



Ubisoft® reports first-half 2011-12 results

- **First-half sales outstrip targets, coming in at €249 million**
- **Stronger financial performance:**
 - **Current operating loss¹: €49 million**
 - **Net loss excluding non-recurring items¹: €31.6 million**
 - **Net loss: €37.1 million**
- **Targets for full-year 2011-12 confirmed**

Paris, November 8, 2011 – Today, Ubisoft released its sales and earnings figures for the six months ended September 30, 2011.

Key financial data

In € millions	H1 2011-12	%	H1 2010-11	%
Sales	248.5		260.5	
Gross profit	158.4	63.7%	146.2	56.1%
R&D expenses	(86.7)	-34.9%	(98.4)	-37.8%
Selling expenses	(87.7)	-35.3%	(81.9)	-31.4%
General and administrative expenses	(33.2)	-13.4%	(30.8)	-11.8%
Total SG&A expenses	(121.0)	-48.7%	(112.7)	-43.2%
Current operating income/(loss)¹	(49.3)	-19.9%	(64.9)	-24.9%
Non-recurring reorganization charges	-		(62.1)	
Operating income/(loss)	(54.8)	-22.1%	(133.8)	-51.3%
Profit/(loss) for the period	(37.1)	-14.9%	(89.8)	-34.5%
Diluted earnings/(loss) per share (in €)	(0.39)		(0.93)	
Diluted earnings/(loss) per share before non-recurring items¹ (in €)	(0.33)		(0.46)	
Cash flows from operating activities	(178.1)		(129.8)	
R&D investment expenditure*	205.0		189.9	
Net cash/(debt)	(101.4)		(79.2)	

* Including royalties but excluding future commitments.

Yves Guillemot, Chief Executive Officer, stated *"First-half sales have come in around 30% higher than our initial targets. This performance reflects: a 85% growth in our Online segment; a solid showing by our back catalog, driven by Just Dance, Michael Jackson The Experience and Assassin's Creed Brotherhood, which confirms players' enthusiasm for these flagship brands; and better-than-expected sales for Driver San Francisco, boosted by very good reviews. Our strong sales figure drove another sharp increase in gross profit and enhanced our earnings performance."*

Sales

Sales for the first half of 2011-12 came to €249 million, down 4.6% (or up 0.8% at constant exchange rates) compared with the €261 million recorded for first-half 2010-11.

Second-quarter sales totaled €146 million versus €99 million in the same period of 2010-11, representing an increase of 47.5% (+54.6% at constant exchange rates).

Sales in the second quarter of 2011-12 were significantly higher than the guidance of around €99 million issued when Ubisoft released its sales figures for the first quarter of the year. This second-quarter performance reflects the following:

- For €29 million, a better-than-expected performance by the Online segment, the back catalog and Driver[®] San Francisco. The Online segment saw a 132% surge in sales, fueled by the success of the Smurfs on Facebook and From Dust[™] on XBLA/PSN and PC, a further solid showing from Settlers[®] Online, the launch of Trackmania[™] 2 Canyon, Owlent[®]'s Howrse first month of sales contributions and ongoing positive trends in the digital distribution of titles for PC and consoles. Online revenues were up 85% in the first half, to €30 million, or 12% of total sales, compared with 6% in the same period of 2010-11.
- For €18 million, some early shipments of Just Dance[®] 3 in the US.

Main income statement items

Gross profit represented a significantly higher percentage of sales in first-half 2011-12, coming in at 63.7% against 56.1% in the same period of 2010-11. The figure also rose year-on-year in absolute value terms to €158.4 million from €146.2 million. Coming on the back of the increase already observed in 2010-11, this further solid performance primarily reflects the impact of higher gross profit figures for the back catalog as well as the sharp jump in Online sales.

Ubisoft ended the period with a €49.3 million current operating loss before stock-based compensation, marking an improvement on the €64.9 million loss recorded for the first six months of 2010-11.

The first-half 2011-12 figure reflects the following combined factors:

- A €12.2 million increase in gross profit.
- An 11.7 million reduction in R&D expenses, which came to €86.7 million, representing 34.9% of sales, versus €98.4 million (37.8% of sales) in first-half 2010-11. The decrease was due to the fact that fewer High Definition games were released during the period, although part of this impact was offset by an increase in both royalties and certain non-capitalized online expenses. At €174.5 million, capitalized internal and external R&D investments were on a par with the first-half 2010-11 figure of €175.7 million.
- An €8.3 million increase in total SG&A expenses to €121.0 million (48.7% of sales) from €112.7 million (43.2% of sales) in first-half 2010-11:
 - Variable marketing expenses represented 24.9% of sales (€61.8 million) compared with 21.5% (€56.0 million) in the first six months of 2010-11, an increase that was mainly attributable to growth in both the dance games and Online segments.
 - Structure costs corresponded to 23.8% of sales (€59.1 million) compared with 21.7% (€56.7 million) in first-half 2010-11.

Ubisoft recorded an operating loss of €54.8 million in the first six months of 2011-12 (including €5.5 million in stock-based compensation), compared with a €133.8 million operating loss in the same period of 2010-11 – which included €62.1 million in non-recurring charges and €5.4 million in stock-based compensation.

Net financial expense came to €1.7 million – unchanged from the first half of 2010-11 – and breaks down as follows:

- €1.1 million in financial charges compared with €3.9 million in first-half 2010-11, which included a €3.6 million charge related to sales of tax carry-back receivables.
- €0.6 million in foreign exchange losses, versus €2.3 million one year earlier.
- Net financial expense for first-half 2010-11 included a €4.7 million positive impact from the sale of 2.1 million Gameloft shares.

Ubisoft ended the first six months of fiscal 2011-12 with a €37.1 million net loss, representing a diluted loss per share of €0.39, versus a net loss of €89.8 million and a diluted loss per share of €0.93 in the first half of 2010-11.

Excluding non-recurring items and before stock-based compensation, the net loss would have amounted to €31.6 million, representing a diluted loss per share of €0.33, versus a net loss of €44.6 million and a diluted loss per share of €0.46 for the first six months of 2010-11.

Main cash flow statement and balance sheet items (unaudited)

Cash flows from operating activities came to a negative €178.1 million versus a negative €129.8 million in first-half 2010-11. This reflects a negative €142.7 million in cash flow from operations (versus a negative €99.2 million in the same period of 2010-11) and a €35.4 million increase in working capital requirement (against a €30.6 million increase in first-half 2010-11). Excluding one-time events and on a comparable basis, the gap between cash flows from operating activities in first-half 2010-11 and first-half 2011-12 is €7.0 million.

At September 30, 2011 Ubisoft had net debt of €101.4 million, compared with net debt of €79.2 million at September 30, 2010. The swing from a net cash position of €99.2 million at March 31, 2011 was primarily attributable to:

- The above-mentioned €178.1 million net cash outflow from operating activities.
- €15.3 million in purchases of tangible and intangible assets.
- €1.8 million in buybacks of Ubisoft shares.
- €8.0 million in acquisitions.

Outlook

Full-year 2011-12

Yves Guillemot stated, *"Our line-up for the second half of the fiscal year includes established franchises for both hardcore and casual gamers. Our games will target the High-Definition platforms – which are seeing continued progress – as well as the high-growth Online segment and the high-potential categories in the Casual segment. Thanks to the potential of those titles, combined with our significantly enhanced quality levels and solid first-half performance, we are confident that we will be able to achieve our targets for full-year 2011-12."*

Yves Guillemot concluded by saying *"We are now starting to reap the benefits from the work we have undertaken to ensure more frequent releases of our High Definition franchises with very high quality levels, as well as from the immense opportunities offered by the Casual segment and our continued strong growth in the Online segment. All of these factors will be key to Ubisoft's expected financial performance improvement and return to positive cash flow generation in full-year 2012-13."*

The Company confirms its previously-announced targets for full-year 2011-12, namely forecast sales of between €1,040 million and €1,080 million and current operating income¹ of between €40 million and €60 million.

Sales for the third quarter of 2011-12

The third quarter will see the following releases:

- Assassin's Creed® Revelations for Xbox 360®, PLAYSTATION® 3 and PC
- Just Dance® 3 for Wii™, Kinect™ and Move
- Rayman® Origins for Xbox 360®, PLAYSTATION® 3 and Wii™
- The Black Eyed Peas® Experience for Kinect™ and Wii™
- Abba® You Can Dance for Wii™
- Rocksmith™ for Xbox 360®, PLAYSTATION® 3
- Assassin's Creed® Recollection, Michael Jackson The Experience and Monster Burner for iPad
- I am Alive™ for XBLA/PSN

The Group expects third-quarter 2011-12 sales to amount to between €580 million and €620 million, compared with the third-quarter 2010-11 sales figure of €600 million.

Significant events

Market share: In the first nine months of calendar 2011, Ubisoft was the number 4 independent publisher in the United States with 6.4% market share (compared with number 4 and 5.1% one year earlier) and was number 3 in Europe with 6.9% market share (compared with number 4 and 7.9% one year earlier).

Extension of Equity Swap: Ubisoft and Crédit Agricole Corporate and Investment Bank (previously Calyon) have extended the Equity Swap contract signed on July 12, 2007, on Gameloft shares, for a period of 24 months (new expiry date : July 15th 2013). At March 31st, 6 314 983 Gameloft shares were still recorded as part of the Equity Swap.

Owlient: Acquisition of free-to-play game developer Owlient on September 1st, 2011. The team at Owlient has extensive expertise in the management of online game-playing communities, and their Howrse brand has almost two million monthly active users. Founded in Paris in 2005, Owlient and their 40 team members is a forerunner in creating free-to-play games. The company set itself apart for its ability to develop the expertise and technology necessary to manage and entertain an online game community.

RedLynx: Acquisition of RedLynx, the Finland-based creator of the renowned digital brand "Trials". RedLynx is a pioneer in digital games, developing more than 100 high-quality titles for a wide range of digital distribution channels, including PC, consoles, mobile phones, tablets and interactive TV. Their games stand out for their high replay value, their long tail sales and their multiplatform positioning. Those characteristics provide Ubisoft with a great opportunity to bring their powerful brands, most notably Trials, to an even broader range of fast-growing digital platforms.

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Disclaimer

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About Ubisoft:

Ubisoft is a leading producer, publisher and distributor of interactive entertainment products worldwide and has grown considerably through a strong and diversified line-up of products and partnerships. Ubisoft has offices in 26 countries and has sales in more than 55 countries around the globe. It is committed to delivering high-quality, cutting-edge video game titles to consumers. For the 2010-11 fiscal year Ubisoft generated sales of €1,039 million. To learn more, please visit: www.ubisoftgroup.com.

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APPENDICES

Breakdown of sales by geographic region

	% Sales	% Sales	% Sales	% Sales
	Q2 2011/12	Q2 2010/11	6 months 2011/12	6 months 2010/11
Europe	47%	39%	40%	39%
North America	42%	52%	49%	52%
Rest of world	11%	9%	11%	9%
TOTAL	100%	100%	100%	100%

Breakdown of sales by platform

	Q2 2011/12	Q2 2010/11	6 months 2011/12	6 months 2010/11
Nintendo DS™	4%	10%	4%	7%
Nintendo 3 DS™	3%	0%	2%	-
PC	1%	3%	7%	6%
PLAYSTATION®3	26%	30%	23%	22%
PSP™	1%	6%	1%	5%
Wii™	31%	29%	28%	23%
XBOX 360™	23%	20%	28%	36%
Others	11%	2%	7%	1%
TOTAL	100%	100%	100%	100%

Breakdown of sales by business line

	Q2 2011/12	Q2 2010/11	6 months 2011/12	6 months 2010/11
Development	99%	96%	94%	98%
Publishing	1%	6%	2%	2%
Distribution	0%	-2%	4%	0%
TOTAL	100%	100%	100%	100%

Title release schedule

PACKAGE GOODS / 3rd Quarter (October – December 2011)

ABBA® YOU CAN DANCE	Wii™
ANNO 2070™	PC
ASPHALT® INJECTION (Japan only)	PlayStation® Vita
ASSASSIN'S CREED® REVELATIONS	Xbox 360™, PLAYSTATION® 3, PC
DRAWSOME™ (US only)	Wii™
DUNGEON HUNTER (Japan only)	PlayStation® Vita
FAMILY FEUD® 2012 EDITION (US only)	Xbox 360™, Wii™
HOLE IN THE WALL® DELUXE EDITION (US only)	Kinect™ for Xbox 360®
IMAGINE® FASHION DESIGNER 3D	Nintendo 3DS™
JAMES NOIR'S HOLLYWOOD CRIMES™	Nintendo 3DS™
JUST DANCE® (Japan only)	Wii™
JUST DANCE® 3	Kinect™ for Xbox 360®, PLAYSTATION®3 Move, Wii™
JUST DANCE® KIDS 2	Kinect™ for Xbox 360®, PLAYSTATION®3 Move, Wii™
MIGHT & MAGIC® HEROES® VI	PC
MICHAEL JACKSON THE EXPERIENCE	Nintendo 3DS™
MOTIONSPO RTS™ ADRENALINE	Kinect™ for Xbox 360®, PLAYSTATION®3 Move
NCIS THE VIDEO GAME (Based on the TV Series)	Xbox 360™, PLAYSTATION®3, PC, Wii™
POWERUP HEROES	Kinect™ for Xbox 360®
PUPPIES 3D	Nintendo 3DS™
PUZZLER® MIND GYM 3D (EMEA only)	Nintendo 3DS™
RABBIDS® ALIVE & KICKING	Kinect™ for Xbox 360®
RAYMAN® ORIGINS	Xbox 360™, PLAYSTATION®3, Wii™
ROCKSMITH™ (North America only)	Xbox 360™, PLAYSTATION®3
SELF-DEFENSE TRAINING CAMP	Kinect™ for Xbox 360®
THE ADVENTURES OF TINTIN: THE GAME	Xbox 360™, PLAYSTATION®3, Nintendo 3DS™, Wii™, PC
THE BLACK EYED PEAS® EXPERIENCE	Kinect™ for Xbox 360®, Wii™
THE PRICE IS RIGHT® DECADES (US only)	Xbox 360™, Wii™
WHO WANTS TO BE A MILLIONAIRE™ 2012 EDITION (US only)	Kinect™ for Xbox 360®
YOUR SHAPE® FITNESS EVOLVED 2012	Kinect™ for Xbox 360®
ZOO RESORT™	Nintendo 3DS™

ONLINE DIGITAL / 3rd Quarter (October – December 2011)

ASSASSIN'S CREED® RECOLLECTION	iPad
ASSASSIN'S CREED® MULTIPLAYER REARMED	iPad, iPhone
FOOTBALL CITY STARS™(China only)	Web-based
I AM ALIVE™	XBLA, PSN
MICHAEL JACKSON THE EXPERIENCE	iPad
MONSTER BURNER	iPad
PRINCE OF PERSIA® CLASSIC HD	iPhone

The Statutory Auditors have completed the procedures for their limited review of the consolidated financial statements. They will issue their limited review report after verifying the Group's interim financial report.

Consolidated income statement

In thousands of euros	09/30/2011	09/30/2010
Sales	248 458	260 544
Cost of sales	-90 085	-114 360
Gross Margin	158 373	146 184
Research and Development costs	-86 736	-98 406
Marketing costs	-87 734	-81 888
General and Administrative costs	-33 241	-30 775
Current operating income before SO	-49 338	-64 885
Stock-based compensation	-5 472	-5 378
Current operating income	-54 810	-70 263
Fair Value Variation	0	-1 360
Other operating income and expenses	0	-62 130
Operating income	-54 810	-133 753
Net borrowing costs	-1 097	-3 944
Net foreign exchange losses	-559	-2 334
Other financial income	55	4 682
Other financial expenses	-88	-100
Net financial income	-1 689	-1 696
Share of profit of associates	-76	46
Income tax	19 466	45 627
Profit for the period	-37 110	-89 776
Earnings per share		
Basic earnings per share (in €)	-0,39	-0,95
Diluted earnings per share (in €)	-0,39	-0,93
Weighted average number of shares in issue	94 210	94 387
Diluted weighted average number of shares in issue	95 865	96 862

Consolidated balance sheet

ASSETS	Net	Net
In thousands of euros	09/30/11	3/31/11
Goodwill	134 505	108 125
Other intangible assets	569 088	451 701
Property, plant and equipment	36 289	34 824
Investments in associates	318	393
Other financial assets	3 532	3 335
Deferred tax assets	105 517	82 525
Non current assets	849 249	680 903
Inventory	49 325	35 217
Trade receivables	59 187	49 263
Other receivables	65 692	59 478
Other current financial assets	23 443	29 112
Current tax assets	6 260	10 574
Cash and cash equivalents	134 505	193 354
Current assets	338 413	376 998
Total assets	1 187 662	1 057 901
LIABILITIES AND EQUITY	30.09.11	31.03.11
In thousands of euros		
Capital	7 347	7 341
Premiums	262 202	527 469
Consolidated reserves	451 138	231 305
Consolidated earnings	-37 109	-52 120
Equity (Group share)	683 578	713 995
Provisions	2 254	2 295
Employee benefits	1 304	1 196
Long-term borrowings	1 129	1 894
Deferred tax liabilities	26 555	30 990
Non-current liabilities	31 242	36 375
Short-term borrowings	236 487	92 732
Trade payables	118 135	110 947
Other liabilities	115 827	96 847
Current tax liabilities	2 393	7 005
Current liabilities	472 842	307 531
Total liabilities	504 084	343 906
Total liabilities and equity	1 187 662	1 057 901

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

In thousands of euros	09.30.11	09.30.10
Consolidated earnings	-37 110	-89 777
+/- Share of profit of associates	76	-46
+/- Amortization of game software	56 307	144 290
+/- Other amortization	9 377	10 962
+/- Provisions	-874	2 296
+/- Cost of share-based payments	5 472	5 378
+/- Gains / losses on disposals	33	41
+/- Other income and expenses calculated	-1 445	3 291
+/- Costs of internal development and license development	-174 526	-175 658
CASH FLOW FROM OPERATIONS	-142 691	-99 223
Inventory	-12 219	-694
Trade receivables	-6 646	24 944
Other assets	-23 179	-4 878
Trade payables	12 922	-22 568
Other liabilities	-6 267	-27 401
+/-Change in working capital from operating activities	-35 389	-30 597
TOTAL CASH FLOW GENERATED BY OPERATING ACTIVITIES	-178 080	-129 820
- Payments for the acquisition of property, plant and equipment and other intangible assets	-15 824	-13 376
+ Proceeds from the disposal of intangible assets and property, plant and equipment	542	61
- Payments for the acquisition of financial assets	-4 568	-7 444
+ Repayment of loans and other financial assets	4 484	7 625
+ Proceeds from the disposal of discontinued operations	0	0
+/- Changes in scope	-8 057	-173
CASH USED BY INVESTING ACTIVITIES	-23 423	-13 307
Cash flows from financing activities		
+ New finance leases	0	44
+ New borrowings	47	30
- Repayment of finance leases	-113	-99
- Repayment of borrowings	-729	-755
+ Proceeds from shareholders in capital increases	403	323
+/- Sales / purchases of own shares	-1 791	-217
+/- other flows (carry back sold)	0	21 886
CASH GENERATED (USED) BY FINANCING ACTIVITIES	-2 183	21 212
Net change in cash and cash equivalents	-203 685	-121 915
Cash and cash equivalents at the beginning of the fiscal year	-122 034	64 976
Impact of translation adjustments	2 532	584
Cash and cash equivalents at the end of the fiscal year	-79 119	-56 355

Consolidated cash flow statement

In thousands of euros	30.09.11	30.09.10
Cash flows from operating activities		
Consolidated earnings	-37 110	-89 777
+/- Share of profit of associates	76	-46
+/- Depreciation and amortization	65 684	155 252
+/- Provisions	-874	2 296
+/- Cost of share-based payments	5 472	5 378
+/- Gains / losses on disposals	33	41
+/- Other income and expenses calculated	-1 445	3 291
+ Income tax paid	-19 466	-45 627
Inventory	-12 219	-694
Trade receivables	-6 646	24 944
Other assets	-2 667	39 071
Trade payables	12 922	-22 568
Other liabilities	-2 089	-19 791
+/-Change in working capital from operating activities	-10 699	20 962
TOTAL CASH FLOW GENERATED BY OPERATING ACTIVITIES	1 670	51 770
- Income tax paid	-5 223	-5 932
NET CASH GENERATED BY OPERATING ACTIVITIES	-3 553	45 838
Flux de trésorerie provenant des activités d'investissement		
- Payments of internal development and license development	-174 526	-175 658
- Payments for the acquisition of intangible assets and property, plant and equipment	-15 824	-13 376
+ Proceeds from the disposal of intangible assets and property, plant and equipment	542	61
- Payments for the acquisition of financial assets	-4 568	-7 444
+ Repayment of loans and other financial assets	4 484	7 625
+/- Changes in scope	-8 057	-173
CASH USED BY INVESTING ACTIVITIES	-197 949	-188 965
Cash flows from financing activities		
+ New finance leases	0	44
+ New borrowings	47	30
- Repayment of finance leases	-113	-99
- Repayment of borrowings	-729	-755
+ Proceeds from shareholders in capital increases	403	323
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Impact of translation adjustments	2 532	584
Cash and cash equivalents at the end of the fiscal year	-79 120	-56 355

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

In million of euros, except for per share data	H1 2011-12			H1 2010-11		
	As reported	Adjustment	Before non recurring elements and stock based compensation	As reported	Adjustment	Before non recurring elements and stock based compensation
Sales	248,5		248,5	260,5		260,5
Total Operating expenses	(303,3)	5,5	(297,8)	(394,3)	68,9	(325,4)
Stock-based compensation	(5,5)	5,5	0,0	(5,4)	5,4	0,0
Fair Value Variation	0,0	0,0	0,0	(1,4)	1,4	0,0
Other operating income and expenses	(0,0)	0,0	0,0	(62,1)	62,1	0,0
Operating Income	(54,8)	5,5	(49,3)	(133,8)	68,9	(64,9)
Net Financial income	(1,7)	0,0	(1,7)	(1,7)	(4,7)	(6,4)
Income tax	19,5	0,0	19,5	45,6	(19,0)	26,6
Net Income	(37,1)	5,5	(31,5)	(89,8)	45,2	(44,6)
Diluted earnings per share	(0,39)	0,06	(0,33)	(0,93)	0,47	(0,46)