amounts related to the settlement of pre-existing relationships. These amounts are generally recognized in profit and loss.

Acquisition related costs, other than those related to the issuance of debt or equity securities that the Group supports on account of a business combination are expensed as incurred.

Any contingent consideration payable is recorded at fair value at the acquisition date. The contingent consideration classified as equity is not remeasured and its settlement is recorded in equity. However, for a consideration classified as liabilities, with subsequent changes in fair value of contingent consideration are recorded in profit and loss.

When share-based payment awards (replacement award) shall be given in exchange for awards held by the acquiree's employees (rights granted by the acquired company) and are attributable to pre-combination service, either all or a portion of the market-based measure of the acquirer's replacement awards shall be included in measuring the consideration transferred in the business combination.. To assess this amount, the Group compares, at the acquisition date, the market-based values , of the replacement awards and rights granted by the acquiree and determine the portion of the acquiree award that is attributable to pre-combination service.



**Acquisitions completed between January 1st, 2004 and January 1st, 2010**

For acquisitions completed between January 1<sup>st</sup>, 2004 and January 1, 2010, goodwill represents the excess of cost of acquisition over the Group's share in the recognized amounts (usually at fair value) for assets, liabilities and contingent liabilities.

When the difference is negative, a gain on a bargain purchase terms is immediately recognized in the profit and loss.

Costs related to the acquisition, other than those related to the issuance of debt or equity securities that the Group supports the fact of a business combination are expensed as incurred.

If an entity is disposed of, related goodwill will be taken into account when determining the loss or gain resulting from this sale.

Goodwill is not amortized but is subject to impairment tests at least once a year. The methods used to test loss in value are detailed in the note entitled "Non-current-asset impairment test".

***Brands***

All brands are recognized at their fair value in accordance with IFRS 3 on business combinations or IAS 38 on the acquisition of intangible assets.

They are not amortized but are subject to impairment tests at least once a year. The methods used to test loss in value are detailed in the note entitled "Non-current-asset impairment test".

***Other intangible assets***

Other intangible assets include:

- Office software,
- Information system costs,
- Office software,
- Engines,
- External developments.

***Accounting and later evaluation***

Other intangible assets acquired by the Group are recognized at cost minus accumulated amortization and impairment losses. In accordance with IAS 38 "Intangible Assets," items are only recognized as non-current assets where the cost can be determined reliably and it is likely that they will generate future economic benefits.

Grants and tax credits directly relating to internal development are deducted from the related-asset.

Development costs relate to the development of commercial software (video games) and are capitalized as described below.

Development costs of commercial software, whether produced in-house or outsourced, are recognized in "in-house software and external development in progress" as development progresses. Once they are released, these costs are transferred to the "released in-house software" or "released external developments" accounts.

Commitments made under license agreements are recognized for the amount specified in the agreement including the portion not yet paid.

*Amortization*

Type of asset	Amortization method
Office software	Straight-line, between 1 and 3 years
Information system costs	Straight-line, between 3 and 5 years
Commercial software	3 years, straight-line, starting on the commercial release date.
Engines	Straight-line over the useful life between 3 and 5 years
External developments	Depending on quantities sold and royalty rates indicated in contracts or on the duration of the contract

According to international standard IAS38, the group is led to periodically revise its durations depreciation based on the observed useful life.

At the end of each fiscal year or whenever indication of impairment appears, the Group checks the recoverable value of capitalized amounts and carries out an impairment test, as described in the note entitled "Non-current-asset impairment test".

***Property, plant and equipment***

The gross value of property, plant and equipment includes the acquisition cost minus installments made and any investment subsidies granted. From it are deducted the cumulative totals for depreciation and impairment (see accounting methods described in the note on goodwill).

Given the types of non-current assets held, no distinct component of the main non-current assets was noted.

The same rates are used throughout the Group to calculate depreciation, employing the following methods and useful lives:

Type of asset	Amortization method
Buildings	Straight-line, between 15 and 25 years
Equipment	Straight-line, 5 years
Fixtures and fittings	Straight-line, 10 years
Computer hardware	Straight-line, 3 years
Office furniture	Straight-line, 10 years
Transportation equipment	Straight-line, 5 years

***Non-current assets acquired under finance leases***

Leases that transfer practically all risks and rewards inherent in ownership of the asset are classified as finance leases.

Non-current assets financed via finance leases are restated in the consolidated financial statements so as to reflect the position that would have existed if the Company had used borrowed funds to acquire the assets directly.

The amount recognized on the asset side is equal to the fair value of the asset leased or, if this value falls below the present value of the minimum lease payments, the fair value minus accumulated depreciation and impairment.

Deferred tax arising from the restatement of finance leases is booked in the accounts.

***Non-current-asset impairment tests***

The Group carries out impairment tests on its assets at least once a year: goodwill, intangible assets and property, plant and equipment.

*Non-current assets with an indefinite useful life*

For this test, goodwill and brands are grouped together as Cash Generating Units (CGU):

- for brands, the CGU corresponds to games released under the brand name,
- for goodwill on distribution activity, each CGU corresponds to the distribution subsidiary present in the country,
- for goodwill relating to the acquisition of companies whose games are distributed by all of the Group's distribution subsidiaries, the CGU corresponds to the Group's consolidated financial statements.

The recoverable value is the higher of fair value minus cost of sale (net fair value) and its value in use. Value in use is estimated on the basis of the sum of discounted future cash flows for the CGU to which the assets being tested are attached. When the market value or value in use falls below the carrying amount, impairment is recorded. This is irreversible when pertaining to goodwill.

To carry out impairment tests, the Group uses the value in use based on discounted future cash flows.

The assumptions used for changes in sales, profitability, and final values are reasonable and in line with market data available for each of the CGUs subjected to impairment tests. The value in use adopted by Ubisoft corresponds to discounted cash flows determined on the basis of the Ubisoft management's economic assumptions and projected business conditions. Cash flows are based on the last available five-year budgets, then on a final value at five years.

Discounts are calculated using a rate based on a valuation of the average cost of capital: 8.41% at March 31, 2011 (versus 8.64% at March 31, 2010).

For property, plant and equipment and intangible assets with a fixed useful life, impairment test is carried out whenever indicators suggest a loss in value.

The tests involve comparing the net carrying amount of assets to their recoverable value – which is the higher of fair value minus costs of sale, and value in use – estimated on the basis of the current net value of future cash flows generated by their use.

When the fair value of property, plant and equipment or an intangible non-current asset (excluding goodwill) increases over a period, and the recoverable value exceeds the asset's carrying amount, any impairment recognized during previous years will be written back into profit and loss.

Type of asset	Value impairment method
Office software	No impairment test in the absence of any index of loss in value.
- Information system costs, - Commercial software	No impairment test in the absence of any index of loss in value. At the end of each year and for each software program, cash flows are calculated over a maximum period of two years. When these flows are below the net carrying amount of the software, impairment is recognized.
Engines	No impairment test in the absence of any index of loss in value.
External developments	At the end of each year and for each software program, cash flows are calculated over a maximum period of two years. When these flows are below the net carrying amount of the software, impairment is recognized.
Property, plant and equipment	No impairment test in the absence of any index of loss in value.

*Investments in associates*

Investments in associates include the Group's share of the equity held in companies accounted for under the equity method, together with any related goodwill.

*Inventory*

Inventory is valued at the lower of cost or net realizable value.

Cost includes the purchase price plus ancillary expenses. Inventory is valued using the FIFO method.

Net realizable value is the estimated selling price in the normal course of business minus estimated completion costs and estimated selling costs, which include marketing and distribution costs.

No borrowing costs are included in the cost of inventory.

A provision for impairment is recorded when the likely net realizable value falls below the carrying amount. Reversals of inventory impairment are recorded as a reduction in the amount of inventory expensed during the financial year in which the reversal occurs.

### ***Financial assets and liabilities***

Financial assets include the long-term securities of non-consolidated companies, short- and long-term loans and advances, trade receivables, derivatives with a positive market value, investment in securities and cash.

Financial liabilities include bank borrowings, obligations relating to finance lease contracts, other financing (current account advances), bank overdrafts, derivatives with a negative market value and trade payables.

Financial assets and liabilities presented are "non-current", except those with a maturity of less than 12 months from the year-end date. These are presented as "current assets", "cash equivalents" or "current liabilities" depending on the circumstances.

Bank overdrafts are included in cash and cash equivalents as they are an integral part of the company's cash management. They are presented in liabilities, but are also offset against cash in the cash flow statement.

### ***Recognition and measurement of financial assets (excluding derivatives)***

In accordance with IAS 39, "Financial Instruments: Recognition and Measurement", financial assets are broken down into four categories:

- assets held to maturity (securities giving entitlement to fixed or fixable payments on set dates, and which the Group is able and intending to hold to maturity);
- loans and receivables (non-derivative financial assets subject to fixed or fixable payments, and which are not listed on a deep market);
- assets held for trading (investments or securities bought and held primarily with a view to a short-term resale);
- assets held for sale (all financial assets not recognized in one of the three previous categories).

Classification depends on the nature and objective of each financial asset, and is determined when first recognized.

The Group has no financial assets classed as "held-to-maturity".

- ***Loans and advances (loans and receivables category)***

These include deposits and subsidies due.

When initially recognized, loans and advances are measured at fair value. These financial assets are then booked at amortized cost using the effective interest rate method. They are subject to recoverable value tests, carried out whenever there are objective indicators (third party financial position) that the recoverable value of these assets would be lower than the balance sheet value, and at the very least on each account cut-off date.

Government grants, excluding investment subsidies (recorded in the financial related), are recorded in grants receivable and presented in the income statement net of related expenses.

- ***Trade receivables (loans and receivables category)***

Trade and other receivables linked to operating activity are recorded at fair value - in most cases the same as nominal value – minus any loss of value recorded in a special impairment account. As receivables are due in under a year, they are not discounted.

If there is any indication that these assets may be impaired, they will be subject to an analysis based primarily on the following criteria: age of the receivable, third party's financial position, negotiation of a payment schedule, guarantees received, credit insurance.

The difference between the carrying amount and recoverable value is recorded as operating income. Impairment may be reversed if the asset regains its value in future. Reversals are booked in the same item as provisions. Impairment is deemed permanent when the receivable itself is considered to be permanently irrecoverable and written off.

- *Long-term securities (available-for-sale assets category)*

These include the Group's equity in companies not consolidated due to a lack of control or notable influence.

Gameloft shares are classed as held-for-sale current assets.

As this involves an interest in a listed company, the shares are recorded in the balance sheet at their fair value, determined on the basis of the share price on the closing date. Changes in fair value are recognized directly in others items of comprehensive income, except when there is a significant or prolonged drop in fair value.

In accordance with IAS 39, "Financial Instruments: Recognition and Measurement", if there is a significant or prolonged decline in the value of a share to below its cost that results in a material latent loss, irreversible impairment is recognized in financial income.

- *Cash and cash equivalents (assets held for trading category)*

Cash and cash equivalents include cash on hand and deposit accounts, with maturity of generally under three months and that can be easily liquidated or sold on very short notice, converted into cash and do not bear any significant risk of loss in value. Short-term investments are measured at liquidation value at each end of period. Changes in this market value are recognized in financial profit and loss.

Bank overdrafts repayable on demand are an integral part of the Group's cash management, and are included in "cash and cash equivalents" for the purposes of the cash flow statement.

#### *Recognition and measurement of financial liabilities (excluding derivatives)*

- *Borrowings and other financial liabilities*

This category includes borrowings and bank overdrafts.

Bank borrowings and other financial liabilities are measured at amortized cost calculated using the effective interest rate.

Financial interests accrued on borrowings are included in the "current financial liabilities" in the balance sheet.

Trade payables and other liabilities are recorded at amortized cost.

Cash flows linked to short-term recoverable amounts are not discounted. Long-term flows are discounted whenever the impact is significant.

#### *Recognition and measurement of financial derivatives*

Financial derivatives are held exclusively to manage its exposure to foreign-exchange risks. Ubisoft Entertainment SA hedges these risks with forward sale contracts and currency options.

Derivatives are initially recorded at fair value; associated transaction costs are booked in profit and loss when incurred. After initial recognition, derivatives are measured at fair value while changes are recorded using principles outlined below.

- *Cash flow hedging*

The Group applies hedge accounting for transactions in US Dollar, Pounds sterling and Australian Dollar. Management believes this method better reflects its hedging policy in the financial statements.

Hedge accounting applies if:

- the hedging relationship is clearly defined and documented on the date it is established,
- the effectiveness of the hedging relationship is proven from the outset and for as long as it lasts.

Application of cash flow hedge accounting has the following consequences:

- the effective hedging portion of the change in the fair value of the hedging instrument is recognized directly in others items of comprehensive income, as the hedged item does not appear on the balance sheet,
- the ineffective portion of the change in fair value is recognized in the financial result.

When the hedging instrument no longer meets the criteria for hedge accounting, reaches maturity, is sold, cancelled or exercised, hedge accounting is no longer applied. The profit or loss accumulated is held in others items of comprehensive income until the completion of the planned transaction. When the hedged item is a non-financial asset, the profit or loss accumulated is removed from others items of comprehensive income and included in the initial cost. In other cases, related profits and losses that have been recognized directly in others items of comprehensive income are reclassified under profit and loss for the period in which the hedged item impacts the result.

- *Other derivatives*

Derivatives for which documentation on the hedging relationship does not meet the requirements of IAS 39 are not referred to as hedging instruments in the accounts. Changes in the fair value of these instruments are recognized on the income statement in accordance with IAS 39. The same goes for certain types of derivatives (options) that are not eligible for hedge accounting. The fair value of assets, liabilities and derivatives is determined on the basis of market prices on the closing date or on valuation based on market data received from banking counterparty.

#### *Hierarchy and levels of fair value*

In accordance with IFRS 7 (revised), financial assets and liabilities measured at fair value have been classified according to the fair value levels specified by the standard:

- Level 1: the fair value corresponds to the market value of instruments listed on a deep market
- Level 2: the fair value is measured on the basis of observable data
- Level 3: the fair value is measured on the basis of non-observable data.

Note 16 specifies the fair value level for each category of assets and liabilities measured at fair value.

The Group did not carry out any transfers between levels 1 and 2 during the financial year.

The Group does not hold any assets or liabilities measured at fair value under level 3.

#### ***Employee benefits***

##### *Post-employment obligations*

Ubisoft contributes to pension, medical and termination benefit plans in accordance with the laws and practices of each country. These benefits can vary depending on a range of factors, including seniority, salary and payments to compulsory general plans.

These plans may be either defined contribution plans or defined benefit plans:

- In defined contribution plans, the pension supplement is determined by the total capital that the employee and the Company have paid into external funds. The expenses correspond to contributions

paid during the period. The Group has no subsequent obligations to its employees. For Ubisoft, this generally involves public retirement plans and specific defined-contribution plans.

- In defined benefit plans, the employee receives a fixed pension benefit from the Group, determined on the basis of several factors, including age, length of service and compensation level. Within the Group, such plans are used in France, Italy and Japan.

The employer's future obligations are measured on the basis of an actuarial calculation called the "projected unit credit method," in accordance with each plan's operating procedures and the information provided by each country. This method involves determining the value of likely discounted future benefits of each employee at the time of his/her retirement. Actuarial differences are recorded in profit and loss.

The discount rate chosen (4.45%) is determined on the basis of the market rate for high-quality corporate bonds, or "IBBOX composite"

#### *Personal training right (DIF)*

Full-time French employees are entitled to between 20 and 21 hours of training each year, depending on the bargaining agreements applicable within each company. The rights acquired each year may be accrued for up to six years. The total training acquired amounts to 69,351 hours and is recognized as off-balance-sheet commitments.

#### **Share-based payments**

Stock option plans provide an additional incentive for employees to improve the Group's performances by allowing them to purchase a stake in the company (stock options, free shares, group savings plan).

In accordance with IFRS 2, share-based payments are recognized as staff expenses offsetting an increase in equity, at the fair value of the instruments attached. This expense is spread over the vesting period, assuming presence on the vesting date and possibly performance conditions attached.

- Stock option plans: the compensation is recognized in income over the vesting period; however, the straight-line method is not used, given the vesting terms set out in the various Ubisoft plan regulations; This method is based on assumptions updated on the valuation date, such as estimated volatility on the security concerned, a risk-free discount rate, the estimated payout ratio.
- Group employee savings plan: the accounting expense is equal to the discount granted to employees, i.e. the difference between the share subscription price and the share price at the date of the grant. This expense is recognized immediately on the plan subscription date;
- Bonus share grants: the cost of this compensation is recognized in profit and loss over the vesting period, allowing for the vesting terms.

The dilutive effect of stock option plans and bonus share grants when the unwinding of the instrument involves the issue of Ubisoft shares and the vesting period is in progress, is reflected in the calculation of diluted earnings per share.

#### **Provisions**

A provision is recorded when:

- The Company has a current obligation (legal or implicit) resulting from a past event;
- It is likely that an outflow of resources representing economic benefits will be required to settle the obligation;
- The amount of the obligation can be measured reliably.

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



**Revenues***Sale of games*

Revenue from the sale of gaming software is recorded, for the net amount of the sale, on the date products are delivered to clients. A provision for estimated returns is recorded as a decrease in revenues. Under the terms of its contracts with customers, the Group does not have to accept returns but it may exchange products sold to certain customers. Furthermore, the Group may provide a return guarantee or grant discounts on unsold products or other benefits to certain customers. In this case, the Group's management estimates the amount of future credit notes and books a provision.

*Licenses*

The Group may issue licenses in consideration of a guaranteed minimum royalty. This royalty is recorded in income when the significant rewards and risks attached to goods have been transferred to the buyer.

Additional revenue on sales, above the guaranteed minimum royalty, is recorded as and when the sales are completed.

*Services*

Income corresponding to development and publishing services on behalf of third parties includes royalties and other remunerations, which are regarded as arising and booked in sales as and when the service is rendered.

**R&D costs**

This destination includes all research and development costs for production teams including salaries, welfare costs, and shared-based payment to development employees, others operating costs (royalties, depreciation on tools). This destination includes depreciation and amortization on commercial software.

**Marketing costs**

This destination includes all sales and marketing costs, with the exception of editorial marketing costs, which are included under research and development costs.

**Administrative and IT costs**

This destination includes all the expenses of the administrative and IT teams.

**Current operating income and operating income**

Operating income includes all revenues and costs directly linked to Group activities, whether these revenues and costs are recurrent or resulting from one-off decisions or operations. Exceptional items, defined as revenues and expenses that are unusual in their frequency, nature and/or amount, belong to operating income. Current operating income is equal to operating income before inclusion of items whose amount and/or frequency are unpredictable by nature.

The Group feels that presenting the "current operating income" sub-total separately on the income statement makes easier the understanding of the recurrent operating performance and provides readers of the financial statements with useful information in the performance analysis.

**Financing costs and other financial income and expenses**

The cost of net financial debt includes income and expenses linked to cash and cash equivalents, interest expenses on borrowings which include the sale of investment securities, creditor interest and the cost of ineffective currency hedging.



Other financial income and expenses include the sale of non-consolidated securities, capital gains or losses, provisions/reversals of impairment losses on financial assets (other than trade receivables), income and expenses linked to the discounting of assets and liabilities, and foreign exchange gains and losses on unhedged items.

The impact on profit and loss of measuring financial instruments used in the management of foreign exchange risks and eligible for hedge accounting is recognized in operating income.

### ***Income tax***

Income tax (income or expense) includes the current tax expense (or income) and deferred tax expense (income). Tax is recognized in profit and loss, unless it relates to items that are recognized directly in equity, in which case it is recognized in equity or in the other items of comprehensive income.

#### ***Current tax***

Current tax is the estimated amount of tax owed on taxable income for an accounting period. It is determined using the tax rates applicable at the closing date.

#### ***Deferred tax***

Deferred income tax is measured using the balance sheet liability method for all temporary differences between the carrying amount of the assets and liabilities and their tax basis. The following situations do not lead to recognition of deferred tax: the recognition of an asset or liability in a transaction that is not a business combination and which affects neither book profit nor taxable profit, and temporary differences linked to subsidiaries insofar as these are unlikely to be reversed in the foreseeable future. Measurement of deferred tax assets and liabilities depends on the way in which the Group expects to recover or settle the carrying amount of the assets and liabilities using the tax rates applicable at the balance sheet date.

A deferred tax asset is only recognized where it is likely that the Group will have future taxable income against which the asset may be utilized. Deferred tax assets are reduced to the extent that it is no longer likely that sufficient taxable income will be available.

The impact of possible changes in tax rates on previously recorded deferred tax is recognized in profit and loss except where it relates to an item recognized in equity.

Deferred tax is shown in the balance sheet separately from current tax assets and liabilities and is classified as non-current items.

### ***Methods of calculating earnings per share***

#### ***Earnings per share***

Basic earnings per share are equal to earnings divided by the weighted average number of shares in circulation minus own shares.

#### ***Diluted earnings per share***

Diluted earnings per share are equal to:

- net income before dilution, plus the after-tax amount of any savings in financial expenses resulting from the conversion of the diluting instruments, divided by
- the weighted average number of ordinary shares in circulation, minus own shares, plus the number of shares that would be created as a result of the conversion of instruments convertible into shares and the exercise of rights.

**Segment reporting**

In light of the Group's organizational structure and the commercial relationships between the various subsidiaries, we proceed on the basis that the Group operates in a single market with several geographic regions.

**1.6.6 CONSOLIDATION SCOPE**

As at March 31<sup>st</sup>, 2011, 85 entities are consolidated or accounted for using the equity method (compared with 83 entities as at March 31<sup>st</sup>, 2010).

Only significant entities are presented in the table below. The significance of entities is assessed according to their contribution to capitalized production costs and their contribution to Group sales. Other subsidiaries and ad hoc entities whose contribution is not significant are not included in this list.

COMPANY	Country	Percentage control	Percentage of capital	Method	Business
UBISOFT ENTERTAINMENT SA	France	Parent company	Parent company	FC	
UBISOFT LTD	United Kingdom	100%	100%	FC	Distribution
UBISOFT INC.	United States	100%	100%	FC	Distribution
UBISOFT GMBH	Germany	100%	100%	FC	Distribution
UBISOFT SRL	Romania	100%	100%	FC	Production
SHANGHAI UBI COMPUTER SOFTWARE CO.LTD	China	100%	100%	FC	Production
UBISOFT DIVERTISSEMENTS INC.	Canada	100%	100%	FC	Production
UBISOFT FRANCE SAS	France	100%	100%	FC	Distribution
UBISOFT WORLD STUDIOS SAS	France	100%	100%	FC	Production
RED STORM ENTERTAINMENT INC.	United States	100%	100%	FC	Production
UBISOFT CANADA INC.	Canada	100%	100%	FC	Distribution

FC = Full consolidation

The closing date of the annual accounting period for consolidated companies is March 31<sup>st</sup>. Certain companies use December 31<sup>st</sup> as their closing date but draw up accounts for the period from April 1<sup>st</sup> to March 31<sup>st</sup> for the purposes of the consolidated reports.

**Changes in scope**

Entries into the consolidation scope are described in paragraph 1.6.3.

As acquisitions for the period account for less than 25% of the Group's net assets, no pro-forma accounts have been drawn up.

## 1.6.7 NOTES TO THE BALANCE SHEET

### Note 1. Goodwill

Goodwill	Opening balance	Increase	Decrease	Changes in scope	Translation adjustments	Closing balance
Gross	106,498	-	1,354 *	4,679	-1,698	108,125
Depreciation	-	1,354*	1,354 *	-	-	-
<b>Net at 03/31.11</b>	<b>106,498</b>	<b>-1,354</b>	<b>-</b>	<b>4,679</b>	<b>-1,698</b>	<b>108,125</b>
<b>Net at 03/31/10</b>	<b>99,545</b>	<b>-348</b>	<b>29</b>	<b>5,552</b>	<b>1,778</b>	<b>106,498</b>

\* the reduction of goodwill is related to the cessation of the research and development activity in Brazil, see § 1.6.2

The increase in goodwill attributable to the entries into the consolidation scope over the period is described in paragraph 1.6.3.

Net goodwill broke down as follows as at March 31<sup>st</sup>, 2011:

Company	As at 03/31/10 Net	Increase	Decrease	Translation adjustments	As at 03/31/11 Net
Ubisoft Inc.	178				178
Ubisoft Ltd	815			5	820
Ubisoft GmbH	12,805				12,805
Red Storm Entertainment Inc.	40,781			-2,088	38,693
Ubisoft Spa	3,215				3,215
Ubisoft Canada Inc.	1,962			-14	1,948
Tiwak SAS	760				760
Ubisoft Divertissements Inc.	489			-4	485
Blue Byte GmbH	3				3
Ubisoft France SAS	10,103				10,103
Ubisoft BV	2,294				2,294
Ubisoft Warenhandels GmbH	442				442
Ubi Games SA	1,445			142	1,587
Ubisoft Entertainment Ltd	1,476			8	1,484
Ubisoft Nagoya KK	1,176				1,176
Sunflowers Entertainment GmbH	12,753				12,753
Ubisoft Entertainment India Private Ltd	1,236			-55	1,181
Hybride Technologies Inc.	5,571			-39	5,532
Ubisoft Entertainment Sweden Ltd	2,154			184	2,338
Ubisoft Entertainment Ltda	1,286	-	1,354	68	-
Nadéo SAS	5,552				5,552
Hybride Technologies Inc.	-	4,679		97	4,776
<b>TOTAL</b>	<b>106,498</b>	<b>4,679</b>	<b>1,354</b>	<b>-1,698</b>	<b>108,125</b>

As at March 31<sup>st</sup>, 2011, no impairment is booked as a result of any impairment test.

#### *Sensitivity of recoverable amounts*

On the basis of reasonably predictable events to date, the Group considers that potential changes in the assumptions described in note 1.6.5.3 "Non-current-asset impairment tests" would not lead to a surplus in the carrying amount compared with the recoverable value.

A 700 point change in the discount rate would lead to depreciation as a result of loss in the recoverable value of goodwill.

A 700 point change in the discount rate would lead to depreciation as a result of loss in the recoverable value of business assets.

## Note 2. Other intangible assets

Non-current assets	As at 03/31/11	Depreciation and amortization	As at 03/31/11	As at 03/31/10
	Gross		Net	Net
Released commercial software	601,270	552,414	48,856	55,264
Released external developments	236,094	231,388	4,706	16,884
Commercial software and external developments in progress	317,662	21,000	296,662	349,649
Office software	40,611	31,494	9,117	14,236
Other intangible assets in progress	6,454	-	6,454	3,594
Brands	85,587	-	85,587	86,616
Movies	223	-	223	-
Other	331	235	96	140
<b>TOTAL</b>	<b>1,288,232</b>	<b>836,531</b>	<b>451,701</b>	<b>526,383</b>

Non-current assets	Opening balance	Increase	Decrease	Reclassification of software in progress	Reclassifications	Changes in scope	Translation adjustments	Closing balance
Released commercial software	546,804	216,159	164,908	2,409	958	-	-152	601,270
Released external developments	287,214	20,586	100,184	30,995	-2,517	-	-	236,094
Commercial software and external developments in progress	349,649	82,244	82,244	-33,404	1,417	-	-	317,662
Office software	39,240	1,908	4,929	-	4,898	45	-551	40,611
Other intangible assets in progress	3,594	4,250	-	-	-1,404	-	14	6,454
Brands	86,616	-	29	-	-	132	-1,132	85,587
Movies	-	81	-	-	142	-	-	223
Other	517	-	100	-	-86	-	-	331
<b>Total at 03/31/11</b>	<b>1,313,634</b>	<b>325,228</b>	<b>352,394</b>	<b>-</b>	<b>3,408</b>	<b>177</b>	<b>-1,822</b>	<b>1,288,232</b>
<b>Total at 03/31/10</b>	<b>1,146,938</b>	<b>337,503</b>	<b>177,384</b>	<b>-</b>	<b>2,408</b>	<b>3,517</b>	<b>652</b>	<b>1,313,634</b>

The increase of €216,159 thousand in released commercial software and of €79,546 thousand in commercial software in progress is due to the capitalized production costs of €287,294 thousand, plus acquisitions amounting to €245 thousand, translation adjustments amounting to €-68 thousand and capitalization of costs for share-based payments to R&D staff in the amount of €8,235 thousand.

Reclassifications between accounts result from the transfer of intangible assets in progress.

Amortization	Opening balance	Increase	Decrease	Reclassifications	Changes in scope	Translation adjustments	Closing balance
Released commercial software	491,540	225,934	164,908	-	-	-152	552,414
Released external developments	270,330	61,242	100,184	-	-	-	231,388
Commercial software and external developments in progress	-	103,244	82,244	-	-	-	21,000
Office software	25,004	8,515	4,942	3,305	37	-425	31,494
Other	377	34	100	-76	-	-	235
<b>Total at 03/31/11</b>	<b>787,251</b>	<b>398,969</b>	<b>352,378</b>	<b>3,229</b>	<b>37</b>	<b>-579</b>	<b>836,531</b>
<b>Total at 03/31/10</b>	<b>666,027</b>	<b>295,483</b>	<b>177,364</b>	<b>2,388</b>	<b>-6</b>	<b>723</b>	<b>787,251</b>

No intangible assets are used to secure any borrowings.

### Sensitivity of recoverable amounts

On the basis of reasonably predictable events to date, the Group considers that potential changes in the assumptions described in note 1.6.5.3 "Non-current-asset impairment tests" would not lead to a surplus in the carrying amount compared with the recoverable value.

### Note 3. Property, plant and equipment

Non-current assets	As at 03/31/2011	Depreciation and amortization accumulated	As at 03/31/11	As at 03/31/10
	Gross		Net	Net
Land	290	-	290	291
Buildings	2,734	373	2,361	2,496
Fixtures and fittings	25,530	11,420	14,110	10,054
Computer hardware and furniture	55,163	40,089	15,074	15,009
Development kits	17,680	15,330	2,350	2,664
Transport equipment	505	317	188	181
Non-current assets in progress	451	-	451	1,105
<b>TOTAL</b>	<b>102,353</b>	<b>67,529</b>	<b>34,824</b>	<b>31,800</b>

Non-current assets	Opening balance	Increase	Decrease	Reclassifications	Changes in scope	Translation adjustments	Closing balance
Land	291	-	-	-	-	-1	290
Buildings	2,742	5	-	-	-	-13	2,734
Fixtures and fittings	18,166	3,523	1,059	4,965	111	-176	25,530
Computer hardware and furniture	43,403	8,969	2,236	4,975	569	-517	55,163
Development kits	12,753	1,494	8	3,497	-	-56	17,680
Transport equipment	394	136	51	24	-	2	505
Non-current assets in progress	1,103	1,978	-	-2,632	-	2	451
<b>Total at 03/31/11</b>	<b>78,852</b>	<b>16,105</b>	<b>3,354</b>	<b>10,829</b>	<b>680</b>	<b>-759</b>	<b>102,353</b>
<b>Total at 03/31/10</b>	<b>64,252</b>	<b>12,742</b>	<b>5,900</b>	<b>1,135</b>	<b>1,403</b>	<b>5,220</b>	<b>78,852</b>

Amortization	Opening balance	Increase	Decrease	Reclassifications	Changes in scope	Translation adjustments	Closing balance
Buildings	247	129	-	-	-	-3	373
Fixtures and fittings	8,110	2,536	787	1,638	31	-108	11,420
Computer hardware and furniture	28,395	7,737	1,967	6,001	393	-470	40,089
Development kits	10,089	1,966	3	3,343	-	-65	15,330
Transport equipment	211	107	25	24	-	-	317
<b>Total at 03/31/11</b>	<b>47,052</b>	<b>12,475</b>	<b>2,782</b>	<b>11,006</b>	<b>424</b>	<b>-646</b>	<b>67,529</b>
<b>Total at 03/31/10</b>	<b>36,828</b>	<b>10,995</b>	<b>5,212</b>	<b>1,156</b>	<b>88</b>	<b>3,197</b>	<b>47,052</b>

No property, plant or equipment is used to secure any borrowings.

As at March 31<sup>st</sup>, 2011, There is no indication that an asset may be impaired

### Note 4. Investments in associates

	Opening balance Gross	Increase	Decrease	Reclassifications	Closing balance Gross
Goodwill	230	-	-	-	230
Share of equity	163	-	-	-	163
<b>Total Investments in associates 03/31/11</b>	<b>393</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>393</b>
<b>Total Investments in associates 03/31/10</b>	<b>343</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>393</b>

This is Related Designs Software GmbH in which Ubisoft Entertainment SA indirectly holds a 30% stake following the takeover of Sunflowers GmbH.

#### Note 5. Non-current financial assets

Non-current financial assets	As at 03/31/11	Accumulated Depreciation	As at 03/31/11	As at 03/31/10
	Gross		Net	Net
Equity investments in non-consolidated companies	460	253	207	233
Deposits and sureties	2,982	-	2,982	3,237
Other non-current receivables	146	-	146	143
<b>TOTAL</b>	<b>3,588</b>	<b>253</b>	<b>3,335</b>	<b>3,613</b>

Non-current financial assets	Opening balance	Increase	Decrease	Reclassifications	Changes in scope	Translation adjustments	Closing balance
Equity investments in non-consolidated companies	490	26	-	-	-56	-	460
Deposits and sureties	3,237	647	907	-	-4	9	2,982
Other non-current receivables	143	15,449	16,096	-	624	26	146
<b>Total at 03/31/11</b>	<b>3,870</b>	<b>16,122</b>	<b>17,003</b>	<b>-</b>	<b>564</b>	<b>35</b>	<b>3,588</b>
<b>Total at 03/31/10</b>	<b>3,546</b>	<b>16,564</b>	<b>16,472</b>	<b>-</b>	<b>102</b>	<b>129</b>	<b>3,870</b>

The change in other non-current receivables reflects purchases and sales of own shares held under the liquidity agreement.

Depreciation	Opening balance	Increase	Decrease	Reclassifications	Changes in scope	Translation adjustments	Closing balance
Equity investments in non-consolidated companies	257	-	-	-	-4	-	253
<b>Total at 03/31/11</b>	<b>257</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-4</b>	<b>-</b>	<b>253</b>
<b>Total at 03/31/10</b>	<b>193</b>	<b>-</b>	<b>4</b>	<b>68</b>	<b>-</b>	<b>-</b>	<b>257</b>

#### Note 6. Inventory and work in progress

Inventory	Opening balance	Changes in inventory	Changes in scope	Translation adjustments	Closing balance
Goods	56,827	-4,862	7	-774	51,198
<b>Total at 03/31/11</b>	<b>56,827</b>	<b>-4,862</b>	<b>7</b>	<b>-774</b>	<b>51,198</b>
<b>Total at 03/31/10</b>	<b>67,283</b>	<b>-12,057</b>	<b>-</b>	<b>1,601</b>	<b>56,827</b>

Provisions	Opening balance	Provisions/Reversals	Changes in scope	Translation adjustments	Closing balance
Goods	8,854	7,263	-	-137	15,980
<b>Total at 03/31/11</b>	<b>8,854</b>	<b>7,263</b>	<b>-</b>	<b>-137</b>	<b>15,980</b>
<b>Total at 03/31/10</b>	<b>4,989</b>	<b>3,760</b>	<b>-</b>	<b>105</b>	<b>8,854</b>

**Note 7. Trade receivables**

Trade receivables	Opening balance Gross	Movement	Changes in scope	Translation adjustments	Closing balance Gross
Trade receivables	71,020	-19,389	1,215	-1,473	51,373
<b>Total at 03/31/11</b>	<b>71,020</b>	<b>-19,389</b>	<b>1,215</b>	<b>-1,473</b>	<b>51,373</b>
<b>Total at 03/31/10</b>	<b>70,940</b>	<b>-2,440</b>	<b>669</b>	<b>1,851</b>	<b>71,020</b>

Provisions	Opening balance	Provisions	reversals	Changes in scope	Translation adjustments	Closing balance
Trade receivables	2,272	1,630	1,791	1	-2	2,110
<b>Total at 03/31/11</b>	<b>2,272</b>	<b>1,630</b>	<b>1,791</b>	<b>1</b>	<b>-2</b>	<b>2,110</b>
<b>Total at 03/31/10</b>	<b>1,406</b>	<b>2,021</b>	<b>1,344</b>	<b>149</b>	<b>40</b>	<b>2,272</b>

Trade receivables are due in under a year.  
The analysis of credit risk appears in note 16.

**Note 8. Other receivables**

Other receivables	Gross	03/31/11 Impairment	Net	03/31/10 Net
Advances and prepayments received	2,985	-	2,985	2,471
VAT	29,037	-	29,037	33,843
Grants receivable *	16,126	-	16,126	42,861
Other tax and employee-related receivables	1,792	-	1,792	1,158
Other	1,204	-	1,204	173
Prepaid expenses	8,334	-	8,334	8,653
<b>TOTAL</b>	<b>59,478</b>	<b>-</b>	<b>59,478</b>	<b>89,159</b>

\* The significant decrease in the subsidy position is due to the factoring agreement relating to Multimedia Credit shares in Canada for €31 million.

All other receivables are due in under a year.

**Note 9. Current financial assets**

Current financial assets	Gross	03/31/11 Impairment	Net	03/31/10 Net
Foreign exchange derivatives (1)	-	-	-	785
Gameloft shares (2)	29,112	-	29,112	32,486
<b>TOTAL</b>	<b>29,112</b>	<b>-</b>	<b>29,112</b>	<b>33,271</b>

**(1) Foreign exchange derivatives:**

	03/31/11	03/31/10	Change
Foreign exchange derivatives eligible for hedge accounting	-	-	-
Other foreign exchange derivatives	-	785	-785
<b>Foreign exchange derivatives</b>	<b>-</b>	<b>785</b>	<b>-785</b>

Foreign exchange derivatives whose market value at the year-end is positive are reported at fair value (level 2, IFRS 7 hierarchy), (cf. analysis in note 16).

(2) Fair value of Gameloft shares:

The change in fair value due to the sale of 2.8 million shares during the year, generating a decrease in value of €9,953 thousand and due to the revaluation at the closing date of the shares not sold at the market price, i.e. € 6,568 thousand.

At March 31<sup>st</sup>, 2011, 6,314,983 Gameloft shares are valued at €4.61, i.e. a balance-sheet valuation of €29,112 thousand.

**Note 10. Cash and cash equivalents**

	03/31/11	03/31/10
Cash and bank balances	189,182	163,525
Investments of under 3 months	4,172	21,791
Including UCITS*	-	-
SICAV*	4,172	21,182
Term certificates of deposit	-	609
<b>TOTAL</b>	<b>193,354</b>	<b>185,316</b>

Measured at fair value (level 1, IFRS 7 hierarchy)

The change in net cash breaks down as follows:

	03/31/11	03/31/10
Cash and cash equivalents	193,354	185,316
Bank overdrafts and short-term loans	-71,319	-120,339
<b>Cash and cash equivalents on the cash flow statement *</b>	<b>122,035</b>	<b>64,977</b>

\* see § 1.5

**Note 11. Equity****Capital**

As at March 31<sup>st</sup>, 2011, the capital of Ubisoft Entertainment SA is €7,319,603.29, divided into 94,727,890 shares with a nominal value of €0.0775.

Each share gives rights to ownership of the corporate assets and the liquidation dividend equal to the proportion of the share capital that it represents.

Voting rights double those conferred on other shares, based on the proportion of the share capital they represent, are granted to all fully paid-up shares that are shown to have been registered in the name of the same shareholder for at least two years.

In the event of a share capital increase via the capitalization of reserves, earnings or issue premiums, this right is also conferred at the date of issue on registered shares granted free of charge to a shareholder on the basis of old shares that enjoyed this right.

*Number of Ubisoft Entertainment SA shares:*

<b>As at 04/01/10</b>	<b>94,446,494</b>
Option exercises	176,234
Group employee savings plan	105,162
<b>As at 03/31/11</b>	<b>94,727,890</b>

The maximum number of shares to be created is 15,590,840:

- 14,473,220 through the exercising of stock options,
- 1,117,620 through the granting of bonus shares.

Details are provided in note 14.



**Translation reserve**

The translation reserve includes all translation adjustments resulting from the translation of foreign subsidiaries in the financial statements since April 1<sup>st</sup>, 2004.

Translation differences in consolidated equity go from €-31 million to €-37 million. This change is due primarily to a decline in the US dollar between the closing rate on March 31<sup>st</sup>, 2010 (€1 = \$1.3479) and the closing rate on March 31<sup>st</sup>, 2011 (€1 = \$1.4207) or €-7.047 thousand.

**Hedging reserve**

The hedging reserve includes the effective part of the cumulative net change in the fair value of cash flow hedge instruments attributable to hedged transactions that have not yet materialized.

<b>As at 03/31/10</b>	<b>-181</b>
Gains/losses on cash flow hedging	
<i>Foreign-exchange hedges</i>	256
<i>Deferred tax</i>	-85
Reclassification under profit and loss	
<i>Foreign-exchange hedges</i>	15
<i>Deferred tax</i>	-5
<b>As at 03/31/11</b>	<b>-</b>

The portion reclassified under profit and loss is booked under current operating income.

**Fair value reserve**

The fair value reserve includes the cumulative net change of the cumulative deferred tax impact in the fair value of financial assets until these have been derecognized or impaired.

**Own shares**

Occasionally, the Group buys its own shares on the market. The timing of these purchases depends on the share price.

As at March 31<sup>st</sup>, 2011, the Company held 143,295 of its own shares. These are measured at the average quoted price of €7.82 and are recognized as a deduction from equity for a total of €1,120 thousand (a reduction of €213 thousand compared with March 31<sup>st</sup>, 2010, essentially due to the drop in the share price).

**Dividends**

At March 31<sup>st</sup>, 2011, no dividend has been paid in respect of 2009/2010 earnings.

**Note 12. Provisions**

	Opening balance	Provisions	Reversals (used provision)	Reversals (unused provision)	Changes in scope	Translation adjustments	Closing balance
Provision for tax risk	2,192	-	-	-	-	-16	2,176
Other provisions for risks	23	109	13	-	-	-	119
<b>Total at 03/31/11</b>	<b>2,215</b>	<b>109</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-16</b>	<b>2,295</b>
<b>Total at 03/31/10</b>	<b>1,984</b>	<b>13</b>	<b>176</b>	<b>-</b>	<b>-</b>	<b>394</b>	<b>2,215</b>

As part of tax assessment at Ubisoft Divertissements Inc., (Canada) from 1999 to 2003, and from 2004 to 2008, a bilateral transfer price agreement has been initiated with the tax authorities. Pending the final agreement, the provision of CAD 3 million is maintained unchanged.

*Contingent liabilities*

A tax audit is underway at Ubisoft Canada Inc. for the period from April 1, 2003 to March 31, 2008. No proposed adjustment has been received to date. Consequently, no provision has been made in the accounts.

A tax audit is underway at Ubisoft Holdings Inc. for the financial year 2008/2009. No proposed adjustment has been received to date. Consequently, no provision has been made in the accounts.

**Note 13. Employee benefit liabilities**

	Opening balance	Provisions	Reversals	Translation adjustments	Changes in scope	Closing balance
Provisions for post-employment benefits	1,710	5	519	-	-	1,196
<b>Total at 03/31/11</b>	<b>1,710</b>	<b>5</b>	<b>519</b>	<b>-</b>	<b>-</b>	<b>1,196</b>
<b>Total at 03/31/10</b>	<b>1,641</b>	<b>89</b>	<b>24</b>	<b>4</b>	<b>-</b>	<b>1,710</b>

*Assumptions*

	Japan		Italy		France	
	03/31/11	03.31.10	03/31/11	03.31.10	03/31/11	03.31.10
Wage growth	1.50 to 5%	1.50%	1.50 to 2%	1.50%	1.50 to 3%	1.50 to 3%
Discount rate	4.45%	5.00%	4.45%	5.00%	4.45%	5.00%
Average remaining working life	25.6 years	26 years	24 years	26 years	34.4 years	28.4 years

Death rate assumptions are based on published statistics and tables.

The definition and the principles for measurement and recognition of these benefit liabilities are presented in § 1.6.5.3 Consolidation principles – Employee benefits.

A 25-point change in the discount rate would result in a change of 6% in the amount of the benefit liability.

**Note 14. Payments based on equity instruments**

Impact on the financial statements:

<b>Equity as at 03/31/10</b>	<b>55,403</b>
<b>Employee benefits expense</b>	<b>5,041</b>
<i>Stock options</i>	4,155
<i>Bonus share grants</i>	551
<i>Group employee savings plan</i>	335
<b>Equity instruments capitalized</b>	<b>8,235</b>
<b>Equity as at 03/31/11</b>	<b>68,679</b>

The impact of these share-based payments on reserves corresponds to all equity instruments issued by Ubisoft as at March 31, 2011 and can be seen in the statement of changes in equity presented in §1.4.

**Stock options**

The fair value of instruments unsettled through share issues is estimated and set at the grant date. The expense is recognized over a four-year vesting period but is not straight-line given the vesting terms. IFRS 2 has been applied to instruments issued after November 7, 2002 for which the rights had not been acquired as at December 31, 2004 (of the following plans, only the seventh has not been restated in accordance with IFRS 2):

	7 <sup>th</sup> plan	11 <sup>th</sup> plan	12 <sup>th</sup> plan		13 <sup>th</sup> plan		14 <sup>th</sup> plan	
Total number of shares granted <sup>(1)</sup>	1,556,260	1,552,600	1,485,000		2,711,784		3,154,800	
Start of exercise period	01/19/05	10/14/05	11/17/05	11/17/05	02/23/07		04/26/08	
<b>End of exercise period</b>	08/15/12	10/13/14	11/16/14	11/16/14	02/22/13 <sup>(2)</sup>		04/25/12	
Strike price of options <sup>(1)</sup>	€3.21	€3.88	€3.68 France	€3.87 Italy	€7.91		€17.65	
Maturity (years)	10	10	10		5		5	
Volatility	N/A	30%	30%		30%		30%	
Risk-free interest rate	N/A	4%	3.9%		2.99%		4.03%	
Estimated dividend rate	N/A	0%	0%		0%		0%	
Annual turnover rate	N/A	3%	3%		3%		5%	
Fair value of options after stock split <sup>(1)</sup> (€/share)	N/A	1.47 €	1.59 € France	1.53 € Italy	2.27 € France	1.70 € (world)	5.71€ France	4.28€ (world)
Options as at April 1, 2010 <sup>(1)</sup>	28,250	348,475	771,899		1,866,057		2,701,972	
Options granted during the period	-	-	-		-		-	
Options exercised during the period	-	18,874	53,490		103,870		-	
Options cancelled during the period	-	1,712	3,200		39,504		126,954	
Options outstanding as at 03/31/11	28,250	327,889	715,209		1,722,683		2,575,018	

	15 <sup>th</sup> plan		16 <sup>th</sup> plan	17 <sup>th</sup> plan	18 <sup>th</sup> plan		19 <sup>th</sup> plan	
Total number of shares granted <sup>(1)</sup>	24,072		1,804,100	1,362,500	100,160		3,073,400	
Start of exercise period	06/22/08		06/13/09	06/27/09	09/15/09	09/15/09	05/12/10	05/12/10
<b>End of exercise period</b>	06/21/12		06/12/13	06/26/13	09/14/13	09/14/13	05/11/14	05/11/14
Strike price of options <sup>(1)</sup>	€18.77		€27.75	€27.66	€29.30 France	€28.13 (world)	€14.92 France	€14.40 (world)
Maturity (years)	5		5	5	5	5	5	5
Volatility	30%		30%	30%	30%	30 %	30 %	30%
Risk-free interest rate	4.41%		4.38%	4.38%	4.23%	4.23 %	2.42 %	2.42%
Estimated dividend rate	0%		0%	0%	0%	0 %	0 %	0%
Annual turnover rate	5%		5%	5%	5%	5 %	5 %	5%
Fair value of options after stock split <sup>(1)</sup> (€/share)	€5.92 France	€4.37 (world)	€6.69	€8.00	€8.54 France	€6.77 (world)	€3.54 France	€2.68 (world)
Options as at April 1, 2010 <sup>(1)</sup>	19,774		1,681,100	1,332,100	97,260		3,040,900	
Options granted during the period	-		-	-	-		-	
Options exercised during the period	-		-	-	-		-	
Options cancelled during the period	876		133,000	40,700	4,900		147,450	
Options outstanding as at 03/31/11	18,898		1,548,100	1,291,400	92,360		2,893,450	

	20 <sup>th</sup> plan		21 <sup>st</sup> plan	22 <sup>nd</sup> plan	23 <sup>rd</sup> plan		TOTAL
Total number of shares granted <sup>(1)</sup>	119,755		4,500	119,000	3,088,758		
Start of exercise period	06/18/10		12/15/10	04/29/11	06/30/11		
End of exercise period	06/17/14		12/14/14	04/28/15	06/29/15		
Strike price of options <sup>(1)</sup>	€15.60 France	€16.90 (world)	€10.04	€10.02	€7.10 France	€6.386 (world)	
Maturity (years)	5	5	5	5	5		
Volatility	30 %	30 %	30 %	30 %	30 %		
Risk-free interest rate	2.61 %	2.61 %	2.23 %	2.01 %	1.54 %		
Estimated dividend rate	0 %	0 %	0 %	0 %	0 %		
Annual turnover rate	5 %	5 %	5 %	0 %	5 %		
Fair value of options after stock split <sup>(1)</sup> (€/share)	€5.22 France	€3.37 (world)	€2.64	€2.46	€1.29 France	€1.13 (world)	
Options as at April 1, 2010 <sup>(1)</sup>	111,605		4,500	-	-		12,003,892
Options granted during the period	-		-	119,000	3,088,758		3,207,758
Options exercised during the period	-		-	-	-		176,234
Options cancelled during the period	4,400		-	-	59,500		562,196
Options outstanding as at 03/31/11	107,205		4,500	119,000	3,029,258		14,473,220

<sup>(1)</sup> Following the two-for-one stock split on December 11, 2006 and November 14, 2008

<sup>(2)</sup> Extensions of two years following decision of the Board of Directors of January 10, 2011

The extension of 13th plan has been decided by the Board of Directors after the acquisition period. Consequently the marginal fair value of the modifies options has been entirely expensed on the fiscal year for €1,375 thousand. This marginal fair value has been estimated using the binomial model.

The average price of options exercised during the period was €6.19.

### **Bonus share grants**

Bonus share grants, which are subject to performance conditions, are locked in for a two- to four-year period following the grant date. As the shares granted are ordinary shares in the same category as the old shares that comprise the company's equity, employee-shareholders receive dividends and voting rights on all of their shares at the end of the vesting period.

The employee benefit expense corresponds to the value of instruments received by the beneficiary, which is equal to the value of shares being received, with the discounted value of dividends expected over the vesting period being zero.

	03/31/11			03/31/10			03/31/09		03/31/08		TOTAL
Grant date	11/15/10 <sup>(1)</sup>	06/30/10 <sup>(1)</sup>	06/30/10 <sup>(1)</sup>	12/15/09 <sup>(1)</sup>	11/17/09 <sup>(1)</sup>	04/09/09 <sup>(1)</sup>	09/15/08 <sup>(1)</sup>	06/13/08 <sup>(1)</sup>	03/17/08 <sup>(1)</sup>	10/02/07 <sup>(1)</sup>	
Maturity - Vesting period (in years)	4 years	4 years	2 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	
Fair value of the instrument in € per share	9.65	6.19	6.19	€9.92	€11.21	€15.35	28.80	28.44	25.65	23.86	
Annual turnover	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	
Percentage of operating targets reached	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Number of instruments as at 04/01/10	-	-	-	355,000	15,000	44,000	80,580	30,600	122,000	209,500	856,680
Number of options granted during the year	215,000	160,500	12,520	-	-	-	-	-	-	-	388,020
Number of options granted during the year	2,000	8,500	-	55,000	-	-	12,580	2,000	6,000	41,000	127,080
Instruments outstanding as at 03/31/11	213,000	152,000	12,520	300,000	15,000	44,000	68,000	28,600	116,000	168,500	1,117,620

<sup>(1)</sup> Locked in for a two-year period for French beneficiary

### **Group employee savings plan**

Ubisoft also offers group employee savings plans, which allow workers to acquire Ubisoft shares as part of reserved capital increases. Workers acquire these shares with a maximum discount of 15% versus the average opening price over the 20 trading days prior to the Board of Directors' meeting that approved the capital increase.

The difference between the subscription price of shares and the share price on the issue date (the same as the plan's announcement date) constitutes a benefit awarded to employees. This expense is estimated and frozen on the issue date and booked immediately as a remuneration of past service.

The lock-in period is 5 years for French employees.

	03/31/11	03/31/10	
Issue date	12/07/10	06/18/09	04/09/09
Subscription price (in euros)	6.46	14.37	11.57
<i>Data at date of announcement to employees:</i>			
Share price (in euros)	9.65	15.62	15.87
Number of shares subscribed to	105.162	74.476	187.711
<b>Fair value of the benefit in € per share</b>	<b>3.19</b>	<b>1.25</b>	<b>4.3</b>

## Note 15. Current and non-current financial liabilities

	03/31/11	03/31/10
Bank borrowings	1,202	21,747
Borrowings resulting from the restatement of finance leases	693	801
<b>Long-term borrowings</b>	<b>1,895</b>	<b>22,548</b>
Bank borrowings	20,760	924
Bank overdrafts and short-term loans	70,778	120,224
Accrued interest	542	116
Borrowings resulting from the restatement of finance leases	183	172
Foreign exchange derivatives	469	348
<b>Short-term borrowings</b>	<b>92,732</b>	<b>121,784</b>
<b>TOTAL</b>	<b>94,627</b>	<b>144,332</b>
Fixed-rate debt	1,964	1,321
Variable-rate debt	91,321	140,340
Non interest-bearing debts	1,342	2,671

Measured at fair value (level 2, IFRS 7 hierarchy)

## Note 16. Information on the management of financial risks

In the course of its business, the Group may be exposed to varying degrees of interest-rate, foreign-exchange, financing, liquidity, counterparty and credit risks. The Group has put in place a policy for managing these risks, which is described below for each of the risks.

### Interest-rate risk

Interest-rate risk is mainly incurred through the Group's interest-bearing debt. It is essentially euro-denominated and centrally managed. Interest-rate risk management is primarily designed to minimize the cost of the Group's borrowings and reduced exposure to this risk. For this purpose, the Group uses primarily fixed-rate loans for its long-term financing needs and variable-rate loans to finance specific needs related to increases in working capital during particularly busy periods.

At March 31, 2011, the Group's debt included a variable-rate loan and bank overdrafts which, given the Group's positive cash position, are used essentially to finance the high year-end working capital requirement entailed in the highly seasonal nature of the business.

### Analysis of variable-rate net debt's sensitivity to interest-rate risk

The Group's exposure to a change in interest rates on net debt is presented in the following table:

Debts	Type of rate	Rate	Nominal	Interest p.a.	Change of 1%	Difference
Bank borrowing (UK)	Variable	1.417%	20,000	283	483	200
Net cash from bank overdrafts	Variable	1.11%	-118,404	-1,309	-2,493	-1,184
Investment securities	Variable	0.90%	-4,172	-38	-79	-41
<b>TOTAL</b>			<b>-102,576 *</b>	<b>-1,064</b>	<b>-2,089</b>	<b>-1,025</b>

(\*) Excluding accrued interest and finance lease borrowing

### LIQUIDITY RISK

The Group's liquidity risk is mostly on the maturing of the €20 million debt on which interest is paid and on bank overdrafts for €71 million.

As at March 31, 2011, the Group has financial debt of €94 million and net cash (including liquid assets and short-term investment securities) of €99 million.

	03/31/11	03/31/10
Financial liabilities excluding derivatives	-94,157	-143,984
Cash	189,182	163,525
Net investment securities	4,172	21,791
<b>Net cash</b>	<b>99,197</b>	<b>41,332</b>

Financial debt at March 31, 2011 consists of loans for €20 million and of bank overdrafts for €71 million.

The debt maturities of the Group are described in the note 1.6.9.4.

In order to finance temporary needs related to increases in working capital during especially busy periods, the Group has a €180 million syndicated loan, €100 million in bilateral credit facilities and €74.5 million in other bank credit facilities as at March 31, 2011.

The syndicated loan and the confirmed bank loans in place are governed by financial covenants that are based on the ratio of net debt to equity and that of net debt to Ebitda.

#### Covenants

Under the terms of the syndicated loan and bilateral credit lines, the Company is required to fulfill certain financial ratios (covenants).

The covenants are as follows:

	2010/2011	2009/2010
Net debt restated for assigned receivables/equity restated for goodwill <	0.80	0.80
Net debt restated for assigned receivables/Ebitda <	1.5	1.5

Furthermore, in 2006/2007, the Company contracted a €10 million credit line, which is subject to the same covenants but uses 0.9 for the net debt/equity ratio.

All covenants are calculated on the basis of the consolidated annual financial statements under IFRS.

As at March 31, 2011, the Company is in compliance with all these ratios and expects to remain so during the 2011/2012 financial year.

Other borrowings are not governed by covenants.

## Analysis of financial liabilities by maturity

	Carrying amount	03/31/11	Schedule			
		Total contractual cash flows*	< 1 year	1 to 2 years	3 to 5 years	> 5 years
<b>Current and non-current financial liabilities</b>						
Bank borrowings	21,962	21,962	20,760	1,202	-	-
Borrowings resulting from the restatement of finance leases	875	875	183	128	292	272
Trade payables	110,947	110,947	110,889	58	-	-
Other operating debts**	96,847	96,847	94,635	738	184	1,292
Current tax liabilities	7,005	7,005	6,992	13	-	-
Cash liabilities	71,320	71,320	71,320	-	-	-
<b>Derivative liabilities</b>						
Non-hedge derivatives	469	61,588	61,588			
<b>TOTAL</b>	<b>309,425</b>	<b>370,544</b>	<b>366,367</b>	<b>2,139</b>	<b>476</b>	<b>1,564</b>

\* Amounts are presented during the closing exchange, interest rate variable are calculated based on the closing rate. .

\*\* Others operating debts > 1 year are linked to the deferred payments of acquisitions

## FOREIGN-EXCHANGE RISK

The Group is exposed to foreign exchange risk on its operating cash flows and on its investments in foreign subsidiaries. The operating net revenue percentage exposures outside the euro currency area reach 77%.

The Group only hedges its exposures on operating cash flows in the main significant foreign currencies (US dollar, Canadian dollar, Pounds sterling and Australian dollar). Its strategy is to hedge only one year at a time, so the hedging horizon never exceeds 18 months.

The Group first uses natural hedges provided by transactions in the other direction (development costs in foreign currency offset by royalties from subsidiaries in the same currency). The parent company uses foreign currency borrowings, forward sales or foreign-exchange options to hedge any residual exposures and non-commercial transactions (such as inter-company loans in foreign currencies).

Derivatives for which documentation on the hedging relationship does not meet the requirements of IAS 39 are not referred to as hedging instruments in the accounts.

At March 31, 2011, only foreign exchange transactions denominated in US dollars, Pounds sterling and Australian dollars meet the cash flow hedging requirements under IAS 39.

Hedging commitments are made by the parent company's treasury department in France. No hedging is taken out at subsidiaries in France or abroad.

The fair value of foreign-exchange derivatives is confirmed by the banking counterparty. It is estimated on the basis of market conditions, using the market price the Group would have to pay to unwind its positions.

At closing, the fair value of foreign-exchange derivatives is as follows:

	03/31/11						03/31/10			
	USD	CAD	GBP	AUD	SEK	JPY	USD	CAD	GBP	SEK
Forward contract <sup>(1)</sup>							-467			
Swap				-118			15			
Net foreign exchange options <sup>(2)</sup>							298			
<b>Qualifying foreign-exchange hedging derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-118</b>	<b>-</b>	<b>-</b>	<b>-154</b>	<b>-</b>	<b>-</b>	<b>-</b>
Forward contract <sup>(1)</sup>	-153	-100	-37	-	-3	-59	143	-1	476	-28
Net foreign exchange options <sup>(2)</sup>										
<b>Non-hedge foreign-exchange derivatives</b>	<b>-153</b>	<b>-100</b>	<b>-37</b>	<b>-</b>	<b>-3</b>	<b>-59</b>	<b>143</b>	<b>-1</b>	<b>476</b>	<b>-28</b>

<sup>(1)</sup> Spot price, based on closing rates

<sup>(2)</sup> Nominal based on strike price



- The fair value of forward sales in USD recognized in the balance sheet as at March 31, 2010 was reclassified under operating income
- The amount of the ineffective portion is recognized in the financial result.

#### **Exposure to foreign exchange risk**

	USD	GBP	CAD	AUD
Net position before hedging	233,384	98,406	-149,763	35,851
Futures contracts	7,600	-	10,000	-7,108
Net position after hedging	240,984	98,406	-139,762	28,743

### **CREDIT AND COUNTERPARTY RISK**

#### **Exposure to credit risk**

Group credit risk reflects the possible financial loss in the event of the failure of a customer or counterparty to a financial instrument to meet its contractual obligations. This risk is mainly incurred on customer receivables and investment securities.

The Group's exposure to credit risk is mainly influenced by customer-specific factors. The statistical profile of customers, notably including the risk of bankruptcy for each sector of activity and country in which customers operate, has no real influence on credit risk.

Given the large number of customers in many different countries, and their presence in the mass retail sector, the Company believes the counterparty risk on trade accounts is limited.

Ubisoft's largest customer accounts for 12% of Group sales excluding tax, mainly spread across the North America Distribution zone. The top five account for 41% and the top 10 for 54%.

Moreover, in order to protect itself against the risk of arrears, the Group's main subsidiaries, which generate approximately 85% of Group sales, are all covered by credit insurance.

At the year-end, the maximum credit risk exposure, represented by the carrying amount of financial assets, excluding credit insurance, is as follows:

	Notes	Carrying amount	03/31/11 Provisions	Net carrying amount	03/31/10 Net carrying amount
Asset-held-for sale	9	29,112	-	29,112	32,486
Trade receivables	7	51,374	2,111	49,263	68,748
Other current trade receivables	8	59,477	-	59,477	89,159
Foreign exchange derivatives	9	-	-	-	785
Current tax assets		10,574	-	10,574	25,080
Cash and cash equivalents	10	193,354	-	193,354	185,316

#### **Exposure to counterparty risk**

All cash must remain highly liquid, and the risk to the capital investment must be as minimal as possible. Cash must therefore be invested in products that are very secure and have very low volatility. All instruments in which the Group invests meet the requirements of IFRS 7 for cash and cash-equivalent classification. For instance, some prudential rules must be respected for the Group's cash investments:

- never hold more than 5% of a fund's assets;
- never invest more than 20% of total cash in the same vehicle.

The Group diversifies its investments with top tier counterparties, using under three months' maturity money-market vehicles.

As at March 31, 2011, the Group's investments consisted of cash UCITS.

## SECURITIES RISK

### *Risk to the company's shares*

Own shares is held under a market-making and liquidity agreement signed with Exane BNP. These purchases are made under the terms of a market-making agreement that complies with all applicable regulations, and are designed to ensure the liquidity of purchases and sales of shares.

As at March 31, 2011, the Company held 143,295 of own shares with a value of €1,120 thousand. Own shares are deducted from equity at cost of sale.

### *Risk on other securities*

At March 31, 2011, financial assets included €29.1 million of shares in the listed company Gameloft. These are classified as assets held for sale as per IAS 39. The increase in the fair value of this asset compared with March 31, 2010 is recognized by increasing of the consolidated reserves by €6.6 million.

Information on the valuation of these shares is presented in note 9.

### Reconciliation by accounting class and category

	Notes	Hierarchy IFRS 7	03/31/11 Carrying amount	Fair value	03/31/10 Carrying amount	Fair value
<b>Assets recognized at fair value</b>						
Foreign exchange derivatives	9	2		-		785
Gameloft shares	9	1		2,112		32,486
Equity investments in non-consolidated companies	5	2		208		233
<b>Assets recognized at amortized cost</b>						
Trade receivables	7		49,263		68,748	
Other trade receivables	8		59,478		89,159	
Current tax assets			10,574		25,080	
Deposits and sureties	5		2,982		3,237	
Other non-current receivables	5		146		143	
Cash and cash equivalents	10		193,354		185,316	
<b>Liabilities recognized at fair value</b>						
Foreign exchange derivatives	15	2		-469		-348
<b>Liabilities recognized at amortized cost</b>						
Borrowings	15		-94,157		-143,984	
Trade payables	17		-110,947		-144,499	
Other operating debts	18		-96,847		-93,617	
Current tax liabilities			-7,005		-3,352	

**Note 17. Trade payables**

Trade payables	As at 03.31.10 Gross	Cash flows from operating activities	Reclassifications	Changes in scope	Translation adjustments	At 03/31/11 Gross
Trade payables	142,899	-32,969	-	308	-1,071	109,167
Amounts due to suppliers of non-current assets	1,600	180	-	-	-	1,780
<b>Total at 03/31/11</b>	<b>144,499</b>	<b>-32,789</b>	<b>-</b>	<b>308</b>	<b>-1,071</b>	<b>110,947</b>
<b>Total at 03/31/10</b>	<b>136,664</b>	<b>5,630</b>	<b>-</b>	<b>95</b>	<b>2,110</b>	<b>144,499</b>

Trade payables include commitments made under license agreements for the amount specified in the agreement including the portion not yet paid.

As at March 31, 2011, these unpaid commitments amounted to €30,883 thousand. They were €59,114 thousand the previous year.

As these debts are short-term and do not bear interest, a change in interest rates does not represent a significant interest-rate risk.

**Note 18. Other liabilities**

	03/31/11	03/31/10
Advances and prepayments received	26	19
Employee-related liabilities	59,276	48,717
Other tax liabilities	23,070	31,378
Other liabilities <sup>(1)</sup>	10,870	8,143
Deferred income	3,604	5,359
<b>TOTAL</b>	<b>96,846</b>	<b>93,616</b>

<sup>(1)</sup> Other liabilities relate to €3.8 million for the acquisition of the company Nadeo, €1.4 million for the acquisition of Hybride and €2.1 million for the acquisition of Quazal

## 1.6.8 NOTES TO THE INCOME STATEMENT

### Note 19. Sales

	03/31/11	03/31/10
Sales of goods	993,232	838,117
Licenses	27,168	19,510
Services	18,426	13,327
<b>TOTAL</b>	<b>1,038,826</b>	<b>870,954</b>

At current exchange rates, sales rise by 19.29%; at constant exchange rates, there is an increase of 12.86%.

### Note 20. Operating expenses by destination

The increase of €58.2 million in research and development costs, which represent 35.6% of sales (€369.6 million), compared with 35.8% in 2009/10 (€311.4 million), is mainly due to depreciations and to greater royalties on licenses thanks to our successful dance titles.

The increase in SG&A in value (€285.8 million against €273.0 million) and a drop in percentage of sales to 27.5%, compared to 31.3% in 2009/10 due to good cost control:

- Variable marketing expenses amounted to 15.4% of sales (€160 million), compared with 16.5% of sales (€156.9 million) in 2009/10,
- Structural costs which represent 12.1% of sales (€125.8 million), compared with 14.9% (€129.4 million) in 2009/10.

### Note 21. Operating expenses by type

#### Payroll expenses

	03/31/11	03/31/10
Salaries and payroll taxes	356,907	308,158
Wage subsidies	-54,585	-52,944
Share-based payments <sup>(1)</sup>	13,276	18,455
Portion of share-based payments capitalized	-8,235	-8,377
<b>TOTAL</b>	<b>307,363</b>	<b>265,292</b>

<sup>(1)</sup> See breakdown in note 14.

In 2010-2011, €8.2 million in stock-based compensation is capitalized on which €7.5 million is amortized for the year.

The Group has total expenses of €8,656 thousand on its defined contribution plans.

Grants break down as follows:

Canada:

- Crédit Multimédia, €35,160 thousand: this grant accounts for 37.5% of wages on production activities,
- €5,015 thousand in Research and Development tax credit, representing 50% of R&D costs;
- €298 thousand for a portion of training costs,
- €4,767 thousand in other assorted grants.

France:

- €3,497 thousand in research tax credits;
- €1,976 thousand in video game tax credits;

Amounts corresponding to research and video game tax credits are now booked in operating income.

Singapore:

- Economic Development Board tax credit for €2,955 thousand

Other countries: €918 thousand.

Certain grants are contingent upon the generation of taxable income.

### Amortization and provisions

	03/31/11				
	TOTAL	Cost of sales	R&D costs	Marketing costs	Administrative and IT costs
Amortization and depreciation of intangible assets*	398,969	25	392,006	206	6,732
<i>Released commercial software</i>	305,480	-	305,480	-	-
<i>External developments</i>	63,940	-	63,940	-	-
<i>Commercial software and external developments in progress</i>	21,000	-	21,000	-	-
<i>Office software</i>	8,515	25	1,560	204	6,726
<i>Other</i>	34	-	26	2	6
Amortization and depreciation of property, plant and equipment	12,475	116	9,748	770	1,841
<i>Buildings</i>	129	1	96	9	23
<i>Fixtures and fittings</i>	2,536	28	1,878	186	444
<i>Computer hardware and furniture</i>	7,737	86	5,729	567	1,355
<i>Development kits</i>	1,966	-	1,966	-	-
<i>Transport equipment</i>	107	1	79	8	19
<b>TOTAL Amortization 03/31/11</b>	<b>411,444</b>	<b>141</b>	<b>401,754</b>	<b>976</b>	<b>8,573</b>
<b>TOTAL Amortization 03/31/10</b>	<b>306,478</b>	<b>159</b>	<b>302,460</b>	<b>1,193</b>	<b>2,675</b>

\* amortizations and depreciations related to the reorganization of the studios are reclassified in other operating expenses for €82,245 thousand.

	03/31/11				
	TOTAL	Cost of sales	R&D costs	Marketing costs	Administrative and IT costs
Provisions for trade receivables	-161	-	-	-133	-28
Provisions for risks and charges	96	1	71	7	17
Provisions for post-employment liabilities	-514	-6	-380	-38	-90
<b>TOTAL Amortization and provisions 31.03.11</b>	<b>-579</b>	<b>-5</b>	<b>-309</b>	<b>-164</b>	<b>-101</b>
<b>TOTAL Amortization and provisions 31.03.10</b>	<b>579</b>	<b>-</b>	<b>-</b>	<b>561</b>	<b>18</b>

### Note 22. Other non-current operating expenses and income

	03/31/11	03/31/10
Profit on disposal of fixed assets	-364	-141
Other operating income	62	286
Other operating expenses	-97,074	-198
<b>TOTAL</b>	<b>-97,376</b>	<b>-53</b>

The Company adapts its structure in line with significant developments in the sector by reorganizing the roles and operations of its studios, resulting in certain projects being abandoned. This policy, and cessation of kiosk-sales of figurines in Spain and Italy, decided before the end of the year, led the

company to spend €97million of reorganization expenses including €34.9 million over the second half-year. The total amount is split between €86.8 million in R&D, including €82.2 million for the termination of some commercial software, €9.5 million for cessation of merchandising activity in which €8.1 million are for the depreciation of inventory and €0.7 million in other expenses. These non-recurring expenses has a limited impact in terms of cash flow.

### Note 23. Net financial income

	03/31/11	03/31/10
Income from cash	1,458	1,426
Interest on borrowings**	-6,546	-1,972
<b>Cost of net financial debt</b>	<b>-5,088</b>	<b>-546</b>
Foreign-exchange gains	27,268	39,190
Foreign-exchange losses	-31,578	-33,944
<b>Result from foreign-exchange operations*</b>	<b>-4,310</b>	<b>5,246</b>
Net income on the disposal of financial assets	-	-54
Other financial income	65	86
Disposal of the equity swap on Gameloft shares	5,999	110
<b>Financial income</b>	<b>6,064</b>	<b>142</b>
Fair value adjustment of financial assets	-	-
Other financial expenses	-345	-92
<b>Financial expenses</b>	<b>-345</b>	<b>-92</b>
<b>TOTAL</b>	<b>-3,679</b>	<b>4,750</b>

\* The foreign-exchange income is mainly linked to changes in the Australian dollar (€-0.7 million), the Canadian dollar (€-0.5 million), the pound sterling (€-0.6 million) and the US dollar (€-2.2 million).

\*\* Sell-off on tax credit sales to Natixis generated an expense of € 3.6 million

### Note 24. Share in profit of associates

The share of profit of associates is attributable to the Related Designs Software GmbH associate.

### Note 25. Income tax and deferred taxes

#### Analysis of tax liabilities (savings):

	03/31/11	03/31/10
Current tax	12,599	-11,588
Deferred tax	19,446	35,212
<b>TOTAL</b>	<b>32,045</b>	<b>23,624</b>

Taxes were calculated for French companies based on the rate prevailing on March 31, 2011, which was 33.33%.

There are three tax consolidation groups:

- In France, the tax group includes all French companies, with the exception of those created during the financial year. On March 31, 2011, the group's tax loss carry forwards totaled €344,869 thousand, including €241,393 thousand in accelerated tax depreciation related to the application of Article 236 of the French General Tax Code (CGI) and €76,968 thousand in

carry-back reimbursement.

- In the US, the tax group includes three companies: Ubisoft Holdings Inc., Red Storm Entertainment Inc. and Ubisoft Inc. As at March 31, 2011, the tax group generated tax expense of €6,996 thousand.
- In the UK, the group includes two companies: Ubisoft Limited and Ubisoft Entertainment Limited. As at March 31, 2011, the tax group generated tax expense of €350 thousand.

**Reconciliation between the theoretical tax liability and the recognized tax liability:**

	03/31/11
Consolidated income excluding goodwill, tax, profit from associates, and excluding income from discontinued activities	-82,812
Theoretical tax (33.33%)	-27,604
Payments of tax deferred from previous years:	
<i>Impact of supplementary tax</i>	301
<i>Impact of changes in the rate on the tax basis</i>	-657
<i>Impact of previously unrecognized tax loss carry forwards</i>	-1,503
Impact of permanent differences between corporate income and consolidated earnings:	
<i>Payroll top-up under IFRS 2</i>	4,295
<i>Cancellation of provisions for impairment of goodwill</i>	-245
<i>Cancellation of studio margin</i>	-1,023
<i>Other permanent differences</i>	-493
Impact of permanent differences between corporate income and taxable income:	-3,033
Taxation of foreign companies at different tax rates	215
Other adjustments	
<i>Other local taxes</i>	348
<i>Tax credit</i>	-2,646
<b>Total income tax</b>	<b>-32,045</b>
<b>Real tax rate</b>	<b>38.70%</b>

**Deferred tax****Breakdown by nature of tax on the balance sheet and income statement:**

	03/31/10	Change in income	Other items of the comprehensive income	Carried over from business combinations	Other reclassifications	03/31/11
Intangible assets						
<i>Elimination of margin on intangible assets</i>	4,378	1,496				5,874
<i>Elimination of other internal profits</i>	-					-
Non-current financial assets	7,613		-4,519			3,094
Receivables ( <i>capitalized losses</i> ) <sup>(1)</sup>	33,154	13,914				47,068
Losses	1,077	9,328				10,405
Investments tax credits	32,077	4,586				36,663
Hedging derivatives	116	131	-90			157
Other						
<i>Temporary tax differences</i>	19,615	657	17	27	4,180	24,496
<i>Other consolidation adjustments</i>	1,008	1,343			-515	1,836
<b>Total deferred tax assets</b>	<b>65,884</b>	<b>17,541</b>	<b>-4,592</b>	<b>27</b>	<b>3,665</b>	<b>82,525</b>
Intangible assets						
<i>Brands</i>	-5,319	-780				-6,099
<i>Accelerated tax depreciation on software development expenses</i>	-3,689	3,689				-
Receivables ( <i>subsidies</i> )	-19,798	-2,109				-21,907
Derivatives ( <i>foreign-exchange hedges</i> )	-					-
Other	-4,116	1,105	-32	-12	71	-2,984
<b>Total deferred tax liabilities</b>	<b>-32,922</b>	<b>1,905</b>	<b>-32</b>	<b>-12</b>	<b>71</b>	<b>-30,990</b>
<b>TOTAL net deferred taxes</b>	<b>32,962</b>	<b>19,446</b>	<b>-4,624</b>	<b>15</b>	<b>3,737</b>	<b>51,535</b>

(1) Deferred tax liabilities on accelerated tax depreciations are reclassified in deduction of capitalized losses

**Deferred tax assets**

Expiry of deferred tax assets as at March 31, 2011:

- short-term: €17,405 thousand
- long-term: €65,121 thousand

Recoverable tax credit on future taxes are expendable over more than 10 years

Deferred income tax assets are recognized if their recovery is likely, particularly when taxable profit is expected during the period of validity of the deferred tax assets.

Because of a transfer price policy implemented by the Group, the distribution companies and companies fulfilling support functions systematically report operating profits; similarly, the studios invoice salaries with a margin that includes their overheads.



Taxes on capitalized/non-capitalized losses:

In thousands of euros	03/31/11			03/31/10		
	Capitalized losses	Non-capitalized losses	TOTAL	Capitalized losses	Non-capitalized losses	TOTAL
Tax group France <sup>(1)</sup>	8,712	804	9,516	57,289	377	57,666
Ubisoft divertissement Inc. (Canada)	-	-	-	204	-	204
Ubisoft Arts Numeriques Inc. (Canada)	-	-	-	574	-	574
Ubisoft Music Publishing	14	-	14	-	-	-
Quazal	27	-	27	-	-	-
Shanghai Ubi Computer Software Co., Ltd	-	-	-	97	-	97
Ubisoft Nordic A/S	47	-	47	-	-	-
Ubisoft Motion Pictures	73	-	73	-	-	-
Ubisoft Singapore Pte Ltd	11	-	11	-	-	-
Ubisoft Limited (Hong Kong)	19	-	19	-	-	-
Ubisoft SA (Spain)	-	-	-	104	-	104
Sunflowers GmbH	1,521	-	1,521	-	681	681
<b>TOTAL</b>	<b>10,424</b>	<b>804</b>	<b>11,228</b>	<b>58,269</b>	<b>1,058</b>	<b>59,326</b>

<sup>(1)</sup> French Group losses has been mobilized for the sell-off on tax credit for €25.6 million and deferred tax on accelerated tax depreciation has been reclassified under loss carry forwards.

The expiry of tax loss carry forwards breaks down as follows:

- from 5 to 20 years: €88 thousand
- no expiry: €11,140 thousand

### Deferred tax liabilities

The Canadian subsidiary benefits from multimedia credits. As these credits are taxable in the year in which they are used but are recognized on a fiscal year basis, the Company recognizes a future tax liability for this item.

Expiry of deferred tax liabilities:

- short-term: €17,018 thousand
- long-term: €13,972 thousand

As permitted under the provisions of Article 236 of the French General Tax Code, Ubisoft Entertainment SA opted to immediately expense software development costs where design started during the period. Provisions for the year amounted to €60.2 million for in-house software and the reversal of €-1.4 million for external software. In accordance with IAS 12, the cancellation of the accelerated tax depreciation generates a deferred tax liability which is deducted of the deferred tax asset on fiscal capitalized losses of the French tax group.

### Note 26. Earnings per share

Earnings from continuing operations at March 31, 2011	€-52,120 thousand
Weighted average number of shares in circulation:	94,454,380
Dilutive shares:	2,506,315
Weighted average number of shares after exercise of the rights on dilutive instruments:	96,960,694
Diluted earnings per share from continuing operations as at March 31, 2011 = €-0.54	

## 1.6.9 OTHER NOTES

### 1.6.9.1 INCOME STATEMENT BY NATURE

In thousands of euros	03/31/11	03/31/10
<b>Sales</b>	<b>1,038,681</b>	<b>870,954</b>
Capitalization of R&D costs	322,118	283,423
Other operating income	964	922
Cost of goods sold	-357,909	-353,707
Employee benefits expense	-307,363	-265,292
Taxes and duties	-5,098	-6,204
Other operating expenses	-344,529	-294,712
Depreciation and amortization	-329,199	-306,480
Provisions	579	-580
<b>Current Operating profit (loss)</b>	<b>18,244</b>	<b>-71,676</b>
<b>Operating profit (loss)</b>	<b>-80,486</b>	<b>-72,096</b>
<b>Net financial income (loss)</b>	<b>-3,679</b>	<b>4,749</b>
<b>Profit (loss) for the period</b>	<b>-52,120</b>	<b>-43,672</b>
Attributable to minority interests	-	-
<b>Profit/(loss) attributable to the Group</b>	<b>-52,120</b>	<b>-43,672</b>

### 1.6.9.2 SEGMENT REPORTING

In accordance with IFRS 8, the Group produces segment reports. The application of IFRS 8 has not altered the definition of segments compared with those used as at March 31, 2010.

The Group provides segment reports based on geographic sectors for distribution. The breakdown by geographic region is given for three segments, according to the distribution of the Group's assets:

- Distribution for EMEA region (corresponding to APAC zone)
- Distribution for North America region
- Parent company and rest of world (sales mainly relative to license contracts)

The Group's operating activities are organized and managed separately, according to the type of market.

	03/31/11				03/31/10			
	Parent company and rest of world	Distribution for EMEA region	Distribution for North America region	GROUP	Parent company and rest of world	Distribution for EMEA region	Distribution for North America region	GROUP
<b>Sales</b>	<b>12,397</b>	<b>480,982</b>	<b>545,447</b>	<b>1,038,826</b>	<b>24,151</b>	<b>480,789</b>	<b>366,014</b>	<b>870,954</b>
Cost of sales	-562	-200,735	-163,910	-365,207	-469	-227,050	-130,599	-358,118
<b>Gross margin</b>	<b>11,835</b>	<b>280,247</b>	<b>381,537</b>	<b>673,619</b>	<b>23,682</b>	<b>253,739</b>	<b>235,415</b>	<b>512,836</b>
R&D costs	-361,250	-979	-1,276	-363,505	-307,008	-1,948	-447	-309,403
Marketing costs	-8,744	-110,170	-93,954	-212,868	-7,832	-103,144	-85,139	-196,115
Administrative and IT costs	-27,661	-22,170	-18,050	-67,881	-29,274	-22,668	-14,952	-66,894
Intersegment *	382,411	-127,580	-254,831	-	253,344	-127,573	-125,772	-
<b>Current operating income before share-based payments</b>	<b>-3,409</b>	<b>19,348</b>	<b>13,426</b>	<b>29,365</b>	<b>-67,088</b>	<b>-1,594</b>	<b>9,105</b>	<b>-59,577</b>
Share-based payments **	-11,121	-	-	-11,121	-12,099	-	-	-12,099
<b>Operating profit (loss) from continuing operations</b>	<b>-14,530</b>	<b>19,348</b>	<b>13,426</b>	<b>18,244</b>	<b>-79,187</b>	<b>-1,594</b>	<b>9,105</b>	<b>-71,676</b>

\* Invoicing of products purchased on behalf of subsidiaries and re-invoiced at their purchase price. The parent company and Ubisoft EMEA SAS invoice subsidiaries for a contribution in the form of royalties that serve to support development costs (amortization of games, internal and external development, royalties, etc.) and headquarters costs.

\*\* Expenses linked to share-based payments are recognized by the parent company but relate to employees in all geographic regions

Other items in the income statement, particularly other operating income and expenses, financial income and expenses and taxes are not monitored segment by segment and are considered to relate to the Group as a whole and in a general way.

### 1.6.9.3 RELATED PARTY TRANSACTIONS

#### COMPENSATION OF MANAGERS OF THE COMPANY AND OF THE CONTROLLING AND/OR CONTROLLED COMPANIES

Senior management essentially comprises the corporate officers.

Messrs. Guillemot are remunerated for their positions as CEO and Executive Vice Presidents. This is fixed compensation and they do not have employment contracts.

The amount of the total gross compensation paid to executives during the year by the company, a company controlled by the company and the companies controlling those in which they perform their duties, according to IAS 24.16, was €842 thousand.

During the 2010/2011 financial year, members of the Board of Directors received €150 thousand in directors' fees.

No commitments have been made by the Company in favor of its corporate officers related to their termination or change in responsibilities.

There are no agreements to compensate Board members if they resign or are dismissed without real cause, or if their employment is terminated due to a public offering.

	03/31/11	03/31/10
Short-term benefits <sup>(1)</sup>	998	1,016
Post-employment benefits	N/A	N/A
Other long-term benefits	N/A	N/A
Compensation for termination of employment contract	N/A	N/A
Share-based payments <sup>(2)</sup>	524	707
<b>TOTAL</b>	<b>1,522</b>	<b>1,723</b>

N/A: not applicable

<sup>(1)</sup> Includes fixed compensation, benefits in kind and directors' fees recognized for the financial year

<sup>(2)</sup> This is the expense for the financial year for share-based payments calculated in accordance with IFRS2. No performance shares were granted to the directors holding corporate office

In accordance with Article L.225-43 of the French Commercial Code, no loans or advances were made to the Company's directors.

#### RELATED PARTY TRANSACTIONS

The main parent company/subsidiary relationships include:

- Production subsidiaries billing the parent company for development costs based on the progress of their projects,
- The parent company invoices distribution subsidiaries for a contribution to development costs.
- The parent company has signed cash agreements allowing centralized cash management of the major part of the subsidiaries' bank accounts.

Transaction with other significant related parties are

- Billings licenses to Gameloft SA for €1.thousand on the fiscal year. The receivable balance at the year-end is €1,142 thousand,
- Amounts paid under development contracts to AMA Studios SA and Longtail Studios Inc. for €4.546 thousand. The payable balance at the closing date is €20 thousand. The total asset on the balance sheet is €12,755 thousand at year-end.

Ubisoft Entertainment SA has acquired no own shares from related parties.

## 1.6.9.4 OFF-BALANCE SHEET COMMITMENTS

## COMMITMENTS RELATED TO COMPANY FINANCING

Type	Description	Expiry at	03/31/11	03/31/10
<b>Commitments given <sup>(1)</sup></b>			<b>60,244</b>	<b>61,479</b>
<u>Financial guarantees given by the parent company to:</u>				
Ubisoft Divertissement Inc.	Lease payment guarantee	01/31/13	638	643
Ubisoft Inc.	Guarantee of commercial commitments	End of commercial relationship	7,039	7,419
Ubisoft Ltd	Loan guarantee	12/29/11	20,000	20,000
Ubisoft Ltd	Lease payment guarantee	06/15/16	1,867	1,191
Ubisoft Ltd	Lease payment guarantee	06/15/16	795	1,191
Ubisoft SA	Lease payment guarantee	07/21/12	315	562
Ubisoft Entertainment Ltd	Lease payment guarantee	12/21/15	1,304	1,484
Ubisoft Productions France SARL	Lease payment guarantee	04/30/18	4,483	5,360
Ubisoft Entertainment Sweden AB	Lease payment guarantee	12/31/14	560	515
Red Storm Entertainment Inc.	Lease payment guarantee	04/30/19	4,450	5,044
Ubisoft Vancouver Inc.	Lease payment guarantee	08/01/11	89	614
Ubisoft Toronto Inc.	Lease payment guarantee	04/30/13	1,631	-
Ubisoft Inc.	Stand-by letter	09/01/12	7,039	7,419
Ubisoft EMEA SAS	Stand-by letter	09/30/11	10,000	10,000
<b>Commitments received <sup>(1)</sup></b>				
<u>Received and unused credit lines</u>				
Syndicated loans		05/18/13	180,000	180,000
Confirmed credit lines		11/20/11	10,000	10,000
Confirmed credit lines		02/12/12	20,000	20,000
Confirmed credit lines		05/17/13	50,000	
Confirmed credit lines		05/17/13	20,000	
Bank credit facilities			74,500	74,500
<u>Foreign exchange hedges</u>			<b>56,696</b>	<b>48,985</b>
Canadian dollar	Forward sale	September 2011	15,823	7,313
	Forward purchases	April 2011	7,312	-
US dollars	Forward sale		-	2,716
	Forward purchases	June 2011	19,597	6,360
Japanese yen	Forward purchases	April 2011	4,314	765
Pounds sterling	Forward sale		-	31,831
	Forward purchases	April 2011	9,091	-
Swedish krona	Forward purchases	April 2011	559	-

(1) Only commitments of over €500 thousand are described.

**LEASES:**

- Finance leases:

Initial value	Amortization	Net amount	Lease payments made	Remaining lease payments		Residual value
				- 1 year	+ 1 year	
1,448	286	1,162	195	252	603	-

The finance leases relate to one building, computer hardware and transport equipment.

- Operating leases:

These primarily include €18,704 thousand in property leases, none of which exceed 10 years.

**OTHER COMMITMENTS**

The Group has no other material off-balance sheet commitments.

**STAFF**

Permanent staff broke down as follows at March 31, 2011:

	03/31/11	03/31/10
North America	2,939	2,885
Europe and North Africa	2,515	2,630
Asia Pacific	877	887
<b>TOTAL</b>	<b>6,331</b>	<b>6,402</b>

The average headcount in 2010/2011 was 6,289.

The Group has no employee profit-sharing programs.

**EVENTS AFTER THE BALANCE SHEET DATE**

**April 2011:** subscription of a bilateral credit line for a period of 2 years and amounted of €25 million. Attributed to Canadian studio, Ubisoft Divertissements Inc., this line is secured by Ubisoft Entertainment SA and follows the same covenants as other lines.

**PROFESSIONAL FEES OF THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS**

(Document prepared in accordance with Article L. 222-8 of AMF internal regulations)

In thousands of euros	MB Audit Amount (excluding tax) 2010/2011	Audit AMLD 2009/2010	MB Audit % 2010/2011	Audit AMLD 2009/2010
<b>Audit</b>				
- Statutory audit, certification, review of the individual and consolidated financial statements				
◦ Issuer	105	128	100%	36%
◦ Fully consolidated subsidiaries	-	224	-	64%
- Other verifications and services directly related to the auditor's work				
◦ Issuer	-	-	-	-
◦ Fully consolidated subsidiaries	-	-	-	-
<b>Subtotal</b>	<b>105</b>	<b>352</b>	<b>100%</b>	<b>100%</b>
<b>Other services rendered by the networks of the fully consolidated subsidiaries</b>				
- Legal, tax, social	-	-	-	-
- Other (> 10% of audit fees)	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>105</b>	<b>352</b>	<b>100%</b>	<b>100%</b>

In thousands of euros	KPMG			
	Amount (excluding tax) 2010/2011	2009/2010	% 2010/2011	2009/2010
<b>Audit</b>				
- Statutory audit, certification, review of the individual and consolidated financial statements				
◦ Issuer	198	211	32%	34%
◦ Fully consolidated subsidiaries	426	411	68%	66%
- Other verifications and services directly related to the auditor's work				
◦ Issuer	-	-	-	-
◦ Fully consolidated subsidiaries	-	-	-	-
<b>Subtotal</b>	<b>624</b>	<b>622</b>	<b>100%</b>	<b>100%</b>
<b>Other services rendered by the networks of the fully consolidated subsidiaries</b>				
- Legal, tax, social	-	-	-	-
- Other (> 10% of audit fees)	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>624</b>	<b>622</b>	<b>100%</b>	<b>100%</b>

## 2 REPORT FOR THE CONSOLIDATED ACCOUNT STATEMENTS FOR THE FISCAL YEAR ENDING MARCH 31, 2011

*This is a free translation into English of the statutory Auditors' report on the consolidated account statements issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Dear Shareholders,

Pursuant to the assignment entrusted to us by your General Meeting, we hereby present our report for the fiscal year ended March 31, 2011 with regard to the following:

- the audit of consolidated financial statements of Ubisoft Entertainment S.A, as attached to this report;
- the basis for our assessment ;
- the specific verification required by law.

The consolidated financial statements were approved by the Board of Directors. It is our task to express an opinion on these financial statements on the basis of our audit.

### 1- Opinion regarding the consolidated financial statements

We have conducted our audit in accordance with accepted professional standards in France. These standards require due diligence in order to ascertain with reasonable certainty that the consolidated financial statements contain no material anomalies. An audit consists in verifying, on a test basis or by means of other methods of selection, elements to the amounts and information contained in the financial statements. It also involves assessing the accounting principles applied, the significant estimates reserves and the global presentation of the financial statements. It is our view that the elements that we collected are sufficient and adapted to base our opinion.

We hereby certify that, from the standpoint of IFRS standards as adopted in the European Union, the consolidated financial statements give a true and fair view of the assets, financial position and results of the group comprising the consolidated persons and entities.

Without contesting our opinion above, we draw your attention to the notes "Comparability of financial statements" and "Consolidation principles – Goodwill" to the consolidated financial statements which describe the change on accounting method referring to the use of the revised IFRS 3 standard.

### 2- Basis for assessment

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code regarding the basis for assessment, we call your attention to the following items:

#### **Changes in accounting methods**

As mentioned above, the notes "Comparability of financial statements" and "Consolidation principles – Goodwill" to the consolidated financial statements describe the change on accounting methods further the first application of the new revised IFRS 3 standard relating to business combination.

As part of our assessment of the accounting principles applied by your Group, we have examined the correct application of the new revised IFRS 3 standard and the information provided in the notes to the consolidated financial statements.

**Accounting estimates**

The Company carries out systematically, at the end of each fiscal year impairment tests on goodwill and on indefinite useful life assets and on other intangible assets if there is an indication of loss in value, according to the methods described in the explained note "Non-current-assets impairment tests". We have examined the procedures for conducting these impairment tests, as well as the cash flow forecasts and assumptions used, and verified that the note "Non-current-assets impairment tests" provide appropriate information.

Our assessments were made within the context of our audit of the consolidated financial statements as a whole, and therefore provided a basis for the opinion expressed in the first part of this report.

**3- Specific verification**

We have also carried out the specific verification required by law of the information provided in the Management report of the Group.

We have no comments regarding the accuracy of this information and its consistency with the consolidated financial statements.

By the statutory auditors

Nantes, June 6, 2011

KPMG Audit  
A division of KPMG S.A.

Franck Noël  
Partner

Rennes, June 6, 2011

MB Audit

Marc Dariel  
Partner



### 3 CORPORATE FINANCIAL STATEMENTS OF UBISOFT ENTERTAINMENT SA FOR THE YEAR ENDED MARCH 31, 2011

#### 3.1 UBISOFT ENTERTAINMENT SA BALANCE SHEET

ASSETS		03/31/11	03/31/11	03/31/11	03/31/10
In thousands of euros	Notes	Gross	Dep./amort.	Net	Net
Intangible assets	1	1,101,971	754,550	347,421	402,135
Property, plant and equipment	2	8,191	4,574	3,617	2,864
Non-current financial assets	3	300,107	2,227	297,880	299,301
<b>Non-current assets</b>		<b>1,410,269</b>	<b>761,351</b>	<b>648,918</b>	<b>704,300</b>
Advances and prepayments made	4	22,277	-	22,277	35,650
Trade receivables	5	53,708	-	53,708	77,429
Other receivables	6	67,597	-	67,597	128,841
Investment securities	9	4,171	-	4,171	21,182
Cash and cash equivalent	9	78,349	-	78,349	67,524
<b>Current assets</b>		<b>226,102</b>	<b>-</b>	<b>226,102</b>	<b>330,626</b>
Prepaid expenses and deferred charges	10	3,872	-	3,872	2,374
<b>Total Assets</b>		<b>1,640,243</b>	<b>761,351</b>	<b>878,892</b>	<b>1,037,300</b>

LIABILITIES		03/31/11	03/31/10
In thousands of euros	Notes		
Capital		7,341	7,320
Premiums		455,899	454,149
Reserves		84,764	84,764
Profit carried forward		-119,524	33,542
Earnings for the period		-152,117	-153,066
Regulated provisions		241,766	182,825
<b>Equity</b>	<b>14</b>	<b>518,129</b>	<b>609,534</b>
Provisions for risks and charges	13	874	147
Borrowings <sup>(1) (2)</sup>	15	58,478	108,633
Miscellaneous financial liabilities <sup>(3)</sup>	15	149,320	137,210
Trade payables		119,893	118,253
Tax and employee-related liabilities	7	2,309	7,983
Liabilities on non-current assets		3,220	2,383
Other liabilities	16	26,336	53,116
<b>Total liabilities</b>		<b>359,556</b>	<b>427,578</b>
Accrued expenses and deferred income	17	333	41
<b>Total liabilities and equity</b>		<b>878,892</b>	<b>1,037,300</b>

<sup>(1)</sup> including current portion of borrowings 58,478 108,633

<sup>(2)</sup> including current bank credit facilities and bank credit balances 58,478 108,633

<sup>(3)</sup> current accounts

### 3.2 UBISOFT ENTERTAINMENT SA INCOME STATEMENT

In thousands of euros	Notes	For the 12 months ended 03/31/11	For the 12 months ended 03/31/10
Production for the period	18	729,169	558,548
Other operating income and invoiced costs	19	208,550	126,181
<b>Total operating income</b>		<b>937,719</b>	<b>684,729</b>
Other purchases and external expenses	20	481,723	388,585
Taxes and duties		995	1,546
Employee benefits expenses		920	930
Other expenses	20	407	410
Depreciation, amortizations and provisions	21	570,603	395,475
<b>Total operating expenses</b>		<b>1,054,648</b>	<b>786,946</b>
<b>Operating profit (loss)</b>		<b>-116,929</b>	<b>-102,217</b>
Financial income from shareholdings		410	161
Income from other securities and receivables on non-current assets		-	25
Other interest received <sup>(1)</sup>		1,495	1,251
Reversal of provisions		720	9,284
Foreign exchange gains		19,742	38,925
Net proceeds on sale of investment securities		41	194
<b>Total financial income</b>		<b>22,408</b>	<b>49,840</b>
Provisions		2,642	1,558
Other interest paid <sup>(2)</sup>		6,815	1,933
Foreign exchange losses		24,028	28,309
<b>Total financial expenses</b>		<b>33,485</b>	<b>31,800</b>
<b>Net financial income</b>	22	<b>-11,077</b>	<b>18,040</b>
<b>Profit (loss) before tax from continuing operations</b>		<b>-128,006</b>	<b>-84,177</b>
<b>Non-recurring items</b>	23	<b>-54,550</b>	<b>-69,675</b>
<b>Profit (loss) before tax</b>		<b>-182,556</b>	<b>-153,852</b>
Income tax	24	-30,439	-786
<b>Profit (loss) for the period</b>		<b>-152,117</b>	<b>-153,066</b>
<sup>(1)</sup> including income relating to associated companies		1,464	1,240
<sup>(2)</sup> including expenses relating to associated companies		1,169	818

### 3.3 STATEMENT OF CHANGES IN EQUITY

In thousands of euros	Balance at 03/31/10	Allocation of 2009/2010 earnings	Capital increase: cash contribution	Earnings 2010/2011	Provision for regulated provisions	Reversal of regulated provisions	Balance at 03/31/11
Capital	7,320	-	21	-	-	-	7,341
Premiums	454,149	-	1,750	-	-	-	455,899
Legal reserve	728	-	-	-	-	-	728
Other reserves	84,036	-	-	-	-	-	84,036
Profit carried forward	33,542	-153,066	-	-	-	-	119,524
Earnings for the period	-153,066	153,066	-	-152,117	-	-	152,117
Regulated provisions	182,825	-	-	-	177,713	-118,772	241,766
<b>Total</b>	<b>609,534</b>	<b>-</b>	<b>1,771</b>	<b>-152,117</b>	<b>177,713</b>	<b>-118,772</b>	<b>518,129</b>

### 3.4 CASH FLOW STATEMENT

In thousands of euros	Notes	03/31/11	03/31/10
<b>Cash flows from operating activities</b>			
Earnings		-152,117	-153,066
Net depreciation and amortization of property, plant and equipment and intangible assets	19-21	379,288	282,197
Changes in provisions	22-23	60,862	62,001
(Gains) losses on disposal of non-current assets		-5,299	-152
<b>Net cash generated by operating activities</b>		<b>282,734</b>	<b>190,980</b>
Trade receivables	5	23,721	-12,194
Advances and prepayments made *		3,139	4,096
Other assets		59,538	-23,029
Trade payables *		30,706	9,962
Other liabilities		-31,413	19,496
<b>Total changes in working capital **</b>		<b>85,691</b>	<b>-1,669</b>
<b>Net cash from operating activities</b>		<b>368,425</b>	<b>189,311</b>
<b>Cash flows from investment activities</b>			
Acquisitions of intangible assets *	1	-342,081	-332,560
Acquisitions of property, plant and equipment	2	-1,385	-1,118
Acquisitions of equity investments	3	-48	-69,011
Acquisitions of other non-current financial assets	3	-28,035	-29,573
Disposals of non-current assets		5,449	7,075
Repayment of loans and other non-current financial assets	3	28,041	78,468
<b>Net cash used by investment activities</b>		<b>-338,059</b>	<b>-346,719</b>
<b>Cash flows from financing activities</b>			
Capital increase	14	22	46
Increase in issue premium	14	1,750	4,987
Deferred expenses		-280	-
Change in current accounts		12,111	45,003
<b>Net cash generated by financing activities</b>		<b>13,603</b>	<b>50,036</b>
<b>Change in cash and cash equivalents</b>		<b>43,969</b>	<b>-107,372</b>
Net cash position at beginning of fiscal year	9	-19,927	87,445
Net cash position at end of fiscal year	9	24,042	-19,927

\* including a change of €-28,231 thousand linked to unpaid commitments guaranteed under trade payables, €17,973 thousand in intangible assets and €10,258 thousand in advances and prepayments made

### 3.5 NOTES TO THE CORPORATE FINANCIAL STATEMENTS

The notes and tables that follow, presented in thousands of euros, are an integral part of the annual financial statements for the financial year ended March 31, 2011 and constitute an appendix to the balance sheet. The financial statements are prepared in accordance with French accounting standards.

The financial year is a 12-month period from April 1, 2010 to March 31, 2011.

#### 3.5.1 FINANCIAL YEAR HIGHLIGHTS

##### 3.5.1.1 ACQUISITION/CREATION OF SUBSIDIARIES

###### Opening of subsidiaries:

- April 2010: Creation of the Ubisoft Learning & Development SARL subsidiary (France);
- January 2011: Creation of the Ubisoft Motion Pictures SARL subsidiary (France).

##### 3.5.1.2 CLOSURE OF SUBSIDIARIES

On March 31, 2011, the Ubisoft Finland OY subsidiary was liquidated.

##### 3.5.1.3 CAPITAL REDUCTION

In December 2010, Ubisoft Entertainment SA decided to reduce the authorized capital of Chengdu Ubi Computer Software Co. Ltd by €500 thousand.

##### 3.5.1.4 OTHER

###### May 2010: Subscription of 2 new lines of credit

Ubisoft signed up for €70 million new lines of credit maturing in May 2013.

###### September 2010: -Sell-off on tax credit sales

Ubisoft Entertainment SA has mobilized a tax credit salesfor €25.6 million (partial use of tax deficit 2010) it was assigned without recourse by way of discount in the price of Natixis €22 million. The financial cost of €3.7 million is recorded for the fiscal year.

###### April to October 2010: Disposal of Gameloft shares

The disposal of 2.8 million Gameloft shares in the form of an equity swap generated a gain of €4.8 million for the fiscal year.

###### First half:

Faced with a highly competitive and demanding environment, Ubisoft decided to focus on the development of games of outstanding quality. Implementation of this strategy translated into the withdrawal of games posted in depreciation and provisions (see note 21)..

#### 3.5.2 COMPARABILITY OF FINANCIAL STATEMENTS

The depreciation period of commercial software has been reduced from 3 to 2 years. This revision of the amortization period of commercial software has been applied prospectively to the products launched on the fiscal year ended March 31, 2011. This has no significant impact on the financial statements by the accounting depreciations as described in the note "rules and depreciation methods" accounting methods and rules.

### 3.5.3 ACCOUNTING PRINCIPLES

General accounting conventions were applied in accordance with the principle of financial prudence and the following basic rules:

- continuity of operation;
- matching principle;
- fair presentation, consistency and accuracy;
- prudence;

and in accordance with the general rules governing the preparation and presentation of annual financial statements.

The basic method used to measure items in the financial statements was historical cost.

The accounting methods applied are consistent with industry practice. Ubisoft Entertainment SA's annual financial statements comply with the provisions relating to separate financial statements in Regulation CRC n°. 99-03, as ratified by the Decree of June 22, 1999.

### 3.5.4 ACCOUNTING RULES AND METHODS

#### Intangible assets

Intangible assets include:

- commercial software;
- engines;
- external developments;
- Information Systems costs;
- office software;
- acquired brands;
- logo.

#### Subsequent accounting and evaluation:

##### Brands:

Any brands acquired are recognized at cost.

##### Commercial software and external developments:

Commercial software is that developed by the Group's own studios, while external software developments are those of studios from outside the Group.

Commercial software and external developments are capitalized when they meet the definition of an asset as per CRC regulation 2004-06 and are valued at production cost.

Development costs subcontracted to Group subsidiaries are recognized as subcontracting expenses and transferred to intangible assets in progress via a capitalized production costs account. The same accounting method is applied to external developments.

On their release date, development costs of commercial software and external developments recognized in "intangible assets in progress" are transferred in line with development progress to "released commercial software" or "released external developments".

Depreciation, amortization and value impairment methods

	Amortization method	Value impairment method
Acquired brands	Not amortized	Impairment tests are carried out on brands at the end of each fiscal year or more often if there are indications of loss in value. The recoverable amount of brands is then estimated on the basis of the change in sales for the division in question, its contribution to consolidated Group earnings and its discounted cash flows. Impairment is recognized when this value is below the net accounting value.
Office software	1 year, straight-line	No impairment test in the absence of any index of loss in value.
Commercial software	2 or 3 years, straight-line, starting on the commercial release date	At the end of each year and for each software program, discounted cash flows are calculated (over a maximum period of 2 years). When these flows are below the net accounting value of the software, impairment is recognized.
Engines	Straight-line over the useful life between 3 and 5 years	No impairment test in the absence of any index of loss in value.
External developments	According to the sold quantities and the royalty rates specified in the contracts.	At the end of each year and for each software program, discounted cash flows are calculated (over a maximum period of 2 years). When these flows are below the net accounting value of the software, impairment is recognized.

According to the regulations on depreciation and impairment of assets, the Group is periodically led to revise its depreciation periods based on the observed useful life.

Provisional data are updated using a rate based on a valuation of the average cost of capital: 8.41% at March 31, 2011.

**Property, plant and equipment**

These are recognized at their historical cost. They are depreciated over their useful life. The following depreciation rates are used:

Type of asset	Amortization method
Equipment	5 years, straight-line
Fixtures and fittings	10 years, straight-line
Computer hardware	3 years, straight-line
Office furniture	10 years, straight-line

**Non-current financial assets**

Equity investments are valued at their historical cost, plus all related acquisition costs. If the value of the securities exceeds their value of use, a provision for depreciation is recognized for the difference.

The value of use is assessed at the end of each financial year based on the net assets of the subsidiary in question at that date, the market capitalization at the balance sheet date if the company is listed and/or its medium-term earnings prospects.

Provisional data are updated using a rate based on a valuation of the average cost of capital: 8.41% at March 31, 2011.

Own shares are valued at the lower of cost or market value (average of the last 20 trading sessions). Deposits and sureties are recognized on the basis of the amounts paid.

**Advances and prepayments made**

Advances and prepayments primarily involve distribution and reproduction rights (licenses) acquired from other software publishers. License agreements commit Ubisoft to an amount of guaranteed royalties. This guaranteed amount is registered in the balance sheet under the heading "advances and prepayments made", whether or not it has been paid at year-end date. These guaranteed amounts are recognized in the income statement on the basis of the agreements signed with software publishers (either by the unit or based on gross profit or on sales) or amortized on a straight-line basis for agreements with fixed royalty payments (flat fees).

At the end of the financial year, the net accounting value is compared with sales projections on the basis of the terms and conditions of the agreement. If they are insufficient, depreciation is recognized.

**Trade receivables**

Trade receivables are carried at their nominal amount. Where applicable, a provision for depreciation is recorded based on the likelihood of their collection at the year-end date.

**Investment securities**

Investment securities consist of interests in mutual funds and short-term investments and are measured at the lower of cost or market value.

**Conversion of liabilities and receivables denominated in foreign currencies**

Liabilities and receivables denominated in foreign currencies are converted at rates prevailing on March 31, 2010. Any resulting conversion gains or losses are recognized in the balance sheet under a specific heading. A provision for foreign-exchange risk is recorded if conversion reveals the existence of unrealized losses.

**Foreign currency transactions**

Foreign exchange income and expenses are recorded using daily exchange rates.

Receivables, liabilities and cash in foreign currencies are converted at the prevailing exchange rates at the end of the financial year, except for those subject to hedging, which are converted at the hedging rate.

Unrealized gains and losses on receivables and long-term debt are recorded on the balance sheet under conversion rate adjustments. Unrealized losses that have not been hedged are subject to a provision for foreign exchange losses.

Conversion rate adjustments on cash and current accounts in foreign currencies are immediately recognized as foreign exchange income/loss.

**Foreign exchange hedges**

Ubisoft uses financial derivatives to reduce its exposure to market risks linked to movements in exchange rates.

For purposes of the hedging thus established, income and expenses on financial derivatives are recognized as financial income and are offset against the income and expenses arising on the hedged items.

The transactions attached to hedging derivatives (mostly USD) are recognized in operating income at the hedging rate. The difference between the historical rate of the hedged transaction and the relevant hedging rate is recognized in financial income.

**Provisions for risks and charges**

Provisions for risks and charges are recognized where risks and charges have a clearly defined purpose but are not certain to arise, made likely by events that have occurred or are in progress. At March 31, 2011, provisions for risks and charges exclusively relate to unrealized losses on non-hedging transactions.

## Regulated provisions

Regulated provisions correspond to:

- acquisitions costs incorporated in the cost price of the non-voting shares. These costs are deducted in tax terms over 5 years by means of accelerated tax depreciation.
- development expenditure of software. The company decided to adopt immediate deductibility of expenditure for the development of software according to Article 236 of the CGI (General Tax Code).

## 3.5.5 NOTES TO THE BALANCE SHEET

### Note 1. Intangible assets

	At 03/31/11		At 03/31/10	
	Gross	Cumulative depreciation and amortization	Net	Net
Released commercial software	662,909	603,465	59,444	60,557
Released external developments	132,099	129,373	2,726	10,322
Commercial software and external developments in progress	295,986	21,000	274,986	320,936
Brands and operating licenses	10,476	328	10,148	10,148
Other	501	384	117	172
<b>TOTAL</b>	<b>1,101,971</b>	<b>754,550</b>	<b>347,421</b>	<b>402,135</b>

Non-current assets	Opening balance	Increase	Decrease	Reclassification of software in progress	Reclassification	Closing balance
Released commercial software	590,937	229,304	162,258	2,409	2,517	662,909
Released external developments	158,129	9,768	55,798	22,541	-2,541	132,099
Commercial software and external developments in progress	320,936	85,036	85,036	-24,950	-	295,986
Brands and operating licenses <sup>(1)</sup>	10,476	-	-	-	-	10,476
Other	501	-	-	-	-	501
<b>TOTAL at 03/31/11</b>	<b>1,080,979</b>	<b>324,108</b>	<b>303,092</b>	<b>-</b>	<b>-24</b>	<b>1,101,971</b>
<b>TOTAL at 03/31/10</b>	<b>973,554</b>	<b>321,585</b>	<b>212,922</b>	<b>-</b>	<b>-1,238</b>	<b>1,080,979</b>

<sup>(1)</sup> Essentially the Far Cry® brand.

The increase in commercial software of €311,642 thousand is substantiated by capitalized production costs of €311,150 thousand and acquisitions of €244 thousand and exchange differences of €248 thousand.

Depreciation and amortization	Opening balance	Increase	Decrease	Reclassification	Closing balance
Released commercial software	530,380	235,201	162,116	-	603,465
Released external developments	147,807	37,364	55,798	-	129,373
Commercial software and external developments in progress	-	106,036	85,036	-	21,000
Brands and operating licenses	328	-	-	-	328
Other	329	55	-	-	384
<b>TOTAL at 03/31/11</b>	<b>678,844</b>	<b>378,656</b>	<b>302,950</b>	<b>-</b>	<b>754,550</b>
<b>TOTAL at 03/31/10</b>	<b>603,188</b>	<b>281,656</b>	<b>206,000</b>	<b>-</b>	<b>678,844</b>

The decrease in commercial software and external developments is explained by the removal from assets of software for which the net accounting value is zero at year-end.



**Note 2. Property, plant and equipment**

	At 03/31/11			At 03/31/10
	Gross	Cumulative depreciation and amortization	Net	Net
Fixtures and fittings	7,006	3,468	3,538	2,063
Transport equipment	11	11	-	-
Computer hardware and furniture	1,174	1,095	79	88
Non-current assets in progress	-	-	-	713
<b>TOTAL</b>	<b>8,191</b>	<b>4,574</b>	<b>3,617</b>	<b>2,864</b>

Non-current assets	Opening balance	Increase	Decrease	Reclassification	Closing balance
Fixtures and fittings	4,935	39	-	2,032	7,006
Transport equipment	11	-	-	-	11
Computer hardware and furniture	1,147	27	-	-	1,174
Non-current assets in progress	713	1,319	-	-2,032	-
<b>TOTAL at 03/31/11</b>	<b>6,806</b>	<b>1,385</b>	<b>-</b>	<b>-</b>	<b>8,191</b>
<b>TOTAL at 03/31/10</b>	<b>7,628</b>	<b>1,118</b>	<b>1,940</b>	<b>-</b>	<b>6,806</b>

Amortization	Opening balance	Increase	Decrease	Reclassification	Closing balance
Fixtures and fittings	2,872	596	-	-	3,468
Transport equipment	11	-	-	-	11
Computer hardware and furniture	1,059	36	-	-	1,095
<b>TOTAL at 03/31/11</b>	<b>3,942</b>	<b>632</b>	<b>-</b>	<b>-</b>	<b>4,574</b>
<b>TOTAL at 03/31/10</b>	<b>5,343</b>	<b>540</b>	<b>1,941</b>	<b>-</b>	<b>3,942</b>

**Note 3. Non-current financial assets**

	At 03/31/11			At 03/31/10
	Gross	Provisions	Net	Net
Equity investments	298,338	2,140	296,198	297,525
Other non-current investments	1,121	87	1,034	909
Deposits and sureties	648	-	648	867
<b>TOTAL</b>	<b>300,107</b>	<b>2,227</b>	<b>297,880</b>	<b>299,301</b>

Non-current assets	Opening balance	Increase	Decrease	Closing balance
Equity investments	298,797	48	508	298,338
Other non-current investments	909	28,237	28,025	1,121
Deposits and sureties	867	3	221	648
<b>TOTAL at 03/31/11</b>	<b>300,573</b>	<b>28,288</b>	<b>28,754</b>	<b>300,107</b>
<b>TOTAL at 03/31/10</b>	<b>280,457</b>	<b>98,584</b>	<b>78,468</b>	<b>300,573</b>

The change in equity investments is essentially a result of the increase in capital of Ubisoft Motion Pictures SARL of €44 thousand and the reduction in authorized capital of Chengdu Ubi Computer Software Co. Ltd (China) of €500 thousand.

The change in other non-current investments reflects purchases and sales of own shares held under the liquidity agreement.

Provisions	Opening balance	Increase	Decrease	Closing balance
Equity investments	1,272	1,442	574	2,140
Other non-current investments	-	87	-	87
<b>TOTAL at 03/31/11</b>	<b>1,272</b>	<b>1,529</b>	<b>574</b>	<b>2,227</b>
<b>TOTAL at 03/31/10</b>	<b>5,580</b>	<b>1,241</b>	<b>5,549</b>	<b>1,272</b>

The increase in the provision for depreciation of equity investments results mainly from the decrease in the useful value of shares in Ubisoft Entertainment Ltda (Brazil) related to research and development activity stop of €1,044 thousand.

#### Note 4. Advances and prepayments made

These consist primarily of guaranteed advances on license agreements.

	03/31/11	03/31/10
<b>Net at opening</b>	<b>35,270</b>	<b>36,677</b>
New guarantees	10,817	22,974
Reclassifications	24	1,238
Depreciation and amortization	23,873	25,619
<b>Net at year-end</b>	<b>22,238</b>	<b>35,270</b>

#### Note 5. Trade receivables

	At 03/31/11			At 03/31/10
	Gross	Provision	Net	Net
Trade receivables	53,708	-	53,708	77,429
<b>TOTAL</b>	<b>53,708</b>	<b>-</b>	<b>53,708</b>	<b>77,429</b>

Trade receivables basically consist of intra-group receivables.

#### Note 6. Other receivables

	At 03/31/11			At 03/31/10
	Gross	Provision	Net	Net
Suppliers – credit notes receivable	10,322	-	10,322	13,259
Government (VAT credit, tax)	10,292	-	10,292	24,192
Associated current account advances	17,848	-	17,848	58,639
Receivable relating to the equity swap <sup>(1)</sup>	29,112	-	29,112	32,487
Other miscellaneous debtors	23	-	23	264
<b>TOTAL</b>	<b>67,597</b>	<b>-</b>	<b>67,597</b>	<b>128,841</b>

<sup>(1)</sup> Change in value of Gameloft shares

**Note 7. Statement of receivables and liabilities by maturity**

STATEMENT OF RECEIVABLES	Gross amount	< 1 year	> 1 year
<b>Receivables on non-current assets</b>			
Other financial fixed assets	648	-	648
<b>Receivables on current assets</b>			
Advances and prepayments made	22,277	22,277	
Trade receivables	53,708	53,708	
Government (VAT credit, sundry)	10,292	10,292	
Group and associates	17,848	17,848	
Other miscellaneous debtors <sup>(1)</sup>	39,457	39,457	
Prepaid expenses	2,707	2,707	
<b>TOTAL</b>	<b>146,937</b>	<b>146,289</b>	<b>648</b>
STATEMENT OF LIABILITIES	Gross amount	< 1 year	> 1 year
Bank borrowings and debts	58,478	58,478	
Other borrowings and financial liabilities	149,320	149,320	
Trade payables	119,893	119,893	
Fiscal and social debts	2,309	2,309	
Other debts	26,336	26,336	
Liabilities on non-current assets	3,220	3,220	
<b>TOTAL</b>	<b>359,556</b>	<b>359,556</b>	

<sup>(1)</sup> This item includes the receivable concerning the equity swap agreement on Gameloft shares for €29,112 thousand and credit notes receivable from associated companies for €10,345 thousand.

**Note 8. Accrued income**

	03/31/11	03/31/10
Associated company credit notes receivable	10,322	13,259
Income not yet invoiced	11,870	27,642
Interest receivable on current accounts	83	61
Interest receivable from banks	56	9
Miscellaneous debtors – accrued income	-	250
<b>TOTAL</b>	<b>22,331</b>	<b>41,221</b>

**Note 9. Investment securities and cash**

Type	Gross value	Fair value	Provision	Net amount
UCITS	4,171	4,171	-	4,171
<b>TOTAL</b>	<b>4,171</b>	<b>4,171</b>	<b>-</b>	<b>4,171</b>

The cash breakdown is as follows:

Breakdown of cash and cash equivalents	03/31/11	03/31/10
Investment securities	4,171	21,182
Cash	78,349	67,524
Bank overdrafts and short-term loans	-58,478	-108,633
<b>TOTAL</b>	<b>24,042</b>	<b>-19,927</b>

**Note 10. Prepaid expenses and deferred charges**

	Opening balance	Increase	Decrease	Closing balance
Prepaid expenses	1,680	2,707	1,680	2,707
Syndicated loan issuance costs	532	280	238	574
Conversion rate adjustment (asset)	162	591	162	591
<b>TOTAL at 03/31/11</b>	<b>2,374</b>	<b>3,578</b>	<b>2,080</b>	<b>3,872</b>
<b>TOTAL at 03/31/10</b>	<b>3,938</b>	<b>1,842</b>	<b>3,406</b>	<b>2,374</b>

**Note 11. Accrued expenses**

	03/31/11	03/31/10
Bank charges payable	509	99
Trade payables, invoices pending	73,296	81,667
Credit notes to be issued	4,598	33,623
Fiscal and social debts	737	693
<b>TOTAL</b>	<b>79,140</b>	<b>116,082</b>

**Note 12. Related party transactions**

The main relationships of the parent company with its subsidiaries relate to:

- Production subsidiaries billing the parent company for development costs based on the progress of their projects.
- The parent company invoicing distribution subsidiaries for a contribution to development costs.
- Cash agreements have been signed for the centralized management at the level of the parent company of the bank accounts for the majority of the companies of the group.

The other significant related party transactions are:

- Billings licences to Gameloft SA for €1,987 thousand on the year. The receivable balance at the year end is €1,142 thousand,
- The amounts paid in respect of development contracts for companies AMA Studios SA and Longtail Studios Inc. for €4,546 thousand. The payable balance at the year end is €20 thousand. The amount of the assets in the balance sheet is €12,755 thousand.

**Note 13. Provisions in the balance sheet**

	At 03/31/10	Provisions for the period	Reversals for the period	At 03/31/11
<b>Provisions for risks</b>				
Foreign exchange risks	147	874	147	874
<b>Provisions for impairment</b>				
Equity investments	1,272	1,442	574	2,140
<b>TOTAL at 03/31/11</b>	<b>1,419</b>	<b>2,316</b>	<b>721</b>	<b>3,014</b>
<b>TOTAL at 03/31/10</b>	<b>9,315</b>	<b>1,388</b>	<b>9,284</b>	<b>1,419</b>

Details of the changes in provisions on equity investments are provided in Note 3. Non-current financial assets.

## Note 14. Equity

### Capital

At March 31, 2011, Ubisoft Entertainment SA had equity of €7,341,411.48 divided into 94,727,890 shares.

### Number of Ubisoft Entertainment SA shares

At 04/01/10	94,446,494
Option exercises	176,234
Group employee savings plan	105,162
At 03/31/11	94,727,890

The maximum number of shares to be created is 15,590,840:

- 14,473,220 through the exercising of stock options;
- 1,117,620 through the allocation of bonus share allocations.

### Stock options

The increase in capital and premiums over the past fiscal year was partly driven by the exercise of stock options. For reference, the terms and conditions of exercise of the stock option plans are as follows:

	7 <sup>th</sup> plan	11 <sup>th</sup> plan	12 <sup>th</sup> plan	13 <sup>th</sup> plan	14 <sup>th</sup> plan	15 <sup>th</sup> plan
Total number of shares granted <sup>(1)</sup>	1,556,260	1,552,600	1,485,000	2,711,784	3,154,800	24,072
Start of exercise period	01/19/05	10/14/05	11/17/05	02/23/07	04/26/08	06/22/08
End of exercise period	08/15/12	10/13/14	11/16/14	02/22/13 <sup>(2)</sup>	04/25/12	06/21/12
Strike price of options <sup>(1)</sup>	€3.21	€3.88	€3.68 (France)   €3.87 (Italy)	€7.91	€17.65	€18.77
Options at April 1, 2010 <sup>(1)</sup>	28,250	348,475	771,899	1,866,057	2,701,972	19,774
Options granted during the period	-	-	-	-	-	-
Options exercised during the period	-	18,874	53,490	103,870	-	-
Options cancelled during the period	-	1,712	3,200	39,504	126,954	876
Options outstanding at March 31, 2011	28,250	327,889	715,209	1,722,683	2,575,018	18,898

	16 <sup>th</sup> plan	17 <sup>th</sup> plan	18 <sup>th</sup> plan	19 <sup>th</sup> plan	20 <sup>th</sup> plan
Total number of shares granted <sup>(1)</sup>	1,804,100	1,362,500	100,160	3,073,400	119,755
Start of exercise period	06/13/09	06/27/09	09/15/09	05/12/10	06/18/10
End of exercise period	06/12/13	06/26/13	09/14/13	05/11/14	06/17/14
Strike price of options <sup>(1)</sup>	€27.75	€27.66	€29.30 (France)   €28.13 (world)	€14.92 (France)   €14.40 (world)	€15.60 (France)   €16.90 (world)
Options at April 1, 2010 <sup>(1)</sup>	1,681,100	1,332,100	97,260	3,040,900	111,605
Options granted during the period	-	-	-	-	-
Options exercised during the period	-	-	-	-	-
Options cancelled during the period	133,000	40,700	4,900	147,450	4,400
Options outstanding at March 31, 2011	1,548,100	1,291,400	92,360	2,893,450	107,205

	21 <sup>st</sup> plan	22 <sup>nd</sup> plan	23 <sup>rd</sup> plan	TOTAL
Total number of shares granted <sup>(1)</sup>	4,500	119,000	3,088,758	
Start of exercise period	12/15/10	04/29/11	06/30/11	
End of exercise period	12/14/14	04/28/15	06/29/15	
Strike price of options <sup>(1)</sup>	€10.04	€10.02	€7.10 (France)   €6.386 (world)	
Options at April 1, 2010 <sup>(1)</sup>	4,500	-	-	12,003,892
Options granted during the period	-	119,000	3,088,758	3,207,758
Options exercised during the period	-	-	-	176,234
Options cancelled during the period	-	-	59,500	562,196
Options outstanding at March 31, 2011	4,500	119,000	3,029,258	14,473,220

<sup>(1)</sup> Following the two-for-one stock split on December 11, 2006 and November 14, 2008.

<sup>(2)</sup> Two-year extension following a decision by the Board of Directors on January 10, 2011.

The company has not recognized a liability as the exercise of stock options involves the creation of new shares.

### Bonus share grants

Bonus share grants, which are subject to performance conditions, are locked in for a two or four-year period following the grant date. As the shares granted are ordinary shares in the same category as the old shares that comprise the company's equity, employee shareholders receive dividends and voting rights on all their shares at the end of the vesting period.

	03/31/08		03/31/09		03/31/10		
Grant date	10/02/07	03/17/08	06/13/08	09/15/08	04/09/09	11/17/09	12/15/09
Maturity – Vesting period (in years)	4 years	4 years	4 years	4 years	4 years	4 years	4 years
Number of allocated instruments <sup>(1)</sup>	209,500	122,000	30,600	80,580	44,000	15,000	355,000
Number of allocated instruments for the period	-	-	-	-	-	-	-
Number of cancelled instruments	41,000	6,000	2,000	12,580	-	-	55,000
Number of instruments at 03/31/11	168,500	116,000	28,600	68,000	44,000	15,000	300,000

	03/31/11			TOTAL
Grant date	06/30/10	06/30/11	11/15/11	
Maturity – Vesting period (in years)	2 years	4 years	4 years	
Number of instruments allocated at 04/01/10	-	-	-	856,680
Number of allocated instruments for the period	12,520	160,500	215,000	388,020
Number of cancelled instruments for the period	-	8,500	2,000	127,080
Number of instruments at 03/31/11	12,520	152,000	213,000	1,117,620

<sup>(1)</sup> Following the two-for-one stock split effective on November 14, 2008.

**Group employee savings plan**

Ubisoft also offers group employee savings plans, which allow workers in France and abroad to acquire Ubisoft shares as part of reserved capital increases. Workers acquire these shares with a maximum discount of 15% versus the average opening price over the 20 trading days prior to the Board of Directors' meeting that approved the capital increase.

The lock-in period for French workers is 5 years.

	03/31/11	03/31/10	
Issue date	12/07/10	06/18/09	04/09/09
Subscription price (in euros)	6,46	14,37	11,57
Number of shares subscribed	105,162	74,476	187,711

**Own shares**

At March 31, 2011, the Company held 143,295 of its own shares.

**Regulated provisions**

Details of regulated provisions are given in Note 1.3 Statement of changes in equity.

**Note 15. Borrowings**

	03/31/11	03/31/10	
Accrued interest	509	99	
Bank overdrafts and short-term loans	57,969	108,534	
<b>Borrowings</b>	<b>58,478</b>	<b>108,633</b>	
Fixed-rate debt	-	-	
Variable-rate debt	58,478	108,633	
	< 1 year	from 1 to 5 years	> 5 years
Amounts payable at 03/31/11	58,478	-	-

The breakdown of borrowings by currency was as follows:

	03/31/11	03/31/10
Euro	58,471	103,646
Australian dollar	-	6
Pound sterling	6	6
<b>Canadian dollar</b>	<b>-</b>	<b>4,936</b>
<b>Danish krone</b>	<b>-</b>	<b>37</b>
Japanese yen	1	2
<b>Borrowings</b>	<b>58,478</b>	<b>108,633</b>

The €149,320 thousand in "miscellaneous financial liabilities" in the balance sheet consists of current account advances by subsidiaries to the parent company. These advances all mature in under a year.

**Note 16. Other liabilities**

	03/31/11	03/31/10
Trade receivables – credit notes to be issued <sup>(1)</sup>	4,598	33,623
Unrealized gains on Calyon receivable relative to Gameloft equity swap	16,191	13,871
Other debts	5,547	5,622
<b>TOTAL</b>	<b>26,336</b>	<b>53,116</b>

(1) Credit notes to be issued relate to associated companies

**Note 17. Accrued expenses and deferred income**

	Opening balance	Increase	Decrease	Closing balance
Conversion rate adjustment (liability)	41	333	41	333
<b>TOTAL at 03/31/11</b>	<b>41</b>	<b>333</b>	<b>41</b>	<b>333</b>
<b>TOTAL at 03/31/10</b>	<b>4,140</b>	<b>41</b>	<b>4,140</b>	<b>41</b>



### 3.5.6 NOTES TO INCOME STATEMENT

#### Note 18. Production for the period

Production for the period comprises:

- sales, essentially made up of intra-group invoicing of royalties;
- capitalized production reflecting development costs outsourced to subsidiaries and external developers.

	03/31/11	03/31/10
Sales	387,580	257,323
Capitalized production costs for commercial software	311,150	280,479
Capitalized production costs for external developments	30,439	20,746
<b>Production for the period</b>	<b>729,169</b>	<b>558,548</b>

The breakdown of sales by geographic region was as follows:

	03/31/11		03/31/10	
	€ thousand	percentage	€ thousand	percentage
Europe	114,455	34%	127,817	49%
North America	256,959	66%	128,856	50%
Rest of the world	16,166	-	650	1%
<b>Sales</b>	<b>387,580</b>	<b>100%</b>	<b>257,323</b>	<b>100%</b>

#### Note 19. Other operating income and reinvoiced costs

	03/31/11	03/31/10
Reversals of provisions on commercial software *	191,314	110,953
Reversals of provisions on external developments	-	2,325
Reinvoiced costs	17,177	12,872
Income from other ordinary revenue transactions	59	31
<b>TOTAL</b>	<b>208,550</b>	<b>126,181</b>

\* see details in Note 21

Reinvoiced costs essentially include overheads, travel, trade show and similar costs reinvoiced to Group companies.

#### Note 20. Other purchases and external expenses

	03/31/11	03/31/10
Production services subcontracted to subsidiaries	311,150	280,479
Production services subcontracted to external developers	30,439	20,746
Other purchases and external expenses	140,134	87,360
<b>TOTAL</b>	<b>481,723</b>	<b>388,585</b>

Other purchases and external expenses consist mainly of advertising expenses, royalties and property and equipment lease payments.

**Note 21. Depreciation, amortization and provisions**

	03/31/11	03/31/10
Amortization and depreciation of intangible assets	<b>569,970</b>	<b>394,935</b>
<i>Released commercial software *</i>	444,817	331,906
<i>Released external developments</i>	40,062	62,948
<i>Commercial software and external developments in progress</i>	85,036	-
<i>Other</i>	55	81
Amortization and depreciation of property, plant and equipment	<b>632</b>	<b>540</b>
<i>Fixtures and fittings</i>	596	505
<i>Computer hardware and furniture</i>	36	35
<b>TOTAL</b>	<b>570,603</b>	<b>395,475</b>

\* Net reversals (see Note 19) on commercial software therefore amount to €338,539 thousand.

**Note 22. Net financial income**

	03/31/11	03/31/10
<b>Financial income:</b>		
Financial income from shareholdings	410	161
Income from other securities and receivables on non-current assets	-	25
Other interest received	1,495	1,251
Reversal of provisions	720	9,284
Foreign exchange gains <sup>(1)</sup>	19,742	38,925
Net proceeds on sale of investment securities	41	194
	<b>22,408</b>	<b>49,840</b>
<b>Financial expenses:</b>		
Amortization and provisions	2,642	1,558
Other interest paid <sup>(2)</sup>	6,815	1,933
Foreign exchange losses <sup>(1)</sup>	24,028	28,309
	<b>33,485</b>	<b>31,800</b>
<b>Net financial income</b>	<b>-11,077</b>	<b>18,040</b>

<sup>(1)</sup> The foreign exchange loss of €(4.3) million is mainly related to fluctuations in the price of the US dollar €(2.2) million, the Australian dollar €(0.7) million, the pound sterling €(0.6) million and the Canadian dollar €(0.5) million.

<sup>(2)</sup> Other interest includes the financial cost of €3.7 million related to the sell-off on tax credit sales.

**Foreign exchange risk**

The company's exposure to foreign exchange risk stems from operating cash flows and its investments in foreign subsidiaries.

The company only hedges its exposures on operating cash flows in the main significant foreign currencies (US dollar, Canadian dollar, pound sterling and Australian dollar). Its strategy is to hedge only one year at a time, so the hedging horizon never exceeds 18 months.

The company first uses natural hedges resulting from transactions in the other direction (development costs in a foreign currency offset by royalties from subsidiaries in the same currency). The parent company uses foreign currency borrowings, forward sales or foreign exchange options to hedge any residual exposures and non-commercial transactions (such as inter-company loans in foreign currencies).

At March 31, 2011, the amounts hedged giving rise to purchases and sales of foreign currencies amounted to €56,696 thousand (see Note 1.6.2 Off-balance sheet commitments).

### Note 23. Non-recurring items

Article 14 of the Decree of November 29, 1983 defines non-recurring items as those that are not related to the normal operations of the company.

	03/31/11	03/31/10
<b>Non-recurring income:</b>		
Non-recurring income from management transactions	-	284
Non-recurring income from capital transactions	6,038	7,671
Non-recurring reversals	118,772	137,361
<b>Non-recurring expenses:</b>		
Non-recurring expenses on management transactions	700	129
Non-recurring expenses on capital transactions	948	7,774
Non-recurring provisions	177,712	207,088
<b>Non-recurring items</b>	<b>-54,550</b>	<b>-69,675</b>

At March 31, 2011, non-recurring items mainly comprised:

- gain on disposal of Gameloft SA shares for €4,797 thousand;
- €177,598 thousand in allocations for accelerated tax depreciation on development expenditure for software;
- €118,772 thousand in reversals for accelerated tax depreciation on development expenditure for software.

### Note 24. Income tax

At March 31, 2011 the tax group incorporates Ubisoft Entertainment SA (holding company) and all subsidiaries whose head office is in France, with the exception of those created during the fiscal year. Any tax savings arising from the use of losses at the tax group's member companies will only be temporary, since the company in question may use them at any time for its own purposes.

On a standalone basis (disregarding the tax consolidation group), Ubisoft Entertainment SA's figures were as follows:

	03/31/11	03/31/10
Profit (loss) before tax from continuing operations	-128,006	-84,177
Non-recurring items	-54,550	-69,675
Profit (loss) before tax	-182,556	-153,852
Income tax (credit)	30,439	786
Net accounting profit (loss)	-152,117	-153,066
Taxable income	-185,814	-171,576

Tax income comprises:

- cancellation of tax expense recorded net of tax credits by subsidiaries of the Group integration tax of €4,036 thousand;
- holding company tax credits of €747 thousand;
- receivable carry-back of €25,656 thousand.

The carry forward deficit of the tax group at March 31, 2011 amounted to €344,869 thousand, including €241,393 thousand of accelerated tax depreciation related to the application of Article 236 of the CGI (General Tax Code) and €76,968 thousand in carry-back reimbursement.

## 3.6 OTHER INFORMATION

### 3.6.1 EMPLOYEES

At March 31, 2011 the staff consisted of 5 corporate officers.

### 3.6.2 FINANCIAL COMMITMENTS AND OTHER INFORMATION

#### 3.6.2.1 OFF-BALANCE SHEET COMMITMENTS RELATED TO COMPANY FINANCING

Type	Description	Expiry	03/31/11	03/31/10
<b>Commitments given by Ubisoft Entertainment SA</b>				
<u>Financial guarantees <sup>(1)</sup>:</u>			<b>60,284</b>	<b>61,479</b>
Ubisoft Divertissement Inc.	Lease payment guarantee	01/31/13	638	643
Ubisoft Inc.	Guarantee of commercial commitments	End of commercial relationship	7,039	7,419
Ubisoft Ltd	Loan guarantee	12/29/11	20,000	20,000
Ubisoft Ltd	Lease payment guarantee	06/15/16	1,866	1,191
Ubisoft Ltd	Lease payment guarantee	06/15/16	795	1,191
Ubisoft SA	Lease payment guarantee	07/21/12	315	562
Ubisoft Entertainment Ltd	Lease payment guarantee	12/21/15	1,034	1,484
Ubisoft Productions France SARL	Lease payment guarantee	04/30/18	4,483	5,360
Ubisoft Entertainment Sweden AB	Lease payment guarantee	12/31/14	560	515
Red Storm Entertainment Inc.	Lease payment guarantee	04/30/19	4,450	5,044
Ubisoft Vancouver Inc.	Lease payment guarantee	08/01/11	89	614
Ubisoft Toronto Inc.	Lease payment guarantee	04/30/13	1,631	-
Ubisoft Inc.	Standby letter	09/01/12	7,039	7,419
Ubisoft EMEA SAS	Standby letter	09/30/11	10,000	10,000
<b>Commitments received by Ubisoft Entertainment SA</b>				
<u>Lines of credit received and not used</u>				
Syndicated loan		05/18/13	180,000	180,000
Committed lines of credit		11/20/11	10,000	10,000
Committed lines of credit		02/22/12	20,000	20,000
Committed lines of credit		05/17/13	50,000	-
Committed lines of credit		05/17/13	20,000	-
Lines of credit with banking institutions			74,500	74,500
<u>Foreign exchange hedges <sup>(2)</sup></u>			<b>56,696</b>	<b>48,985</b>
Canadian dollar	Forward sale	September 2011	15,823	7,313
	Forward purchase	April 2011	7,312	-
US dollar	Forward sale		-	2,716
	Forward purchase	June 2011	19,597	6,360
Japanese yen	Forward purchase	April 2011	4,314	765
Pound sterling	Forward sale		-	31,831
	Forward purchase	April 2011	9,091	-
Swedish krona	Forward purchase	April 2011	559	-

<sup>(1)</sup> Only commitments of over €500 thousand are detailed

<sup>(2)</sup> Fair value in euros valued by Mark-to-Market at year-end

The syndicated loan and confirmed bank loans in place are governed by financial covenants that are based on the ratio of net debt to equity and that of net debt to EBITDA.

Within the context of the syndicated loan and bilateral lines of credit, the following covenants are to be complied with:

	2010/2011	2009/2010
Net debt restated for assigned receivables/equity restated for goodwill <	0.80	0.80
Net debt restated for assigned receivables/EBITDA <	1.5	1.5

Furthermore, in 2006/2007, the Company contracted a €10 million credit line, which is subject to the same covenants but uses 0.9 for the net debt/equity ratio.

All covenants are calculated on the basis of the consolidated annual financial statements under IFRS.

At March 31, 2011, the Company is in compliance with all these ratios and expects to remain so during the 2011/2012 financial year.

Other borrowings are not governed by covenants.

### 3.6.2.2 EQUITY SWAP ON GAMELOFT SHARES

On July 12, 2007, Ubisoft Entertainment SA signed two agreements with Calyon, the investment bank.

The first agreement relates to the disposal of all 13,367,923 Gameloft shares held by Ubisoft Entertainment SA (representing 18.73% of Gameloft's capital) at €6.08 per share.

The second relates to Ubisoft Entertainment SA's ability to continue participating in upward or downward movements in the price of Gameloft stock compared to the €6.08 per share price set in the first agreement, until such time as Calyon disposes of the shares to a third party.

### 3.6.2.3 OTHER COMMITMENTS

Since all members of staff are corporate officers, no retirement benefits are owed.

Ubisoft Entertainment SA has committed to provide financial support to its subsidiaries in order to meet their cash flow requirements.

There are no finance leases.

## 3.6.3 MANAGEMENT REMUNERATION

Ubisoft Entertainment SA paid €842 thousand in compensation to its corporate officers during the 2010/2011 fiscal year.

In -very partial- compensation for their work and the time spent in preparing and participating in Board Meetings, the General Shareholders' Meeting of September 25, 2006 authorized the Company to pay directors' fees totaling a maximum of €250 thousand per annum. The Board of Directors, exercising this authorization, established a fixed portion and a variable portion setting out new requirements for attendance.

During the 2010/2011 financial year, members of the Board of Directors received €150 thousand in directors' fees.

No obligation has been undertaken by the Company in favor of its corporate officers related to their termination or change in responsibilities.

Pursuant to Article L.225-43 of the French Commercial Code, no loans or advances were made to the Company's directors.

At its meeting on April 29, 2010, the Board of Directors exercised the authorization from the General Shareholders' Meeting of July 10, 2009, allocating 119,000 share subscription options to corporate officers.

Pursuant to the provisions of French Act No. 2006-1770 of December 30, 2006, the Board of Directors set at 5% the amount of shares that must be kept as registered by corporate officer beneficiaries until such time as they have relinquished their positions.

Moreover, share subscription options granted to corporate officers in accordance with this plan and by application of the eleventh resolution approved by the Shareholders' Meeting of July 10, 2009 were accompanied by performance conditions established on the basis of a cumulative sales and profitability objective, namely cumulative sales growth of at least 5% per year (at least 20% in the next 4 years) within a cumulative profitability plan for 4 years at the level of the current operating profit excluding employee shareholding.

Effective achievement of these performance conditions is based on the annual accounts at March 31, 2011, 2012, 2013 and 2014.

The stock options thereby granted are exercisable by tranches of 25% over four years from April 29, 2011.

### 3.6.4 CONTINGENT ASSETS AND LIABILITIES

To the best of our knowledge, there are no contingent assets or liabilities at March 31, 2011.

### 3.6.5 EVENTS OCCURRING AFTER YEAR-END

**April 2011:** subscription of a bilateral credit line for a period of 2 years and an amount of €25 million. Attributed to Canadian studio Ubisoft Divertissements Inc., this line was secured by Ubisoft Entertainment SA and follows the same covenants as other lines.

### 3.6.6 SUBSIDIARIES AND SHAREHOLDINGS (MARCH 31, 2011)

	Country	Currency	Capital	Reserves and retained earnings (losses), before allocation of earnings	Percentage of capital held	Accounting value of shares held		Loans and advances granted by the company and not yet repaid	Sales excluding VAT	Earnings for the last fiscal year	Dividends received
			in thousands of currency units	in thousands of currency units		gross	net	in thousands of euros	in thousands of currency units	in thousands of currency units	
<b>SUBSIDIARIES</b>											
<b>AT LEAST 50% OF CAPITAL HELD</b>											
UBISOFT HOLDINGS INC.	United States	US dollar	90,405	-3,870	100%	96,991	96,991	-	2	- 31	N/A
UBISOFT EMEA SARL	France	Euro	11,960	27,418	100%	55,158	55,158	-	228,852	2,930	N/A
UBISOFT COUNSEL & ACQUISITIONS SARL	France	Euro	50,008	498	100%	50,008	50,008	-	6,601	210	N/A
UBISOFT FRANCE SAS	France	Euro	20,623	3,819	100%	22,872	22,872	-	71,911	890	N/A
SUNFLOWERS GMBH	Germany	Euro	563	-2,248	100%	14,528	14,528	2,429	299	-94	N/A
UBISOFT GMBH	Germany	Euro	9,320	13,976	100%	12,573	12,573	-	75,922	2,106	N/A
UBISOFT DIVERTISSEMENTS INC.	Canada	Canadian dollar	1,000	44,267	100%	641	641	-	169,830	12,768	N/A
<b>Other French subsidiaries</b>						12,954	12,594	-			410
<b>Other foreign subsidiaries *</b>						32,613	30,833	1,900			N/A
<b>Total</b>						<b>298,338</b>	<b>296,198</b>				
<b>SHAREHOLDINGS</b>											
<b>BETWEEN 10% AND 50% OF CAPITAL HELD</b>											
						-	-	-			

\* Information on significant subsidiaries is detailed. The other foreign subsidiaries include a significant number of subsidiaries, but the value of the shares is not significant.

## 4 AUDITOR'S GENERAL REPORT ON THE FISCAL YEAR ENDING MARCH 31, 2011

*This is a free translation into English of the statutory Auditors' general report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Dear Shareholders,

Pursuant to the assignment entrusted to us by your General Meeting, we hereby present our report for the fiscal year ended March 31, 2011, with regard to the following:

- ✓ the audit of the annual financial statements of Ubisoft Entertainment S.A., as attached to this report;
- ✓ the basis for our assessment;
- ✓ the specific verifications and information required by law.

The annual financial statements have been prepared by the Board of Directors. It is our task to express an opinion on these financial statements on the basis of our audit.

### 1- Opinion regarding the annual financial statements

We have conducted our audit in accordance with accepted professional standards in France. These standards require due diligence in order to ascertain with reasonable certainty that the annual financial statements contain no material anomalies. An audit consists in verifying, on a test basis or by means of other methods of selection, elements to the amounts and information contained in the financial statements. It also involves assessing the accounting principles applied, the significant estimates reserves and the global presentation of the financial statements. It is our view that the elements that we collected are sufficient and adapted to base our opinion.

We hereby certify that, from the standpoint of French accounting rules and principles, the annual financial statements give a true and fair view of the results obtained for the fiscal year in question and of the company's financial position and assets at the end of this year.

### 2- Basis for assessment

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code regarding the basis for an assessment, we call your attention to the following items:

#### **Commercial software and external developments.**

The note relating to « intangible assets » in the section entitled "Accounting rules and methods" describes the accounting principles for the depreciation of commercial software and external developments.

Our work consisted to assess the information and assumptions on which are based these estimates, to check the calculations made by the company, to compare the accounting estimates of the last periods with the reality. As part of our assessment, we have ensured the appropriateness of these estimates and reviewed the procedures for approval of these assumptions by the management.



**Equity investments**

The note relating to “Financial assets” in the section entitled “Accounting rules and methods” describes the accounting principles for the valuation and depreciation of securities.

As part of our assessment of the accounting rules and principles applied by your company, we have verified the appropriateness of the accounting methods indicated above and of the information provided in the notes, and have ensured their correct application.

Our assessments were made within the context of our audit of the annual financial statements as a whole, and therefore provided a basis for the opinion expressed in the first part of this report.

**3- Specific verifications and information**

We have also carried out the specific verifications required by law, pursuant to professional standards applicable in France

We have no comments regarding the accuracy of the information provided in the management report prepared by the Board of Directors or in the documents sent to shareholders concerning the financial position and annual financial statements, or regarding the consistency of this information with the annual financial statements.

Concerning the information provided pursuant to the provisions of article L. 225-102-1 of the French Commercial Code on the compensation and benefits paid to corporate officers and on the commitments made in their favor, we verified their concordance with accounts or with the data used for the establishment of these accounts and, where appropriate, with items collected by your company of the companies controlling your company, or controlled by it. Based on this work, we attest the accuracy and truthfulness of such information.

As required by law, we have ensured that the various information relating control to the identity of the holders of share capital was provided to you in the management report.

Nantes, June 6, 2011  
KPMG Audit  
*A division of KPMG S.A.*

Rennes, June 6, 2011  
MB Audit

Franck Noël  
Partner

Marc Dariel  
Partner

# **GOVERNANCE AND INTERNAL CONTROL PROCEDURES**

# **1 REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS IN ACCORDANCE WITH ARTICLE L. 225-37 OF THE FRENCH COMMERCIAL CODE, ON THE CONDITIONS OF PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD AND THE COMPANY'S INTERNAL CONTROL PROCEDURES.**

This report has been drawn up in accordance with the provisions of Article L. 225-37 of the French Commercial Code (as amended by Acts no. 2008-649 of July 3, 2008 and no. 2011-103 of January 27, 2011 regarding the equal representation of women and men on boards of directors and supervisory boards and regarding professional equality).

Its purpose is to detail the references made to the corporate governance code, the composition of the Board of Directors and the application of principle of balanced representation of women and men on it, any possible limits placed on the powers of the Chairman and CEO, the conditions of preparation and organization of the work of the Board of Directors, the principles and rules the Board of Directors has adopted to determine the compensation and benefits of any kind awarded to the executive directors, the terms and conditions relating to the participation of shareholders in general meetings and the internal control and risk management procedures established by the company.

This report is part of a process to describe work started, completed and planned by the Company; in no way is it intended to demonstrate that the Company has complete control over all of the risks it incurs.

This report refers back to the management report contained in the Company's reference document for the year ended March 31, 2011 as regards the publication of information referred to in Article L. 225-100-3 of the French Commercial Code, relating to the Company's capital structure and matters that could have an impact in the event of a public offering.

The main parties involved in preparing and drawing up the report are the Chairman and CEO, the members of the Board of Directors and of the committees, working in close collaboration with the administrative department in charge of its preparation.

In accordance with paragraph 10 of Article L. 225-37, the Board of Directors approved this report at its meeting of May 12, 2011.

It was also the subject of a report prepared by the statutory auditors, in accordance with Article L. 225-235 of the French Commercial Code, on internal control procedures relating to the preparation and processing of accounting and financial information and of a declaration regarding the preparation of other necessary information.

## **1.1 CORPORATE GOVERNANCE CODE**

With regard to corporate governance, the company refers to the corporate governance code for listed companies, published by AFEP-MEDEF (French Private Companies Association -French Business Confederation) (consolidated code of December 2008 updated in April 2010 and available at [www.code-afep-medef.fr](http://www.code-afep-medef.fr)) (the "AFEP-MEDEF Code").

In accordance with the provisions of Article L. 225-37 of the French Commercial Code, this report lists the provisions of the AFEP/MEDEF Code rejected by the Company and the reasons related thereto.

Moreover, the Board of Directors continues to reflect on the application and, if applicable, the adaptation of the rules of the AFEP-MEDEF Code which have not yet been implemented, by taking into account the specific characteristics of the Company.

## **1.2 COMPOSITION OF THE BOARD**

The Board of Directors comprises six members, four of whom are also executive vice presidents and assist the Chief Executive Officer.

The composition of the Board of Directors is attached to this report as an appendix.

The by-laws of the Board of Directors set all the principles, which, without being set up according to strict rules, should guide the composition of the Board of Directors.

### **1.2.1 INDEPENDENT DIRECTOR**

The Board of Directors comprises five members from the Guillemot family and one independent director as defined by the AFEP/MEDEF Code, namely an independent director who (i) must not have any relationship of any kind whatsoever with the Company, its group or the management that is such to compromise his or her judgment and (ii) must meet the following criteria:

- Not to be an employee or executive director of the Company, or an employee or director of its parent or a company that it consolidates, and not to have been in such a position for the previous five years,
- Not to be a executive director of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or a executive director of the Company (currently in office or having held such office going back five years) is a director,
- Not to be a customer, supplier, investment banker or commercial banker that is material for the Company or its group or for a significant part of whose business the Company or group accounts,
- Not to be related by close family ties to an executive director,
- Not to have been an auditor of the Company within the previous five years,
- Not to have been a director of the Company for more than twelve years.

The AFEP-MEDEF Code recommends that independent directors should make up at least a third of the board in companies controlled by a principal shareholder.

Given its nature, in particular the structure of its capital ownership with the Guillemot alliance as a long-standing principal shareholder, the Company does not feel an urgent need to appoint a second independent director to the board, especially given the highly active role played by the sole independent director. In this regard, the Company believes it is respecting the spirit of the Code.

However, the Board of Directors plans to broaden its reflections regarding the courses of action to be studied with a view to applying the principle of equal representation of women and men on the Board of Directors.

### **1.2.2 EQUAL REPRESENTATION OF WOMEN AND MEN ON THE BOARD OF DIRECTORS**

To date, the Board of Directors has had no female representation; however, the principle of equal representation of women and men on the Board of Directors is one of the points dealt with in the

evaluation of the Board of Directors and its committees, formalized by a questionnaire presented to the directors at the Board of Directors' meeting on March 14, 2011.

The Board of Directors intends to proceed according to the provisions of Act no. 2011-103 of January 27, 2011 which, in particular, provides that administrative boards comprised of men alone at the date on which the law came into force, should appoint a woman as a director as of the next general meeting called to deliberate on the appointment of members of the board.

### **1.2.3 DIRECTOR ELECTED BY EMPLOYEE SHAREHOLDERS**

The Board does not include a director representing the employees, it being specified that the threshold of at least 3% of share capital held by the employees (as provided in Article L. 225-23 of the French Commercial Code) has not been reached to date.

### **1.2.4 NUMBER OF SHARES TO BE HELD BY THE DIRECTORS**

Each director must own at least one share in the Company. The number of shares held by directors is variable as the Company currently believes that the number of shares held by the directors is not a corollary of their involvement in executing their duties.

### **1.2.5 DIRECTORS' TERM OF OFFICE**

Following the recommendations of the AFEP-MEDEF Code, the General Meeting of July 10, 2009 resolved to amend Article 9 of the Company's Articles of Association and to reduce the term of office for directors from six years to four years, while introducing a system of staggered renewals to ensure a smooth transition and avoid an ad hoc replacement.

Consequently, by way of exception and for the sole purpose of the progressive implementation of this renewal method, it was decided to reduce the duration of the current terms of office – expiring at the annual General Meeting called to approve the Company financial statements for the financial year ended March 31, 2013 – in order to ensure that a regular renewal of the members of the Board of Directors takes place as follows:

- Renewal during the AGM approving the financial statements for the year ended March 31, 2012: Yves Guillemot, Gérard Guillemot and Marc Fiorentino.
- Renewal during the AGM approving the financial statements for the year ended March 31, 2013: Claude Guillemot, Michel Guillemot and Christian Guillemot.

Directors may not be over eighty years of age.

## **1.3 PREPARATION AND ORGANIZATION OF THE BOARD'S PROCEEDINGS**

The preparation and organization of the Board come within the scope defined by the statutory and regulatory provisions applicable to corporations, the Company's Articles of Association and the provisions of the by-laws of the Board of Directors and the specialized committees set up within it, updated on March 14, 2011, mainly in order to complete and/or modify it following the latest regulatory developments, all in compliance with the French Commercial Code and the AFEP-MEDEF Code.

Shareholders may consult the by-laws at the business address or at the registered office.

Over and above the expertise and powers of the board, the by-laws provide the operational rules of

the specialized committees set up within it, prescribes the principle of confidentiality for information known by members and that of the office of director in respect of rules of independence, ethics and integrity. Moreover, the by-laws stipulate the requirement that each of the directors inform the board in the event of real or potential conflict of interests in which he may be directly or indirectly involved.

It also mentions the applicable rules regarding transactions on Company shares, as defined in Article L. 621-18-2 of the Monetary and Financial Code and Article 222-14 of the AMF General Regulation (Financial Market Authority).

Finally, the by-laws provide the opportunity for directors to participate in the board's deliberations via videoconference or telecommunications which enable them to be identified and which guarantee their effective participation, under the conditions determined by the regulations in force. Directors who participate in the board's deliberations in this way are deemed to be present for quorum purposes, except for Board of Directors' meetings relating to the establishment of the annual accounts, consolidated financial statements and the management report.

The by-laws provide the operating rules for the permanent committees set up within the Board of Directors.

### **1.3.1 THE BOARD'S POWERS AND RESPONSIBILITIES**

In accordance with the provisions of Article L. 225-35 of the French Commercial Code and the provisions of its by-laws, the Board of Directors lays down the Company's policies and ensures their implementation.

It meets as often as required by the Company's business, at the registered office or at any other place chosen by the chairman; no special form is required for meeting notices. As a collegial body, its decisions are binding on all its members.

In particular, the Board of Directors gives its opinion on all decisions relating to major strategic, economic, corporate, financial and technological policies of the Company and ensures their implementation by senior management.

Subject to the powers expressly bestowed on Shareholders' Meetings and within the limit of the corporate purpose, the Board of Directors may discuss any issue affecting the proper functioning of the Company. It also carries out the verifications and controls it deems appropriate.

Consequently, the Board of Directors:

- Sets the Group's targets and defines its strategy in line with its culture and values;
- Chooses the organizational arrangements for senior management (separation of the position of Chairman from that of Chief Executive Officer, or both these positions held by the same person);
- Implements, where it sees fit, the authorizations granted to it by the General Meeting;
- Examines and approves the financial statements;
- Monitors the quality of the information provided to shareholders and to the markets in the financial statements or when major transactions are carried out.

### **1.3.2 MAIN ISSUES ADDRESSED DURING THE FINANCIAL YEAR/PROCEEDINGS OF THE BOARD OF DIRECTORS**

During the financial year, the Board of Directors mainly focused on:

- Examining and approving the interim and annual financial statements for the year ended March 31, 2010;
- Examining and finalizing the projected financial statements;

- Examining Ubisoft's strategic considerations;
- Examining related-party agreements in accordance with Article L. 225-38 of the French Commercial Code;
- Convening the AGM of July 2, 2010 and approving the reports and draft resolutions for consideration at this meeting;
- Implementing the authorizations granted by the Shareholders' Meeting, in particular as regards employee shareholding;
- Renewing the authorization granted to the Chief Executive Officer to provide deposits, endorsements and guarantees on behalf of the Company;
- Establishing corporate governance policies: Drawing up and implementing a self-evaluation questionnaire for the Board of Directors and its committees, updating the by-laws with the new legal and regulatory provisions;
  - Implementing the share repurchase program;
  - Reading the reports of its committees (the Strategy and Development Committee and the Compensation Committee).

In accordance with Article L. 823-17 of the French Commercial Code, the auditors were invited to attend the board meetings approving or examining the financial statements.

The Board of Directors met 10 times during the financial year 2010/2011, with an attendance rate of 68.33%.

### 1.3.3 INFORMATION TO DIRECTORS

The Chairman and CEO provides the directors with the information and documentation necessary for them to carry out their duties and to prepare meetings in accordance with Article L. 225-35 of the French Commercial Code.

Each director may independently obtain additional information from the CEO, who is at all times available to provide relevant information and explanations to the Board of Directors.

Directors are bound by a duty of confidentiality as regards confidential information that is provided as such by the Chairman of the Board of Directors.

### 1.3.4 ASSESSMENT OF THE WORK OF THE BOARD OF DIRECTORS

The by-laws provides for a formal assessment of the work of the Board of Directors every two years at least.

During its meeting of March 14, 2011, the Board of Directors drew up and approved a self-assessment questionnaire for the Board of Directors and its committees, given to each director to be completed and returned by all directors before the end of May 2011.

A self-assessment of the Board of Directors was carried out during FY 2008/2009, for which the summary of the individual appreciations revealed an overall satisfactory operation of the board.

### 1.3.5 BOARD COMMITTEES

Since November 19, 2007, the Board of Directors has been assisted by two specialized committees: the Strategy and Development Committee and the Compensation Committee.

Both these committees are comprised exclusively of directors. Committee members are appointed by the Board of Directors, which also designates each committee's chairman.

The responsibilities and specific operating procedures of each committee were specified by the board

when they were established and were added to the by-laws.

### **1.3.5.1 STRATEGY AND DEVELOPMENT COMMITTEE**

#### **COMPOSITION**

The committee has five members: Yves GUILLEMOT, Claude GUILLEMOT, Michel GUILLEMOT, Gérard GUILLEMOT and Christian GUILLEMOT. Yves GUILLEMOT is Chairman of the committee.

#### **RESPONSIBILITIES**

The Committee is responsible for examining and reflecting upon all decisions concerning the major strategic, economic, corporate, financial and technological policies of both the Company and the Group.

It may also be asked to study in detail and provide the board with an opinion on matters referred to it, concerning major investments, acquisitions or divestments and disposals.

#### **WORK DURING FINANCIAL YEAR 2010/2011**

The strategy and development committee met twice during the last financial year, mainly to discuss the development of the technology market and the various forms of product distribution.

The attendance rate at both committee meetings was 100%.

### **1.3.5.2 COMPENSATION COMMITTEE**

#### **COMPOSITION**

The committee has three members: Yves GUILLEMOT, Christian GUILLEMOT and Marc FIORENTINO. Yves GUILLEMOT is Chairman of the committee.

The AFEP/MEDEF corporate governance code states that the compensation committee should predominantly comprise independent directors, with no executive directors. The Company's compensation committee is made up of one independent director and two executive directors. The Board of Directors feels that, given the nature of the Company, in particular the structure of its capital ownership with the Guillemot family as a long-standing principal shareholder, and the current composition of its Board of Directors, the committee as it is best suits the Company's operating methods. Open, varied discussions between the independent director and the persons responsible for preparing the documentation (benchmarking, studies, etc.) used at committee meetings suggest that the interests of the Company's shareholders are well represented.

#### **RESPONSIBILITIES**

The compensation committee is responsible for examining the compensation and benefits enjoyed by directors and executive directors and for providing the board with comparisons and measurements on market practices, in particular:

- Examining and making recommendations as regards the compensation of executive directors, concerning both (i) the variable and fixed portions of said compensation, and (ii) any benefits in kind, stock subscription or purchase options received from any Group company, arrangements regarding their pensions and any other benefits of any kind; verifying application of the relevant rules;
- Making recommendations to the board as regards the rules for distributing the directors' fees and the individual payments to be made to the directors in this respect, taking account of the directors' attendance at board meetings;
- Making recommendations to the board as regards the overall amount of directors' fees proposed to the Company's General Meeting;



- Providing the board or directors with an opinion on the general policy for granting stock subscription and/or purchase options, which should be reasonable or appropriate, and on the option plan(s) established by the Group's senior management, advising the board of its recommendation as regards the allocation of subscription or purchase options by explaining the reasoning behind its choice as well as the consequences thereof; predetermining the frequency of such allocations;
- Examining any matter referred to it by the Chairman concerning the aforementioned issues and, where applicable, the proposals relating to employee shareholding.

#### **WORK DURING THE FINANCIAL YEAR 2010/2011**

The compensation committee met once during the last financial year, mainly to discuss the composition of Ubisoft teams as at September 2010, possibilities for the retention of key people and building up their loyalty in a tense market and practices as regards competitors.

The attendance rate was 100%.

#### **1.3.5.3 AUDIT COMMITTEE**

To date, the Company has not set up the audit committee recommended by the AFEP-MEDEF Code, largely owing to the difficulty in doing so given the recommended composition of such a committee. In accordance with the provisions of Article L. 823-19 of the French Commercial Code, introduced by Directive 2008-1278 of December 8, 2008 (having transposed into French law the eighth directive on statutory audits (Directive 2006/43/EC), the Company intends to establish an audit committee within the time frame shown in Article 21 of the directive, using the expiry of board members' terms in office as a benchmark.

### **1.4 POSSIBLE LIMITS PLACED ON THE POWERS OF THE CHIEF EXECUTIVE OFFICER**

The Board of Directors chose not to separate the position of Chairman of the Board of Directors from that of Chief Executive Officer. In a constantly changing and particularly competitive environment, this arrangement ensures the alignment of operating activities with the strategy, thus supporting and streamlining the decision-making process.

Yves GUILLEMOT holds the positions of Chairman and CEO without any limits on his powers other than those provided for under applicable legislation on the special powers of the Board of Directors or of the General Shareholders' Meeting.

At its meeting of June 6, 2010, the Board of Directors set out the scope of the Chief Executive Officer's powers as regards providing deposits, endorsements and guarantees by setting the overall authorized amount at €150 million for a legal duration of one year in accordance with Article R. 225-28 of the French Commercial Code.

## **1.5 RULES AND PRINCIPLES APPLIED BY THE BOARD OF DIRECTORS TO DETERMINE THE COMPENSATION AND BENEFITS OF ALL KINDS GRANTED TO EXECUTIVE DIRECTORS**

Compensation granted to the Chief Executive Officer, and to the executive vice presidents, is set by the Board of Directors following a proposal by the compensation committee, which bases its judgment on comparative studies of large firms and/or companies operating in the same business sector.

In consideration – albeit very partial – of the responsibilities assumed and also the time spent in preparing board meetings and actively participating therein, the General Meeting of September 25, 2006 authorized the Company to pay directors' fees amounting to a maximum of €250,000 per annum.

At its meeting of December 5, 2006, the Board of Directors resolved to set the rules for allocating the directors' fees and to accordingly amend the by-laws. Moreover, the Board of Directors has resolved up to now to use only 72% of the overall allowance provided by the General Meeting.

Executive directors are not entitled to any indemnity or benefits payable in the event that they leave the Company.

Since 2009, the resolutions adopted by the General Shareholders' Meeting renewing the authorization of the Board of Directors to grant options to subscribe to and/or purchase shares stipulates on the one hand, that the number of options granted to executive directors may not represent more than 5% of the total number allocated by the board throughout the duration of the authorization and on the other hand, that the exercise of said options by executive directors must be tied in with performance conditions to be met which are set out by the Board of Directors.

Pursuant to the AFEP-MEDEF Code and the AMF recommendations of December 22, 2008, information on management compensation is provided in the tables contained in section 4.5 of the management report.

## **1.6 SHAREHOLDERS' ACCESS, ATTENDANCE AND VOTING AT GENERAL MEETINGS**

All shareholders have the right to attend General Meetings under legally prescribed conditions. Information on access, attendance and voting at General Meetings appears in Articles 8 and 14 of the Company's Articles of Association, with details in section 3.2 of the management report. This information is provided again in the notice of meeting that serves as a convening notice published by the Company before any General Meetings.

## **1.7 PUBLICATION OF THE CAPITAL STRUCTURE AND MATTERS LIKELY TO HAVE AN INFLUENCE IN THE EVENT OF A PUBLIC OFFERING**

This report refers to section 3.2 of the management report the year ended March 31, 2011 as regards the publication of information referred to in Article L. 225-100-3 of the French Commercial Code, relating to the Company's capital structure and matters that could have an impact in the event of a public offering.

## 1.8 INTERNAL CONTROL PROCEDURES

The preparation of this report is based on the information and control methods reported by the various parties involved in internal control within Ubisoft and its subsidiaries, as well as the internal audit work performed at the request of the senior management.

### 1.8.1 INTERNAL CONTROL DEFINITION AND GOALS

Ubisoft has drawn up this report in accordance with the reference framework provided by the AMF (French Financial Markets Authority) published in January 2007, and revised in July 2010, and the principles of the application guide. The Group also uses this reference framework to fine-tune its internal control procedures.

Under this framework, internal control is defined as a system designed to ensure:

- ✓ Compliance with laws and regulations;
- ✓ Application of the instructions and policies fixed by senior management;
- ✓ That the Company's internal processes are functioning correctly, in particular, those involving the security of its assets;
- ✓ The reliability of the financial information published.

This system must also contribute to the control over its activities, the efficiency of its operations and efficient use of its resources, while enabling the Company to adequately take into account significant operational, financial or compliance risks. Therefore, the internal control system plays a key role in conducting and monitoring its activities.

Since 2007, in order to continuously assess the adequacy and effectiveness of its internal control system, Ubisoft introduced a proactive approach. Consequently, the internal control system will continue to adapt to the constraints and specificities of the Group and its subsidiaries, and to changes in its external environment.

Since 2010, a decision has been made to target more specifically the audits carried out in the Group's production studios (24 French companies and 26 foreign companies) and support-level companies (14 French companies). Audits are still carried out within distribution companies but are more comprehensive and less detailed.

However, the Group is aware that the internal control system cannot provide an absolute guarantee that the Company's objectives will be met and that all the potential risks it may face will be controlled.

### 1.8.2 COMPONENTS OF THE INTERNAL CONTROL SYSTEM

#### 1.8.2.1 ORGANIZATION OF INTERNAL CONTROL AND OPERATING PROCEDURES

Since the internal audit department was closed in 2010, in the interests of proximity and effectiveness, and in order to strengthen team-working, the regional managers will be in charge of keeping this internal control process going and improving it from now on.

The internal control system relies on a solid foundation of autonomy and collaboration within the Group's teams, encouraging the alignment of goals, resources and the mechanisms deployed. It is based on the clear identification of goals and responsibilities, a human resources policy ensuring that resources and skill levels are sufficient, and that information systems and tools are adapted to each team and/or subsidiary.

Each subsidiary is responsible for implementing the relevant strategies to achieve these objectives, although the monitoring of the internal control system and risk management is highly centralized by the operational departments.

### Organization

The key parties involved in the internal control system are as follows:

❖ **The Chairman and CEO of Ubisoft Entertainment SA:** He defines and directs Group strategy. He is responsible for establishing the procedures and mechanisms employed to ensure both the functioning and monitoring of the internal control system. He takes charge of the internal control system, more specifically as part of his duties as Chief Executive Officer with the Board of Directors and the assistance of the auditors.

❖ **The Board of Directors:** Its operations are described in chapter 3 of this report. It primarily defines the policies governing the Company's business activities and ensures their application. It strives in particular to examine the accounting and financial documents and to determine the risks in relation with the Company's internal control. It ensures the efficiency of the mechanisms and procedures applied as part of the internal control. To this end, it has access to all documents and reports required to perform this task. Each director may independently require additional information from Chairman and CEO, who is at all times available to provide relevant information and explanations to the Board of Directors.

❖ **The Group's managers and employees:** The major policies and goals are decided upon by senior management of each area in consultation with Group senior management and are passed on to the subsidiaries. Each subsidiary has its own senior management and management team and is responsible for implementing the strategies designed to ensure that these goals are achieved.

❖ **Operational management:** In collaboration with senior management, they are collectively involved in setting the key accounting, finance, legal, tax, IT and human resources policies, and supporting the subsidiaries with their implementation. Specific visits are made to the subsidiaries in order to carry out audits and training and to make recommendations so as to ensure that the internal control system is sufficient.

These procedures are presented in detail in the paragraph "Control activities".

❖ **The finance and accounting teams:** Present in all subsidiaries, they are responsible for performing analysis and control functions, including budgeting and the preparation of the financial statements.

### Clear goals and responsibilities

The division of powers and responsibilities is clearly defined by the organization charts.

In order to enable the various operational teams to achieve their goals, temporary and permanent operational and banking authorizations are granted. These are frequently reviewed by the treasury department and updated to reflect any changes in roles and responsibilities. Senior management defines the rules for delegating power to subsidiaries.

Consequently, at an individual level, each major subsidiary has local internal control procedures (delegation of bank signing authority, verification of day-to-day transactions, segregation of duties between the signatory and the person preparing the payment in order to provide effective fraud prevention, etc.).

Similarly, budgetary goals are defined annually by senior management and monitored in each subsidiary by the accounting and finance teams. Management audit teams monitor business performance: At subsidiaries, these teams provide relevant costs analyses to operational managers so that they can reach suitable management decisions. This information is periodically reported in a

standard format and is consolidated by head office teams, which analyze the differences between objectives and actual performance.

#### Human resources policy

HR policy is key to the internal control system and its effectiveness. HR teams at subsidiaries establish and implement the policy, programs and systems required to meet recruitment goals set at Group level, whilst ensuring the development of employees' skills and potential.

These teams also ensure compliance with local regulations and apply the Group's policies on improving collective and individual performance, through regular appraisals, growth plans, appropriate training, stock options or employee share subscription plans etc.

#### Appropriate systems and operating methods

Reporting to the information systems department, IT teams provide resources adapted to individual business activities. Together with operational and functional teams, they decide on the information systems required to produce information and to ensure that transactions are securely managed. The range of solutions used within the Group is varied and includes purchased software as well as tools developed in-house. These solutions will evolve to take into account growing needs in managing and analyzing information.

To meet an increasing need for flexibility, security specialists are now systematically involved in the ISD's research on structures and solutions. For example, these studies have led to the development and deployment of an anti-piracy system, multiplayer systems, applications and online games, which include higher security standards.

Similarly, each subsidiary and team strives to continuously improve processes and documentation, notably through the establishment of internal procedures suited to activities and organizational schemes. In particular, functional departments frequently review and update Group procedures at all levels to ensure uniform local application. These procedures are made available to the relevant teams through collaborative tools developed by the Group: mapping systems, wikis and other systems for the exchange of internal documents.

Procedures relating to the production of accounting and financial information are described in section 1.8.3 of this report.

### **1.8.2.2 INTERNAL PUBLICATION OF INFORMATION**

To effectively communicate strategic goals and provide the resources needed by teams to fulfill their duties, the Company encourages ongoing information-sharing through numerous initiatives developing collaborative tools.

In addition to local briefings and an organized internal communications network, a portal accessible to all Group employees since 2007 has provided a permanent and up-to-date information portal on the Group, the market and its developments, and the many internal sites.

These frequently updated internal sites facilitate knowledge sharing and discussions in all business activities, for example:

- Operational: Workspaces for sharing and providing inter-site information on projects, developments, technologies, studies and analyses.
- IT: A shared database to retrieve functional and technical documentation on applications and projects led by IT departments.
- Security: Use of a forum that lists and details the security measures at the various sites, the "security catalog", in order to improve knowledge sharing and standardize security levels across Ubisoft's various offices.

- Accounting, finance and management control: A shared database, accessible to all relevant employees, providing procedures manuals, Group contacts and information on the financial reporting cycle.

The various departments regularly organize training and briefing sessions to ensure the dissemination of information. In light of past success, the Group will continue to invest in these collaborative tools.

### 1.8.2.3 RISK IDENTIFICATION AND MANAGEMENT

In the course of its business, the Group is exposed to a series of risks that could affect its performance and the achievement of its strategic and financial goals.

In order to implement mechanisms to manage its risks, mainly in the production and support companies, the Company has identified the risks through a proactive approach: upstream with management teams and downstream with the operational and functional teams.

The nature of the main risk factors and means of prevention or action are outlined in the chapter of the management report entitled "Risk factors".

At the management's request, these risks, for which the level of control is insufficient, or could be improved, can then be analyzed by the main roles of the system of control. Internal control procedures are then designed or reviewed in collaboration with operational teams to improve efficiency.

The procedures implemented represent an internal operating framework for the Company and are constantly changing so as to ultimately provide effective risk management tools, for use at all levels of the organization and, in particular, for analyzing IT and extra-financial risks.

### 1.8.2.4 CONTROL ACTIVITIES

In addition to the risk management system, the Group has many control processes at all levels of the Company. Functional departments at head office play a critical role by ensuring that subsidiaries' initiatives comply with Group guidelines, and by providing support for risk management, especially when local teams lack sufficient expertise.

The centralized organization of these support functions enables consistent dissemination of the major policies and goals of the senior management:

- ❖ The management control department monitors the Company's performance, using operational monitoring based on monthly reports from all Group subsidiaries. It also coordinates meetings between senior management and the operational and finance departments at which the various reporting indicators are reviewed, the differences between actual performance and initial forecasts are analyzed, and the interim and annual forecasts can be fine-tuned on the basis of actual figures and market outlook as received from local and operational teams. The financial controllers monitor the whole financial reporting cycle and constantly query subsidiaries on their performance levels, earnings and business activity.
- ❖ The consolidation department draws up the Group's monthly consolidated accounts, centralizing all advice on their preparation and analysis. It publishes the accounting procedures applicable within the Group, particularly via the Group's accounting policies manual. It ensures compliance with applicable standards and regulations so as to provide a true picture of the Group's business activities and position.
- ❖ The treasury department arranges foreign-exchange derivative contracts and coordinates cash flow management at French and foreign subsidiaries, in particular by overseeing the dissemination of cash pooling solutions and cash flow forecasting. It checks the suitability and smooth interaction of exchange-rate and liquidity risk management policies, as well as the publication of financial information, and also manages off-balance sheet commitments (bank guarantees relating to purchase financing or L/Cs, comfort letters, share price guarantees, deposits, etc.). It centralizes and verifies the authorizations granted to a limited number of employees, who are exclusively



authorized by senior management to handle certain financial transactions – subject to predefined thresholds and authorization procedures – and helps implement tools to ensure effective control (double signature procedure, secure payment mechanisms, frequently updated authorization and signature system, controlled IT access, etc.).

- ❖ Acquisitions are managed by the acquisitions department, which reports to the finance department, examines and assesses the strategic interest of the planned total or partial takeover of a company and submits the relevant proposal to senior management, which makes the final decision. No Group subsidiary can make this decision on its own.
- ❖ Legal departments, which are specialized in company law, contract law, litigation and intellectual property, assist and advise the subsidiaries on legal matters (acquisitions, contracts, leases, stock market regulations, corporate governance, etc.). They coordinate joint studies or those of interest for the Group, and support local entities on legislative issues so as to control risks in the various fields.
- ❖ The tax department assists and advises the Group's French and foreign companies with the analysis of the tax aspects of their projects. In coordination with the various internal departments, it ensures the Group's tax security by organizing risk prevention, identification and management. It implements the Group's transfer price policy and ensures that this is applied correctly.
- ❖ The information systems department is involved in selecting IT solutions, and ensures their technical and functional compatibility. One of its principal aims is integrating those solutions and, in particular, it oversees changes to the ERP applications (PeopleSoft – Oracle) deployed in many subsidiaries. It also regularly monitors IT projects and ensures that they are in line with the requirements identified by the functional teams and the budgets approved by management. As a result, medium-term project visibility has been introduced, with budgets set for a 2-year period, reviewed periodically to take into account the changes in the Company's priorities and constraints, especially for security matters. The security department is thus responsible for ensuring and organizing the protection of the information system, whether as concerns the security of the various applications, server architecture, the premises, etc.

#### 1.8.2.5 ONGOING SUPERVISION OF THE INTERNAL CONTROL SYSTEM

To provide ongoing supervision of the internal control system and its operation, the Group has introduced a biannual process for monitoring subsidiaries and key controls, together with the financial control teams. The responses to the self-evaluation questionnaires updated during the first quarter of the financial year 2010 served as a basis for work in 2010/2011.

Their goal is both to contribute to establishing and updating procedures and, above all, to help managers to pinpoint the fundamental issues regarding the effectiveness of the processes and controls in question. The introduction of an overall formalized approach to internal control thus allows:

- The quality of controls in subsidiaries to be understood, particularly by means of:
  - ✓ Evaluating the efficient utilization of resources (human, material or financial),
  - ✓ Justifying investments and expenditure,
  - ✓ Ensuring that activities carried out locally are in line with the strategy and guidelines of the Group
- Operational and financial practices to be improved by means of corrective and optimization initiatives to remedy shortcomings;
- Effective monitoring of compliance with these procedures and controls.

Financial year 2010/2011 was marked by more targeted and significant actions bearing on the heart of the Group's activity:

- ✓ Audit of procedures implemented in subsidiaries
- ✓ Support for subsidiaries by implementing tool training

The objective is to make sure of the correct application of recommendations and guidelines established during first half of the fiscal year 2010/2011 in line with the Group's constraints.

### 1.8.3 INTERNAL CONTROL OF THE PRODUCTION OF FINANCIAL AND ACCOUNTING INFORMATION

The internal control procedures relating to the production and processing of financial and accounting information are mainly implemented by the various accounting and finance departments.

#### 1.8.3.1 FINANCIAL STATEMENT PRODUCTION AND CONSOLIDATION PROCESSES

The financial statements of each subsidiary are drawn up, under the responsibility of their manager, by the local accounting departments, which ensure compliance with local tax and regulatory constraints. These financial statements are subject to a limited review for the interim financial statements of the key subsidiaries and a complete audit carried out by the auditors for the majority of the subsidiaries for the year-end financial statements.

Reporting of accounting information, in standardized monthly reports, is carried out on the basis of a schedule established by the consolidation department and approved by the administration department. Each subsidiary must apply Group procedures for the recording of accounting data to monthly reporting, interim and annual financial statements and quarterly forecasts.

The reportings of subsidiaries are established according to the accounting policies of the Group, which are formalized in a Group policies manual given to all the subsidiaries.

The consolidation statements are subject to an audit or a limited review with regard to this accounting policies manual of the Group.

Since April 2008, reporting systems have allowed for information to be reported according to purpose and no longer purely according to type. Support for local teams, provided by the consolidation, IT and financial control teams has been put in place in order to ensure compliance with the new internal reporting formats.

The subsidiaries' accounting information is uploaded, reconciled and then consolidated in a central solution, HFM from Hyperion, under the responsibility of the consolidation department. This solution supports automatic verification and consistency checking of flows, the balance sheet, specific line items in the income statement, etc. It also allows fast, reliable data reporting and is designed to make the consolidated financial statements secure.

The Company has taken measures to shorten the process of producing the consolidated financial statements and make it more reliable. For example, the consolidation department has drawn up procedures, which are updated periodically, enabling subsidiaries to optimize understanding and effectiveness of the solutions, and to guarantee the standardization of published accounting and financial data:

- ❖ Drawing up a Group chart of accounts,
- ❖ Implementing automatic mapping between the corporate financial statements and the consolidated financial statements,
- ❖ Drawing up a user manual for the consolidation statement,
- ❖ Drawing up a consolidation manual,
- ❖ Drawing up an accounting policies manual.

The consolidation department also carries out ongoing monitoring so as to track and anticipate changes to the regulatory framework applicable to Group companies.



### 1.8.3.2 ORGANIZATION AND SECURITY OF INFORMATION SYSTEMS

With a view to continually improving its information system and in order to ensure the integrity of accounting and financial data, the Company continues to invest in standardized solutions and procedures, to meet the requirements and the constraints both of the local teams and of the Group.

More and more major subsidiaries are integrated in PeopleSoft – Oracle, for the accounting and management of operational flows (procurement, manufacturing, logistics, etc.). This centralized application, which uses a single database for all subsidiaries, allows the sharing of frameworks and transaction formats (product database, customer and supplier files, etc.). This ERP is installed in US production, support and distribution subsidiaries, and is being deployed in the EMEA distribution subsidiaries in order to meet the issues relating to growth of activity.

With a view to integrating and automating accounting and financial solutions, the Group continues to implement PeopleSoft - Oracle in the other foreign subsidiaries. The computerization of data exchange (interfaces between accounting systems and the consolidation system, daily integration of banking entries, automated payment issuing, etc.), has been proven to optimize and improve processing and guarantees greater reliability of accounting processes.

A test review of the IT environment as regards the features of PeopleSoft – Oracle was carried out at the start of March 2010 by KPMG. This task included access to applications and data, the management of changes and projects as well as the management of operations. Improvements have been made thanks to these analyses which give rise to a more general Group reflection and shall be put into place as of the next financial year.

The Hyperion consolidation and management forecasting applications are used by all Group companies, providing an exhaustive and standardized view of business activities and accounting and financial data. They help improve the effectiveness of information processing.

Similarly, special attention is paid to the security of IT data and processing. The IT Department is looking to continually improve control levels in order to guarantee:

- ✓ Network data security and scope for its recovery;
- ✓ The protection of online services from unauthorized access;
- ✓ The separation of networks' operational responsibilities from those relating to IT operations;
- ✓ The identification of users' responsibilities;
- ✓ The establishment of management procedures for remote equipment;
- ✓ The controls necessary to ensure the confidentiality, integrity and authenticity of data routed via public networks, and in order to protect online systems;
- ✓ The availability of online services and systems.

The most important systems are housed in dedicated specialist IT centers that comply with the security standards and needs of the Group. Security audits have been standardized for the vast majority of IT projects in order to significantly improve the security of applications. The IT Department has also worked towards distributing roles and responsibilities across the various security departments in order to clarify mandates, scope and ownership.

The IT teams are also focusing much of their efforts on documentation and training in order to guarantee the security, reliability, availability and relevance of accounting and financial information. The Company has acquired a modeling tool with the specific objective of mapping the existing information system in accordance with a methodology set as standard for all users of the tool in order to allow for improved management of documentation and training.

### 1.8.3.3 ACCOUNTING AND FINANCIAL INFORMATION VALIDATION PROCEDURES

Ubisoft's accounting and financial information is produced by the administration department, under the supervision of the Chairman and CEO, with the Board of Directors responsible for final approval.

The consolidated financial statements are subject to a limited review as at September 30 and an audit as at March 31 by the Group's auditors. The administration department works with the statutory auditors to coordinate the timing and main accounting processes to allow for in the annual year-end process.

One-off assignments during the financial year such as pre-closing reviews prior to each closing date make it possible to forecast and examine specific accounting issues in advance. This systematic review allows for more orderly finalizing of accounts, as well as reducing the time needed to prepare the consolidated financial statements.

At international level, the audit of the accounts in certain subsidiaries is carried out by the KPMG network, co-auditor for the holding company. Their local representative does everything required of him in the respective country as regards statutory auditors. This organization contributes to the standardization of accounting processes.

The Group announces its sales on a quarterly basis and its earnings every six months. The consolidation department also collects and verifies the accounting information to be included in the Group's financial releases when related to the consolidated financial statements.

#### **1.8.3.4 EXTERNAL FINANCIAL INFORMATION MANAGEMENT PROCESS**

The financial communications department distributes the financial information required for the Group's strategy to be understood to the shareholders, financial analysts and investors.

All financial and strategic releases are reviewed and approved by senior management. Financial information is published in strict compliance with market regulations and upholding the principle of equality of treatment of shareholders.

#### **1.8.4 PROSPECTS**

The Group intends to continue strengthening its internal control system on its production and support activities, by specifically focusing on increasing awareness among its teams and managers, systematically reviewing risks and developing effective solutions adapted to the teams' requirements.

## 2 AUDITOR'S REPORT PREPARED PURSUANT TO ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE, ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF UBISOFT ENTERTAINMENT SA

*This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with Article L.225-235 of French company law on the report prepared by the Chairman of the Board of Directors on the internal control procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.*

*This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.*

Dear Shareholders,

In our capacity as auditors of Ubisoft Entertainment SA and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we hereby present our report on the report prepared by the Chairman of your company in accordance with the provisions of Article L. 225-37 of the French Commercial Code for the fiscal year ended March 31, 2011.

The chairman is required to draw up and submit to the approval of the Board of Directors a report describing internal audit procedures and risk management implemented at the company and giving the other information required by the Article L.225-37 of the French Commercial Code relating in particular to the device as regards of corporate governance.

Our task is:

- to offer our observations in response to the information provided in the Chairman's report regarding the internal audit procedures and risks management used to prepare and process accounting and financial information, and
- to attest that the report comprises the other information required by the Article L.225-37 of the French Commercial Code, being specified that our task is not to verify the sincerity of this other information.

We have carried out our work in accordance with accepted professional standards in France.

### ***Information concerning internal audit procedures and risk management used to prepare and process accounting and financial information***

The professional standards require due diligence in order to assess the accuracy of the information concerning internal audit procedures and risk management used to prepare and process accounting and financial information included in the Chairman's report. Specifically, this due diligence includes:

- Acquiring an understanding of internal control procedures and risk management used to prepare and process accounting and financial information underlying the information presented in the Chairman's report as well as existing documentation.
- Acquiring an understanding of the work which allowed to draw up these information and existing documentation.
- Determine if, in the case we would find during our mission important deficiencies of internal control used to prepare and process accounting and financial, were appropriateness mentioned in the Chairman's report.

On the basis of this work, we have no comments regarding the information provided about company's internal control procedures and risk management used to prepare and process accounting and financial information, as contained in the report of the Chairman of the Board of Directors, prepared pursuant to the provisions of Article L. 225-37 of the French Commercial Code.

### ***Other information***

We attest that the report of the Chairman of the Board of Directors comprises the other information required by the article L.225-37 of the French Commercial Code.

By the statutory auditors

Nantes, June 6, 2011  
KPMG Audit  
*A division of KPMG S.A.*

Rennes, June 6, 2011  
MB Audit

Franck Noël  
Partner

Marc Dariel  
Partner

# **CORPORATE INFORMATION**

# 1 STATUTORY AUDITOR'S SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS FOR THE YEAR ENDED MARCH 31, 2011

*This is a free translation into English of the statutory Auditors' special report on regulated agreements and commitments issued in the French language and is provided solely for the convenience of English speaking readers.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Dear Shareholders,

In our capacity as statutory auditors of your company, we hereby report to you on regulated agreements and commitments.

We are required to inform you, based on the information provided to us, of the principal terms and conditions of the agreements and commitments brought to our attention or which we may have discovered during the course of our mission, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and commitments if any. It is your responsibility, under the terms of article R.225-31 of the French Commercial Code, to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Furthermore, we are required to provide you with the information stipulated in article R.225-31 of the French Commercial Code relating to the execution, during the past fiscal year, of agreements and commitments previously approved by the Shareholders' Meeting, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in verifying the information provided to us is in agreement with the relevant source of documents.

## **Regulated agreements and commitments submitted to the approval of the Shareholders' Meeting**

### **Regulated agreements and commitments authorized during the fiscal year**

In accordance with article R.225-40 of the French Commercial Code, we were informed of the following agreements and commitments, which were previously authorized by your Board of Directors.

#### **1- Contributions in kind of shares**

- Agreement entered into with :  
Ubisoft Simulations SAS and Ubisoft Pictures SAS
- Person concerned :  
Yves Guillemot as Chairman and Chief Executive Officer of your Company and President of the beneficial companies.

- Nature and purpose :

On March 14, 2011, your Board of directors authorized your company to complete contributions in kind of all the shares it owned and making of the whole share capital of :

- Ubisoft Production Annecy SARL in favor of Ubisoft Simulations SAS (a wholly-owned subsidiary of your company) Tiwak SAS, Ubisoft Castelnau SARL, Ubisoft Production Montpellier SARL, Ubisoft Studios Montpellier SARL and Ubisoft Design Montpellier SARL in favor of Ubisoft Pictures SAS (a wholly-owned subsidiary of your company).

- Term and conditions :

At the date of this report, this convention has not been executed.

## **2- Intellectual Property License granted by the company's Luxembourg subsidiary (Ubisoft Entertainment Sàrl)**

- Agreement entered into with :

Ubisoft Entertainment Sàrl (indirect subsidiary of your company).

- Person concerned :

Yves Guillemot as Chairman and Chief Executive Officer of your company and as joint-manager of Ubisoft Entertainment Sàrl.

- Nature and purpose :

On March 14, 2011, your Board of Directors authorized your company to conclude retroactively as of 1st April, 2010, an intellectual property license agreement relating to some intellectual properties including trademarks (the "IP") owned by Ubisoft Entertainment Sàrl, subject to the payment by your company of a 3.5% royalty calculated on Ubisoft Group's turnover in connection with the due use of such IP. In consideration of the marketing costs related to the IP, your company will invoice to Ubisoft Entertainment Sàrl a marketing fee corresponding to 11% of the royalties relating to the use of the IP thereto.

- Term and conditions :

The amount of the royalties booked for the year ended March 31, 2011 totaled €3,192,599 excluding tax.

The amount of marketing fee invoiced for the year ended March 31, 2011 totaled €351,186 excluding tax.

## **Regulated agreements and commitments previously approved by the Shareholders' Meeting**

### **Agreements and commitments entered into in prior years**

Pursuant to article R.225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, previously approved by Shareholders' Meetings of prior years, have remained in force during the year:

#### **1/ Licensing agreement with Gameloft SA**

- Nature and purpose :

On November 18, 2008, your Board of directors authorized your company to grant to Gameloft SA an exclusive and nontransferable license for the use and reproduction of video games for iPhone and iPod Touch formats as well as a nonexclusive and nontransferable license authorizing the

reproduction of the trademarks and logos relating to the video games subject to the exclusive use of the license.

- Term and conditions :

The license agreement concerns a period from January 28, 2009 to April 1, 2012. The amount of the royalties booked as turnover by your company as of March, 31 2011 totaled €1,203,197 excluding tax.

## **2/ Brand licensing agreement with Gameloft SA**

- Nature and purpose :

On August 18, 2003 your Board of Directors authorized your company to sign an exclusive licensing agreement for current and future brands with Gameloft S.A. for the development of interactive video games for telephone, fax and telecommunications devices, personal digital assistants (PDAs) and interactive television.

- Term and conditions :

The term of the agreement is 10 years starting on April 1, 2002.

The amount of the royalties booked as turnover by your company as of March, 31 2011 totaled €783,567 excluding tax.

## **3/ Regulated agreement of guarantee granted**

- Nature and purpose :

On November 17, 2009 your Board of Directors authorized your company to invoice financial interests of 0.5 % per year to some subsidiaries companies as remuneration of the guarantees granted by the company within the framework of commitments taken by those subsidiaries face to face third parties (rents, banks, commercial partners...)

- Term and conditions :

The term of the remuneration achieves to each guarantee due date. The financial revenue as of March 31, 2011 totaled € 220,493.50 excluding tax.

Nantes, June 6, 2011

KPMG Audit  
A division of KPMG S.A.

Franck Noël  
Partner

Rennes, June 6, 2011

MB Audit

Marc Dariel  
Partner



## 2 THE COMBINED GENERAL MEETING ON JULY 10, 2009

### 2.1 AGENDA

#### Resolutions within the scope of the Ordinary General Meeting

First resolution	Approval of the company financial statements for the financial year ended March 31 <sup>st</sup> , 2011 and discharge granted to the directors
Second resolution	Allocation of earnings for the financial year ended March 31 <sup>st</sup> , 2011
Third resolution	Approval of the consolidated financial statements for the financial year ended March 31 <sup>st</sup> , 2011
Fourth resolution	Approval of the agreements and commitments covered by Articles L. 225-40 <i>et seq.</i> of the French Commercial Code
Fifth resolution	Appointment of an Alternate Auditor in replacement of a resigning Alternate Auditor
Sixth resolution	Authorization to buy back, retain or transfer Ubisoft Entertainment SA shares
Seventh resolution	Powers for legal formalities

#### Resolutions within the scope of the Extraordinary General Meet

Eighth resolution	Authorization granted to the Board of Directors to reduce the share capital by cancelling shares
Ninth resolution	Delegation of authority to the Board of Directors to increase the share capital by issuing, with retention of preferential subscription rights, shares and/or securities granting entitlement to the Company's capital
Tenth resolution	Delegation of authority to the Board of Directors to increase the share capital by issuing, with waiving of preferential subscription rights by way of a public offering, shares and/or securities granting entitlement to the Company's capital
Eleventh resolution	Delegation of authority to the Board of Directors to increase the share capital by issuing, with waiving of preferential subscription rights by way of an offer as referred to under paragraph II of Article L.411-2 of the French Monetary and Financial Code, shares and/or securities granting entitlement to the Company's capital
Twelfth resolution	Authorization to the Board of Directors to determine, up to a limit of 10% of the share capital per year, the issue price of ordinary shares or any securities granting entitlement to the Company's capital, in the case of an issue with waiving of preferential subscription rights by way of a public offering and/or an offer as referred to in paragraph II of Article L. 411-2 of the French Monetary and Financial Code
Thirteenth resolution	Delegation of authority to the Board of Directors to increase the share capital by issuing shares reserved for members of a Group savings scheme
Fourteenth resolution	2.1.1.1.1 <i>Authorization given to the Board of Directors to grant subscription and/or purchase options on ordinary shares</i>
Fifteenth resolution	Authorization granted to the Board of Directors to issue ordinary shares of the Company free of charge

Sixteenth resolution	Delegation of authority to the Board of Directors to issue shares reserved for the employees and corporate officers of the company's subsidiaries, as provided by Article L. 233-16 of the French Commercial Code, that have their headquarters outside of France
Seventeenth resolution	Overall maximum amount of capital increases
Eighteenth resolution	Powers for legal formalities

## 2.2 TEXT FOR DRAFT RESOLUTIONS SUBJECTED TO THE VOTE OF THE COMBINED GENERAL MEETING ON JUNE 30, 2011

### 2.2.1 RESOLUTIONS WITHIN THE SCOPE OF THE ORDINARY GENERAL SHAREHOLDERS' MEETING

#### FIRST RESOLUTION

*(Approval of the company financial statements for the financial year ended March 31<sup>st</sup>, 2011 and discharge granted to the directors)*

The shareholders' general Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings and having read the Board of directors' management report and Statutory Auditors' report, approves the company financial statements for the financial year ended March 31<sup>st</sup>, 2011 as presented (consisting of the balance sheet, income statement and notes) showing a loss of 152,116,716.98€, as well as the transactions reflected in said financial statements or summarized in said reports.

Accordingly, it discharges the directors in respect of the performance of their duties for the financial year ended March 31<sup>st</sup>, 2011.

#### SECOND RESOLUTION

*(Allocation of earnings for the financial year ended March 31<sup>st</sup>, 2011)*

The shareholders' general Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings and having read the Board of directors' report, resolves to allocate the loss for the financial year ended March 31<sup>st</sup>, 2011 as follows:

- Loss	<b>-152,116,716.98€</b>
- «Retained earnings»	<b>-119,523,617.38€</b>
Balance of the "Retained earnings" account	<b>-271,640,334.36€</b>
- Settlement of the "Retained earnings" account by allocation on the "Premiums" account amounting to	<b>+455,898,730.51€</b>
Balance of the "Premiums" account	<b>+184,258,396.15€</b>

The shareholders' general Meeting also notes that no dividend has been distributed for the past three financial years.

**THIRD RESOLUTION**

*(Approval of the consolidated financial statements for the financial year ended March 31<sup>st</sup>, 2011)*

The shareholders' general Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings and having read the Board of directors' report on the management of the Group and the Statutory Auditors' report on the consolidated financial statements, approves the consolidated financial statements for the financial year ended March 31<sup>st</sup>, 2011 as presented (consisting of the balance sheet, consolidated income statement and notes), as well as the transactions reflected in said financial statements or summarized in said reports.

**FOURTH RESOLUTION**

*(Approval of the agreements and commitments covered by Articles L. 225-40 et seq. of the French Commercial Code)*

The shareholders' general Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings and having read the Statutory Auditors' special report on the agreements and commitments covered by Articles L. 225-40 et seq. of the French Commercial Code relating to the financial year ended March 31<sup>st</sup>, 2011, notes the conclusions of said report and approves the agreements referenced therein.

**FIFTH RESOLUTION**

*(Appointment of an Alternate Auditor in replacement of a resigning Alternate Auditor)*

The shareholders' general Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, resolves to appoint, as Alternate Auditor in replacement of Mr. Roland Travers resigning Alternate Auditor, M. Sébastien Legeai - Rocade de l'Aumailerie - BP 70255 - Fougères Cedex, for the remainder of the term of office of his predecessor, i.e. until the closing of the ordinary shareholders' general Meeting called to approve the financial statements for the year ending March 31<sup>st</sup>, 2016.

**SIXTH RESOLUTION**

*(Authorization to buy back, retain or transfer Ubisoft Entertainment SA shares)*

The shareholders' general Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings and having read the Board of directors' report, authorizes the Board of directors – with the option to further delegate within legal prescribed manners, pursuant to the provisions of Articles L. 225-209 et seq. of the French Commercial Code and in accordance with the applicable provisions of European Regulation 2273/2003 of December 22<sup>nd</sup>, 2003 and the General Regulations of the AMF (*Autorité des Marchés Financiers*) – to buy, retain and transfer Company shares, within a maximum of 10% of the share capital that may exist at any given moment. This percentage applies to the capital adjusted on the basis of transactions affecting it subsequent to this Meeting. It is noted that the maximum percentage of shares bought back by the Company in order to be retained and subsequently used as consideration or exchange in acquisitions is limited to 5% of the share capital as prescribed by law.

Shares may be bought and sold for any purpose currently authorized or that may be authorized in future under applicable laws and regulations, and in particular the following:

- ensuring the liquidity and market-making in the secondary market of the Ubisoft Entertainment SA's shares by an investment services provider acting independently in accordance with the code of ethics recognized by the AMF;
- releasing shares upon exercise of rights attached to securities giving entitlement to the Company's share capital by any means, whether immediately or in the future;
- granting shares to employees and corporate officers of the Ubisoft Group under any arrangement

authorized by law and, in particular, via a company profit-sharing scheme, any company savings scheme, any bonus share grant plan, or any stock option plan for some or all of the Group's employees or corporate officers;

- retaining shares for delivery at a later date in exchange or as payment for future acquisitions up to a limit of 5% of the existing capital;
- cancelling shares, subject to approval of the eighth resolution submitted to this Meeting;
- implementing any market practice that is or may come to be recognized by law or the AMF.

The maximum authorized unit purchase price, not including expenses, is €30, i.e. a maximum of 284,196,300€ based on the share capital at April 30<sup>th</sup>, 2011, it being stated that in the event of a capital increase through capitalization of reserves, allocation of bonus shares and/or stock split or consolidation, the maximum unit purchase price and the overall program maximum will be adjusted accordingly.

Use of the authorization may not result in the number of shares directly or indirectly held by the Company exceeding 10% of the number of shares in the share capital.

Shares may be bought back, sold or transferred by any means, including over-the-counter transactions, the sale of blocks of shares, sale with repurchase options, the use of any derivatives traded on a regulated or OTC market, and the implementation of option strategies, under terms authorized by the AMF.

These shares may be purchased, sold or transferred on one or more occasions and at any time, except during public offerings involving Company shares.

At each shareholders' annual general meeting, the Board of directors shall inform shareholders of the shares purchased, transferred or cancelled in this regard, and of the allocation or where appropriate reallocation, within legal prescribed manners, of the acquired shares to the various goals being pursued.

The shareholders' general Meeting fully empowers the Board of directors, with the option to delegate within legal prescribed manners, to place any stock market or off-market orders, enter into any agreements, draft any documents in particular disclosure documents, allocate or reallocate shares bought back as prescribed by law, carry out any formalities, make any representations to any organizations and, in general, do whatever is necessary.

In the event of the law or AMF extending or supplementing the authorized goals for share buyback programs, the shareholders' general Meeting fully empowers the Board of directors to prepare an amended program description incorporating these modified goals.

This authorization is granted for a period of eighteen months from the date of this Meeting and, in respect of the unused portion, supersedes any previous authorization having the same purpose.

## SEVENTH RESOLUTION

*(Powers for legal formalities)*

The shareholders' general Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, fully empowers the bearer of a copy or excerpt of the minutes of this Meeting to carry out all legally prescribed filings and formalities, as and when required.

## 2.2.2 RESOLUTIONS WITHIN THE SCOPE OF THE SHAREHOLDERS' EXTRAORDINARY GENERAL MEETING

### EIGHTH RESOLUTION

*(Authorization granted to the Board of directors to reduce the share capital by cancelling shares)*

The shareholders' general Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings and having read the Board of directors' report and the Statutory Auditors' special report, and deliberating in accordance with Article L. 225-209 of the French Commercial Code, authorizes the Board of directors – at its sole discretion and on one or more occasions – to reduce the Company's share capital within a maximum of 10% during each 24-month period, by cancelling shares that the Company holds or may hold as a result of buybacks made under the share buyback programs authorized by the sixth resolution submitted to this Meeting or under share buyback programs authorized prior or subsequent to the date of this Meeting.

The shareholders' general Meeting fully empowers the Board of directors, with the option to delegate within legal prescribed manners, to carry out these transactions for the amounts and according to the timing of its choosing, set the terms and conditions thereof, make the necessary deductions from reserves, earnings or premiums, record completion thereof, amend the Articles of Association accordingly and, in general, make all decisions and carry out all formalities.

This authorization is granted for a period of eighteen months from the date of this Meeting and, in respect of the unused portion, supersedes any previous authorization having the same purpose.

### NINTH RESOLUTION

*(Delegation of authority to the Board of directors to increase the share capital by issuing, with retention of preferential subscription rights, shares and/or securities granting entitlement to the Company's capital)*

The shareholders' general Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings, and having noted the Board of directors' report and the Statutory Auditors' special report, deliberating in accordance with articles L. 225-129 *et seq.* of the French Commercial Code, particularly article L. 225-129-2, and articles L. 228-91 *et seq.* of said Code:

- 1) delegates to the Board of directors, with the option to further delegate within legal prescribed manners, its authority to issue, on one or more occasions, in the proportions and according to the timing of its choosing, either in France or abroad, with the retention of preferential subscription rights for shareholders:
  - (a) shares in the Company,
  - (b) securities granting entitlement by any means, whether immediately or in the future, to the Company's existing shares or to shares that are to be issued in the Company,
  - (c) securities granting entitlement by any means, whether immediately or in the future, to existing shares or shares to be issued in a company of which the Company directly or indirectly owns at least half of the share capital.

It is hereby stated that the subscriptions may be carried out either in cash or by offsetting against receivables.

Securities other than shares issued under this resolution may be issued in euros, a foreign currency or any other accounting unit established by reference to a basket of currencies, and may be subscribed to in cash or by offsetting against receivables. Warrants allowing subscription to securities may be issued either by a subscription offer or in the form of bonus shares issued to the holders of existing shares.

- 2) resolves that the maximum par value of share capital increases that may be carried out immediately and/or in the future under this authorization may not exceed €1,450,000, it being stated that (i) this limit is set without taking into account the number of ordinary shares that may be issued to reflect adjustments to be made in accordance with applicable legal and contractual provisions, in order to uphold the rights of holders of securities or other rights granting entitlement to the Company's share capital, and that (ii) the maximum par value of share capital increases that

may be carried out immediately and/or in the future under this resolution shall be included in the overall maximum amount of €4,000,000 provided for under the seventeenth resolution of this Meeting.

- 3) resolves that shareholders may exercise their non-reducible preferential subscription rights within legal prescribed manners. Moreover, the Board of directors may grant shareholders the right to subscribe to more securities than they would be entitled to as of right, on an excess basis in proportion to the subscription rights that they hold and, in any event, within the number they request.

If subscriptions on a non-reducible and, where applicable, reducible basis do not absorb the entire issue of shares or securities as defined above, the Board may use one and/or more of the following options in any order it sees fit:

- limit the issue to the amount of subscriptions, provided said amount represents at least three quarters of the approved issue;
  - freely allocate all or part of unsubscribed shares and/or other securities;
  - offer all or part of the unsubscribed shares and/or other securities to the general public.
- 4) duly notes that, where applicable, the present authorization automatically entails the shareholders' express waiver of their preferential subscription rights in favor of holders of securities granting future entitlement to Company shares, to which such securities grant entitlement.
- 5) resolves that the maximum principal amount of debt securities granting entitlement to the capital may not exceed €400,000,000 or the equivalent of this amount if issued in a foreign currency or any accounting units established by reference to a basket of currencies on the date the decision is taken, it being stated that this amount applies to all debt securities issued under the authorization granted to the Board of directors by this shareholders' general Meeting.
- 6) resolves that, in accordance with the provisions of Article L. 225-129-2 of the French Commercial Code, this authorization is granted to the Board of directors for a period of twenty-six months and in respect of the unused portion, supersedes any previous authorization having the same purpose.

The Board of directors shall be fully empowered, with the option to further delegate within legal prescribed manners, to implement this authorization and, in particular, to decide on the dates, terms and procedures for such issues, as well as the form and features of the securities to be created, approve the price, terms and conditions applicable to the issues, set the amounts to be issued, set the subscription dates and cum-rights dates – even back-dated – of the securities to be issued, decide on the manner in which the shares or other securities issued will be paid up, the listing of the created securities, the servicing of the new shares and the exercise of the rights attached thereto, where appropriate to set their stock market buyback terms and, in general, do whatever is necessary and enter into any agreements in order to successfully complete the planned issues, record the capital increase(s) resulting from any issues carried out under this authorization and amend the Articles of Association accordingly.

Moreover, the Board of directors or its Chairman may charge any costs to the issue premium(s), in particular expenses, duties and fees stemming from issuance.

Should debt securities be issued, the Board of directors shall be fully empowered, with the option of further delegating to the Chairman, namely to decide whether or not said securities should be subordinated, set their interest rate, term, fixed or variable redemption price with or without premium, the amortization method depending on market conditions and the terms on which said securities shall grant entitlement to Company shares.



**TENTH RESOLUTION**

*(Delegation of authority to the Board of directors to increase the share capital by issuing, with waiving of preferential subscription rights by way of a public offering, shares and/or securities granting entitlement to the Company's capital)*

The shareholders' general Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings, and having read the Board of directors' report and the Statutory Auditors' special report, deliberating in accordance with articles L. 225-129 *et seq.* of the French Commercial Code, particularly articles L. 225-129-2, L. 225-135, L. 225-136 and L. 225-148 and articles L. 228-91 *et seq.* of said Code:

- 1) delegates to the Board of directors its authority to issue, on one or more occasions, in the proportions and according to the timing of its choosing, either in France or abroad and by way of a public offering, with waiving of preferential subscription rights:

- (a) shares in the Company;
- (b) securities granting entitlement by any means, whether immediately or in the future, to existing shares or shares that are to be issued in the Company,
- (c) securities granting entitlement by any means, whether immediately or in the future, to existing shares or shares to be issued in a company in which the Company directly or indirectly owns at least half of the share capital.

It is hereby stated that the subscriptions may be carried out either in cash or by offsetting against receivables.

Securities other than shares issued under this resolution may be issued in euros, a foreign currency or any other accounting unit established by reference to a basket of currencies, and may be subscribed to in cash or by offsetting against receivables.

- 2) resolves that the maximum par value of share capital increases that may be carried out immediately and/or in the future under this authorization and the authorization granted in accordance with the eleventh resolution may not exceed €1,450,000, it being stated that (i) this maximum amount is set without taking into account the number of ordinary shares that may be issued to reflect adjustments to be made in accordance with applicable legal and contractual provisions, in order to uphold the rights of holders of securities or other rights granting entitlement to the Company's share capital, and that (ii) the maximum par value of share capital increases that may be carried out immediately and/or in the future under this authorization shall be included in the overall maximum amount of €4,000,000 provided for in the seventeenth resolution.
- 3) resolves to waive shareholders' preferential subscription rights for securities to be issued, it being noted that the Board of directors may grant shareholders priority subscription in respect of any part of the issue, for the period and on the terms of its choosing. Said priority subscription shall not create marketable rights but, should the Board of directors see fit, may be exercised both as of right and on an excess basis.
- 4) resolves that, should subscriptions from shareholders and the general public not cover the full issue of shares or securities as defined above, the Board may use one or more of the following options in any order it sees fit:
  - where necessary, limit the issue to the amount of subscriptions, provided legal prescribed conditions have been met,
  - freely allocate all or part of unsubscribed shares and/or other securities.
- 5) duly notes that, where applicable, the present authorization automatically entails the shareholders' express waiver of their preferential subscription rights in favor of holders of securities granting future entitlement to Company shares, to which such securities grant entitlement.

- 6) resolves that any amount accruing, or that should accrue, to the Company for each of the shares and securities granting entitlement to the capital that are or shall be issued under the present authorization shall, after inclusion of the warrant issue price in the case of the issue of share subscription warrants, be at least equal to the minimum price provided for under legal and/or regulatory provisions applicable on the date of the issue, regardless of whether the securities to be issued immediately or in the future are comparable to the shares that have already been issued.
- 7) resolves that the maximum principal amount of debt securities may not exceed €400,000,000 or the equivalent of this amount if issued in a foreign currency or any accounting units established by reference to a basket of currencies on the date the decision is taken, it being stated that this amount applies to all debt securities issued under the authorization granted to the Board of directors by this shareholders' general Meeting and shall be included in the limit stipulated under 7) of the eleventh resolution.
- 8) resolves that the Board of directors may use this authorization to issue, on one or more occasions, shares and/or securities granting immediate or future entitlement to a portion of the Company's share capital in consideration for shares included in any equity swap offer made by the Company under Article L. 225-148 of the French Commercial Code involving the securities of another company listed on one of the markets covered by said Article L. 225-148 of the French Commercial Code, and further resolves to waive shareholders' preferential subscription rights to said shares and securities in favor of the holders of such shares and securities.

This authorization entails an express waiver of shareholders' preferential subscription rights attached to the shares to which these securities may grant entitlement, whether immediately or in the future, to the share capital of the Company.

The Board of directors may, with the option to further delegate within legal prescribed manners:

- set the exchange ratio and, where appropriate, the amount of any balance to be paid in cash;
  - record the number of shares given in exchange;
  - set the amounts to be issued, determine the procedures for the issue and the form of the securities;
  - record the difference between the issue price of the new shares and their par value in a "Contribution premium" account under balance sheet liabilities, in which all shareholders' rights shall vest;
  - where applicable, charge all expenses and fees stemming from the authorized transaction to said "Contribution premium" account;
  - in general, do whatever is necessary and enter into whatever agreements are necessary to successfully complete the authorized transaction.
- 9) resolves that, in accordance with the provisions of Article L. 225-129-2 of the French Commercial Code, this authorization is granted to the Board of directors for a period of twenty-six months and, in respect of the unused portion, supersedes any previous authorization having the same purpose.

The Board of directors shall be fully empowered, with the option to further delegate within legal prescribed manners, to implement this authorization and, in particular, to decide on the dates, terms and procedures for such issues, as well as the form and features of the securities to be created, approve the price, terms and conditions applicable to the issues, set the amounts to be issued, set the subscription dates and cum-rights dates – even back-dated – of the securities to be issued, decide on the manner in which the shares or other securities issued will be paid up, the listing of the created securities, the servicing of the new shares and the exercise of the rights attached thereto, where appropriate to set their stock market buyback terms and, in general, do whatever is necessary and enter into any agreements in order to successfully complete the planned issues, record the capital increase(s) resulting from any issues carried out under this authorization and amend the Articles of Association accordingly. Moreover, the Board of directors or its Chairman may charge any costs incurred to the issue premium(s), in particular, expenses, duties and fees stemming from the carrying out of the issues.



Should debt securities be issued, the Board of directors shall be fully empowered, with the option of further delegating to the Chairman, among other purposes to decide whether or not said securities should be subordinated, set their interest rate, term, fixed or variable redemption price with or without premium, the amortization method depending on market conditions and the terms on which said securities shall grant entitlement to Company shares.

## ELEVENTH RESOLUTION

*(Delegation of authority to the Board of directors to increase the share capital by issuing, with waiving of preferential subscription rights by way of an offer as referred to under paragraph II of Article L.411-2 of the French Monetary and Financial Code, shares and/or securities granting entitlement to the Company's capital)*

The shareholders' general Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings, and having read the Board of directors' report and the Statutory Auditors' special report, deliberating in accordance with articles L. 225-129 *et seq.* of the French Commercial Code, particularly articles L. 225-129-2, L. 225-135 and L. 225-136 and articles L. 228-91 *et seq.* of said Code:

- 1) delegates to the Board of directors its authority to issue, on one or more occasions, in the proportions and according to the timing of its choosing, either in France or abroad, by way of an offer as referred to under Article L. 411-2 II of the French Monetary and Financial Code (i.e. an offer (i) to persons providing a portfolio management investment service on behalf of third parties or (ii) to qualified investors or to a restricted group of investors, on condition that these investors are acting on their own behalf), with waiving of preferential subscription rights:
  - (a) shares in the Company;
  - (b) securities granting entitlement by any means, whether immediately or in the future, to existing shares or shares that are to be issued in the Company,
  - (c) securities granting entitlement by any means, whether immediately or in the future, to existing shares or shares to be issued in a company in which the Company directly or indirectly owns at least half of the share capital.

It is hereby stated that the subscriptions may be carried out either in cash or by offsetting against receivables.

Securities other than shares issued under this resolution may be issued in euros, a foreign currency or any other accounting unit established by reference to a basket of currencies, and may be subscribed to in cash or by offsetting against receivables.

- 2) resolves that the maximum par value of share capital increases that may be carried out immediately and/or in the future under this authorization may not exceed €1,450,000, it being stated that:
  - (i) this maximum amount is set without taking into account the number of ordinary shares that may be issued to reflect adjustments to be made in accordance with applicable legal and contractual provisions, in order to uphold the rights of holders of securities or other rights granting entitlement to the Company's share capital, and that
  - (ii) the maximum par value of share capital increases that may be carried out immediately and/or in the future under this authorization shall be included in the overall maximum amount of €4,000,000 provided for by the seventeenth resolution and in the limit provided for in the tenth resolution,

- (iii) in any case, issues of shares carried out under this authorization by way of an offer as referred to under Article L.411-2 II of the French Monetary and Financial Code may not exceed the limits provided for by the regulations in force on the issue date (for information purposes, on the date of this General Meeting, the issue of shares carried out by way of an offer as referred to under Article L.411-2 II of the French Monetary and Financial Code is limited to 20% of the Company's capital per year), it being stated that this limit shall be assessed on the date of the decision by the Board of directors to make use of this authorization.
- 3) resolves to waive preferential subscription rights for the securities to be issued.
- 4) resolves that if subscriptions do not absorb the entire issue of securities, the Board of directors may limit the issue at the time of subscription in accordance with the laws in force at the time this authorization is used.
- 5) duly notes that, where applicable, the present authorization automatically entails the shareholders' express waiver of their preferential subscription rights in favor of holders of securities granting future entitlement to Company shares, to which such securities grant entitlement.
- 6) resolves that any amount accruing, or that should accrue, to the Company for each of the shares and securities granting entitlement to the capital that are or shall be issued under the aforementioned authorization shall, after inclusion of the warrant issue price in the case of the issue of share subscription warrants, be at least equal to the minimum price provided for under legal and/or regulatory provisions applicable on the date of the issue, regardless of whether the securities to be issued immediately or in the future are comparable to the shares that have already been issued.
- 7) resolves that the maximum principal amount of debt securities may not exceed €400,000,000 or the equivalent of this amount if issued in a foreign currency or any accounting units established by reference to a basket of currencies on the date the decision is taken, it being stated that this amount applies to all debt securities issued under the authorization granted to the Board of directors by this shareholders' general Meeting – it being stated that this limit shall be included in the limit stipulated under 7) of the tenth resolution.
- 8) resolves that this authorization is granted to the Board of directors for a period of twenty-six months and, in respect of the unused portion, supersedes any previous authorization having the same purpose.
- 9) resolves that the Board of directors shall be fully empowered, with the option to further delegate within legal prescribed manners, to implement this authorization and, in particular, to decide on the dates, terms and procedures for such issues, as well as the form and features of the securities to be created, approve the price, terms and conditions applicable to the issues, set the amounts to be issued, set the subscription dates and cum-rights dates – even back-dated – of the securities to be issued, decide on the manner in which the shares or other securities issued will be paid up, the listing of the created securities, the servicing of the new shares and the exercise of the rights attached thereto, where appropriate to set their stock market buyback terms and, in general, do whatever is necessary and enter into any agreements in order to successfully complete the planned issues, record the capital increase(s) resulting from any issues carried out under this authorization and amend the Articles of Association accordingly. Moreover, the Board of directors or its Chairman may charge any costs incurred to the issue premium(s), in particular, expenses, duties and fees stemming from the carrying out of the issues.

**TWELTH RESOLUTION**

*(Authorization to the Board of Directors to determine, up to a limit of 10% of the share capital per year, the issue price of ordinary shares or any securities granting entitlement to the Company's capital, in the case of an issue with waiving of preferential subscription rights by way of a public offering and/or an offer as referred to in paragraph II of Article L. 411)*

The shareholders' general Meeting, deliberating in accordance with the quorum and majority requirements for shareholders' extraordinary general meetings and having read both the Board of directors' report and the Statutory Auditors' special report, and deliberating in accordance with Articles L. 225-136 and R. 225-119 of the French Commercial Code:

- 1) authorizes the Board of directors, in the event of the implementation of the tenth and eleventh resolutions here-above, to depart from the conditions for setting prices provided for by said resolutions and to set the issue price for shares and/or securities to be issued such that any amount accruing, or that should accrue, to the Company for each of the shares and securities granting entitlement to the capital that are or shall be issued shall - after taking into account, in case of issue of share subscription warrants, the issue price attached thereto - be at least equal to the weighted average of the share price during the last three trading sessions preceding the issue, if applicable reduced by a maximum discount of 10%, regardless of whether the securities to be issued immediately or in the future are comparable to the shares that have already been issued;
- 2) resolves that the total nominal amount of a capital increase resulting from the implementation of this resolution may not exceed 10% of the share capital for each 12-month period, it being stated that the amount of capital increases carried out in accordance with this resolution shall be included in the limit set by the tenth and eleventh resolutions;
- 3) resolves that this authorization is granted to the Board of directors for a period of twenty-six months as from the date of this Meeting.

**THIRTHEENTH RESOLUTION**

*(Delegation of authority to the Board of directors to increase the share capital by issuing shares reserved for members of a Group savings scheme)*

The shareholders' general Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary shareholders' meetings and having read the Board of directors' report and Statutory Auditors' special report, and deliberating in accordance with Articles L. 225-129, L. 225-129-2, L. 225-129-6 and L. 225-138-1 of the French Commercial Code and Articles L. 3332-1 *et seq.* of the French Employment Code:

- 1) authorizes the Board of directors to increase the share capital, at its sole discretion, on one or more occasions, according to the timing and in the form of its choosing, within legal prescribed manners, by issuing ordinary shares or securities granting entitlement to the Company's ordinary shares, whether existing or to be issued, to be subscribed to in cash, reserved for members of a Group savings scheme of the Company and/or of the companies or consortia related to it under the terms of Article L. 225-180 of the French Commercial Code,
- 2) resolves that (i) the par value of any immediate or future increase in the Company's capital, resulting from all the issues carried out under this authorization shall be set at **0.2%** of the share capital outstanding on the date when the Board of directors makes its decision, it being stated that this maximum amount is set without taking into account the par value of any ordinary shares in the Company that may be issued to reflect adjustments to be made in accordance with applicable legal and contractual provisions, in order to uphold the rights of holders of securities or other rights granting entitlement to the share capital, and that (ii) the par value of Company share

capital increases that may be carried out either immediately or in the future, resulting from the issues made under this authorization, shall be included in the maximum amount of €4,000,000 set in the seventeenth resolution.

- 3) resolves to waive shareholders' preferential rights to subscribe to ordinary shares or securities granting entitlement to ordinary shares to be issued under this authorization, in favor of members of a Group savings scheme.
- 4) resolves that the subscription price for the shares or securities issued shall be decided in the manner set out in Articles L. 3332-18 to L. 3332-23 of the French Employment Code.
- 5) resolves to set the maximum discount offered under a savings scheme at 15% of the average opening price of Ubisoft Entertainment SA shares on Euronext Paris during the twenty trading sessions prior to the date of the decision setting the start date for subscriptions; it is hereby stated that the Board of directors may reduce this discount as it sees fit, in particular if members of a company savings scheme are offered securities on the international market and/or abroad in order to meet the requirements of applicable local legislation.
- 6) further resolves that the Board of directors may also grant to the aforementioned beneficiaries bonus shares or other securities granting entitlement to the Company's capital, pursuant to legal and regulatory provisions, in substitution for all or part of the discount referred to in 5) above and/or as a matching contribution by the Company, it being understood that the benefit arising from this allocation may not exceed the limits set in Articles L. 3332-21 and L. 3332-11 of the French Employment Code.

Each capital increase may only be carried out within the number of shares subscribed to by the aforementioned beneficiaries, either individually or through company mutual funds or open-ended investment companies governed by Article L. 214-40-1 of the French Monetary and Financial Code.

The Board of directors shall be fully empowered, with the option to further delegate within legal prescribed manners, to implement this authorization in compliance with the terms set out above and, in particular, for the purposes of:

- deciding on the features, amount, terms, rules and procedures for all issues,
- deciding whether the shares may be subscribed to directly by members of a savings scheme or via company mutual funds or open-ended investment companies governed by Article L. 214-40-1 of the French Monetary and Financial Code,
- deciding on the relevant companies and beneficiaries,
- deciding on the nature and terms and conditions of the capital increase, as well as the terms and conditions of the issue,
- where applicable, setting the length-of-service conditions to be met by the beneficiaries in order to subscribe to new ordinary shares or securities issued as a result of the capital increases covered by this resolution,
- setting the amounts of these issues and deciding on the subscription prices, terms and conditions of any issues of shares or securities that may be carried out under this authorization and, in particular, their cum-rights date and the procedure for paying them up and settling them,
- setting the subscription start and end dates,
- recording the completion of the capital increase through the issue of ordinary shares to within the number of ordinary shares that will actually be subscribed to,
- at its sole discretion, and should it see fit, charging the expenses incurred on capital increases to the premiums related thereto and deducting the amounts required to ensure that the legal reserve represents one tenth of the new capital following any increase,
- generally, carrying out all acts and formalities, taking any measures or decisions and entering into any agreements that may be appropriate or necessary to (i) ensure that the issues made under this authorization are successfully completed, in particular as regards the issue, subscription, settlement, exercise, listing of the created securities, the servicing of the new shares and the exercise of rights attached thereto, (ii) record the completion of the capital increase(s), amending the Articles of Association to reflect said capital increase(s), (iii) carry out the formalities relating to

the completion of the capital increases and, generally, do whatever is necessary.

This authorization is valid for a period of twenty-six months from the date of this Meeting and, in respect of the unused portion, supersedes any previous authorization having the same purpose.

#### FOURTEENTH RESOLUTION

*(Authorization given to the Board of directors to grant subscription and/or purchase options on ordinary shares)*

The shareholders' general Meeting, deliberating in accordance with the quorum and majority requirements for shareholders' extraordinary general meetings and having read the Board of directors' report and the Statutory Auditors' special report:

- 1) authorizes the Board of directors, pursuant to Articles L. 225-177 *et seq.* of the French Commercial Code, to grant, on one or more occasions, to staff members it selects from among the employees and/or corporate officers of the Company or of companies related to it under the provisions of Article L. 225-180 of the French Commercial Code, subscription and/or purchase options for ordinary shares in the Company under the terms set out below, it being stated that under Article L. 225-182 of the French Commercial Code, the Board of directors may not grant options to corporate officers and employees of the Company or companies related to it as per the provisions of Article L. 225-180 of the French Commercial Code if they hold more than 10% of the share capital.
- 2) resolves that (i) the number of ordinary shares that may be subscribed to or purchased by beneficiaries exercising the options granted by the Board of directors under this authorization may not exceed 3.4% of the total number of ordinary shares outstanding on the date when the Board of Directors resolves to grant the options, it being stated that this maximum amount is set without taking into account the par value of any ordinary shares in the Company that may be issued to reflect adjustments to be made in accordance with applicable legal and contractual provisions, to uphold the rights of holders of securities or other rights granting entitlement to the capital, and that (ii) the par value of share capital increases resulting from future ordinary share issues carried out under this authorization shall be included in the maximum amount of €4,000,000 set in the seventeenth resolution of this Meeting.
- 3) resolves that the number of options granted to corporate officers of the Company may not represent more than 5% of total allocations made by the Board throughout the period of this authorization, the exercise of the options by the corporate officers of the Company being linked to performance conditions to be met and set by the Board of directors.
- 4) resolves that the subscription or purchase price of the ordinary shares by the beneficiaries of options shall be set by the Board of directors on the date when it grants the options to the beneficiaries, subject to the following limits: in respect of subscription options on ordinary shares, the subscription price for the ordinary shares may not be under either the average opening share price recorded during the twenty trading sessions prior to the date of the option grant, or the opening price of Ubisoft Entertainment SA shares on Euronext Paris on the date of the Board of directors' decision, it being stated that, in any event, the subscription price for ordinary shares as set by the Board of directors may not be under the threshold set in Article L. 225-177 of the French Commercial Code,
  - in respect of purchase options on ordinary shares, the purchase price of the ordinary shares may not be under the average opening share price recorded over the twenty trading sessions prior to the date of the option grant, or the average purchase price of the ordinary shares held by the Company under Articles L. 225-177 and L. 225-179 of the French Commercial Code.

The subscription or purchase price set for ordinary shares may not be modified during the term of the option, other than for adjustments that the Board of directors is obliged to make under applicable legal and regulatory provisions.
- 5) duly notes that options may not be granted by the Board of directors:
  - during the ten trading sessions prior and subsequent to the date when the consolidated financial statements or, failing that, the annual financial statements, are published;



- during the period between the date when the Company's governing bodies become privy to information that, if made public, could have a significant impact on the Company's share price and ten trading sessions after the date when said information is made public;
- within twenty trading sessions following the date on which a coupon entitling its holder to a dividend or capital increase is detached from the shares.

6) resolves that the subscription and purchase options for ordinary shares granted under this authorization shall be exercised within 10 years of their granting.

7) duly notes that this authorization automatically entails an express waiver by shareholders, in favor of the beneficiaries of the subscription options, of their preferential rights to subscribe to the ordinary shares issued as and when the subscription options are exercised. The capital increase resulting from the exercise of subscription options shall be concluded on the sole basis of the option exercise declaration, accompanied by the subscription form and payment of the corresponding amount whether in cash or by offsetting against receivables.

The shareholders' general Meeting fully empowers the Board of directors, with the option to delegate within legal prescribed manners, for the purposes of:

- setting the dates on which the options are to be granted, under the legal prescribed terms and limitations;
- establishing the list of option beneficiaries, the number of options allocated to each one and the terms and conditions for exercising such options;
- setting the term of validity of the options, it being understood that the options shall be exercised within a maximum period of ten years;
- setting the option exercise date(s) or period(s), it being understood that the Board of directors may (a) bring forward the option exercise dates or periods, (b) keep the options exercisable or (c) change the dates or periods during which the shares obtained by exercising the options may not be sold or converted to bearer form;
- setting the option exercise terms and conditions and, in particular, limiting, suspending, restricting or prohibiting (a) the exercise of the options or (b) the sale of the ordinary shares obtained by exercising the options, during certain periods or from the date of certain events; this decision may (i) apply to all or some of the options and (ii) involve all or some of the beneficiaries. These conditions may include clauses prohibiting the exercise of options for one or more periods, and clauses prohibiting the immediate resale of all or some of the ordinary shares, while the securities lock-in period shall not exceed three years from the exercise of the option;
- determining the performance conditions to be met by the Company's corporate officers in order to exercise the options, and taking any decision covered by Article L. 225-185 of the French Commercial Code;
- deciding the cum-rights date – even back-dated – of the ordinary shares resulting from the exercise of the subscription options;
- in the circumstances provided for by law, taking the necessary steps to uphold the interests of the option beneficiaries in the manner provided for in Article L. 228-99 of the French Commercial Code;
- in general, entering into any agreement, drafting any document, recording capital increases following the exercise of options, amending the Articles of Association as necessary, carrying out any formalities where necessary, in particular those required for the listing of the shares thereby issued, making representations to any organizations and doing whatever else may be required.

The Board of directors, with the option to delegate in the legal prescribed manner, shall record, as legally prescribed, the number and amount of any ordinary shares issued following the exercise of subscription options and accordingly amend as necessary the provisions of the Articles of Association relating to the amount of share capital and the number of ordinary shares, apply for admission of the new ordinary shares to trading on Euronext Paris or on any other regulated market, carry out any formalities and make representations to any organization and, at its sole discretion, should it see fit, charge the cost of the capital increase to the premiums relating to these transactions and deduct the amounts to be allocated to the legal reserve from this sum and, in general, do whatever is necessary.

In the event that subscription options and/or purchase options on ordinary shares are allocated to persons domiciled or resident abroad or to persons domiciled or resident in France but subject to a

foreign tax regime, the Board of directors may revise the conditions applicable to options for subscription to and/or purchase of ordinary shares in order to render them compliant with the provisions of the relevant foreign legislation and to ensure optimum tax treatment. To this end, the Board of directors may, at its sole discretion, adopt one or more sub-programs for the various categories of staff subject to foreign legislation.

In accordance with Article L. 225-184 of the French Commercial Code, every year the Board of directors shall inform the shareholders in a special report to the annual shareholders' general Meeting of the transactions carried out under Articles L.225-177 *et seq.* of the French Commercial Code.

This authorization is valid for a period of thirty-eight months from the date of this Meeting and, in respect of the unused portion, supersedes any previous authorization having the same purpose.

## FIFTEENTH RESOLUTION

*(Authorization given to the Board of directors to grant ordinary shares of the company free of charge)*

The shareholders' general Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general shareholders' Meetings and having read the Report of the Board of directors and the Special Report of the Statutory Auditors, in accordance with Articles L. 225-197-1 and *seq.* of the French Commercial Code:

- 1) authorizes the Board of directors to issue, on one or more occasions, existing Company shares or shares to be issued, free of charge, to staff members or to certain categories of staff it shall select from amongst eligible employees of the Company or of the companies related to it as per the provisions of Article L. 225-197-2 of the French Commercial Code.
- 2) resolves that the Board of directors shall grant the shares and decide upon the identity of the beneficiaries and, where applicable, the terms and criteria governing the granting of the shares.
- 3) resolves that:
  - (i) the granting of bonus shares under this authorization may not involve a number of existing or new shares representing more than **1%** of the number of shares in the Company's capital on the date of the grant decision by the Board of directors, it being noted that this maximum amount is set without taking account of the par value of the ordinary shares in the Company that may be issued to reflect adjustments to be made in accordance with applicable legal and contractual provisions, in order to uphold the rights of holders of securities or other rights granting entitlement to the Company's share capital, and that (ii) the maximum par value of capital increases, resulting from ordinary share issues carried out under this authorization shall be included in the maximum amount of €4,000,000 set in the seventeenth resolution.
- 4) resolves that the granting of shares to their beneficiaries shall become final at the end of a vesting period, the term of which shall be set by the Board of directors, it being noted that this term may not be under two years and that the beneficiaries shall retain said shares for a term that shall also be set by the Board of directors, it being also noted that the lock-in period may not be under two years from the vesting of said shares. Nevertheless, provided the vesting period for all or part of one or several share issues is at least four years the general shareholders' Meeting authorizes the Board of directors not to impose any lock-in period for the shares in question. As and when required, the Board of directors may stipulate vesting and lockin periods that are longer than the minimum terms specified above.
- 5) resolves that if the beneficiary sustains a category two or category three disability as provided for in Article L. 341-4 of the French Social Security Code, the bonus shares shall vest for said beneficiary prior to the end of the remaining term of the vesting period and may be sold immediately.
- 6) records that this authorization automatically includes the shareholders' waiver, in favor of the beneficiaries, of their preferential subscription rights for shares that may be issued under this resolution.
- 7) fully empowers the Board of directors, with the option to delegate in the legally prescribed manner, to implement this authorization, under the abovementioned conditions and within the limits prescribed by applicable legislation and, in particular, to set, where applicable, the terms and

conditions for the bonus share grants that may be carried out under this authorization, set the conditions governing the issue and the dated dates of the shares to be issued, the dated dates of the new shares, record the carrying out of the capital increases, accordingly amend the Articles of Association, where necessary make adjustments during the vesting period to the number of shares as a result of transactions on the Company's capital in order to uphold beneficiaries' rights; and, in general, carry out any formalities relating to the issue, listing and servicing of the securities issued under this resolution and do whatever may be appropriate and necessary under applicable laws and regulations.

Each year, the Board of directors shall report to the ordinary general shareholders' Meeting, in the manner prescribed by law and regulations, in particular, Article L. 225-197-4 of the French Commercial Code, on the transactions carried out under this resolution.

This authorization is granted for a period of thirty-eight months from the date of this Meeting and, in respect of the unused portion, immediately supersedes any previous authorization having the same purpose.

## SIXTEENTH RESOLUTION

*(Delegation of authority to the Board of directors to issue shares reserved for the employees and corporate officers of the Company's subsidiaries, as provided by Article L. 233-16 of the French Commercial Code, that have their registered offices outside France)*

The Shareholders' General Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary General Shareholders' Meetings and having read the Report of the Board of directors and the Special Report of the Statutory Auditors and in accordance with the provisions of Articles L. 225-129-2 and L. 225-138 of the French Commercial Code:

- 1) authorizes the Board of directors to issue, on one or more occasions, ordinary shares in the Company that may only be subscribed for by employees and corporate officers of the Company's subsidiaries as defined by Article L. 223-16 of the French Commercial Code, that have their registered offices outside France (hereinafter the "Subsidiaries"), and that may be either paid-up in cash or offset against receivables;
- 2) resolves that (i) the par value of an increase in the Company's capital carried out under this authorization is set at **0.2%** of the amount of the share capital on the date of the decision by the Board of directors setting the commencement date for the subscription period, it being noted that this maximum amount is set without taking account of the par value of the ordinary shares in the Company that may be issued to reflect adjustments to be made in accordance with applicable legal and contractual provisions, in order to uphold the rights of holders of securities or other rights granting entitlement to the Company's share capital, and that (ii) the par value of the Company's immediate or future capital increase, resulting from issues carried out under this authorization shall be included in the maximum amount of €4,000,000 set in the seventeenth resolution;
- 3) records that the Board of directors may issue shares reserved for the Subsidiaries' employees at the same time, or independently of, one or more issues open to shareholders, employee members of the Group savings scheme or third parties;
- 4) resolves that the subscription price for the new shares shall be set by the Board of directors on the date on which it sets the commencement date for subscription, using one of the following two options, as Board of directors sees fit:
  - subscription price equal to the average opening price of Ubisoft Entertainment SA shares on Euronext Paris over the twenty trading sessions prior to the decision by the Board of directors, less a maximum discount of 15%, where applicable, or
  - subscription price equal to the opening price of Ubisoft Entertainment SA shares on Euronext Paris on the date of the decision by the Board of Directors, less a maximum discount of 15%, where applicable, it being noted that the option or discount chosen may vary depending on the capital increases or the beneficiaries;



- 5) resolves to waive shareholders' preferential subscription rights, in favor of the employees and corporate officers of the Subsidiaries, in respect of the shares to be issued;
- 6) resolves that the Board of directors shall be fully empowered, with the option to further delegate in the legally prescribed manner, to implement this authorization and, in particular, for the purposes of:
  - deciding upon the date, and terms and conditions and procedures for the issue(s), with or without a premium, and determining the total number of securities to be issued,
  - establishing a list of beneficiaries from amongst the employees and corporate officers of the subsidiaries, deciding upon the number of shares that each may subscribe for,
  - establishing the share subscription price, in line with the process set out in Section 4 of this resolution,
  - setting the manner in which the shares will be paid up within legal limits,
  - setting the dated date for the shares to be issued, where applicable, charging all expenses to the issue premium(s) and, in particular, those generated by the issues,
  - where applicable, requesting that the new shares be admitted for trading on Euronext Paris or on any other regulated market,
  - entering into any agreements to ensure successful completion of the planned issues and accordingly amending the Articles of Association,
  - upholding the rights of holders of securities granting future entitlement to the Company's share capital, in compliance with applicable legal and regulatory provisions,
  - and, in general, deciding upon the terms and conditions governing transactions carried out under this resolution, recording the completion of the capital increase and carrying out all legal formalities, in full compliance with the provisions of Articles L. 225-129-2 and L. 225-138 of the French Commercial Code.
- 7) resolves that this authorization shall be valid for a period of eighteen months from the date of this Meeting and, in respect of the unused portion, immediately supersedes any previous authorization having the same purpose.

## SEVENTEENTH RESOLUTION

*(Overall maximum amount of capital increases)*

The Shareholders' General Meeting, deliberating in accordance with the quorum and majority requirements for shareholders' extraordinary general meetings and having read the Board of directors' report, sets, in accordance with Article L. 225-129-2 of the French Commercial Code, the overall maximum amount of the capital increase that may result, immediately or in the future, from all the issues carried out under the authorizations provided for in the ninth, tenth, eleventh, twelfth, thirteenth, fourteenth, fifteenth and sixteenth resolutions of this Meeting, at a par value of **€4,000,000**, it being recalled that, within the limit of this maximum amount:

- the issue(s) of ordinary shares or securities with retention of shareholders' preferential subscription rights, as per the **ninth resolution** of this Meeting, may not result in a par value capital increase of more than **€1,450,000**;
- the issue(s) of ordinary shares or securities granting entitlement to the capital with waiving of shareholders' preferential subscription rights, as per the **tenth, eleventh and twelfth resolutions** of this Meeting, may not result in a par value capital increase of more than **€1,450,000**;
- the issue(s) of ordinary shares or securities granting entitlement to the capital with waiving of shareholders' preferential subscription rights in favor of members of a savings scheme, as per the **thirteenth resolution**, may not result in a par value capital increase of more than **0.2%** of the share capital outstanding on the date of the Board of directors' decision;
- the number of ordinary shares that may be subscribed to or purchased by beneficiaries of share subscription or purchase options, as per the **fourteenth resolution**, may not exceed **3.4%** of the number of ordinary shares outstanding on the date of the Board of directors' decision;
- the number of ordinary shares that may be issued free of charge to beneficiaries of bonus shares, as per **fifteenth resolution**, may not exceed **1%** of the number of ordinary shares existing on the date of the grant decision by the Board of directors;
- the issue(s) of ordinary shares or securities granting entitlement to the capital with waiving of

shareholders' preferential subscription rights in favor of the employees and corporate officers of the Company's subsidiaries as defined by Article L. 233-16 of the French Commercial Code, that have their registered offices outside France, as per the **sixteenth resolution**, may not result in a capital par value increase of more than **0.2%** of the share capital on the date of the decision by the Board of Directors setting the commencement date of the subscription period.

It is hereby stated that the abovementioned amount does not take into account the par value of any shares that may be issued to reflect adjustments made in accordance with applicable legal and contractual provisions in order to uphold the rights of holders of securities granting entitlement to the Company's capital.

## **EIGHTEENTH RESOLUTION**

*(Powers for legal formalities)*

The Shareholders' General Meeting, deliberating in accordance with the quorum and majority requirements for shareholders' ordinary general meetings, fully empowers the bearer of a copy or excerpt of the minutes of this Meeting to carry out all legally prescribed filings and formalities, as and when required.

# **INFORMATION ABOUT THE COMPANY**

# 1 PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT

## 1.1 PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

M. Yves GUILLEMOT,  
Chairman of the Board of Directors.

## 1.2 NAMES, ADDRESSES AND PROFESSIONAL FEES OF THE AUDITORS

Name	Date of 1st appointment	Expiration of current term
Primary auditor <b>KPMG SA</b> represented by <b>Monsieur Franck Noël</b> 7, Boulevard Albert Einstein - BP 41125 44311 Nantes Cedex 3	2003	2013
Alternate auditor : <b>Monsieur Prashant Shah</b> 7, Boulevard Albert Einstein - BP 41125 44311 Nantes Cedex 3	2003	2013
Primary auditor : <b>MB AUDIT</b> represented by <b>Monsieur Marc Dariel</b> 23, rue Bernard Palissy 35000 RENNES	2010	2016
Alternate auditor: <b>M. Roland Travers</b> 23, rue Bernard Palissy 35700 RENNES	2010	2016

### Professional fees of the statutory auditors and members of their networks

(Document prepared in accordance with Article L. 222-8 of the internal regulations of the *Autorité des marchés financiers* - AMF)

The professional fees for the fiscal year are detailed in part **Financial Statements** 1.6.9.7

## 2 FINANCIAL COMMUNICATIONS INFORMATIONS

### 2.1 DOCUMENTS AVAILABLE TO THE PUBLIC

During the validity period of this reference document, the company's Articles of Association, minutes of general meetings, auditors' reports, valuations and declarations drawn up, where applicable, at the company's request, some of which are included or referred to in this reference document, historical financial information of the company and its subsidiaries for each of the two fiscal years preceding the publication of this reference document and, more generally, all documents that must be sent or made available to shareholders as provided by the laws in effect may be consulted at the company's registered office or business address (28, rue Armand Carrel – 93100 Montreuil-sous-Bois, France). In addition, some of these documents are available on the company's website ([www.ubisoftgroup.com](http://www.ubisoftgroup.com)), which also contains the group's press releases and financial information.

This reference document may also be consulted on the AMF website ([www.amf-france.org](http://www.amf-france.org)).

Regulatory information is available on the company's website ([www.ubisoftgroup.com](http://www.ubisoftgroup.com)).

#### Person responsible for information:

**Yves Guillemot**  
 Chief Executive Officer  
 28 rue Armand Carrel  
 93108 Montreuil-sous-Bois Cedex, France  
 Tel.: (33) 01.48.18.50.00  
[www.ubisoftgroup.com](http://www.ubisoftgroup.com)

### 2.2 SCHEDULE OF FINANCIAL COMMUNICATIONS FOR FISCAL YEAR 2011/2012

	Date
First quarter sales	Week of July 18, 2011
Half-yearly results	Week of November 14, 2011
Third quarter sales	Week of February 6, 2012
Year-end results	Week of May 14, 2012

These dates are provided for information purposes only and will be confirmed during the year.

## 2.3 ANNUAL INFORMATION DOCUMENT 2010/2011 - 12 MONTHS

### LIST OF INFORMATION PUBLISHED OR MADE AVAILABLE TO THE PUBLIC OVER THE PAST TWELVE MONTHS

Date	Nature and purpose of the information
<b>Press releases</b> <a href="http://www.ubisoft.com">www.ubisoft.com</a> and/or <a href="http://www.info-financiere.fr">www.info-financiere.fr</a>	
05/12/11	Sales and results for the 2010/2011 financial year
04/06/11	Amendment to the total sum allocated to the liquidity agreement
02/14/11	Sales for the third quarter of 2010/2011
01/11/11	Interim balance sheet of the liquidity agreement at December 31, 2010
01/11/11	Just dance 2 video game sells through more than five million units worldwide
01/06/11	Michael Jackson The Experience video game sells through two million units
11/29/10	Half-yearly results 2010/2011
11/16/10	Planned capital increase reserved for some employees of Canadian, US and UK subsidiaries of Ubisoft Entertainment S.A.
11/15/10	Sales and results for the first half of 2010/2011
11/04/10	Ubisoft reinforces online activities with the acquisition of Quazal Technologies
07/22/10	Final sales figures for the first quarter of 2010/2011
07/12/10	Interim balance sheet of the liquidity agreement at June 30, 2010
07/12/10	Estimated sales figures for the first quarter of 2010/2011
07/09/10	Ubisoft's E3 showing recognised by critics and media
06/30/10	2009/2010 reference document made available
<b>Press releases published in national press</b> <a href="http://www.ubisoft.com">www.ubisoft.com</a> and/or <a href="http://www.info-financiere.fr">www.info-financiere.fr</a>	
06/16/10	Terms and conditions relating to provision of preparatory documents for General Meeting of July 2, 2010
05/28/10	Date, venue and time of General Meeting of July 2, 2010
05/18/10	Ubisoft@ announces sales and results for 2009/2010 financial year
<b>Publications in the <i>Bulletin des Annonces Légales Obligatoires</i> (Bulletin of Mandatory Legal Publications)</b> <a href="http://al-officiel.gouv.fr">al-officiel.gouv.fr</a>	
12/08/10	Approval of annual accounts 2009/2010
06/16/10	Convening notice to the Combined General Meeting of July 2, 2010 <sup>(1)</sup>
05/28/10	Notice of meeting regarding the Combined General Meeting of July 2, 2010
<b>Monthly information relating to the total number of voting rights and shares</b> <a href="http://www.ubisoft.com">www.ubisoft.com</a> and/or <a href="http://www.info-financiere.fr">www.info-financiere.fr</a>	
05/13/11	Number of shares and voting rights as at April 30, 2011
04/07/11	Number of shares and voting rights as at March 31, 2011
03/14/11	Number of shares and voting rights as at February 28, 2011
02/08/11	Number of shares and voting rights as at January 31, 2011
01/11/11	Number of shares and voting rights as at December 31, 2010
12/08/10	Number of shares and voting rights as at November 30, 2010
11/12/10	Number of shares and voting rights as of October 31, 2010
10/13/10	Number of shares and voting rights as at September 30, 2010
09/14/10	Number of shares and voting rights as at August 31, 2010
09/01/10	Number of shares and voting rights as at July 31, 2010
07/12/10	Number of shares and voting rights as at June 30, 2010
06/10/10	Number of shares and voting rights as at May 31, 2010
<b>Crossings of legal thresholds</b> <a href="http://www.amf-france.org">www.amf-france.org</a>	
04/20/11	Declaration of downward crossing of the 5% threshold (capital and voting rights) by US company Harbinger Capital Partners LLC, acting on behalf of the fund under its management, on April 14, 2011 further to a sale on the market
04/11/11	Declaration of downward crossing of the 10% threshold (capital) by Invesco Ltd, acting on behalf of the fund under its management, on April 4, 2011 further to a sale on the market
12/14/10	Declaration of downward crossing of the 20% threshold (voting rights) by the Guillemot alliance on December 8, 2010, further to an increase in the total number of shares and voting rights
12/07/10	Declaration of upward crossing of the 5% (capital and voting rights) and 10% (capital) thresholds by Invesco Ltd, acting on behalf of the fund under its management, on November 29, 2010 further to an acquisition on the market

07/29/10	Declaration of downward crossing of the 5% threshold (capital and voting rights) by The Goldman Sachs Group Inc. on July 22, 2010 further to a return of collateral
	Declaration of upward crossing of the 5% threshold (capital and voting rights) by The Goldman Sachs Group Inc. on July 21, 2010 further to an off-market acquisition
07/23/10	Declaration of upward crossing of the 5% threshold (capital and voting rights) by US company Harbinger Capital Partners LLC, acting on behalf of the fund under its management, on July 16, 2010 further to an off-market acquisition
07/22/10	Declaration of downward crossing of the 10% and 5% thresholds (capital and voting rights) by Electronic Arts Inc. (directly and indirectly via its wholly-owned subsidiary EA International (Studio and Publishing) Ltd) on July 16, 2010 further to an off-market sale

(1) Publication in a legal gazette of the registered office (Art. R. 225-67 of the French Commercial Code)

Date	Nature and purpose of the information
Filing with the Rennes Commercial Court <a href="http://www.infogreffe.fr">www.infogreffe.fr</a>	
05/12/11	Capital increase through the exercising of stock options from December 1, 2010 to March 31, 2011 <sup>(2)</sup>
01/17/11	Capital increase through the exercising of stock options from April 1, 2010 to November 30, 2010 and increase via cash contribution <sup>(2)</sup>
07/29/10	Appointment of Statutory and Alternate Auditors and amendment to Article 14 of the Articles of Association <sup>(2)</sup>
07/22/10	Filing of corporate and consolidated financial statements for 2009/2010
05/26/10	Capital increase through the exercising of stock options from July 1, 2009 to March 31, 2010 <sup>(2)</sup>

(2) Pursuant to applicable legal provisions: Prior publication in the legal gazette of the registered office

This statement may contain financial data evaluated, information on future projects and transactions and on future economic results/performance. Such valuations are provided for estimation purposes only. They are subject to market risks and uncertainties and may vary significantly with the actual results that shall be published. The financial data evaluated have been presented to the Board of Directors and have not been audited by the Auditors.

**Copies of this Company Report are available from Ubisoft's commercial offices :**

**28, rue Armand Carrel - 93108 Montreuil-sous-Bois cedex - France**

### **Games mentioned in the Annual Report**

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### **Ubisoft Entertainment**

**French Corporation (Société Anonyme) with a Board of Directors**

**with capital of €7,341,411.48**

**Registered office: 107 avenue Henri Fréville**

**BP 10704 35207 Rennes cedex 2**

**335 186 094 RCS Rennes**