



Ubisoft® reports full-year 2009-10 results

- **Full-year sales: €871 million**
- **Current operating loss¹: €60 million**
- **Net loss excluding non-recurring items and before stock-based compensation: €32 million**
- **Net loss: €44 million**
- **Net cash position: €41 million**

Paris, May 18, 2010 – Today, Ubisoft released its sales and earnings figures for the fiscal year ended March 31, 2010.

Key financial data

In € millions	2009-10	%	2008-09	%
Sales	871,0		1 057,9	
Gross Profit	512,8	58,9%	639,5	60,4%
R&D expenses	- 309,4	35,5%	- 246,3	23,3%
Selling expenses	- 196,1	22,5%	- 204,2	19,3%
General and administrative expenses	- 66,9	7,7%	- 60,2	5,7%
SG&A expenses	- 263,0	30,2%	- 264,4	25,0%
Current operating income / (loss) ¹	- 59,6	-6,8%	128,7	12,2%
Net income / (loss)	- 43,7	-5,0%	68,8	6,5%
Diluted earnings / (loss) per share (in €)	- 0,45		0,71	
Diluted earnings / (loss) per share before non-recurring items and stock-based compensation (in €)	- 0,33		0,87	
Cash flows from R&D investments*	353,5		330,5	
Net cash / (debt)	41,3		154,2	

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

Yves Guillemot, Chief Executive Officer, stated *"The global economic crisis had a pronounced impact on the video game industry in 2009, which contracted by nearly 10% year-on-year. Ubisoft's sales were hit particularly hard, falling 18% over the full year despite a stabilization in the second half of the year, when figures came in on a par with the corresponding period of 2008-09. This overall contraction in sales, combined with additional write-downs recorded for games already launched as well as for upcoming releases, led to a 60 M€ operating loss."*

¹ Before stock-based compensation.

Sales

Sales for the fourth quarter of 2009-10 came to €210 million, up 1.9% on the €206 million recorded for the same period of 2008-09 (up 0.5% at constant exchange rates).

Full-year sales for fiscal 2009-10 totaled €871 million versus €1,058 million for fiscal 2008-09, representing a decrease of 17.7% (down 17.7% also at constant exchange rates).

Fourth-quarter sales were slightly higher than the guidance of around €200 million issued when Ubisoft released its sales figures for the third quarter of 2009-10. This performance reflects the combined impact of:

- The accounting restatement of around €8 million in marketing cooperation expenses. These costs were previously deducted directly from the top-line sales figure but are now included in SG&A expenses.
- A strong increase in sales of Just Dance[®], which, in the total fiscal year, sold-in almost 3 million units. This performance was particularly impressive as the game was only available on a single platform – the Wii™.
- The ongoing exceptional performance delivered by Assassin's Creed[®] II which sold-in nearly 9 million units during the year.
- The launch of Red Steel[®] 2 for the Wii™, which received very good reviews and whose performance was in line with recently revised forecasts.
- Sales of Avatar that outstripped the most recent forecasts, notably on Wii™.

During the first four months of calendar 2010, Ubisoft's gained market shares corresponding to 9.9% in Europe (versus 8.5% one year earlier) and 6.8% in the United States (against 5.3%).

Main income statement items

Gross profit represented a lower percentage of sales in 2009-10, coming in at 58.9% (€512.8 million) against 60.5% (€639.5 million) in 2008-09. As previously announced, this contraction was primarily due to the sharp drop in back-catalog sales from €220 million (with a gross margin of around 50%) in 2008-09 to €110 million (with a negative gross margin of nearly 10%) in 2009-10. Back-catalog sales in 2009-10 were notably weighed down by the impact of excess inventories of DS games which the Company had to clear or write down in a very competitive environment also marked by high levels of piracy.

Gross profit also suffered from the low number of games launches for the higher margin consoles, Xbox 360[®], PlayStation[®]3 and PC. This was particularly the case as gross margins for Xbox 360[®] and PlayStation[®]3 games rose year-on-year. Gross margins remained stable for Wii™ games.

Ubisoft ended the year with a €59.6 million current operating loss before stock-based compensation, a higher figure than the previously announced guidance of around €50 million. This difference was primarily attributable to additional write-downs recorded both for games launched during the year and for upcoming releases.

The current operating loss figure reflects the following combined factors:

- A €126.7 million decrease in gross profit.

- A €63.1 million increase in R&D expenses, which came to €309.4 million, representing 35.5% of sales, versus €246.3 million (23.3% of sales) in 2008-09. As previously mentioned, this rise was chiefly attributable to accelerated R&D depreciation, which amounted to nearly €60 million for the fiscal year.
- SG&A expenses on a par with 2008-09 in absolute value terms (€263.0 million against €264,4 million) but higher as a percentage of sales (30.2% versus 25.0%).
 - Variable marketing expenses totaled €143.6 million (16.5% of sales) compared with €153.3 million (14.4% of sales) in 2008-09.
 - Structure costs stood at €119.4 million (13.7% of sales) versus €111.1 million (10.5% of sales) in 2008-09.

Ubisoft recorded an operating loss of €72.1 million in 2009-10 compared with operating income of €113.5 million for the previous fiscal year. The 2009-10 figure includes stock-based compensation of €12.1 million (€16.9 million in 2008-09).

Net financial income came to €4.7 million (compared with net financial expense of €4.8 million in 2008-09), breaking down as follows:

- €0.5 million in financial charges compared with financial income of €0.5 million in 2008-09.
- €5.2 million in foreign exchange gains, against €5.3 million in foreign exchange losses in 2008-09.

Ubisoft ended fiscal 2009-10 with a €43.7 million net loss, representing a diluted loss per share of €0.45, versus net income of €68.8 million and diluted earnings per share of €0.71 in 2008-09.

Excluding non-recurring items and before stock based compensation, the net loss figure would have amounted to €31.6 million, representing a diluted loss per share of €0.33, versus net income of €84.7 million and earnings per share of €0.87 for 2008-09.

Main cash flow statement and balance sheet items

Cash flows from operating activities came to a negative €90.1 million (versus a positive €27.8 million in 2008-09), reflecting cash flows from operations of negative €56.7 million (€26.1 million in 2008-09) and a €33.4 million increase in working capital requirement (compared with a €1.7 million decrease in 2008-09). This increase was due to a €74.5 million rise in tax items, which was partly offset by a €29.3 million improvement in trade receivables, inventory and trade payables.

At March 31, 2010, Ubisoft had a net cash position of €41.3 million versus €154.2 million at March 31, 2009. The year-on-year change reflects the following main movements in 2009-10:

- The above-mentioned €90.1 million net cash outflow from operating activities.
- €19.1 million in purchases of tangible and intangible assets.
- Acquisitions totaling €9.1 million.
- Proceeds from the issue of capital amounting to €4.8 million following employee rights issues and the exercise of stock options.
- A €0.6 million effect from exchange rate fluctuations.

Outlook

Yves Guillemot stated, "We forecast a return to profitable growth in 2010-11 with positive cash flow generation, driven by a games line-up that is more closely tailored to growth segments and based on strong franchises. We also expect to see the first concrete results from our investments in on-line games and services. Lastly, the upcoming launches of new consoles, including Natal and Sony Move, should enable us to capitalize on the technology investments that we have undertaken in recent years and re-energize the casual games segment. At the same time, we will continue to reorganize our studios and enhance our development teams' productivity. These reorganizational moves will enable us to release new iterations of our major franchises on a more regular basis, and guarantee high quality levels. This will allow us to secure a level of highly profitable recurring sales while continuing to tap the new growth opportunities in our industry."

Sales for the first quarter of 2010-11

The first three months of 2010-11 will see the following main releases:

- Splinter Cell Conviction™ for Xbox 360® and PC
- Prince of Persia The Forgotten Sands™ for Xbox 360®, PlayStation®3, Wii™, PC, Nintendo DSi, and PSP™
- Pure Futbol™ for Xbox 360® and PlayStation®3.

The Group expects first-quarter 2010-11 sales to come in at around €145 million, approximately 75% higher than in the first quarter of 2009-10.

Full-year 2010-11

Ubisoft confirms that it expects to return to profitable growth and positive cash flow from operating activities in fiscal 2010-11.

Significant events of 2009-10

Market share: In the first four months of calendar 2010, Ubisoft was the number 3 independent publisher in the United States with 6.8% market share (compared with number 4 and 5.3% one year earlier); number 2 in Europe with 9.9% market share (compared with number 3 and 8.5%); number 3 in France with 9.7% market share (compared with number 3 and 8.3%); number 2 in the United Kingdom with 12.1% market share (compared with number 3 and 9.3%); and number 2 in Germany with 9.4% market share (compared with number 3 and 7.7%).

Opening of a new studio in Toronto: During the year Ubisoft opened a full development studio in Toronto, Ontario – a first for the company in the province. This is expected to result in the creation of 800 net new jobs within the province over the next decade. The government of Ontario plans to invest CA\$ 263 million over ten years in the company.

Acquisition of Nadeo: Set up in 2000 in Paris, the Nadeo studio has won acclaim for the quality of its multiplayer technology which offers one of the best available on-line game experiences and has already notched up 10 million registered players. Its flagship game – TrackMania® – has 700,000 unique players a month and is a pioneer in the sharing of creations (almost 15 million custom tracks created since 2008). It is also the first eSport franchise for racing games.

Launch of Uplay: In late 2009 Ubisoft launched Uplay – a portal for gamers which is set to become the on-line hub for Ubisoft games.

Financial Calendar

Release	Date
Annual General Meeting	July 2, 2010

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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 28 countries and sales in 55 countries around the globe. It is committed to delivering high-quality, cutting-edge video game titles to consumers. Ubisoft generated sales of €871 million for the 2009-10 fiscal year. To learn more, please visit www.ubisoftgroup.com

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APPENDICES

Breakdown of sales by geographic region

	% Sales	% Sales	% Sales	% sales
	Q4 2009/10	Q4 2008/09	12 months 2009/10	12 months 2008/09
Europe	52%	46%	49%	54%
North America	40%	47%	43%	40%
Rest of world	8%	8%	8%	6%
TOTAL	100%	100%	100%	100%

Breakdown of sales by platform

	Q4 2009/10	Q4 2008/09	12 months 2009/10	12 months 2008/09
Nintendo DS™	13%	23%	14%	29%
PC	17%	13%	8%	9%
PlayStation®2	1%	2%	1%	2%
PLAYSTATION®3	12%	15%	23%	20%
PSP™	4%	4%	4%	3%
Wii™	42%	29%	26%	18%
XBOX 360™	8%	15%	22%	19%
Other	1%	0%	2%	0%
TOTAL	100%	100%	100%	100%

Breakdown of sales by business line

	Q4 2009/10	Q4 2008/09	12 months 2009/10	12 months 2008/09
Development	87%	75%	89%	81%
Publishing	6%	19%	7%	11%
Distribution	7%	7%	4%	8%
TOTAL	100%	100%	100%	100%

Title Release Schedule

1st Quarter (April – June 2010)

BATTLE OF GIANTS® : MUTANT INSECTS (US)	Nintendo DSiWARE
BLOODY GOOD TIME™ (EMEA)	PC, Xbox 360® XLA
DANCE ON BROADWAY™	Wii™
GALAXY RACERS™ (EMEA)	Nintendo DS™
HEROES OF MIGHT & MAGIC® (CHINA)	WEB-BASED
IMAGINE® ANIMAL DOCTOR CARE CENTER (US)	Nintendo DS™
MASTER ALL CLASSICS (EMEA)	PLAYSTATION®3 PSN
MASTER ALL CLASSICS	iPhone
MIGHT AND MAGIC CLASH OF HEROES™(EMEA)	Xbox 360® XLA , PLAYSTATION®3 PSN
MY CHINESE COACH	iPad
PRINCE OF PERSIA® CLASSIC	iPhone
PRINCE OF PERSIA THE FORGOTTEN SANDS™	Xbox 360®, PLAYSTATION®3, Wii™ , Nintendo DSi™, PSP™, PC
PURE FUTBOL™	Xbox 360®, PLAYSTATION®3
SILENT HUNTER® (US)	iPhone
SPLINTER CELL CONVICTION™	Xbox 360®, PC
SPORTS COLLECTION (EMEA)	Nintendo DS™
TOM CLANCY'S SPLINTER CELL CONVICTION™	Xbox 360®, PC
VOODOO DICE	PLAYSTATION®3 PSN, PSP™ PSN, Xbox 360™ XLA, Wii™WARE, PC
VOODOO DICE (EMEA)	iPhone

Consolidated income statement by function

In thousand of euros	03/31/10	03/31/09
Sales	870 954	1 057 926
Cost of sales	-358 118	-418 467
Gross Margin	512 836	639 459
Research and Development costs	-309 403	-246 306
Marketing costs	-196 115	-204 206
General and Administrative costs	-66 894	-60 198
Current operating income	-59 576	128 749
Fair value variation	-367	0
Other operating income and expenses	-53	1 570
Stock-based compensation	-12 099	-16 855
Operating income	-72 095	113 464
Net borrowing costs	-546	929
Net foreign exchange losses	5 246	-5 343
Other financial income and expenses	50	-426
Net financial income	4 750	-4 840
Share of profit of associates	50	15
Income tax	23 624	-39 791
Profit for the period	-43 672	68 848
Earnings per share		
Basic earnings per share (in €)*	-0,46	0,74
Diluted earnings per share (in €)*	-0,45	0,71
Weighted average number of shares in issue (*)	94 192	93 362
Diluted weighted average number of shares in issue (*)	96 548	97 159

(*) after stock split

Consolidated balance sheet

ASSETS	Net	
In thousands of euros	3/31/10	3/31/09
Goodwill	106 498	99 545
Other intangible assets	526 383	480 911
Property, plant and equipment	31 800	27 423
Investments in associates	393	343
Other financial assets	3 613	3 354
Deferred tax assets	65 884	41 378
Non current assets	734 570	652 954
Inventory	47 973	62 294
Trade receivables	68 748	69 534
Other receivables	89 159	72 091
Other current financial assets	33 271	20 610
Current tax assets	25 080	19 039
Cash and cash equivalents	185 316	237 207
Current assets	449 547	480 775
Total assets	1 184 117	1 133 729

LIABILITIES AND EQUITY	3/31/10		3/31/09	
In thousand of euros				
Capital	7 320		7 274	
Premiums	512 444		489 002	
Consolidated reserves	285 380		186 632	
Consolidated earnings	-	43 672	68 848	
Equity (Group share)	761 472		751 756	
Minority interests				
Total equity	761 472		751 756	
Provisions	2 215		1 984	
Employee benefit	1 710		1 641	
Long-term borrowings	22 548		22 682	
Deferred tax liabilities	32 921		60 320	
Non-current liabilities	59 394		86 627	
Short-term borrowings	121 784		61 822	
Trade payables	144 499		136 664	
Other liabilities	93 617		76 867	
Current tax liabilities	3 352		19 993	
Current liabilities	363 252		295 346	
Total liabilities	422 646		381 973	
Total liabilities and equity	1 184 118		1 133 729	

Consolidated cash flow statement for comparison with other industry players

In thousand of euros	31.03.10	31.03.09
Cash flows from operating activities		
Consolidated earnings	-43 672	68 848
+/- Share of profit of associates	-50	-15
+/- Amortization of game software	287 398	219 031
+/- Other amortization	17 428	16 337
+/- Provisions	4 335	2 034
+/- Cost of share-based payments	12 099	16 855
+/- Gains / losses on disposals	170	193
+/- Other income and expenses calculated	-2 937	3 272
+/- Costs of internal development and license development		
	-331 474	-300 445
CASH FLOW FROM OPERATIONS	-56 703	26 110
Inventory	12 057	-23 088
Trade receivables	2 440	19 738
Other assets	-23 338	35 313
Trade payables	14 851	-33 399
Other liabilities	-39 395	3 133
+/-Change in working capital from operating activities	-33 385	1 697
TOTAL CASH FLOW GENERATED BY OPERATING ACTIVITIES	-90 088	27 807
- Payments for the acquisition of property, plant and equipment and other intangible assets	-19 635	-30 229
+ Proceeds from the disposal of intangible assets and property, plant and equipment	566	93
- Payments for the acquisition of financial assets	-16 563	-36 042
+ Repayment of loans and other financial assets	16 472	35 181
+ Proceeds from the disposal of discontinued operations	0	0
+/- Changes in scope ⁽¹⁾	-8 157	-6 248
CASH USED BY INVESTING ACTIVITIES	-27 317	-37 245
Cash flows from financing activities		
+ New finance leases	172	36
- Repayment of finance leases	-81	-23
- Repayment of borrowings	-649	-1 032
+ Proceeds from shareholders in capital increases		
	5033	12 799
+/- Sales / purchases of own shares	-154	-349
CASH GENERATED (USED) BY FINANCING ACTIVITIES	4 321	11 431
Net change in cash and cash equivalents	-113 084	1 993
Cash and cash equivalents at the beginning of the fiscal year		
	176 893	173 181
Impact of translation adjustments	1 169	1 721
Cash and cash equivalents at the end of the fiscal year	64 976	176 893
⁽¹⁾ Including cash in companies acquired and disposed of	-399	-1938

Consolidated cash flow statement

In thousand of euros	31.03.10	31.03.09
Cash flows from operating activities		
Consolidated earnings	-43 672	68 848
+/- Share of profit of associates	-50	-15
+/- Depreciation and amortization	304 826	235 369
+/- Provisions	4 335	2 034
+/- Cost of share-based payments	12 099	16 855
+/- Gains / losses on disposals	170	193
+/- Other income and expenses calculated	-2 937	2 655
+ Income tax paid	- 23 624	39 791
Inventory	12 057	-23 088
Trade receivables	2440	19738
Other assets	-18 995	37 580
Trade payables	14 851	-57 361
Other liabilities	-8 526	-12 144
+/-Change in working capital from operating activities	1 827	-35 275
TOTAL CASH FLOW GENERATED BY OPERATING ACTIVITIES	252 973	330 455
- Income tax paid	-11 588	-26 195
NET CASH GENERATED BY OPERATING ACTIVITIES	241 386	304 260
- Payments of internal development and licence development		
- Payments for the acquisition of intangible assets and property, plant and equipment	-331 474	-276 499
+ Proceeds from the disposal of intangible assets and property, plant and equipment	-19 635	-30 214
- Payments for the acquisition of financial assets	566	93
+/- Other cash flows from investing activities	-16 562	-36 042
+ Repayment of loans and other financial assets	16 472	35 181
+/- Changes in scope ⁽¹⁾	-8 157	-6 219
CASH USED BY INVESTING ACTIVITIES	-358 792	-313 700
Cash flows from financing activities		
+ New finance leases	172	36
+ New borrowings	0	0
- Repayment of finance leases	-81	-23
- Repayment of borrowings	-649	-1 032
+ Proceeds from shareholders in capital increases	5 033	12 799
+/- Sales / purchases of own shares	-154	-349
+/- Other flows	0	0
CASH GENERATED (USED) BY FINANCING ACTIVITIES	4 321	11 431
Net change in cash and cash equivalents	-113 083	1 992
Cash and cash equivalents at the beginning of the fiscal year	-176 890	-173 181
Impact of translation adjustments	1 169	1 718
Cash and cash equivalents at the end of the fiscal year1	64 976	176 890
⁽¹⁾ Including cash in companies acquired and disposed of	-399	-1938