



## Ubisoft announces its results for the first half of the 2007-08 fiscal year

- Sales<sup>1</sup> up 52%.
- Marked improvement in profitability:
  - Current operating income<sup>2</sup> up €43 million to a positive €9 million.
  - Net income totals €31 million.
- 2007-08 games release schedule updated.
- 2007-08 Outlook confirmed.

**Paris, November 20, 2007** – Today Ubisoft, one of the world's largest video game publishers, released its results for the six months ended September 30, 2007.

### Key financial data

In € millions	H1 2007-08	%	H1 2006-07	%
Sales	261.4		172.1	
Gross profit	167.6 <sup>3</sup>	64.1%	102.2 <sup>3</sup>	59.4%
R&D expenses	81.3	31.1%	71.4	41.5%
SG&A expenses	77.2 <sup>3</sup>	29.5%	64.4 <sup>3</sup>	37.4%
Current operating income/(loss) before stock options	9.1	3.4%	(33.6)	-19.5%
Operating income/(loss)	12.5	4.8%	(35.3)	-20.5%
Net income/(loss)	30.6	11.7%	(20.5)	-11.9%
Diluted earnings/(loss) per share (in €)	0.64		(0.36)*	
Cash flows from R & D investments	121.5		110.3	
Net cash/(debt)	18.7		(125.4)	

\* After the two-for-one stock split.

*Yves Guillemot, CEO of Ubisoft, stated: "Ubisoft's excellent sales performance during the first half of fiscal 2007-08 has considerably boosted our earnings figures for the period. In addition, the early indications for our Christmas games launches have been positive, especially for Assassin's Creed™, whose sell-through sales have already topped the record level of 1 million units. These very strong trends further underpin our confidence that we will achieve our objectives for the current year and add further impetus for fiscal 2008-09, which we expect to be a another year of robust growth for the Group."*

1 Sales figures for the first half of fiscal 2007-08 were released on October 23, 2007.

2 Before the impact of stock-based compensation ("before stock options").

3 After adjustments relating to logistics costs which have been reclassified from "SG&A expenses" to "Cost of sales".

## Main income statement items

- **Gross margin: 64.1% of sales.**
- **R&D expenses: 31.1% of sales.**
- **SG&A expenses: 29.5% of sales.**
- **Current operating income before stock options: €9 million.**
- **Gain of €7.5 million recorded following the positive outcome of a lawsuit.**
- **Net financial income: €12.6 million, including a €15.5 million gain arising from the Equity Swap.**
- **€14.3 million gain recorded on the sale of Gameloft shares.**
- **Diluted earnings per share: €0.64.**

Sales for the first six months of 2007-8 came to €261 million, up 51.8%, or 55.1% at constant exchange rates.

Gross margin represented 64.1% of sales, up from 59.4% in the comparable prior-year period. This strong increase was mainly driven by new generation games, which have a higher sale price and accounted for 75% of overall sales during the period versus 39% one year earlier. The gross margin figure now includes the impact of logistics costs which were previously classified under SG&A expenses. These costs amounted to €5.6 million during the period compared with €5.1 million in the first half of 2006-07.

Current operating income before stock options totaled €9.1 million (3.4% of sales) compared with a €33.6 million loss recorded in first-half 2006-07. This robust improvement was primarily attributable to the following factors:

- A €65.4 million rise in gross profit.
- A considerable reduction in R&D expenses as a percentage of sales, particularly due to the solid level of back catalog sales. In first-half 2007-08, R&D expenses totaled €81.3 million, representing 31.1% of sales, compared with 41.5% of sales (€71.4 million) in the same period of 2006-07.
- The significant leverage effect generated by a tightly controlled 19.9% rise in SG&A expenses, well below the rate of sales growth for the period. SG&A expenses came to €77.2 million and represented 29.5% of sales, versus 37.4% in first-half 2006-07 (€64.4 million). The main improvements were seen for fixed costs, which increased by only 8.5% to €47.2 million (from €43.5 million one year earlier), and, to a lesser extent, for variable marketing expenses which rose 43.5% to €30.0 million (versus €20.9 million in first-half 2006-07).

Ubisoft ended the period with operating income of €12.5 million, compared with an operating loss of €35.3 million in first-half 2006-07. This figure includes stock option expenses of €4.0 million and a €7.5 million gain resulting from the positive outcome of a lawsuit.

Net financial income came to €12.6 million (versus €3.3 million one year earlier), breaking down as follows:

- €0.6 million in financial charges against €4.7 million in first-half 2006-7, reflecting the year-on-year decrease in the Group's debt.
- €2.3 million in foreign exchange losses versus foreign exchange gains of €1.0 million in first-half 2006-07.
- A €15.5 million positive impact attributable to the Equity Swap<sup>4</sup>, compared with €7.0 million in first-half 2006-07.

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<sup>4</sup> Transaction entered into with Calyon on September 30, 2003.

Following the sale of Ubisoft's Gameloft shares to Calyon in July 2007, the Group's share of profit of associates (principally Gameloft) decreased to almost zero from €2.9 million in first-half 2006-07. During the period Ubisoft recorded €14.8 million under "Net gain from operations of discontinued business segment" when Calyon sold 4.2 million of the total 13.4 million Gameloft shares.

The Group ended the first six months of 2007-08 with net income of €30.6 million, compared with a net loss of €20.5 million one year earlier. Diluted earnings per share amounted to €0.64. Excluding non-recurring items (i.e. the impact of the Gameloft share sale, the Equity Swap and the positive lawsuit outcome), the net income figure would amount to €0.9 million, versus a net loss of €27.6 million for first-half 2006-07.

## **Main cash flow statement and balance sheet items**

Cash flows from operating activities came to a negative €42.7 million. This improvement on the negative €55.2 million reported in the first six months of 2006-07 reflects the impact of the robust increase in operating income, partly offset by a €16.9 million increase in working capital requirement, primarily as a result of the Equity Swap<sup>4</sup>.

At September 30, 2007, Ubisoft had a positive net cash position of €18.7 million compared with €55 million at March 31, 2007. The main movements during the period were as follows:

- Cash flows from operating activities amounting to a negative €42.7 million.
- €25.1 million arising from the sale of Gameloft shares.
- Investments of €16.9 million for the purchase of Sunflowers and the Anno™ brand.
- Capital increases totaling €5.7 million.
- €0.5 million in translation adjustments.

## **Outlook**

### Third-quarter business review

The third quarter of fiscal 2007-08 got off to a good start with a number of new games released in November including Assassin's Creed™, Rayman Raving Rabbids® 2, Naruto™: Rise of a Ninja, Beowulf™, and the range of casual games. Assassin's Creed™ has already notched up record sell-through sales of over a million units, a positive sign that the brand will be successful and that Ubisoft has created another long-term franchise. The casual games – including the Imagine™, Petz® and MyCoach brands – have also recorded a solid early performance.

### 2007-08 games release schedule updated

Ubisoft today announced that Tom Clancy's Rainbow Six® Vegas 2 will be released during the fourth quarter of fiscal 2007-08. This release will capitalize on the success of the first episode. In addition, Tom Clancy's Splinter Cell Conviction™, previously scheduled for release in the fourth quarter of fiscal 2007-08, will now form part of a stronger line-up for fiscal 2008-09. Lastly, Haze™ – which was due for release during the third quarter of fiscal 2007-08 – will now be launched in the fourth fiscal quarter. The targets previously announced by Ubisoft remain unchanged as they already took into account the possible impact of these delays as a preventive measure.

### Outlook for third-quarter and full-year 2007-08 confirmed

Ubisoft is confident of achieving its targets for third-quarter and full-year 2007-08, as announced on October 23, 2007 when it published its first-half sales figures, i.e. sales of approximately €330 million for the third quarter and around €825 million for the full fiscal year, as well as current operating income before stock options representing at least 9% of sales.

## Recent significant events

**Ubisoft acquires Japanese video game development studio Digital Kids:** Established in 1996, with offices in Nagoya and Osaka, Digital Kids currently has a team of 20 developers specialized in games for the Nintendo DS™. The studio has worked regularly for a number of Japanese publishers and has developed several titles for Ubisoft's Petz® line of games, including the highly successful Hamsterz™ Life.

### Financial calendar

Release	Date
Third-quarter 2007-08 sales	January 23, 2008

*This date is subject to change and will be confirmed at a later stage*

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### Disclaimer

This statement may contain estimated financial data, information on future projects and transactions and future business results/performance. Such forward-looking data are provided for estimation purposes only. They are subject to market risks and uncertainties and may vary significantly compared with the actual results that will be published. The estimated financial data have been presented to the Board of Directors and have not been audited by the Statutory Auditors. (Additional information is specified in the most recent Ubisoft Registration Document filed on June 27, 2007 with the French Financial Markets Authority (*l'Autorité des marchés financiers*)).

### About Ubisoft

Ubisoft is a leading producer, publisher and distributor of interactive entertainment products worldwide and has grown considerably through a strong and diversified line-up of products and partnerships. Ubisoft has offices in 21 countries and sales in more than 50 countries around the globe. It is committed to delivering high-quality, cutting-edge video game titles to consumers. Ubisoft generated sales of €680 million for the 2006-07 fiscal year. To learn more, please visit [www.ubisoftgroup.com](http://www.ubisoftgroup.com).

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## CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2007

### *Consolidated income statement*

in € thousands	6 months ended 09.30.07	6 months ended 09.30.06
<b>Sales</b>	<b>261,393</b>	<b>172,110</b>
Other operating income	89,871	76,660
Cost of sales	(105,545)	(67,806)
Inventory changes	11,767	(2,044)
Personnel costs	(93,733)	(79,758)
Other operating expenses	(78,124)	(59,844)
Tax and duty	(2,840)	(2,436)
Depreciation and amortization	(77,646)	(72,163)
Provisions	(136)	104
<b>Current operating income/(loss)</b>	<b>5,007</b>	<b>(35,177)</b>
Other income and expenses from operations	7,507	(152)
<b>Operating income/(loss)</b>	<b>12,514</b>	<b>(35,329)</b>
Income from cash and cash equivalents	1,037	445
Gross borrowing costs	(1,489)	(4,686)
<b>Net borrowing costs</b>	<b>(452)</b>	<b>(4,241)</b>
Financial income	21,928	13,325
Financial expenses	(8,889)	(5,823)
<b>Net financial income</b>	<b>12,587</b>	<b>3,261</b>
Share of profit of associates	-42	2,856
Income tax	(9,273)	8,741
Net gain from operations of discontinued business segment	14,827	-
<b>Net income/(loss) of consolidated companies</b>	<b>30,613</b>	<b>(20,471)</b>
Minority interests	-	-
<b>Net income/(loss)</b>	<b>30,613</b>	<b>(20,471)</b>
Basic earnings/(loss) from ordinary activities per share	0.35	(0.50) <sup>(1)</sup>
Basic earnings/(loss) from discontinued activities per share	0.32	
Weighted average number of shares in issue (after 2-for-1 stock split)	45,684	41,124
Diluted earnings/(loss) from ordinary activities per share	0.33	(0.36) <sup>(1)</sup>
Diluted earnings/(loss) from discontinued activities per share	0.31	
Diluted weighted average number of shares in issue (after 2-for-1 stock split)	47,342	48,570

(1) Following the 2-for-1 stock split on December 11, 2006, the basic loss per share figure decreased from €1 to €0.50, and the diluted loss per share figure from €0.73 to €0.36.

## Consolidated balance sheet

<b>ASSETS</b>	<b>Net</b>	<b>Net</b>
in € thousands		
	<b>09.30.07</b>	<b>03.31.07</b>
Goodwill	83,528	77,374
Other intangible assets	329,082	264,026
Tangible assets	25,071	25,510
Investments in associates	2,332	33,998
Non-current financial assets	2,493	2,458
Deferred income tax assets	31,571	37,630
Total non-current assets	474,077	440,996
Inventories	36,154	24,794
Trade receivables	55,148	87,857
Other receivables	82,341	73,959
Financial assets	88,965	19,183
Income tax receivable	12,543	10,605
Cash and cash equivalents	80,381	126,552
Total current assets	355,532	342,950
<b>Total assets</b>	<b>829,609</b>	<b>783,946</b>
<b>EQUITY AND LIABILITIES</b>	<b>09.30.07</b>	<b>03.31.07</b>
in € thousands		
Capital	7,095	7,037
Share premiums	444,899	435,234
Consolidated reserves	103,412	38,990
Net income for the period	30,613	40,558
Equity (Group share)	586,019	521,819
Minority interests		-
Total equity	586,019	521,819
Provisions	2,124	1,952
Employee benefits	1,303	1,205
Borrowings	23,601	22,706
Deferred tax liabilities	36,810	28,214
Total non-current liabilities	63,838	54,077
Borrowings	38,125	48,874
Trade payables	59,817	81,178
Other payables	79,928	75,895
Income tax payable	1,882	2,103
Total current liabilities	179,752	208,050
<b>Total equity and liabilities</b>	<b>829,609</b>	<b>783,946</b>

## Consolidated cash flow statement

in € thousands	6 months ended 09.30.07	6 months ended 09.30.06
<b>Cash flows from operating activities</b>		
Net income/(loss)	30,613	(20,471)
+/- Share of profit of associates	(499)	(2,856)
+/- Net gain from operations of discontinued business segment	(14,287)	-
+/- Depreciation and amortization	77,646	72,280
+/- Provisions	(1,120)	4
+/- Cost of stock-based compensation	4,065	1,685
+/- Disposal gains and losses	67	33
+/- Other adjustments	(748)	(51)
+ Interest paid	1,578	2,665
+ Income tax paid	1,600	207
Inventories	(10,518)	1,876
Trade receivables	30,579	28,393
Other receivables	(17,786)	(6,487)
Trade payables	(24,103)	(22,743)
Other payables	4,890	368
<b>+/- Change in working capital requirement</b>	<b>(16,938)</b>	<b>1,407</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>81,978</b>	<b>54,903</b>
- Interest paid	(1,578)	(2,665)
- Income tax paid	(1,600)	(207)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>78,800</b>	<b>52,031</b>
- Acquisition of intangible and tangible fixed assets	(129,445)	(143,704)
+ Proceeds from sale of intangible and tangible fixed assets	85	59
- Acquisition of financial assets	(10,320)	(5,256)
+/- Other flows related to investing activities	(35)	(30)
+ Proceeds from long-term loans and other financial assets	10,361	5,364
+/- Net gain from operations of discontinued business segment	25,110	-
+/- Changes in Group structure <sup>(1)</sup>	(16,937)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(121,180)</b>	<b>(143,567)</b>
<b>Cash flows from financing activities</b>		
+ New financial lease loans	24	-
+ New long- and medium-term loans	-	5,885
- Repayments of financial lease borrowings	(34)	(146)
- Repayments of other borrowings	-	(2,895)
+ Accrued interest	-	1,058
+ Proceeds from issue of capital	5,658	30,472
+/- Purchase/sale of own shares	(48)	428
+/- Other	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>5,600</b>	<b>34,802</b>
<b>Net change in cash and cash equivalents</b>	<b>(36,781)</b>	<b>(56,734)</b>
Cash and cash equivalents at beginning of period	78,653	80,894
Effect of exchange rate fluctuations	783	890
<b>Cash and cash equivalents at end of period</b>	<b>42,655</b>	<b>24,750</b>
<sup>(1)</sup> including cash from companies acquired or sold	-521	-

## **Cash flow statement for comparison with other industry players – Unaudited**

in € thousands	<b>6 months ended 09.30.07</b>	<b>6 months ended 09.30.06</b>
<b>Cash flows from operating activities</b>		
Net income/(loss)	30,613	(20,471)
+/- Share of profit of associates	(499)	(2,856)
+/- Net gain from operations of discontinued business segment	(14,287)	-
+/- Amortization of games software	69,386	65,099
+/- Other depreciation/amortization	8,260	7,181
+/- Provisions	(1,120)	4
+/- Cost of stock-based compensation	4,065	1,685
+/- Disposal gains and losses	67	33
+/- Other adjustments	(748)	(51)
+/- Costs related to internal development and development of licenses	(121,481)	(107,156)
<b>Cash flows from operations</b>	<b>(25,744)</b>	<b>(56,522)</b>
Inventories	(10,518)	1,876
Trade receivables	30,579	28,393
Other receivables	(17,786)	(6,487)
Trade payables	(24,103)	(22,743)
Other payables	4,890	368
<b>+/-Change in working capital requirement</b>	<b>(16,938)</b>	<b>1,407</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(42,682)</b>	<b>(55,145)</b>
- Acquisition of intangible and tangible fixed assets	(7,963)	(9,961)
+ Proceeds from sale of intangible and tangible fixed assets	85	59
- Acquisition of financial assets	(10,320)	(5,257)
+/- Other flows related to investing activities	(35)	(30)
+ Proceeds from long-term loans and other financial assets	10,361	5,364
+/- Net gain from operations of discontinued business segment	25,110	-
+/- Changes in Group structure <sup>(1)</sup>	(16,937)	(26,566)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>301</b>	<b>(36,391)</b>
<b>Cash flows from financing activities</b>		
+ New financial lease loans	24	-
+ New long- and medium-term loans	-	5,885
- Repayments of financial lease borrowings	(34)	(146)
- Repayments of other borrowings	-	(2,895)
+ Accrued interest	-	1,058
+ Proceeds from issue of capital	5,658	30,472
+/- Purchase/sale of own shares	(48)	428
+/- Other	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>5,600</b>	<b>34,802</b>
<b>Net change in cash and cash equivalents</b>	<b>(36,781)</b>	<b>(56,734)</b>
Cash and cash equivalents at beginning of period	78,653	80,894
Effect of exchange rate fluctuations	783	590
<b>Cash and cash equivalents at end of period</b>	<b>42,655</b>	<b>24,750</b>

<sup>(1)</sup> including cash from companies acquired or sold

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