

# FINANCIAL REPORT

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## COB

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Copies of this reference document are available from Ubi Soft Entertainment's commercial offices:  
28 rue Armand Carrel - 93108 MONTREUIL-SOUS-BOIS Cedex.

A joint-stock company with capital of FF 33,156,736  
divided into 16,578,368 shares with a nominal value of FF 2  
Registered office: 61, rue Saint Héliier - 35000 Rennes (France).  
Tel.: 33 (0)1 48 18 50 00  
Rennes Companies Register no. 335 186 094 - NAF code: 921 G

# CONTENTS

<b>1.</b>	<b>Persons responsible for the reference document and statutory auditors</b>	<b>3</b>
1.1.	Persons responsible for the reference document	3
1.2.	Attestation	3
1.3.	Name and address of statutory auditors	3
1.4.	Information policy	4
<b>2.</b>	<b>Securities issues</b>	<b>5</b>
<b>3.</b>	<b>Ubi Soft Entertainment SA - Capital</b>	<b>6</b>
3.1.	General information on Ubi Soft Entertainment SA	6
3.2.	General information on the capital	9
3.3.	Ownership structure and voting rights as of 31 March 2000	14
3.4.	Changes in capital and voting rights during the past three financial years	16
3.5.	Listing market	17
3.6.	Draft resolutions for the combined Ordinary and Extraordinary General Meeting of 13 September 2000	18
<b>4.</b>	<b>Activities of Ubi Soft Entertainment SA</b>	<b>25</b>
4.1.	Presentation of the company and the Group	25
4.2.	Dependence of Ubi Soft Entertainment on particular contracts - Main clients	48
4.3.	Litigation	48
4.4.	Personnel over the last three years	48
4.5.	Investment policy	50
<b>5.</b>	<b>Assets - financial Situation - Results</b>	<b>53</b>
5.1.	Consolidated financial statements	53
5.2.	Parent company financial statements	76
<b>6.</b>	<b>Board of directors and management team of Ubi Soft Entertainment</b>	<b>98</b>
<b>7.</b>	<b>Recent events and outlook</b>	<b>105</b>
7.1.	Recent events	105
7.2.	Outlook and strategy	106

## 1. PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT AND STATUTORY AUDITORS

### 1.1. PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT

**Mr Yves GUILLEMOT** *Chairman and CEO*

**Mr Christian GUILLEMOT** *Managing Director and Senior Vice-President Administration*

### 1.2. ATTESTATION

To our knowledge, the data in this reference document reflect the facts. They include all information needed by investors to form a knowledgeable opinion about the company's assets, activity, financial situation, results and outlook. They do not suffer from omissions that would affect their scope.

Mr Yves GUILLEMOT

Mr Christian GUILLEMOT

### 1.3. NAME AND ADDRESS OF THE STATUTORY AUDITORS

NAME	Date of first appointment	Expiration date of current term
<b>Incumbent:</b> <b>Mr André METAYER</b> Cabinet André METAYER 5, rue Marie Alizon 35000 RENNES	1986	2004
<b>Alternate:</b> <b>Mr Pierre BORIE</b> 15, rue Charles Le Goffic 35700 RENNES	1996	2004
<b>Incumbent:</b> <b>Compagnie Consulaire d'Expertise</b> <b>Comptable Jean Delquié (manager: Benoît Fléchon)</b> 84, boulevard de Reuilly 75012 PARIS	1996	2001
<b>Alternate:</b> <b>Mr Jean DELQUIÉ</b> 84, boulevard de Reuilly 75012 PARIS	1996	2001

#### Attestation by the statutory auditors

In verifying the financial and accounting information in this reference document, we have performed such checks and verifications as we deemed necessary by virtue of generally accepted auditing standards.

We have audited the parent company and consolidated financial statements for the financial years ending 31 March 1998, 1999 and 2000.

In our opinion, the financial and accounting information in this document fairly reflects the results of operations, the financial position and net assets.

André METAYER

*Rennes and Paris, 29 August 2000*

COMPAGNIE CONSULAIRE D'EXPERTISE COMPTABLE JEAN DELQUIÉ  
Jean DELQUIÉ

### 1.4. INFORMATION POLICY

#### Person responsible for information

Mr Yves GUILLEMOT *Chairman and CEO*

28, rue Armand Carrel 93108 MONTREUIL-SOUS-BOIS Cedex

Tél. : (33) 1 48 18 50 00

## 2. SECURITIES ISSUES

Not applicable.

## 3. UBI SOFT ENTERTAINMENT SA - CAPITAL

### 3.1. GENERAL INFORMATION ON UBI SOFT ENTERTAINMENT SA

#### 3.1.1. COMPANY NAME AND REGISTERED OFFICE

The Extraordinary General Meeting held on 20 March 1996 replaced the previous company name, "UBI SOFT SA," with Ubi Soft Entertainment SA. The Extraordinary General Meeting of 15 February 1999 transferred the registered office to 28 rue Armand Carrel 93100 - Montreuil.

#### 3.1.2. LEGAL STATUS

Joint-stock company governed by the Act of July 24, 1966.

#### 3.1.3. GOVERNING LAWS

Company subject to french legislation.

#### 3.1.4. TERM

Formed on 28 March 1986.

Term of 99 years.

Term expires on 9 April 2085 unless extended or dissolved.

#### 3.1.5. AIMS AND OBJECTIVES OF THE COMPANY (Article 3 of the Articles of Association)

The company Ubi Soft Entertainment SA has the following aims and objectives in France and abroad, directly and indirectly:

- the creation, publishing and distribution of all kinds of multimedia, audiovisual and computer products, especially video games, educational and cultural software, cartoons, literary, cinematographic and televisual works on any media, current or future;
- the distribution of all kinds of multimedia and audiovisual products, especially through new communications technologies such as networks and on-line services;
- the purchase, sale and trading in general, in all its forms, both import and export, through rental or otherwise, of any computer software and word-processing packages with their accessories, as well as any sound and image software or reproduction products;
- the marketing and management of all computer programs, data-processing and word-processing packages;
- support, assistance and training relating to the above-mentioned fields;

- the company's participation in any operation which relates to any of the above-mentioned fields, by means of the creation of new companies, subscription to or purchase of shares or rights in companies, through mergers or otherwise; and, in general, any transactions
- of whatever nature relating directly or indirectly to the above-mentioned aims and objectives, or any similar or related thereto and liable to facilitate the growth of the company.

#### 3.1.6. REGISTER OF COMMERCE AND COMPANIES

RENNES: B 335 186 094

NAF code: 921 G

#### 3.1.7. CONSULTATION OF LEGAL DOCUMENTS

The Articles of Association, financial statements, reports and minutes of the General Meetings may be consulted at the registered office, whose address is given in 3.1.1.

#### 3.1.8. FINANCIAL YEAR

The company's financial year starts on 1 April and ends on 31 March each year.

#### 3.1.9. STATUTORY DISTRIBUTION OF PROFITS (Article 17 of the Articles of Association)

The income from the financial year, once operating expenses, depreciation and provisions have been deducted, constitutes the earnings.

The following items shall be deducted from the profits for the financial year as well as, where applicable, losses carried forward from previous years:

- the amounts to be used as reserves in application of the law or the Articles of Association and, in particular, at least 5% to constitute the reserve fund required by law. This deduction ceases to be compulsory when the said funds amount to a sum equal to one-tenth of the issued share capital; it shall be resumed if, for any reason, the legal reserves shall have dropped below this proportion;
- the amounts which the General Meeting, following a proposed resolution by the Board of Directors, shall consider it desirable to allocate to any extraordinary or special reserves or to carry forward.

The balance shall be distributed to the shareholders. However, unless there is a reduction in capital, no distribution may be made to shareholders where the net worth is, or would be if such distribution were to take place, less than the amount of the capital plus the reserves, which by law or under the terms of the Articles of Association, may not be distributed.

The General Meeting may, in accordance with the provisions of Article 351 of Act No. 66-537 of 24 July 1966, grant each shareholder an option on all or part of the dividends to be distributed, or on advance payments on the dividends for payment in cash or in the form of shares.

### 3.1.10. GENERAL MEETINGS (Article 14 of the Articles of Association)

The General Meetings shall consist of all the shareholders, with the exception of the company itself, Ubi Soft Entertainment SA. They shall represent the totality of shareholders.

They shall be convened and shall deliberate under the conditions laid down in Act No. 66-537 of 24 July 1966, and by its implementing regulations.

The General Meetings shall be held at the registered office or at any other place specified in the notice convening the Meetings.

They shall be chaired by the Chairman of the Board of Directors or, failing this, by a director appointed for the purpose by the General Meetings.

Any lawful shareholder shall be entitled to participate in the General Meetings upon proving his/her identity by attending in person, by returning a ballot paper by post or by appointing a proxy, on condition:

- in the case of holders of registered shares or certificates to which voting rights are attached, to registration in the company's books;
- in the case of holders of bearer shares, to deposit at the place stated in the notice convening the meeting a certificate issued by an intermediary appointed for the purpose, noting the unavailability of the shares recorded in the accounts prior to the date of the Meeting.

These formalities shall be accomplished at least five days prior to the holding of the Meeting.

Only those persons possessing at least ten shares may attend Ordinary General Meetings. Several shareholders may combine their shares to attain this minimum requirement and be represented by one of their number.

In all General Meetings, voting rights attached to shares contain the right of usufruct, which may be exercised by the beneficiary thereof.

#### ➤ Crossing the threshold (Article 6 of the Articles of Association)

Any shareholder acting alone or in concert, subject to the thresholds covered under Article 356-1 paragraph 1 of Act No. 66-537 of 24 July 1966, who holds directly or indirectly at least 1% of the company's share capital or voting rights or a multiple of this percentage which shall be less than or equal to 4%, shall be required to inform the company thereof by registered recorded delivery letter, within the period laid down under Article 356-1 of the above-mentioned Act.

The information covered under the preceding paragraph for any passing of the threshold of a multiple of 1% of the capital or voting rights is also required whenever such a share in the company or voting rights drops below the above-mentioned thresholds.

Failure to report any such passing of the thresholds, which are both legal and statutory, shall incur a withdrawal of voting rights under the conditions laid down in Article 356-4 of the above-mentioned Act at the request of one or more shareholders who together account for at least 5% of the capital or voting rights of the company.

#### ➤ Buyback programme

The buyback programme to be submitted to the combined Ordinary and Extraordinary General Meeting of 13 September 2000 is designed to replace the authorization granted by the Ordinary General Meeting held on 30 June 1999.

The objectives of the buyback programme to be implemented by virtue of this authorization, in accordance with Article 217-2 et seq. are, in order of priority, to:

- stabilize the company's stock price,
- hold and divest treasury stock,
- deliver shares in payment or exchange for acquisitions,
- grant stock options to the employees and/or officers of the company and/or its Group.

Since its listing on the "Second Marché" of the Paris Stock Exchange, Ubi Soft has not traded in its own shares.

#### ➤ Consent clause

The Articles of Association of Ubi Soft Entertainment SA do not contain any consent clause.

## 3.2. GENERAL INFORMATION ON THE CAPITAL

### 3.2.1. CONDITIONS FOR AMENDING THE RESPECTIVE CAPITAL AND RIGHTS OF THE VARIOUS CATEGORIES OF SHARES (Articles 7 and 8 of the Articles of Association)

Each share shall give rights to ownership of the corporate assets and any liquidation premium in an amount equal to the proportion of the share capital it represents.

Whenever it shall be necessary to own several shares in order to exercise a right of any sort, especially in the case of an exchange, regrouping or allocation of shares, or following an increase or reduction in share capital, whatever the procedures adopted, or of a merger or any other transaction, holders of shares which are fewer in number than that required may only exercise their rights on condition that they arrange for themselves to be part of a group, or for the purchase or sale of the number of shares or rights which constitute the necessary odd lots.

Voting rights which are double those conferred on other shares based on the proportion of the corporate assets which they represent shall be attributed to all shares which are fully paid up and which shall have been proved to have been registered for at least two years in the name of the same shareholder.

This right is also conferred upon issue, should the company assets be increased by the incorporation of reserves, profits or premiums, of registered shares awarded gratis to a shareholder as a result of the shares he/she originally held by virtue of which he/she benefits from this right.

### 3.2.2. TOTAL SUBSCRIBED CAPITAL

The total capital subscribed as of 31 March 2000 amounts to FF 33,156,736, representing 16,578,368 shares with a nominal value of FF 2, all of the same class (on 17 January 2000, the nominal value was reduced from FF 10 to 2).

### 3.2.3. AUTHORIZED UNISSUED CAPITAL

On 31 March 2000, the nominal value of the authorized capital amounted to FF 20,568,814.

(a) During its meeting on 29 September 1997, the Board of Directors used the authorization granted by the combined Ordinary and Extraordinary General Meeting of 2 September 1997 in order to issue FF 100.2 million worth of convertible bonds, with cancellation of the preemptive subscription right.

#### ➤ Main characteristics of first bond loan

**Number and nominal value:** 167,000 bonds with a nominal value of FF 600

**Issue price:** FF 600 per bond

**Effective date and settlement:** 10 October 1997

**Loan period:** 5 years and 173 days

**Annual interest rate:** 2% per year, or FF 12 per bond, payable on 1 April of each year starting 1 April 1998

**Annual gross yield:** 4.26% on 10 October 1997

**Normal amortization:** full amortization on 1 April 2003, through repayment at a price of FF 681.58, or 113.6% of the issue price

(b) The Board of Directors' Meeting of 30 June 1998 made use of the authorization from the Extraordinary General Meeting of the same date in the amount of FF 340 million to issue convertible bonds without reserved right of subscription for shareholders of record.

#### ➤ Chief characteristics of the convertible bonds

**Number and nominal value:** 314,815 bonds with a face value of FF 1,080

**Issue price:** FF 1,080 per bond

**Effective date and settlement:** 16 July 1998

**Loan period:** 7 years

**Annual interest rate:** 3.80% a year, or FF 41.04 per bond, payable on 16 July of each year

**Annual gross yield:** 3.80% as of 16 July 1998

**Normal amortization:** amortized in full by 16 July 2005, through repayment at the price of FF 1,080, or 100% of the issue price

(c) During its meeting of 19 October 1999, the Board of Directors used the authorization granted by the combined Ordinary and Extraordinary General Meeting held on 30 June 1998 to issue 372,058 shares with warrants, with a value of FF 332 million.

#### ➤ Principales caractéristiques des Bons de souscription d'actions

**Main characteristics of share warrants:** 372,058

**Issue price:** EUR 136 (FF 892.10)

**Exercise price:** EUR 170 (FF 1115.13)

**Exercise period:** 3 November 1999 through 2 November 2002

**Parity on issue:** 2 warrants per share

**after the stock split:** 2 warrants for 5 shares

Warrants not exercised by the end of this period shall become void and be cancelled. As of 31 March 2000, 340,618 warrants remained to be exercised.

The Extraordinary General Meeting of 14 December 1999 authorized the Board of Directors to:

- issue securities giving immediately or subsequently an interest in the capital, with a preemptive subscription right for shareholders of record;
- issue securities giving immediately or subsequently an interest in the capital, without a preemptive subscription right for shareholders of record.

In all, these authorizations may be used to increase the nominal value of the capital immediately or subsequently by FF 25,000,000. The maximum amount of bonds that may be issued by virtue of the above authorization may not exceed FF 1 billion.

This authorization was granted for a period of twenty-six (26) months from the date of the Extraordinary General Meeting and replaced the authorization granted by the combined Ordinary and Extraordinary General Meeting of 30 June 1998.

During its meeting on 1 March 2000, the Board of Directors used this authorization to issue 2,215,593 shares with a nominal value of FF 4,431,186.

### 3.2.4. SECURITIES THAT DO NOT REPRESENT THE CAPITAL

Not applicable.

### 3.2.5. POTENTIAL CAPITAL

The Extraordinary General Meeting of 15 June 1996 and the Mixed General Meeting of 2 September 1997 authorized the Board of Directors to grant stock options to employees of the Ubi Soft Group, entitling them to subscribe for a total of no more than 1,000,000 shares with a nominal value of FF 2, or a maximum total capital increase of FF 2 million in nominal value.

Using the authorizations granted by the Extraordinary General Meeting of 15 June 1996 and the Mixed General Meeting of 2 September 1997, the company's Board of Directors resolved:

- to grant employee stock options for 250,000 shares on 15 June 1996;
- to grant employee stock options for 250,000 shares on 22 April 1997,
- to grant employee stock options for 250,000 shares on 23 October 1998.

On 31 March 2000, 630,940 options entitling the grantees to the same number of Ubi Soft shares were still unexercised.

Date of Board of Directors' meeting	15/06/96	22/04/97	23/10/98
Number of shares eligible for subscription:	250,000	250,000	250,000
o/w managers	0	0	0
Number of persons affected:	100	470	1.100
o/w managers	0	0	0
Start of the year	01/07/1997	22/04/2001	23/10/2002
End of the year	15/06/2001	22/04/2002	23/10/2003
Subscription price in francs	36	79.40	133.80
Number of shares subscribed as of 31 March 2000	87,180	675	0
Number of shares available for subscription as of 31 March 2000	133,365	247,575	250,000

No incentive stock options were granted.

### 3.2.6. MOVEMENTS IN SHARE CAPITAL

Date	Number	Number of	Amount	Nominal share	Issued	Accumulated
Nature of transaction	shares	shares (cumulative)	of increase	value	premium	amounts in capital
			in capital	(in FF)	(in FF)	(in FF)
			by cash	by		
			contribution	capitalization		
			(in FF)	(in FF)		
03/1986 Formation of the company	2,500	2,500		100	-	250,000
09/1990 Increase in share capital through incorporation reserves	22,500	25,000		2,250,000	-	2,500,000
09/1991 Increase in share capital through incorporation reserves	25,000	50,000		2,500,000	-	5,000,000
02/1993 Increase in share capital through incorporation reserves	30,000	80,000		3,000,000	-	8,000,000
01/1994 Increase in share capital through incorporation reserves	20,000	100,000		2,000,000	-	10,000,000
03/1996 Increase in share capital through incorporation reserves	50,000	150,000		5,000,000	-	15,000,000
03/1996 Increase in share capital through capital contribution	50,000	200,000	5,000,000	100	-	20,000,000
03/1996 Division in shares of FF 100 to FF 10	-	2,000,000		10	-	20,000,000
06/1996 Increase in share capital through introduction	222,300	2,222,300	2,223,000	10	53,352,000	22,223,000
31/03/1997 Increase in share capital following exercise of subscription options	818	2,223,118	8,180	10	139,060	22,231,180
31/03/1998 Increase in share capital following exercise of subscription options	1,225	2,224,343	12,250	10	208,250	22,243,430
31/03/1999 Increase in share capital following exercise of subscription options and conversion of convertible bond options	21,510	2,245,853	215,100	10	11,005,610	22,458,530
3/11/1999 Capital increase following issue of shares with warrants, conversion of stock options and conversion of bonds	399,328	2,645,181	3,993,280	10	343,205,937	26,451,810
17/01/2000 5-for-1 stock split		13,225,905		2		26,451,810
Capital increase following issue of shares with warrants, conversion of stock options and conversion of bonds	191,270	13,417,175		2	18,879,641	26,834,350
14/03/2000 Capital increase following issue of shares with warrants, conversion of bonds and warrants	2,725,363	16,142,538	13,626,815	2	1,190,520,727	32,285,076
31/03/2000 Capital increase following issue of shares with warrants, conversion of bonds and warrants	435,830	16,578,368	2,179,150	2	92,594,390	33,156,736

### 3.3. OWNERSHIP STRUCTURE AND VOTING RIGHTS AS OF 31 MARCH 2000

	CAPITAL		VOTING RIGHTS	
	Number of shares	Percentage	Number of shares	Percentage
<b>Ubi Participations S.A *</b>	<b>4,206,263</b>	<b>25.371%</b>	<b>4,206,263</b>	<b>24.386%</b>
<b>Claude Guillemot</b>	<b>152,045</b>	<b>0.917%</b>	<b>293,979</b>	<b>1.704%</b>
<b>Michel Guillemot</b>	<b>152,024</b>	<b>0.917%</b>	<b>284,002</b>	<b>1.647%</b>
<b>Yves Guillemot</b>	<b>152,044</b>	<b>0.917%</b>	<b>284,022</b>	<b>1.647%</b>
<b>G�rard Guillemot</b>	<b>152,036</b>	<b>0.917%</b>	<b>284,014</b>	<b>1.647%</b>
<b>Christian Guillemot</b>	<b>152,280</b>	<b>0.919%</b>	<b>284,258</b>	<b>1.648%</b>
<b>Suzanne Guillemot</b>	<b>12,000</b>	<b>0.072%</b>	<b>12,000</b>	<b>0.069%</b>
<b>Nathalie Guillemot</b>	<b>12,000</b>	<b>0.072%</b>	<b>12,000</b>	<b>0.069%</b>
<b>Jo�lle Guillemot</b>	<b>12,000</b>	<b>0.072%</b>	<b>12,000</b>	<b>0.069%</b>
<b>Yvette Guillemot</b>	<b>12,000</b>	<b>0.072%</b>	<b>12,000</b>	<b>0.069%</b>
<b>Total for the Guillemot family</b>	<b>5,014,692</b>	<b>30.246%</b>	<b>5,684,538</b>	<b>32.955%</b>
<b>Public and Group employees **</b>	<b>11,563,676</b>	<b>69.754%</b>	<b>11,563,900</b>	<b>67.045%</b>
<b>Total</b>	<b>16,578,368</b>	<b>100%</b>	<b>17,248,438</b>	<b>100%</b>

\* Ownership structure of Ubi Participations:

Names	Number of shares	%	Number of voting rights	%
Claude Guillemot	14,004,920	20%	14,004,920	20%
Yves Guillemot	14,004,920	20%	14,004,920	20%
Michel Guillemot	14,004,920	20%	14,004,920	20%
G�rard Guillemot	14,004,920	20%	14,004,920	20%
Christian Guillemot	14,004,920	20%	14,004,920	20%
Marcel Guillemot	200	not significant	200	not significant
Yvette Guillemot	200	not significant	200	not significant
<b>Total</b>	<b>70,025,000</b>	<b>100%</b>	<b>70,025,000</b>	<b>100%</b>

\*\* the shares and voting rights held by the Group's employees represent a marginal percentage.

The shareholding held by the entities on the Board of Directors corresponds to 4.659%.

The voting rights held by the entities on the Board of Directors correspond to 8.362%.

The change in ownership structure was due to a series of capital increases resulting in dilution of ownership and divestment of shares by the Guillemot brothers.

There is no shareholder agreement between Ubi Participations, Claude, Michel, Yves, G rard, Christian, Marcel and Yvette Guillemot, nor an agreement between the foregoing shareholders and outside shareholders.

As of 31 March 2000, to the best of the company's knowledge, no shareholder (other than Claude, Michel, Yves, G rard and Christian Guillemot) owned more than 5% of the capital.

As of 2 May 2000, the following shareholders held more than 1% of the share capital:

<b>SG France Opportunit�s</b>	<b>3.2%</b>
<b>Caisse des d�p�ts et consignation</b>	<b>3%</b>
<b>Chase Manhattan Bank – LUX</b>	<b>2.7%</b>
<b>Bank of New York *</b>	<b>1.8%</b>
<b>State Street Bank &amp; Trust</b>	<b>1.4%</b>

\* main foreign depositaries

The voting right percentages are similar to the capital percentages.

As of 2 May 2000, there were approximately 43,300 shareholders.

### 3.4. CHANGES IN THE CAPITAL AND VOTING RIGHTS DURING THE LAST THREE YEARS

	CAPITAL		VOTING RIGHTS	
	Number of shares	Percentage	Number of voting rights	Percentage
<b>26/09/1997</b>				
Claude Guillemot	239,066	10.750%	469,308	13.894%
Michel Guillemot	241,465	10.850%	474,107	14.036%
Yves Guillemot	239,383	10.764%	469,625	14.036%
Gérard Guillemot	241,465	10.858%	474,107	14.036%
Christian Guillemot	239,112	10.752%	464,354	13.747%
Suzanne Guillemot	2,400	0.108%	2,400	0.071%
Nathalie Guillemot	2,400	0.108%	4,800	0.142%
Joëlle Guillemot	2,400	0.108%	3,000	0.089%
Yvette Guillemot	2,400	0.108%	2,400	0.071%
<b>Total Guillemot Family</b>	<b>1,210,091</b>	<b>54.415%</b>	<b>2,364,101</b>	<b>69.989%</b>
Public and Group Employees	1,013,732	45.585%	1,013,732	30.011%
<b>Total</b>	<b>2,223,823</b>	<b>100.000%</b>	<b>3,377,833</b>	<b>100.000%</b>

	CAPITAL		VOTING RIGHTS	
	Number of shares	Percentage	Number of voting rights	Percentage
<b>31/03/1998</b>				
Claude Guillemot	238,178	10.708%	467,920	13.861%
Michel Guillemot	240,577	10.817%	472,719	14.003%
Yves Guillemot	238,172	10.707%	467,914	13.861%
Gérard Guillemot	240,577	10.817%	472,719	14.003%
Christian Guillemot	238,224	10.711%	462,966	13.714%
Suzanne Guillemot	2,400	0.107%	2,400	0.071%
Nathalie Guillemot	2,400	0.107%	4,800	0.142%
Joëlle Guillemot	2,400	0.107%	3,000	0.089%
Yvette Guillemot	2,400	0.107%	2,400	0.071%
<b>Total Guillemot Family</b>	<b>1,205,328</b>	<b>54.188%</b>	<b>2,356,838</b>	<b>69.815%</b>
Public and Group Employees	1,019,015	45.812%	1,019,015	30.185%
<b>Total</b>	<b>2,224,343</b>	<b>100.000%</b>	<b>3,375,853</b>	<b>100.000%</b>

	CAPITAL		VOTING RIGHTS	
	Number of shares	Percentage	Number of voting rights	Percentage
<b>31/03/1999</b>				
Claude Guillemot	235,399	10.481%	465,141	13.657%
Michel Guillemot	237,799	10.588%	469,941	13.798%
Yves Guillemot	235,395	10.481%	465,137	13.657%
Gérard Guillemot	237,799	10.588%	469,941	13.798%
Christian Guillemot	235,449	10.484%	460,191	13.510%
Suzanne Guillemot	2,400	0.107%	4,800	0.141%
Nathalie Guillemot	2,400	0.107%	4,800	0.141%
Joëlle Guillemot	2,400	0.107%	4,800	0.141%
Yvette Guillemot	2,400	0.107%	4,800	0.141%
<b>Total Guillemot Family</b>	<b>1,191,441</b>	<b>53.051%</b>	<b>2,349,551</b>	<b>68.984%</b>
Public and Group Employees	1,054,412	46.949%	1,056,687	31.016%
<b>Total</b>	<b>2,245,853</b>	<b>100.000%</b>	<b>3,405,838</b>	<b>100.000%</b>

### 3.5. LISTING MARKET

Month	Maximum price	Minimum price	Average price (2)	Trading volume	Traded capital
	(EUR) (1)	(EUR) (1)	(EUR) (1)	(1)	(EUR million)
July 1996	10.64	7.62	9.88	2,087,295	20.4
August 1996	10.67	9.45	10.16	899,115	8.7
September 1996	10.35	9.94	10.18	212,945	2.2
October 1996	10.03	8.69	9.46	533,585	5.0
November 1996	10.21	9.06	9.71	337,395	3.3
December 1996	10.98	9.97	10.44	2,129,295	21.0
January 1997	12.01	10.65	11.49	533,565	6.2
February 1997	12.32	11.60	11.95	346,810	4.2
March 1997	16.92	12.20	12.87	470,665	6.1
April 1997	13.42	12.41	12.77	398,265	5.1
May 1997	13.39	11.47	12.76	157,860	2.0
June 1997	14.18	11.35	12.88	398,685	5.3
July 1997	16.04	69.67	14.63	546,860	8.1
August 1997	16.71	15.24	15.94	206,055	3.3
September 1997	16.40	14.67	15.89	321,930	2.5
October 1997	16.77	12.96	15.83	282,385	4.5
November 1997	15.70	14.33	14.85	130,685	1.9
December 1997	16.92	15.82	16.41	151,750	2.5
January 1998	18.54	16.34	16.96	211,600	4.2
February 1998	19.00	17.47	18.23	248,065	4.7
March 1998	18.66	17.78	18.23	358,610	6.4
April 1998	24.15	18.20	21.18	336,920	7.0
May 1998	30.87	23.29	26.98	240,260	5.9
June 1998	30.18	26.83	28.51	322,755	9.2
July 1998	27.90	24.09	25.99	249,480	6.5
August 1998	27.99	23.51	25.75	108,760	2.9
September 1998	25.61	21.50	23.55	288,450	6.8
October 1998	25.92	18.29	22.11	279,775	6.1
November 1998	27.87	24.09	25.98	157,565	4.1
December 1998	28.81	21.43	25.12	238,090	6.2
January 1999	28.78	23.78	26.28	228,105	6.0
February 1999	24.21	20.06	22.14	467,100	10.3
March 1999	23.69	21.59	22.64	139,280	3.2
April 1999	26.55	21.16	23.42	313,808	7.3
May 1999	26.64	22.65	24.69	104,674	2.6
June 1999	25.37	22.81	23.63	196,739	4.7
Juillet 1999	23.6	23.2	21.27	407,717	8.7
August 1999	21.61	18.01	20.07	202,384	4.1
September 1999	26.33	23.99	23.74	347,019	8.2
October 1999	29.63	25.56	26.72	1,081,256	28.9
November 1999	35.34	25.76	30.85	824,651	25.4
December 1999	42.71	32.64	37.74	962,496	36.3
January 2000	52.01	35.63	45.84	1,810,829	63.0
February 2000	97.33	47.68	75.53	3,543,959	267.7
March 2000	92.5	56.5	76.80	3,344,014	256.8

#### General information

- Sicovam code: 5447
- Listing market: Bourse de Paris - Premier Marché
- Règlement Mensuel (monthly settlement market)
- Shares listed on 31 March 2000: 16,578,368
- Market cap on 31 March 2000: FF 6,775,000
- at the closing price (FF 408.66 / EUR 62.3).
- IPO price: FF 250 (EUR 38.11).

(1) These data factor in the 5-for-1 stock split on 17 January 2000.

(2) Monthly average, weighted to reflect the trading volumes at the closing price.

### 3.6. DRAFT RESOLUTIONS SUBMITTED FOR APPROVAL TO THE COMBINED ORDINARY AND EXTRAORDINARY GENERAL MEETING OF 13 SEPTEMBER 2000

#### ➤ Resolutions for the Ordinary General Meeting

##### First resolution

After hearing the management report of the Board of Directors and the general report of the statutory auditors, the General Shareholders' Meeting approves the financial statements for the year ended 31 March 2000, as presented, and the transactions recorded in these statements or summarized in these reports.

##### Second resolution

After hearing the special statutory auditors' report on the agreements governed by the articles 101 et seq. of the Companies Act of 24 July 1966, the Ordinary General Meeting approves its conclusions.

##### Third resolution

The General Shareholders' Meeting resolves to allocate the profit of FF 20,347,346 for the financial year to 31 March 2000 as follows:

- FF 1,069,821 to the legal reserve;
- FF 14,129,948 to other reserves;
- FF 3,712,257 to the conversion premium;
- FF 1,435,320 to the long-term capital gains reserve.

Pursuant to the applicable laws and regulations, it is herewith recorded that no dividend was declared during the previous three years.

##### Fourth resolution

The General Meeting grants the directors discharge for their term of office during the financial year to 31 March 2000.

##### Fifth resolution

After having acquainted itself with the Board report and the prospectus endorsed by the Commission des Opérations de Bourse, the Ordinary General Meeting authorizes the Board of Directors to trade in its own stock on the stock exchange, pursuant to Article 217-2 et seq. of Act no. 66-537 of 24 July 1966.

In order of priority, the objectives are as follows (depending on the available opportunities):

- to stabilize the company's stock price;
- to grant stock options to the employees and/or officers of the company, or to propose shares on the terms laid out in Article 443-1 et seq. of the Labor Code and the second paragraph of Article 208-18 in the Companies Act of 24 July 1966;
- to grant shares as part of employee profit-sharing schemes;
- to deliver shares in payment or exchange, notably within the framework of acquisitions.

The General Meeting authorizes the company to buy back its own shares within the limit of 10% of the share capital, i.e. currently 1,657,836 shares.

The maximum purchase price per share is fixed at EUR 60 and the minimum sales price per share at EUR 25.

Such shares shall be bought or sold by trading on the market.

This buyback authorization shall be valid for 18 months after this General Meeting. Said shares may be bought, divested or transferred in one or more tranches by any legal means and at any time, including public offerings.

For the purpose of this resolution, the Board of Directors is invested with all powers necessary to:

- prepare all prospectuses, file all declarations and accomplish all formalities vis-à-vis the Commission des Opérations de Bourse and the Conseil des Marchés Financiers;
- place all stock orders or sign all agreements to this end;
- accomplish all other formalities and do whatever else is necessary.

##### Sixth resolution

The General Meeting invests the bearer of a copy or excerpt of the minutes of this General Meeting with the powers necessary to accomplish all formalities required by law.

#### ➤ Resolutions for the Extraordinary General Meeting

##### Seventh resolution

After having acquainted itself with the Board report and the special statutory auditors' report, prepared in accordance with paragraph 3 of Article 180-III of Act no. 66-537 of 24 July 1966, the Extraordinary General Meeting:

**1** Invests the Board of Directors with all powers necessary to issue, in one or more tranches, in such proportions and at such times as it shall decide, with preservation of the preemptive subscription right of shareholders or record, in both France and foreign countries:

- (a) shares, with or without warrants;
- (b) securities giving a right, by subscription, conversion, exchange, redemption, presentation of a warrant, a combination of these means or in any other way, to the allocation, at any time or at a fixed date, of securities representing a share in the company's capital and issued for this purpose. Said securities may take any form compatible with the applicable laws and regulations, notably one of the forms stipulated in the articles 194-1 to 208 or article 339-1 of Act no. 66-537 of 24 July 1966;
- (c) warrants granting their holders the right to subscribe securities representing a share in the company's capital, and authorizes the Board of Directors to increase the share capital to permit said warrants to be exercised. Said warrants may be issued by subscription offers on the above terms or in the form of bonus warrants allocated to shareholders of record, pursuant to article 339-5 of the Act of 24 July 1966.

**2** Resolves that the maximum nominal amount of capital increases that may be completed immediately and/or subsequently by virtue of the above delegation shall not exceed EUR 8,000,000, not including any adjustments made in accordance with the law. The securities referred to in the paragraphs (a), (b) and (c) above, issued within the framework of the seventh resolution, may be issued in French francs, foreign currency, euros or other currency units based on several currencies.

**3** Resolves that the amount of the immediate or deferred capital increase(s) completed by virtue of the powers delegated by the General Meeting to the Board of Directors pursuant to this resolution shall be charged to the total nominal amount of EUR 8,000,000 provided for in this resolution.

**4** Resolves that the shareholders may exercise their preemptive right as shareholders of record in accordance with the law. Moreover, the Board of Directors may grant the shareholders a subsidiary right to subscribe a larger number of securities than the number to which they are entitled as shareholders of record, in proportion to their subscription rights and in any event within the limit of their request.

If subscriptions by virtue of the preemptive right of shareholders of record and, as applicable, a subsidiary right do not absorb the entire share or securities issue stipulated above, the Board may use one or more of the following options in the sequence it considers most appropriate:

- it may limit the issue to the subscribed amount, provided that said amount reaches at least three-fourths of the approved issue;
- it may distribute all or part of the unsubscribed shares and/or other securities as it sees fit;
- it may offer all or part of the unsubscribed shares and/or other securities on the market.

**5** Notes that this decision entails express cancellation or, as applicable, an automatic right for the holders of the securities referred to in the paragraphs (a), (b) and (c) above, issued by virtue of the powers delegated by the General Meeting in this resolution, to cancellation of the preemptive subscription right of shareholders of record to the

shares to which such securities give a right, whether by conversion, exchange, redemption, exercise of a warrant or otherwise. The General Meeting notably resolves to cancel the preemptive subscription right of shareholders of record to shares issued further to conversion of the bonds referred to in paragraph (b) above and to the securities to which the warrants referred to in paragraph (a) above give a right.

**6** Resolves that the maximum principal of debt securities shall not exceed EUR 300,000,000 or its equivalent value in case of an issue in foreign currency or a currency unit based on several currencies, at the date when the issue is approved, on the understanding that said amount shall apply to all debt securities whose issue is delegated to the Board of Directors by this General Meeting

**7** Resolves that this power shall be delegated to the Board of Directors for a period of twenty-six months in accordance with Act no. 66-537 of 24 July 1966.

The Board of Directors shall have all powers, including the right of delegation to its Chairman, in accordance with the applicable laws and regulations, to implement this delegation, particularly the power to set the dates and determine the conditions of such issues and form and characteristics of the securities to be created, to set the issuing price and procedure, to fix the amounts to be issued, to set the rights dates of the securities to be issued, even retroactively, to determine the payment method of the shares or other securities issued, as applicable, to lay down their buyback terms on the stock market, to take all other necessary measures, to sign all agreements needed to float the contemplated issues successfully, to note completion

of the capital increase(s) resulting from issues floated by virtue of this delegation, and to amend the Articles of Association accordingly. The Board of Directors or its Chairman may moreover charge all expenses to the issue premium, notably the costs, duties and fees generated by such issues.

In case of issues of debt securities, the Board of Directors shall have all powers, including the right of delegation to its Chairman, to decide whether they shall be subordinated or not, to set their interest rates, maturity, fixed or variable redemption price, with or without premium, amortization terms based on market conditions and the terms on which such securities will give their holders a right to the company's shares

**8** Resolves that this delegation supersedes any earlier delegation with respect to the immediate and/or subsequent issue of company shares, with or without preservation of the preemptive subscription right.

#### Eight resolution

After having acquainted itself with the Board report and the special statutory auditors' report, prepared in accordance with paragraph 3 of Article 180-III of Act no. 66-537 of 24 July 1966, the Extraordinary General Meeting:

**1** Invests the Board of Directors with all powers necessary to issue, in one or more tranches, in such proportions and at such times as it shall decide, without preemptive subscription right for shareholders or record, in both France and foreign countries:

- (a) shares, with or without warrants;
- (b) securities giving a right, by subscription, conversion, exchange, redemption, presentation of a warrant, a combination of these means or in any other way, to the allocation, at any time or at a fixed date, of securities representing a share in the company's capital and issued for this purpose. Said securities may take any form compatible with the applicable laws and regulations, notably one of the forms stipulated in the articles 194-1 to 208 or article 339-1 of Act no. 66-537 of 24 July 1966;
- (c) warrants granting their holders the right to subscribe securities representing a share in the company's capital, and authorizes the Board of Directors to increase the share capital to permit said warrants to be exercised. Said warrants may be issued by subscription offers on the above terms or in the form of bonus warrants allocated to shareholders of record, pursuant to article 339-5 of the Act of 24 July 1966.

**2** Resolves that the maximum nominal amount of capital increases that may be completed immediately and/or subsequently by virtue of the above delegation shall not exceed EUR 8,000,000, not including any adjustments made in accordance with the law. The securities referred to in the paragraphs (a), (b) and (c) above, issued within the framework of the seventh resolution, may be issued in French francs, foreign currency, euros or other currency units based on several currencies.

- 3** Resolves that the amount of the immediate or deferred capital increase(s) completed by virtue of the powers delegated by the General Meeting to the Board of Directors pursuant to this resolution shall be charged to the total nominal amount of EUR 8,000,000 provided for in this resolution.
- 4** Resolves to cancel the preemptive right of shareholders of record to the securities to be issued, on the understanding that the Board of Directors may grant the shareholders a right of first refusal to any part of the issue, for a time and on terms set at its discretion. Said right of first refusal shall not create negotiable rights but may be exercised by the shareholders in their capacity as shareholders of record and as a subsidiary right.
- 5** Resolves that, if subscriptions by the shareholders and other investors do not absorb the entire share or securities issue stipulated above, the Board may use one or more of the following options in the sequence it considers most appropriate:
- it may limit the issue to the subscribed amount, provided said amount reaches at least three-fourths of the approved issue;
  - it may distribute all or part of the unsubscribed shares and/or other securities as it sees fit;
  - it may offer all or part of the unsubscribed shares and/or other securities on the market.
- 6** Notes that this decision entails express cancellation or, as applicable, an automatic right for the holders of the securities referred to in the paragraphs (a), (b) and (c) above, issued by virtue of the powers delegated by the General Meeting in this resolution, to cancellation of the preemptive subscription right of shareholders of record to the shares to which such securities give a right, whether by conversion, exchange, redemption, exercise of a warrant or otherwise.

The General Meeting notably resolves to cancel the preemptive subscription right of shareholders of record to shares issued further to conversion of the bonds referred to in paragraph (b) above and to the securities to which the warrants referred to in paragraph (c) above give a right.

- 7** Resolves that the maximum principal of debt securities shall not exceed EUR 300,000,000 or its equivalent value in case of an issue on foreign currency or a currency unit based on several currencies, at the date when the issue is approved, on the understanding that said amount shall apply to all debt securities whose issue is delegated to the Board of Directors by this General Meeting
- 8** Resolves that this power shall be delegated to the Board of Directors for a period of twenty-six months in accordance with Article 180-III of Act no. 66-537 of 24 July 1966. The Board of Directors shall have all powers, including the right of delegation to its Chairman, in accordance with the applicable laws and regulations, to implement this delegation, particularly the power to set the dates and determine the conditions of such issues and the form and characteristics of the securities to be created, to set the issuing price and procedure, to fix the amounts to be issued, to set the rights dates of the securities to be issued, even retroactively, to determine the payment method of the shares or other securities issued, as applicable, to lay down their buyback terms on the stock market, to take all other necessary measures, to sign all agreements needed to float the contemplated issues successfully, to note completion of the capital increase(s) resulting from issues floated by virtue of this delegation, and to amend the Articles of Association accordingly. The Board of Directors or its Chairman may, moreover, charge all expenses to the issue premium, notably the costs, duties and fees generated by such issues.

In the case of issues of debt securities, the Board of Directors shall have all powers, including the right of delegation to its Chairman, to decide whether they shall be subordinated or not, to set their interest rates, maturity, fixed or variable redemption price, with or without premium, amortization terms based on market conditions and the terms on which such securities will give their holders a right to the company's shares.

- 9** Resolves that this delegation supersedes any earlier delegation with respect to the immediate and/or subsequent issue of company shares without preemptive subscription right but with a right of first refusal.

#### **Ninth resolution**

After having acquainted itself with the Board report and pursuant to Article 180-IV of Act no. 66-537 of 24 July 1966, the Extraordinary General Meeting expressly resolves that the power to complete any capital increase, delegated to the Board of Directors in the seventh and eighth resolutions above, shall be maintained during take-over bids and share exchange offers.

The powers delegated to the Board of Directors during take-over bids and share exchange offers shall be maintained until the next General Meeting convened to vote on the financial statements of the year ended 31 March 2000.

#### **Tenth resolution**

After having acquainted itself with the Board report and the special statutory auditors' report, the General Meeting authorizes the Board of Directors within the framework of Article 186-3 of the Companies Act, to increase the capital one or more times by issuing cash shares whose subscription shall be reserved for the employees of the company and its subsidiaries who, pursuant to Article 208-4 of the Companies Act of 24 July 1966, have enrolled in the Group's savings plan.

The total number of shares that may be subscribed by virtue of this resolution at the date on the which the Board decision is adopted shall not exceed 2.5% of the number of shares making up the share capital. This resolution entails cancellation of the preemptive subscription right for shareholders of record to the shares to be issued pursuant to the above authorization.

This authorization shall be valid for 2 years from this General Meeting.

The General Meeting delegates all powers to the Board of Directors, including the right of delegation to the Chairman of the Board, in accordance with the applicable laws and regulations, to:

- resolve on the occasion of each capital increase whether the shares should be subscribed directly by employees enrolled in the savings plan or should be subscribed via a mutual fund;
- lay down all terms and conditions of the contemplated transactions, including the subscription price of the new shares, in accordance with Article 443-5 of the Labor Code;
- accomplish all actions and formalities necessary to record the capital increase(s) completed by virtue of this authorization, to amend the Articles of Association accordingly and to do whatever else is advisable or necessary.

#### Eleventh resolution

After having acquainted itself with the Board report and the special statutory auditors' report, the Extraordinary General Meeting authorizes the Board of Directors, pursuant to Article 208-1 et seq. of the 24 July 1966, to:

- grant the employees of the company and its subsidiaries stock subscription options and stock purchase options in one or more tranches;
- use this authorization within five years from the date of this General Meeting;
- note that this authorization entails express cancellation, in favor of the beneficiaries of stock subscription options, of the preemptive subscription right of shareholders of record to the shares to be issued whenever subscription options are exercised.

It is herewith stipulated that the Board of Directors may not grant options to officers and employees of the company and its subsidiaries who hold more than 10% of the share capital, pursuant to Article 208-6, paragraph 2, of the Act of 24 July 1966.

The number of shares resulting from the subscription and purchase options shall not exceed 2.5% of the number of shares making up the share capital at the moment when this power is used by the Board of Directors, before adding any shares issued in case stock subscription options are granted and exercised, subject to any necessary adjustments.

The Board of Directors shall set the price on which option beneficiaries may subscribe or buy shares on the day on which the beneficiaries are granted their options. However:

- the price of subscription options shall not be lower than 80% of the average opening price during the twenty trading sessions preceding the day of the Board meeting at which such options are granted;

- the price of purchase options shall not be lower than 80% of the average purchase price of the shares held by the company pursuant to the Articles 217-1 and 217-2 of the Companies Act of 24 July 1966.

The General Meeting vests all powers in the Board of Directors to fix the maximum period during which such options may be exercised, which shall not exceed ten (10) years from the allocation date, and the period during which the beneficiaries shall hold their shares from the date on which they exercise their options.

In the event that stock subscription options are granted to persons domiciled or residing in a foreign country or persons domiciled or residing in France but subject to a foreign tax system, the Board of Directors may adapt the terms governing the stock subscription options in order to align them with the foreign laws in question and to optimize tax treatment. To this end the Board may, at its sole discretion, adopt a sub-plan for each category of employees subject to foreign law. Certain stock subscription options may be intended as incentive stock options in the meaning of the United States Internal Revenue Code and may be subjected to additional conditions, in the spirit of the plan, in order to meet the requirements of said scheme.

A capital increase resulting from exercise of subscription options shall be irrevocably completed by exercise of the option, accompanied by the subscription form and cash payment of the corresponding amount.

The Board of Directors is invested with the powers necessary to accomplish all official formalities and to make the corresponding amendments in the amount of share capital stipulated in the Articles of Association.

## 4. UBI SOFT ENTERTAINMENT'S ACTIVITIES

### 4.1. PRESENTATION OF THE COMPANY AND THE GROUP

#### 4.1.1. HISTORY OF THE GROUP AND ITS ORGANIZATIONAL DEVELOPMENT

##### In 1986

Five brothers, Claude, Michel, Yves, Gérard and Christian Guillemot, who had complementary educations and a shared interest in interactive games, already a booming market, founded Ubi Soft S.A. The aim of this company was to create and distribute educational software and video games.

Ubi Soft's beginnings were marked by the production of highly successful software for PC, Amstrad, Amiga and Atari (Zombi, Fer et Flamme, and others). At the same time, an increasing share of the firm's business involved the distribution of international programs. The big US, British and German firms came to count on the company (Elite, Microprose, Electronic Arts, Sierra, LucasArts™, Interplay, Software Toolworks, Novalogic®, etc.).

##### In 1989

The Guillemot brothers decided to expand abroad and created marketing firms on the main markets internationally (United Kingdom, United States and Germany). These companies had four goals:

- to promote the distribution of products from third-party publishers,
- to take part in the design and marketing of Ubi Soft products,
- to ensure their distribution,
- to keep a close eye on technological and market developments.

##### In 1991

Ubi Soft began doing business on an exploding market: Nintendo® and Sega® game consoles, the only genuine international mass market at that time. Ubi Soft distinguished itself with Star Wars™,

Jimmy Connors Pro Tennis Tour, Indiana Jones, The Empire Strikes Back™, and Street Racer. The company negotiated license agreements with prestigious firms (Elite, Microprose, Electronic Arts, Sierra, LucasArts, Novalogic, etc.) and well-known personalities (Kick Off with Jean-Pierre Papin, Eric Cantona Football Challenge).

##### In 1994/1995

Ubi Soft set up subsidiaries in Japan (1994), Spain (1994) and then Italy (1995) to give itself a solid organizational structure for the integrated creation and development of multimedia products.

In the autumn of 1995, Ubi Soft released Rayman and created four product lines: games, art education, academic instruction, and children's software.

##### In February 1996

The Group's structure was brought into line with its actual organization. Ubi Soft took over the sister companies it did not yet own for FF 6,924,656.

##### In March 1996

In March 1996, the General Shareholders Meeting decided:

- to increase the company's capital by FF 5 million by the capitalization of reserves,
- to increase the capital by FF 5 million by a cash contribution,
- to change the company name to Ubi Soft Entertainment S.A.

**In July 1996**

Ubi Soft was floated on the Paris "Second Marché" (Code: SICOVAM 5447).

**From 1996 to 2000**

Ubi Soft developed line-based products and released, among others, the best-sellers POD (1996) and F1 Racing Simulation (1997), the first in a line of Formula 1 racing games.

The Group expanded internationally as it set up marketing subsidiaries in Australia (1996), Hong Kong (1998) and Denmark (1998) and new production units began operations in China (1996), Canada (1997) and Morocco (1998).

The 1998/1999 financial year was marked by the creation of new design/production facilities in New York, Barcelona, Milan and Tokyo and the establishment of new marketing subsidiaries in the Netherlands, Belgium and Brazil.

**In 1999/2000**

The Group pursued its expansion by:

- increasing the number of products coming out of its own studios or developed by third-party developers,
- enhancing its license portfolio (Donald Duck, The Jungle Book, The Road to Eldorado, Pamela Anderson, to name a few),
- consolidating its distribution network by opening new offices in Brazil and Sweden,

**In January 2000**

shares in Ubi Soft were transferred to the Paris "Règlement Mensuel" market (Code: SICOVAM 5447); at the same time, Ubi Soft shares were the object of a five-for-one split, making the nominal price 2 francs.

**In February 2000**

Ubi Soft created Ubi Ventures S.A. with capital of 100 million euros, a 99.99%-owned subsidiary of the Group specializing in creating, financing and investing in new economy start-ups.

As the growth of the Internet and new technologies is generating a large number of new entertainment possibilities, and since Ubi Soft Entertainment cannot develop all these on its own, it was decided to create Ubi Ventures in order to invest in start-ups (Chman, Ludopia Interactive, YacCom) and rely on entrepreneurs who specialize in fields related to Ubi Soft Entertainment's business so as to keep in close touch with the development of the specialties of the future.

Ubi Ventures has invested in companies related to on-line games and content and in companies connected to the new communications technologies, such as Wap.

Today Ubi Soft Entertainment handles the entire process of production, publication and global distribution of interactive entertainment products through its various subsidiaries. The Group is currently developing numerous projects for the new generation of consoles: PlayStation 2 (Sony), X-Box (Microsoft), GameCube (Nintendo) and GameBoy Advance (Nintendo). Thanks to partnerships arranged through Ubi Ventures, in particular with GameLoft.com and Ludi Wap, in which Ubi Soft holds 16.7% and 20% shares, respectively, the Group is also very active with regard to the Internet and mobile phones, new vectors for the distribution of its digital content.

**➤ Role of the parent company**

Ubi Soft Entertainment S.A., the parent company, plays two basic roles:

- setting the Group's general strategy and coordinating the activity of the various subsidiaries,
- defining production, marketing and sales policy for the Group as a whole.

The parent company also owns all Ubi Soft's registered trademarks.

**➤ Protection of trademarks**

Ubi Soft programs are covered by intellectual property rights at both the European and international levels (for France: the Institut National de la Propriété Industrielle [National Institute on Industrial Rights] in Paris; for Europe: the Office for the Harmonization of the Internal Market; internationally: the World Intellectual Property Organization; and finally, for North America, the Patent and Trademark Office in Washington, D.C.). The Ubi Soft Group owns all its trademarks.

In addition, the programs produced by Ubi Soft Entertainment are covered by intellectual copyright laws.

Ubi Soft Entertainment has not filed any patents and does not depend on any particular patent.

Like all publishers of entertainment software, Ubi Soft Entertainment faces the problem of piracy. It belongs to SELL (the French trade association of entertainment software publishers) and is a civil party in all software counterfeiting cases being brought in France. Moreover, in regards to piracy over the Internet, the company has systematically taken action against hackers in order to force the withdrawal of games that are on line illegally.

Creation	Business name	Country	Activity
1989	UBI SOFT ENTERTAINMENT LTD	United Kingdom	Marketing
1991	UBI SOFT INC.	United States	Marketing
1991	UBI SOFT ENTERTAINMENT GmbH	Germany	Marketing
1993	UBI SOFT SRL	Roumania	IT research and development
1994	UBI SOFT KK	Japan	Marketing
1994	UBI SOFT S.A.	Spain	Marketing
1994	UBI STUDIOS S.A.	France	Development of software engines
1995	UBI PICTURES SARL	France	Computer design and graphics
1995	UBI SOUND STUDIO SARL	France	Voice, music, sounds
1995	UBI GAME DESIGN SARL	France	Development of interactivity and ergonomic engineering
1995	UBI SOFT SpA	Italy	Marketing
1995	UBI BOOKS AND RECORDS SARL	France	Management and administration
1996	UBI RESEARCH AND DEVELOPMENT SARL	France	IT
1996	UBI ANIMATION SARL	France	Animation and special effects
1996	UBI SIMULATIONS SARL	France	IT
1996	UBI GRAPHICS SARL	France	Computer graphics and modeling
1996	UBI SOFT PTY Ltd	Australia	Marketing
1996	SHANGHAI UBI COMPUTER SOFTWARE	China	Marketing and production
1997	UBI SOFT DIVERTISSEMENTS Inc.	Canada	Production
1997	UBI SOFT FRANCE S.A.	France	Marketing
1998	UBI SOFT ENTERTAINMENT Sarl	Morocco	IT studio
1998	UBI WORLD S.A.	France	Global marketing
1998	UBI NETWORKS SARL	France	Internet services studios
1998	UBI VOICES Inc.	United States	Copyright
1998	UBI SOFT ENTERTAINMENT NORDIC AS	Denmark	Marketing
1998	UBI SOFT ENTERTAINMENT BV	Netherlands	Marketing
1998	UBI SOFT ENTERTAINMENT LTD	Hong Kong	Marketing
1998	UBI MUSIC PUBLISHING INC	Canada	Production of musical works
1998	UBI SOFT ENTERTAINMENT INC	USA (New York)	IT studio
1998	UBI STUDIOS SRL	Italy	IT studio
1998	UBI STUDIOS SL	Spain	IT studio
1998	UBI SOFT ENTERTAINMENT SPRL	Belgium	Marketing
1998	UBI INFO DESIGN SARL	France	Interactive script development
1998	UBI SOFT DIFFUSION S.A.	France	Publishing and marketing
1999	UBI WORLD STUDIOS SARL	France	Studio management
1999	UBI PRODUCTIONS FRANCE SARL	France	Production
1999	UBI STUDIOS KK	Japan	IT studio
1999	UBI SOFT ENTERTAINMENT LTDA	Brazil	Marketing
1999	UBI COMPUTER SOFTWARE BEIJING LTD	China	IT studio
1999	UBI SOFT PUBLISHING OEM INC	Canada	Software distribution
1999	UBI SOFT ENTERTAINMENT FIA	Taiwan	Marketing
1999	UBI SOFT ENTERTAINMENT SWEDEN AB	Sweden	Marketing
1999	UBI COLOR SARL	France	Graphics creation
1999	UBI DIGITAL MOVIES INC	Canada	Creation of digital images
1999	UBI MUSIC INC	Canada	Creation of music
1999	UBI MARKETING RESEARCH SARL	France	Marketing
2000	UBI STUDIOS LTD	United Kingdom	IT studio
2000	UBI VENTURES S.A.	France	Investment

The subsidiaries created during the financial year are either distribution firms or production firms, with the exception of Ubi Ventures, which specializes in taking a minority stake in companies. This reflects the Group's desire to expand its direct marketing network globally, to diversify production sites and to play an active part in developments in all areas of the "new economy".

### ➤ Main marketing subsidiaries (in FF 1000)

Subsidiary	Consolidated sales	Consolidated sales	Profits	Profits
	31/03/2000	31/03/99	31/03/2000	31/03/99
<b>UBI SOFT INC. (United States)</b>	<b>272,845</b>	<b>98,160</b>	<b>19,553</b>	<b>3,254</b>
<b>UBI SOFT ENTERTAINMENT GmbH (Germany)</b>	<b>100,578</b>	<b>136,011</b>	<b>49</b>	<b>2,686</b>
<b>UBI SOFT ENTERTAINMENT Ltd (United Kingdom)</b>	<b>75,885</b>	<b>78,821</b>	<b>296</b>	<b>124</b>
<b>UBI SOFT SpA (Italy)</b>	<b>44,898</b>	<b>39,560</b>	<b>-257</b>	<b>1,570</b>
<b>UBI SOFT ENTERTAINMENT Nordic AS (Denmark)</b>	<b>34,582</b>	<b>13,080</b>	<b>344</b>	<b>155</b>
<b>UBI SOFT S.A. (Spain)</b>	<b>24,845</b>	<b>27,281</b>	<b>151</b>	<b>305</b>

The intra-Group relationship is as follows:

- production companies bill their work in accordance with how far their projects have advanced,
- marketing companies are billed on the basis of their sales volume.

Services rendered by the production and marketing companies are billed based on market conditions.

<b>Ubi Participations S.A.</b>	<b>Guillemot Family</b>	<b>Public</b>
25.238%	5.404%	69.358%

**UBI SOFT ENTERTAINMENT S.A. Capital: 33,156,736 Francs**

			<b>Administration</b>		
LUDI WAP S.A.	(France)	20%	UBI BOOKS AND RECORDS S.A.R.L.	(France)	99%
GAMELOFT.COM S.A.	(France)	16.7%			
STUDENTS-LIFE S.A.	(France)	10%			
UBI VENTURES S.A.	(France)	99.99%			
<b>Production</b>			<b>Distribution</b>		
LUDIMEDIA S.A. (1)	(France)	10%	UBI SOFT FRANCE S.A.	(France)	99.94%
UBI SOFT EDUTAINMENT S.A. (2)	(France)	10%	UBI WORLD S.A.	(France)	99.88%
UBI STUDIOS S.A.	(France)	99.68%	UBI SOFT ENTERTAINMENT LTD	(UK)	100%
UBI ANIMATION S.A.R.L.	(France)	99.8%	UBI SOFT S.A.	(Spain)	99.7%
UBI SIMULATIONS S.A.R.L.	(France)	99.8%	UBI SOFT ENTERTAINMENT GmbH	(Germany)	100%
UBI PICTURES S.A.R.L.	(France)	99%	UBI SOFT SpA	(Italy)	99.98%
UBI RESEARCH AND DEVELOPMENT S.A.R.L.	(France)	99.8%	UBI SOFT INC.	(United States)	99.99%
UBI GAME DESIGN S.A.R.L.	(France)	99%	UBI SOFT K.K.	(Japan)	100%
UBI GRAPHICS S.A.R.L.	(France)	99.8%	UBI SOFT PTY Ltd	(Australia)	100%
UBI SOUND STUDIO S.A.R.L.	(France)	99%	UBI SOFT DIFFUSION S.A.	(France)	99.94%
UBI SOFT DIVERTISSEMENTS INC.	(Canada)	100%	UBI SOFT PUBLISHING OEM Inc.	(Canada)	100%
SHANGHAI UBI COMPUTER SOFTWARE Co Ltd	(China)	100%	UBI SOFT ENTERTAINMENT NORDIC AS	(Denmark)	99.50%
UBI NETWORKS S.A.R.L.	(France)	99.8%	UBI SOFT ENTERTAINMENT SprL	(Belgium)	99.33%
UBI SOFT Srl	(Roumania)	95%	UBI SOFT ENTERTAINMENT Ltd	(Hong Kong)	99.50%
UBI SOFT ENTERTAINMENT Sarl	(Morocco)	99.98%	UBI SOFT ENTERTAINMENT B.V.	(Netherlands)	98.75%
UBI VOICES INC.	(United States)	100%	UBI SOFT ENTERTAINMENT Ltda	(Brazil)	98%
UBI MUSIC PUBLISHING INC.	(Canada)	100%	UBI SOFT ENTERTAINMENT FIA	(Taiwan)	100%
UBI INFO DESIGN S.A.R.L.	(France)	99.80%	UBI SOFT ENTERTAINMENT SWEDEN AB	(Sweden)	98%
UBI WORLD STUDIOS S.A.R.L.	(France)	99.80%	UBI MARKETING RESEARCH S.A.R.L.	(France)	99.80%
UBI PRODUCTONS France S.A.R.L.	(France)	99.80%	GAMEBUSTERS GesmbH	(Austria)	100%
UBI COMPUTER SOFTWARE BEIJING Co Ltd	(China)	100%	UBI EMEA S.A.R.L.	(France)	99.80%
UBI STUDIOS Srl	(Italy)	97.50%			
UBI STUDIOS S.L	(Spain)	99.50%			
UBI STUDIOS K.K.	(Japan)	99.50%			
UBI SOFT ENTERTAINMENT INC NY	(United States)	100%			
UBI COLOR S.A.R.L.	(France)	99.98%			
UBI DIGITAL MOVIES INC.	(Canada)	100%			
UBI MUSIC INC.	(Canada)	100%			
UBI STUDIOS LTD	(UK)	100%			

(1) The other shareholders are Ubi Participations with 88.6% and the Guillemot Family with 1.4%.

(2) The other shareholders are Ubi Participations with 89.95% and the Guillemot Family with 0.05%.

#### 4.1.2. PRESENTATION OF THE MAIN ACTIVITIES

Ubi Soft creates, produces and distributes interactive entertainment software. Three different activities are thus involved:

- the design of digital content, which is handled by Ubi Soft studios,
- the production of interactive entertainment software by Ubi Soft studios or third-party developers,
- distribution (marketing and sales) by the Group's marketing subsidiaries.

This set of activities is managed by Yves Guillemot, who relies on international and local teams to coordinate both production and sales.

##### 1 Conception: captivating personalities and worlds

Games are Ubi Soft's first focus. It is a point of honor to give top priority to entertaining the player by creating high-quality artistic and technological applications that will satisfy both an occasional young player and a devoted adult fan.

At Ubi Soft, the creativity teams are made up of project heads, scriptwriters, graphic artists, ergonomic engineers, illustrators, animators, etc., all with different skills and sensibilities.

To create new best-sellers, they work together with the strategic marketing teams to analyze the market as a whole and the competition's games in particular. With the support of an editorial group that defines the basic approach for developing products within the Group, they concoct entertaining, innovative concepts. They work continuously with an eye on quality, pooling their creativity, audacity and sense of lyricism to offer the public the pleasure, surprise and emotion they expect.

Ubi Soft has always focused on playability, rich graphics and sound and enticing scenarios. The latest technological developments provide the additional tools needed to innovate in these areas.

These include powerful processors and the enormously expanded capacity of new-generation machines, the arrival of DVD-Video, new Internet applications and the progress being made in the area of 3-D graphics (enhancement of graphics cards).

To entertain the player, Ubi Soft works to recreate characters and environments such as Rayman and Pod, or using interactivity to bring alive or recreate existing or well-known figures such as Donald Duck (Disney), Batman (Warner), and so on.

Ubi Soft offers the public **games on consoles and/or computers**. Sports simulations, action and adventure games, role-playing and strategy games – all are designed, developed, published and distributed by the Group. They can be broken down into **three basic categories**: "Hall of Fame", "Player's Club" and "Sport Arena", **plus a complementary range** of educational games and academic instruction.

### « Hall of Fame »

Ubi Soft's goal is above all to provide real entertainment for everyone. By basing itself on its own brands or on licenses, the Group can develop top titles that continually enrich what it can offer the consumer. These include:

*Rayman 2 - The Great Escape, Batman, Batman Vehicle Adventure, Gold&Glory, The Road to Eldorado, The Jungle Book, Donald Duck Quack Attack, Dinosaur, VIP, Stupid Invaders, Toonsylvania, Inspecteur Gadget, Animorphes, PLAYMOBIL, Hype The Time Quest...*

### « Player's Club »

Out of concern to adapt to the market, where the average age of players is constantly rising, Ubi Soft has diversified its product catalog since 1999, incorporating more adult games such as: *Évolution 2, Heroes III, Capitalism 2, Peace Makers, In Cold Blood, Dragon Riders, Evil Twin Cyprien Chronicles, Arcatera...*

### « Sports Arena »

In the field of sports, Ubi Soft now features an extensive catalog with a variety of dynamic games, such as:

*F1 Racing Championship, POD II, Speed Devils, Suzuki Alstare Racing, Racing Simulation, Infestation, Virtual Skipper, Surf Riders, All Star Tennis 2000...*

From now on, most of the games created by Ubi Soft have an **on-line extension**, and, in general, are developed on several different platforms. This technological approach is particularly appealing to hard-core gamers.

The Group now also handles **edutainment and educational software**, which supplements the three above-mentioned categories. This helps build recognition of the Group's characters by situating them in new worlds, such as *Kiyeko and the Lost Night, Payuta and the Ice God, The Voyages of Valdo, Adventures in Music, Rayman for Preschoolers, The Cosmic Family, Cosmic Party*, 2 Playmobil® programs – *Laura's Happy Adventure* and *Alex Builds his Farm – Tim 7*, a 20-volume collection for teaching mathematics, French, history-geography and English to 10 to 14-year-olds, Rayman for Juniors – Math and Reading with *Rayman for children* aged 6 to 8, Learning Languages (English/Spanish/German) with Rayman, Rayman Dictations, and more. In 1999-2000, educational game software accounted for 6% of sales (compared with 19% in 1998/1999).

Their purpose is basically:

- to promote brand recognition (e.g. the Rayman for Preschoolers line),
- to offer distributors a more extensive catalog in all segments and fields of interactive software.

Ubi Soft's key successes involved the following games:

- the *Rayman* line, which has sold more than 6.5 million copies around the world,
- the *POD* line, with sales of 3.5 million units since its 1995 launch,
- the *Monaco Grand Prix* line, with more than 2 million units sold.

For the 1999/2000 financial year, the main successes were:

- *Rayman 2-The Great Escape*, with 1.5 million units sold,
- the Dreamcast games, each of which sold more than 120,000 units.

The Ubi Soft catalog contains more than 1000 titles, none of which – outside the Rayman line – represents more than 4% of 1999/2000 sales.

## 2 Production : where all multimedia skills converge

Ubi Soft entrusts the production of its software to specialized teams working in more than 20 in-house studios in ten countries on four continents. They have their own management and act as service providers for the creation and distribution teams. This structure enables each studio to unleash its own talent to the maximum, whereas a project-based structure might favor a single individual and his or her personality. It also makes it possible to consolidate all the know-how needed to produce the software, thus raising productivity and increasing responsiveness to technological innovation. For each new project, a new team is set up, bringing together the studio's expertise and skills to advance the production.

### Information technology

The computer studios are scattered over four continents and are staffed by more than 300 highly-skilled engineers who make use of the latest technology in the field of programming and functional organization.

### Research

Ubi Research and Development (Paris) carries on pre-development work in coordination with the manufacturers. This research team networks with several teams of engineers in the United States, Japan and France, who are responsible for monitoring technology for the Group. This enables the engineers to stay on top of all the new machines and operating systems. Their action has both a short-term focus, to optimize the systems, and a long-term orientation, to anticipate technological developments. It is this group of people who enabled Ubi Soft to be the first publisher to develop games using the latest Intel technology: the MMX™ for the futuristic *POD* race, and

the Pentium® II AGP for the action/adventure game *Tonic Trouble*. *POD* also recently received the prize for the best Windows adaptation on 3DFx. It was also these teams who enable Ubi Soft to be there as soon as new generations of machines are launched. For instance, in 1999/2000 the Group had *Monaco Grand Prix* ready for the Japanese, American and European launches of Dreamcast. They also made it possible for our teams to obtain and work on the PS2 development kits very early on.

### Development

Ubi Studios (Paris), Ubi Simulations (Annecy), and several teams in Ubi Soft subsidiaries in China, Canada, Romania, Italy and Morocco work principally on developing design tools and software engines. These engines are specifically designed to be re-usable on other software, i.e., modular, adaptable and open-ended. They are in a sense broken down into a multitude of modules that can be worked on independently. For instance, the engine developed for *POD* is being used to create new races. Similarly, the real-time 3-D engine created for *Tonic Trouble* was reused for software like Playmobil® and *Rayman 2 - The Great Escape*, which came out in 1999/2000, and on a number of projects to be released in 2000/2001, such as *Disney's Donald Duck and The Jungle Book*. At the same time, the development teams are currently polishing off a new design for a higher performance engine, in particular for the new-generation consoles.

## Graphics: Modeling, Animation and Cinema

### Modeling studios

The graphics modelers create environments and characters to use in real-time 3-D software. These artists create stunning worlds of realism or fantasy and colorful characters to inhabit them. Thanks to the work of these teams, *POD* received an award at the Imagina Festival (the leading European computer-generated graphics fair). Likewise, the graphics quality and realistic feel of *F1 Racing Simulation* were rewarded with the Gold CD-ROM at the MIM fair (the international multimedia show at Montreal). The different studios have a great deal of artistic freedom and are each responsible for one or more projects.

### Animation studios

These studios, which are renowned for being large-scale producers of high-quality animation, are among the best animation studios in the world. They combine the talent of graphics artists with mastery of motion.

### Cinema studio

This studio produces the introductory and transitional scenes used in the programs and the cinema sequences designed for use as actual cartoons. These short films require pre-calculated 3-D modeling and are then animated and integrated into the game.

### Design

#### Game-Design

The specialists in interactive scripts are scattered among several studios in France, North America and China. The game designers are responsible for the software's ergonomic engineering and

playability, and establish its basic parameters (cards, characters, motion, action, sound, and so on) and interactive features. They set the stage for the action by using the sets and characters created by the other graphics studios. They are masters in the art of stimulating the user without, however, putting too many obstacles in the path of completing the game.

### Computer graphics design

The technical expertise of the computer graphics designers is the key to programming the behavior of the game's different virtual characters, including their personalities, vehicles, cameras and other items.

### Sound design

The sound designers dream up the game's sound environment. They work not only with the game designers, graphics artists and animators, but also with the sound effects engineers and composers. Then they integrate the sound effects and music into the game.

### Sound, video and localization

These studios bring together all the sound and video expertise to help in production, localization and marketing.

### Testing

Each studio is very concerned to maintain high standards, from the original conception right up to the end product. Each product is therefore subjected to rigorous quality controls in terms of both editorial and technical features. An in-house team of testers in Romania, France and Canada checks the programs in every possible configuration (various media and versions, stand-alone, networked, and so on) and dissects every stage of the program without exception. This rigorous testing has made it possible for Ubi Soft products to gain the approval of the Japanese game console manufacturers rather easily, despite their reputation for extremely high standards.

The company has not attempted to gain an ISO certification (9000-9001).

### 3 Diffusion: Internationally organized

Ubi Soft Entertainment carries out the marketing and sale of its own products as well as those of 50 or so third-party publishers that the Group represents in different regions. It thus offers a range of more than 1000 active titles worldwide.

Ubi Soft distributes its products in 52 countries around the world. Distribution is handled either by its direct distribution subsidiaries (United States, Brazil, France, United Kingdom, Germany, Australia, Spain, Italy, the Netherlands, Belgium, Denmark, China, Japan, Sweden, Austria, Hong Kong) or through distribution and licensing agreements. Ubi Soft makes use of its localization, marketing and sales operations to keep track of the particular features and consumer behavior of each market and to adapt to consumer expectations.

Today sound is a basic factor determining the quality, and thus the success, of any game. A team of specialists with skills in a variety of fields - such as directing actors, artistic direction, sound recording, and mixing - works in a structure consisting of two professional recording studios.

The Ubi Soft studios established in Paris and more recently in Montreal are equipped with the latest sound technology and record in the languages needed for localization, both for Ubi Soft productions as a whole and for products distributed by the Group. After recording, post-production stations digitize and optimize the sound so that it can be integrated into computer media. Simultaneously, a team of specialist IT engineers work on programming the sound and also take part in the sound design of each product.

At the same time as the voices are recorded, well-known musicians and sound engineers routinely work in this set-up to improve the general quality of the results. Ubi Sound Studio thus won numerous international prizes, including the Award of the *Video Game Buyer's 1995 guide* for *Rayman* for the best video game music.

Ubi Voices (United States) was set up in 1998 to recruit American actors whose voices will be used for the different characters in the cartoon series based on *Rayman*.

### Video

The video studio has several video editing stations and is in charge of integrating the introductory and transition sequences into the game on CD-ROM and DVD. These teams also handle advertisements, video demos for the games and other films presenting the product or company.

### Localization

The task of the localization teams is to adapt a game for a given public in terms of language, technology and culture. The programs and videos are thus translated into various languages and adapted to foreign cultures.

### ➤ The organization of operational marketing and the sales force

The marketing of Ubi Soft products and the products of third-party publishers is handled by product heads in France and in the different marketing subsidiaries. Beforehand, the international teams position the product and define the most suitable strategy to distinguish the product and reach the end customer. This strategy is then applied by the local product heads to the business media, TV advertising, magazines, promotional partnerships, Internet extensions, competitions, trade shows and trade marketing. The market budgets are set per product based on sales expectations.

The sale of international products from Ubi Soft and third-party publishers is organized by international sales management and is handled by a worldwide network of distribution subsidiaries, supplemented by local distributors that are in close touch with their markets.

The Marketing and Sales teams are organized into two basic regions: Europe/Middle East/Asia – Africa (EMEA) and America.

### ➤ The Internet: a real tool for advertising and consumer service

The Ubi Soft web sites help promote the Group's image and are a real "plus" for consumers in terms of products. These sites present the Group and its products and offer product-related activities and information, including competitions and shareware to test the products. All this is available in more than 10 languages: English (one site per country: United States, United Kingdom and Canada), Spanish, Italian, French, German, Danish, Swedish, Chinese, Japanese, Finnish, and Norwegian. These sites also re-broadcast the Group's big events, such as the press conference at Montreal for the launch of a new game concept in partnership with Jacques Villeneuve, with a global live broadcast on the Ubi Soft sites (June 2000).

Most Ubi Soft CD-ROMs have direct links with the sites related to them. These on-line extensions facilitate the development of communities of players and users. For instance, the POD site offers several services, such as a player match-up service and the opportunity to download new racetracks and vehicles. These on-line extensions are now also available for the new generation of consoles, with Sega's Dreamcast being the first to offer this capability. In this way players can access new functionalities (for example, *Monaco Grand Prix Racing Simulation*, *Speed Devils*, *Rayman 2 - The Great Escape*, to name but a few).

In addition, the Ubi Soft internet sites also offer a comprehensive service to customers internationally, based on:

- e-mail facilities,
- the Ubi Soft Internet shop, opened in April 1998, which is accessible from all the product sites.

Furthermore, Ubi Soft's involvement in the GameLoft.com project, the first European portal for gamers communities, gives it a decisive advantage in reaching each user directly so as to develop a clear picture of the habits and expectations of the consumers generally.

### ➤ Multiplying partnerships

In order to make the distribution of its digital products more effective, Ubi Soft has set up a structure that enables it to deal directly with chain stores via marketing trade contracts when new products are launched (catalogs, end of aisle displays, competitions, etc.).

Ubi Soft offers chain stores software versions featuring their logo or advertisements. This strategy helps strengthen the involvement of the stores in the success of the Group's products.

The Group is also associating itself with mass-market brands and is increasingly sponsoring television shows. It has also developed swap-deals with game, book and video distributors.

For instance, in the 1997/98 financial year the *Fingers* cookie brand featured the *Rayman* banner. In early 1999, *Crunch* chocolates hooked up with Ed, the lead character in *Tonic Trouble*. In June 2000, *Rayman* was associated with Happy Meals in MacDonald's outlets in France.

Continued partnerships with manufacturers are also being pursued. Ubi Soft is developing versions of its products that are optimized for their technologies (MMX™ and Pentium® II AGP from Intel, 3-D cards, etc.). In March 1999, Ubi Soft announced a new partnership agreement with Intel on the optimization for Pentium® III of two titles in the Playmobil range. This strategy of anticipating technological developments will help raise the visibility of Ubi Soft products in the trade press and among consumers.

### ➤ Broader distribution of the products of third-party publishers

Ubi Soft is also successfully distributing software from fifty or so other publishers locally and internationally. Based on its operations on every continent, its knowledge of the various markets and its expertise in localization, many publishers are turning to the Group to distribute their products.

The programs Ubi Soft distributes have been carefully selected from among an increasing number of proposals. The Group can take the products in hand at two stages:

- **distribution:** Ubi Soft handles marketing and sales.
- **licencing or re-publishing:** Ubi Soft is responsible for adaptation, localization, manufacturing, marketing and sales.

Ubi Soft studios deal with all of the localizations needed to create bilingual or even single-language versions (software, packaging and user's manual), in accordance with the distribution areas agreed in the contract and in the various formats.

In the last 18 months, the Group has signed distribution, licensing and/or re-publishing agreements in one or more countries with, among others, Lucas Learning Ltd., Hasbro, Crystal Dynamics, MacMillan Digital Publishing, Sony Computer Entertainment, Creative Edge, TopWare Interactive, and others. The agreement signed with Sony Computer Entertainment/Verant Interactive is a particularly significant event for the Group, as it will handle the European distribution of *Everquest*, *The Ruins of Kunark*, which enjoys some of the biggest numbers of on-line players. This gives the Group an active position on this rapidly growing market segment, known as "Massively Multi-Player On-line", one of the most promising, fastest-growing niches on the Internet, particularly in the United States. This distribution agreement will give Ubi Soft a hold in this segment that is just now massively arriving in Europe.

Since April 2000 Ubi Soft has handled the distribution of *The Ruins of Kunark*, developed by Verant Interactive, throughout Europe, as well in Russia, Turkey and Israel.

European gamers have been impatiently awaiting the release of EverQuest® in order to be able to take part in this adventure with the entire world. EverQuest® already has more than 200,000 subscribers around the world, and gamers who have already become involved have average connection times of more than 20 hours per week. Selected 1999 game of the year by GameSpot, EverQuest® shows promise of being an outstanding success in Europe.

The contracts with manufacturers generally provide for guarantees on the quantities sold and the payment of royalties per unit sale.

### ➤ Main third-party publishers represented by Ubi Soft

**Verant Interactive:** EverQuest®: The Ruins of Kunark™

**Verant Interactive:** Sovereign™

**Southpeak:** Dukes of Hazard™ - Racing For Home

**Gaumont multimedia:** Stupid Invaders

**Mathématiques Appliquées (MASA):**

Peace Makers (working title)

**The 300 Company®:** Heroes of Might and Magic III®

**Entertainment Software Publishing:**

Evolution 2: Far Off Promise™

**Revolution Software Ltd:** In Cold Blood

**Duran Duboi:** Virtual Skipper

**Sunsoft:** Surf Riders

**Hasbro Interactive:** Grand Prix 3

**Novalogic:** Delta Force 2

**LucasArts™:** Star Wars™:

Episode I Jedi Power Battles™

**Empire:** Enemy Engaged Comanche vs Hokum

**Anco:** Guy Roux Manager

**Midas Interactive:** Carl Lewis Athletics 2000,

Rene Arnoux Karting

**Kemco:** Bugs Bunny Crazy Castle

In 1999/2000, third-party publishers represented by Ubi Soft either through publishing or distribution arrangements accounted for 33% of the Group's consolidated sales. These agreements involved both American and European publishers, with big names in the entertainment industry like Gaumont Multimedia, Hasbro Interactive and LucasArts.

No third-party publisher accounts for a significant share of our sales.

### ➤ Seasonal fluctuations in activity

Interactive entertainment is a field that is generally influenced by seasonal changes. The period from September to December traditionally sees more products released than the rest of the year. The Christmas period also sees higher sales of entertainment software. These trends are counteracted by several factors. First, spacing product releases over several countries makes it possible to smooth out the influence of peak periods. Many publishers also try to stagger their product launches over the year so that their products are not submerged in the flood of releases towards year's end. Furthermore, Ubi Soft's policy is to spread out product releases during the financial year while seizing on the pick-up in consumer interest during the end-of-year holiday season to maximize the sales of its products with the greatest potential, such as *Rayman 2*. The Nintendo 64 and PC versions of this game were released in October/November 1999 for the Christmas season, and the Dreamcast and GameBoy versions came out in March 2000. Moreover, with a product catalog featuring published or distributed items in every category of games, on every type of machine format and in all the geographical regions, it is easier to smooth this phenomenon out over the year. Finally, the staggered release of the new generation consoles also helps attenuate the influence of seasonal factors.

### ➤ Ubi Soft's main competitors and its position on these markets

On the market for PC game software, Ubi Soft's main rivals are **ELECTRONIC ARTS, ACTIVISION, HAVAS Interactive, EIDOS, INFOGRAMES,** and **THQ,** among others. On the educational software segment, Ubi Soft is mainly in competition with **TLC** and **Havas Interactive.**

On the consoles market, the main competitors are **KONAMI, CAPCOM, NAMCO, EIDOS, ELECTRONIC ARTS,** as well as the console manufacturers themselves, **NINTENDO, SEGA** and **SONY.**

In terms of sales, and only looking at the "pure players", i.e. companies who only make video games (thus excluding Havas Interactive), Ubi Soft is now the 3rd largest European publisher of video games.

Internationally, Ubi Soft's estimates of the competition place it among the 20 leading international publishers of interactive entertainment.

## 4.1.3. PRODUCTION : NEW PRODUCTS/NEW ACTIVITIES

### ➤ Investment in production over the last three financial years

Figures in FF 1000

1997/1998	1998/1999	1999/2000
178,039	233,286	369,997

These are intangible investments made by the Group over each financial year.

### ➤ Production volumes

	1997/1998	1998/1999	1999/2000
Number of titles	21	20	31

These include titles produced by the company itself (excluding third-party titles).

### ➤ New products and new activities

Ubi Soft is constantly expanding its game range for PCs and game consoles, as well as its cultural and educational software.

1999/2000 was a year of strong growth, with, in particular:

- an increasing number of console products,
- the release of more than 60 new products.

More than 100 new products should come out in 2000/2001. The main software to be released includes:

- **Rayman 2**, action/adventure game on PlayStation 1 and 2;
- **POD 2**, the sequel to the famous racing game of futuristic cars on Dreamcast;
- **Evil Twin**, the adventures of a new Ubi Soft character, **Cyprien** ;

- many sports titles in various formats, including: *Virtual Skipper*, *Surf Riders*, *All Star Tennis 2000*, and so on.
- a number of games based on the world of Walt Disney, in particular *Walt Disney's The Jungle Book – Rythm and Groove*, a very innovative game that enables players to dance with the game's interactive characters, as well as, *Disney's Donald Duck - Quack Attack*
- many games for "gamers", such as: *Arcatera ; Peace Makers ; DragonRiders...*

Since the company's founding, Ubi Soft has committed itself to invest in technology, the only way to dominate an evolving market. This is how, in a transitional market marked by changes in the generation of machines, Ubi Soft has positioned itself as one of the leading European publishers by its capability to establish a presence as soon as any new game machine comes out, or within the first few months following its launch. Currently 16 projects are underway on PlayStation2, 13 on GameCube (Nintendo's new generation console), 13 on X-Box (Microsoft's new console) and several on GameBoy Advance. All these projects should be released during the years 2000/2001 and 2001/2002. The console market is changing with increasing speed as technology evolves. This means new generations of game machines will follow each other in quick succession onto the market.

Ubi Soft's strategy is to develop the capability needed to have a presence as soon as each new machine comes out (about every 3 or 4 years).

At the same time, Ubi Soft Entertainment has announced several strategic initiatives that should enable the Group to speed up its growth by strengthening its presence on all the new technology systems (Internet, mobile phones, etc.) and more generally throughout the "new economy":

#### ➤ 14 December 1999:

Founding of GameLoft.com with an initial capitalization of FF 100 million. Ubi Soft Entertainment has a 20% stake in the company, in exchange for the contribution of its Game Service, a technical platform for a games network. The rest of the capital is divided between the Guillemot Corporation, with 20% (the shareholders of Guillemot Corporation are: Guillemot Participations 32%, public and employees 42%, and the Guillemot family 26%) and the Guillemot family directly, with 60% (Yves, Claude, Michel, Gérard, Christian, Marcel and Yvette Guillemot). GameLoft is a general entertainment on-line platform that provides the worldwide community of game players content and communications and information services (news, chats, forums, etc.). After being floated on the Nouveau Marché of the Paris stock exchange in June 2000, Ubi Soft's holdings rose to 16.7%.

Ubi Soft Entertainment decided to take part in the GameLoft.com project in order to keep in close touch with developments in on-line interactive entertainment, which is bound to grow in the long-term and might eventually supplant conventional CD ROM games.

#### ➤ 8 February 2000:

Founding of Ludi Wap S.A. with initial capitalization of FF 60 million. Ubi Soft Entertainment has a 20% stake in the company (the other shareholders are the Guillemot Corporation, with 20%, and the Guillemot family, with 60%). In return for the 20% stake, Ubi Soft Entertainment granted LudiWap the right to use its leading lines, including : *Rayman*, *Tim 7*, *Tonic Trouble*, *Speed Busters*, and *Speed Devils*, on all mobile-phone-based products.

*Ludi Wap is developing both on-line and off-line games, while setting up a complete set of services on these platforms in Japan and Europe.*

#### ➤ 14 February 2000:

Announcement of acquisition of a 10% holding in Students-Life.com S.A. an Internet start-up for the student community. Students-Life also has the support of the Guillemot Corporation and Guillemot Brothers\*\* (Yves, Claude, Michel, Gérard, Christian, Marcel and Yvette Guillemot), which have holdings in the company of 10% and 5%, respectively. The rest of the capital is held by Emmanuel Denis.

The logic behind this investment is that the student community is close to Ubi Soft Entertainment's target base. The 17-to-30 age group are the biggest users of interactive entertainment.

Ubi Soft's presence on the Internet reflects the determination of its directors, who feel that the Internet is only at its beginnings and that it most likely will significantly change the face of entertainment. Since the Group's business is centered on interactive entertainment, it is natural that Ubi Soft Entertainment take its place on the Net.

#### ➤ 23 February 2000:

Announcement of the creation of Ubi Ventures S.A., a 99.9%-owned subsidiary that specializes in creating, financing and investing in "new economy" start-ups.

Ubi Soft Entertainment is broadening its range of specialties in connection with the rise of new platforms (mobile phones, Palm Pilots, etc.), new interactive communications methods (cable, satellite, Internet, radio, infrared, etc.), and new practices (use while traveling, permanent on-line connections and real-time). To deal with these changes, Ubi Soft Entertainment decided that it needed a subsidiary devoted to investment in all the fields associated with the new communications systems and with interactive multimedia entertainment, hence Ubi Ventures.

All these initiatives open up new prospects for Ubi Soft's growth, both in terms of creating content on new platforms and optimizing strategies for marketing, advertising and developing consumer loyalty. In 2000, Ubi Ventures' activity included acquiring holdings in the following companies: a 20% stake in Chman, 20% in Ludopia Interactive and 12% in YacCom.

**Chman** is an international leader in expertise in the design of flash animations and sites. It is also the creator of *Banja*, a 3-D game on the Internet.

**Ludopia Interactive** is a young firm that has come up with a new formula for Internet entertainment. It offers free on-line games and competitions for anyone on the Net. This new type of interactive Internet game has been very popular with on-line gamers and is an area in which Ubi Soft wants to have a presence.

**YacCom** (Yet Another Company in teleCOMmunications) is one of the leading companies in France in the development of mobile phone WAP applications. Its solid know-how in various protocols (GSM, MMI, SIM, SIM Toolkit), in Internet technology (XML, XSL, Java, ASP, etc.), and in mobile phone ergonomics has made YacCom a recognized expert in the field. In 1999, it had sales of FF 3.9 million.

\* Guillemot Participations is owned fully by Yves, Claude, Gérard, Michel, Christian, Marcel and Yvette Guillemot.

\*\* There is no legal connection between Ubi Soft Entertainment and any of the Guillemot companies, including Guillemot Corporation, Guillemot Participations and Guillemot Brothers. The commercial relationship that exists between Ubi Soft Entertainment and Guillemot Corporation is based on market conditions.

#### 4.1.4. SALES

##### ➤ Annual consolidated sales

Fiscal year 98/99	Fiscal year 99/00	Change
869.7	1,223.5	+ 40.7%

in FF million

The consolidated sales of the Ubi Soft Group during the 1999/2000 fiscal year came to FF 1,223.5 million (186.5 million euros), up 40.7% on the preceding fiscal year. The strong increase in sales is a result of the increasing success of Ubi Soft software and of better penetration of the global market. This success could be put down most notably to Ubi Soft's astute strategic decisions:

- market presence in all existing games platforms,
- the choice of Dreamcast, which accounted for 20% of the year's sales,
- a global distribution network,
- the building of strong brands with world-wide market profiles, with the renewed success of the *Rayman* franchise, global sales of which exceeded 1.7 million copies world-wide during the financial year.

##### ➤ Sales by type of activity

Activity	Sales 1999/2000		Sales 1998/1999		Sales 1997/1998		Sales 1996/1997	
	Amount	% sales	Amount	% sales	Amount	% sales	Amount	% sales
in FF 1000								
Development	819,158	66.95%	602,624	69.29%	298,621	47.24%	158,344	45.9%
Publishing	281,414	23.00%	183,667	21.12%	201,971	31.94%	79,376	23.0%
Distribution	122,966	10.05%	83,391	9.59%	131,603	20.82%	107,578	31.1%
<b>Total</b>	<b>1,223,538</b>		<b>869,682</b>		<b>632,195</b>		<b>345,298</b>	

Note : Development = in-house production + co-production  
 Publishing = license agreements  
 Distribution = distribution agreements (marketing and sales)

The breakdown of operations shows that the Group is continuing to consolidate its activity. The rise of sales attributable to "development" (i.e., in-house production and co-production) to over FF 819 million vindicates Ubi Soft's strategy of strengthening the share of products designed, developed and distributed by the Group. This has been made possible by the increasing number of the Group's own studios. In addition, 17% of sales in 1999/2000 came from products developed by outside studios. These products correspond to development projects managed by Ubi Soft's own product heads, in collaboration with outside development studios.

##### ➤ Sales by type of platform

Ubi Soft built up its consoles business in 1999/2000 very significantly in response to rising demand from the mass market. As of 31 March 2000, consoles accounted for 63% of the Group's consolidated sales, with the remaining 37% attributable to PC products (compared with 48% the previous year for PC products). This performance reflected, in particular:

- the Group's very strong position on Dreamcast, the new Sega console, right from market launch of the machine in Europe and the United States. Sales of titles on this machine accounted for no less than 20% of consolidated sales for the financial year, led by titles like *Speed Devils™*, *Evolution*, *Monaco Grand Prix™ 2*, *Suzuki Alstare Extreme Racing*, etc.
- the success of typical console games like *Rayman 2 – The Great Escape* on Nintendo 64, no. 1 in N64 sales in Europe in the weeks following its launch.

As of 31 March 2000, edutainment accounted for 6% of consolidated sales, which reflected stable business on a segment that helps to strengthen Ubi Soft brand recognition and to ensure that the Ubi catalog includes all types of interactive software.

##### ➤ Sales abroad

Sales in France accounted for 31% of consolidated sales, i.e., FF 379.3 million. Sales abroad came to FF 844.2 million.

	1995/1996	1996/1997	1997/1998	1998/1999	1999/2000
International sales	78	152	388	524	844
%	31.2%	44.1%	61.4%	60.2%	69.0%
France sales	172	193	244	346	379
%	68.8%	55.9%	38.6%	39.8%	31.0%

(in FF million)

Gross pre-tax sales in the currency of Ubi Soft operations accounted for 53% of total sales. The main billing currencies include the dollar, the pound sterling, the Deutschmark and the yen.

The business of marketing subsidiaries abroad grew considerably during the 1999/2000 fiscal year. As of 31 March 2000, the Group was distributing its products in 52 countries on five continents. The international dimension is particularly noteworthy in North America (essentially the United States). The Group has significantly increased its penetration there, with sales for this area representing 29% of the Group's consolidated sales as of 31 March 2000, compared with 13% the preceding year, reflecting growth of more than 180%. The United States is now the second biggest national market for Ubi Soft sales, behind France.

During the 1999/2000 fiscal year, Ubi Soft integrated two companies into its consolidated accounting base, which will have a noticeable impact on sales figures:

- Ubi Soft Entertainment BV (Netherlands), with FF 16.8 million in sales,
- and Ubi Soft Entertainment Sprl (Belgium), with FF 19.1 million in sales.

These two distribution companies are 99%-owned by Ubi Soft Entertainment; since they were created only recently, they were not part of the consolidated accounting base for the fiscal year ending on 31 March 1999.

#### ➤ Breakdown of sales by geographic area

	1998/1999	1999/2000	Change
Germany	16%	10.4%	-35%
United Kingdom	9%	8.4%	-6%
Spain	3%	2.1%	-30%
Italy	5%	2.5%	-50%
France	40%	31%	-22%
North America	11%	29.5%	168%
Rest of the world	16%	16.1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	

There has never been a past interruption in business activity that has had a significant impact on the financial situation and income of Ubi Soft Entertainment.

## 4.1.5. MAIN ESTABLISHMENTS

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*Ubi Soft Entertainment does not own the premises it occupies in any country.*

#### 4.1.6. EXCEPTIONAL EVENTS THAT HAVE HAD AN IMPACT ON UBI SOFT'S ACTIVITY

##### 1999

###### January

Release of an animated 3-D series: *Rayman, The TV Series*.

###### February

Signing of a license agreement with Warner Bros. Interactive Entertainment for the production of the interactive adventures of *Batman™*.

###### March

Establishment of a design/production subsidiary in Beijing.

Signing of an agreement with Intel for the production and release of two titles under the Playmobil® brand adapted for Intel's Pentium® III.

###### April

*Monaco Grand Prix™* Dreamcast™ is in pole position in Dreamcast™ sales in Japan.

International sales of *Rayman®* top 4 million!

###### May

Creation of a distribution subsidiary in Brazil. Signing of an agreement with Lucas Learning Ltd. for the distribution of all its new products in Europe.

q Signing of a license agreement with Disney Interactive Inc. for *Tarzan®*, *Donald Duck®* and *The Jungle Book®*.

Ubi Soft acquires the off-line games catalog of Interactive Magic (United States).

###### June

Signing of an agreement with the 3DO Company for the adaptation of *Heroes of Might and Magic III* (Dreamcast).

Opening of a distribution subsidiary in Sweden.

###### September

Release of *Tonic Trouble* on Nintendo 64.

###### October

F1A official license agreement: *Formula One World Championship*.

Release of *Rayman 2* N64 and PC – *Rayman 2* N64 no. 1 in N64 sales in Europe.

Increase in capital by shares with warrant issue.

###### December

Acquisition of a 20% holding in GameLoft.com (platform for a community of on-line game-players) for FF 20 million.

*Rayman TV series on video cassette and DVD*.

##### 2000

###### January

Partnership with Mathématiques Appliquées for the co-production and publishing of *Peace Makers*.

###### February

FF 12 million investment in Ludi Wap SA (20%).

Acquisition of Grolier Interactive Ltd (United Kingdom) for the sum of 1 franc.

Creation of Ubi Ventures SA (initial capital: 100 million euros).

Agreement with Disney Interactive for the design and publishing of games based on Disney's feature film *Dinosaur*.

Exclusive agreement with Sony Pictures Consumer Products for the creation of new games inspired by the television series *VIP* (Pamela Anderson).

###### March

Release of *Rayman 2 The Great Escape* on Dreamcast and GameBoy.

Increase of capital by a stock issue. Acquisition of Gamebusters (Austria).

###### April

Agreement with Sony for the distribution in Europe of *EverQuest : The Ruins of Kunark*, then of *Sovereign*.

Acquisition of Sinister Games (United States).

###### May

Ubi Soft at the Electronic Entertainment Exhibition: more than 40 new products on show.

*Disney's Dinosaur* GameBoy no. 3 in GameBoy sales in the United States.

###### June

6.5 million copies of the *Rayman* line sold around the world.

###### July

Acquisition of 3D Planet (Italy).

A 60% interest in 3D Planet was acquired by Ubi Participations on behalf of Ubi Soft Entertainment.

Ubi Soft will reimburse Ubi Participations, either by an increase in reserved capital or by a cash payment.

3D Planet S.p.A is a distributor with which the Group has worked for 3 years.

3D Planet has strong roots on the Italian market and in 1999 had sales of 13 million euros.

The other shareholders are Riccardo Cones, Tiziana Isolan, and Mauro Trasa.

###### August

Signing of an agreement to acquire 100% of Red Storm Entertainment.

## 4.2. DEPENDENCE OF UBI SOFT ENTERTAINMENT ON PARTICULAR CONTRACTS – MAIN CLIENTS

Ubi Soft Entertainment has two types of distribution networks:

- the centralized Anglo-American model (USA, United Kingdom, Japan): the chain purchaser makes centralized purchases of the products and is itself responsible for distribution to its stores;
- the decentralized European model (Germany, France, Switzerland, Benelux, Italy, Spain): the chain makes centralized purchases of the items, but gets a distributor to handle delivery to each of its stores.

The company has no dependence on any particular supply.

Ubi Soft's 10 largest customers account for 41.6% of the Group's pre-tax sales (32% for the top four clients).

## 4.3. LITIGATION

So far as the company is aware, there are no particular events or disputes that are likely to have or have recently had any significant impact on the business, results, financial situation, or assets of Ubi Soft Entertainment and its subsidiaries.

## 4.4. PERSONNEL OVER THE LAST THREE YEARS

As of 31 March 2000, Ubi Soft had 1652 employees, which reflected a 12% increase in one year in the number of employees.

This relative stability in staff levels compared with the very strong expansion in previous years reflects that Ubi Soft has entered a period of consolidating the organization of production and distribution.

	31 March 1998	31 Mars 1999	31 Mars 2000
<b>Production</b>	<b>735</b>	<b>1,177</b>	<b>1,310</b>
<b>Sales/Marketing</b>	<b>198</b>	<b>297</b>	<b>342</b>
<b>Total</b>	<b>933</b>	<b>1,474</b>	<b>1,652</b>

## ► Distribution of Ubi Soft Entertainment employees around the world as of 31 March 2000

<b>Australia</b>	<b>4</b>
<b>Austria</b>	<b>1</b>
<b>Belgium</b>	<b>1</b>
<b>Brazil</b>	<b>2</b>
<b>Canada</b>	<b>377</b>
<b>China</b>	<b>311</b>
<b>Denmark</b>	<b>18</b>
<b>United Kingdom</b>	<b>21</b>
<b>France</b>	<b>470</b>
<b>Germany</b>	<b>23</b>
<b>Italy</b>	<b>67</b>
<b>Japan</b>	<b>25</b>
<b>Morocco</b>	<b>103</b>
<b>Roumania</b>	<b>86</b>
<b>Spain</b>	<b>56</b>
<b>Netherlands</b>	<b>2</b>
<b>United States</b>	<b>85</b>
<b>Total</b>	<b>1,652</b>

Average employee turnover is relatively low. The Group provides a number of career development opportunities, based on its international growth and its open approach to related fields of activity. The Group is also continuing its policy of granting stock options.

## 4.5. INVESTMENT POLICY

The year 1999/2000 has been marked by two developments that underlie investment policy in this fiscal year: consolidation and conquest.

This is first of all a matter of **continued investment in equipment**, in particular with regard to production for the new consoles, which requires the continuous upgrading of IT equipment as well as development kits for the new machines in order to be able to make preparations for tomorrow's technology today.

This is also a matter of investment in research, particularly in new games drivers.

Secondly, there is the **conquest of new markets**, with for example the opening of a new distribution subsidiary in Brazil in May 1999. The American subsidiary, based in San Francisco, has also significantly strengthened its organization.

Finally, the network of partnerships has been strengthened with the creation of Ubi Ventures and its initial investments in YacCom, Ludopia and Chman.

### 4.5.1. RESEARCH POLICY

The Group's strategy is based on the creation of reusable motors for deployment on several formats (PC and all types of consoles) and on all types of interactive entertainment software:

- automobile races, like *POD*, *F1 Racing Simulation* and *Speed Devils*,
- action and adventure games, like *Tonic Trouble*, *Rayman 2*, and The *Playmobil@ series*,
- educational software like the titles in the *Tim 7* series and the *Rayman* line,
- and art education programs like the *Guitar Hits* and *Piano Hits* series and *Artist!*

This strategy underlies the approach of the approximately 60 engineers who have worked in 1999/2000 on the design of **two new engines**:

- one **new higher-performance engine for car racing**,
- a **new type of engine** that will make it possible to exploit to the maximum the technological capabilities of the new generations of machines. This new engine, which is the basis of all the new projects being designed, has the following advantages:
  - it can be used on any platform, in particular on PlayStation2, Nintendo Game Cube and Microsoft X-Box,
  - it can be applied to different types of games,
  - it is geared to the functionalities of massively-multiplayer on-line games with persistent worlds,
  - it makes it possible to optimize production methods, in particular by simplifying the validation processes for the different specialties in a single project.

The new engines will be used for the new generations of machines, beginning with the release of PlayStation 2 at the end of 2000.

Moreover, after having released *Rayman* on the day PlayStation™ came out and inaugurated Intel's MMX™ processor with *POD*, Ubi Soft has continued its efforts at technological leadership by mastering the Internet, the Pentium® III and the latest generation of 3-D cards that promise users an unprecedented level of quality of interaction and game-playing. Ubi Soft was, for example, one of the first 10 world-wide publishers to release a title for Dreamcast™ when the device came out in Japan (*Monaco Grand Prix*). Ubi Soft will also be among the first European publishers on PlayStation 2 when it hits the markets at the end of 2000.

Because of its strategic determination to forge state-of-the-art technological capabilities, efforts are ongoing to anticipate market trends, concretized for instance by the work of the engineers on PlayStation2. Even before receiving Sony's development kits,

the teams studied all the information sent by Sony in order to anticipate what technology would eventually be adopted. They then used the development kits to make the best use of the components.

R&D costs constitute expenses for the creation of tools, and thus are fixed and depreciated over 3 years. There is no basic research.

### 4.5.2. MAIN INVESTMENTS

The Group's main investments are in the fields of the design and production of software. These mainly involve wages and equipment for highly-skilled personnel in all multimedia fields.

#### ➤ Investments in the last 3 fiscal years (in FF 1000)

Investments	1997/1998	1998/1999	1999/2000
Tangible	38,578	34,844	53,855
Intangible	178,039	233,286	369,997
Financial	1,898	9,909	41,828
<b>Total</b>	<b>218,515</b>	<b>278,039</b>	<b>465,680</b>

The tangible investments were mainly made in France (FF 12.9 million), Canada (FF 12.5 million) and China (FF 6.8 million). The parent company is responsible for the Group's financial and intangible investments.

### 4.5.3. RECENT INVESTMENTS

Investments in design and production are related to the increasing importance of the Group's own production studios, which are currently working around the world on the development of more than 100 new products. They are also related to the acquisition of new development studios such as Grolier Interactive UK (United Kingdom), Sinister Games (United States) and Red Storm (United States).

#### Investments related to production:

- **Grolier Interactive** is a video games developer based in Great Britain. It is currently developing two projects that should be released within the next few months.
- **Sinister Games** was acquired in full by Ubi Participations on behalf of Ubi Soft Entertainment.
- Ubi Soft will reimburse Ubi Participations either by an increase in reserved capital or by a cash payment.

Sinister Games Inc., an American developer based in North Carolina, was founded in 1997. Today it has more than 20 developers who specialize in action and strategy games, and it will continue to produce games for Ubi Soft as well as for other publishers.

These two acquisitions are in line with Ubi Soft's growth strategy. They strengthen the Group's production capacity in the United Kingdom and in the United States and will enable Ubi Soft to solidify its position on game segments with strong growth potential, in particular strategy and role-playing.

#### Investments related to sales:

In the area of sales, the Group opened two new subsidiaries in Brazil and Sweden in 1999.

In 2000, the Group acquired two distribution companies, one in Italy (3D Planet), the other in Austria (GameBusters). Ubi Soft also bought the software business of Guillemot in Germany.

**GameBusters** is a distribution company in Austria, which will give Ubi Soft the advantages of a business operating directly in this area. Up to now, distribution here was carried out by the German subsidiary. In 1999, GameBusters had sales of 4 million euros. The company has non-exclusive distribution rights for the main global publishers of games and accessories, including Electronic Arts, Sony, Sega, Infogrames, etc. Following this acquisition, GameBusters will distribute Ubi Soft products as well as those of third-party publishers. By taking over GameBusters, Ubi Soft's goal is to position itself among the leading distributors of PC and console games in Austria by the end of 2000.

The purchase of the software business of **Guillemot Germany** will enable Ubi Soft to distribute its products directly to all its German customers. This operation will give it direct contact with stores and thus a better understanding of market and sales profiles. This should push up Ubi Soft's sales figures by 35 to 40 million francs.

### 4.5.4. FUTURE INVESTMENTS

The Group will continue its investment program in order to pursue its expansion and its conquest of new markets. Its ultimate goal is to figure among the world's top five publishers by 2005/2006.

There are no firm commitments on future investments on the part of the Group's management.

## 5. ASSETS - FINANCIAL SITUATION - RESULTS

### 5.1. CONSOLIDATED FINANCIAL STATEMENTS

#### 5.1.1. CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2000 (FF thousands)

ASSETS	Gross	Depreciation	Net	Net	Net	EUR0
	31.03.00	31.03.00	31.03.00	31.03.99	31.03.99	31.03.00
Intangible assets	737,500	286,070	451,430	320,038	234,043	68,820
Goodwill	5,142	1,169	3,973	4,230	6,196	606
Tangible assets	140,887	75,356	65,531	51,088	42,464	9,990
Financial assets	46,422		46,422	10,112	3,945	7,077
<b>Fixed assets</b>	<b>929,951</b>	<b>362,595</b>	<b>567,356</b>	<b>385,468</b>	<b>286,648</b>	<b>86,493</b>
Inventory and work-in-progress	91,236	3,017	88,219	47,274	42,387	13,449
Prepaid expenses	184,303		184,303	62,890	22,746	28,097
Trade receivables	581,376	7,252	574,124	378,960	124,556	87,524
Other receivables	220,420		220,420	76,366	50,655	33,603
Cash	964,201		964,201	234,665	115,310	146,992
<b>Current assets</b>	<b>2,041,536</b>	<b>10,269</b>	<b>2,031,267</b>	<b>800,155</b>	<b>395,654</b>	<b>309,665</b>
Redemption premium	1,310		1,310	8,922	12,444	200
Redemption premium	18,027		18,027	20,035	10,646	2,748
<b>Total Assets</b>	<b>2,990,824</b>	<b>372,864</b>	<b>2,617,960</b>	<b>1,214,380</b>	<b>685,392</b>	<b>399,106</b>
<b>LIABILITIES</b>			<b>31.03.00</b>	<b>31.03.99</b>	<b>31.03.99</b>	<b>31.03.00</b>
Capital			33,157	22,459	22,243	5,055
Premiums			1,650,207	64,451	53,699	251,573
Consolidated reserves			88,403	50,359	20,833	13,477
Net attributable earnings			71,803	41,036	29,058	10,946
Translations reserve			10,834	2,053	2,061	1,652
Net investment subsidy			322	87	87	49
Equity (Group)			1,854,726	180,680	127,981	282,752
Minority interests			0	0	0	0
<b>Total equity</b>			<b>1,854,726</b>	<b>180,680</b>	<b>127,981</b>	<b>282,752</b>
Provisions for risks and charges			4,035	3,248	1,853	615
Borrowings (1)			344,468	702,259	256,185	52,514
Current accounts of the partners			54,977	25,779	82,311	8,381
Advances and installments received			9,552	2,225	657	1,456
Trade payables			185,612	200,281	100,649	28,296
Tax and social security liabilities			70,207	68,814	70,287	10,703
Debts on fixed assets			30,368	2,422	11,473	4,630
Other debts and liabilities			29,190	14,636	4,652	4,450
<b>Total for debts and accounts payable</b>			<b>724,374</b>	<b>1,016,416</b>	<b>526,214</b>	<b>110,430</b>
Adjustment accounts			34,825	14,236	9,344	5,309
<b>Total Liabilities</b>			<b>2,617,960</b>	<b>1,214,380</b>	<b>685,392</b>	<b>399,106</b>
			70,113	94,105	69,044	10,689
			274,355	608,154	187,141	41,825

(1) payable at less than one year:  
payable at more than one year:

### 5.1.2. CONSOLIDATED INCOME STATEMENT (FF thousands)

	EUR			
	31.03.00	31.03.09	31.03.08	31.03.00
Net revenue	1,223,538	869,682	632,195	186,527
Production taken to inventories	298,837	221,213	169,981	45,557
Operating subsidies	41,407	29,728	9,180	6,312
Writeback on amortization, depreciation and provisions, charge transfers	6,191	3,218	2,612	944
Other operating income	2,319	1,077	281	354
<b>Operating income</b>	<b>1,572,292</b>	<b>1,124,918</b>	<b>814,249</b>	<b>239,694</b>
Purchases, variation in inventory and external costs	892,315	613,570	486,892	136,032
Tax and duty	14,515	11,640	6,469	2,213
Wages and social security costs	333,614	234,591	170,066	50,859
Other costs	1,793	1,554	449	273
Depreciation and other provisions in accounts	240,321	175,645	97,018	36,637
<b>Total operating expenses</b>	<b>1,482,558</b>	<b>1,037,000</b>	<b>760,894</b>	<b>226,014</b>
Net operating income	89,734	87,918	53,355	13,680
Net financial income	2,831	-17,456	-4,256	431
Pre-tax income on ordinary activities	92,565	70,462	49,099	14,111
Net exceptional income	-3,761	1,000	-563	-573
Pre-tax income	88,804	71,462	48,536	13,538
Corporation tax	17,001	30,426	19,478	2,592
Total net income	71,803	41,036	29,058	10,946
Minority interests	0	0	0	0
Net attributable earnings	71,803	41,036	29,058	10,946

### 5.1.3. CONSOLIDATED CASH FLOW STATEMENT (FF thousands)

<b>Flows related to operating activities</b>	
Net income	71,803
Depreciation of tangible and intangible fixed assets	258,440
Amortization net of goodwill writebacks	247
Changes in accounts provisions	3,186
Change in deferred taxation	-5,055
Subsidy	-98
Flows arising from the disposal of fixed assets	-22,120
<b>Total cash-flow related to operating activities</b>	<b>306,403</b>
Increase in operating fund requirements	-476,951
Decrease in no-operational requirements	24,360
<b>Total flows</b>	<b>-452,591</b>
<b>Flows related to investments</b>	
Acquisition of intangible assets	-369,997
Acquisition of tangible assets	-53,855
Acquisition of equity holding	-37,838
Acquisition of other long-term loans and investments	-3,990
Expenses to be allocated	-827
Disposal of fixed assets	32,742
Proceeds from long-term loans and investments	1,336
<b>Total flows related to investments</b>	<b>-432,429</b>
<b>Flows related to finance transactions</b>	
New long- and medium-term loans	35,637
Repayment of loans	-338,965
Increase in capital	10,698
Increase in issue premium	3,016
Increase in conversion premium	193,515
Increase in share issue premium	1,056,267
Increase in issue premium on shares with warrants	336,416
Increase in current accounts of the shareholders	29,200
Other flows	1,541
<b>Total flows related to investments</b>	<b>1,327,325</b>
Impact of translation difference	-1,979
<b>Net changes in cash flow</b>	<b>746,729</b>
Net cash position at the beginning of the financial year	196,490
Net cash position at the end of the financial year	943,219

## 5.1.4. EXPLANATORY NOTES TO THE CONSOLIDATED ACCOUNTS

### 5.1.4.1 ACCOUNTING PRINCIPLE

The consolidated financial statements have been prepared in accordance with the Act of 3 January 1985 and its application decree of 17 February 1986, in compliance with the principle of conservatism and the following basic rules:

- continuity;
- consistency of accounting methods (except for the adoption on 31 March 2000 of the "inclusion of foreign exchange (debit and credit) in earnings"), in accordance with the recommendation of the CNC of 17 December 1998, in order to provide better financial information (see page 71, paragraph IV);
- time-period concept;
- and compliance with the general rules governing the preparation and presentation of the annual financial statements.

#### ➤ Consolidation methods

##### Full consolidation

Companies are fully consolidated when exclusively controlled directly or indirectly by UBI Soft Entertainment SA, i.e. when it holds 50% of the voting rights or at least 40% if no other shareholder holds a larger percentage.

##### Equity affiliates

Companies in which UBI Soft Entertainment SA has a significant influence, because it holds directly or indirectly 20 to 50% of the voting rights, are accounted for according to the equity method.

As of 31 March 2000, all companies of the Group were exclusively controlled by UBI Soft Entertainment SA, and therefore fully consolidated. All inter-company transactions are eliminated according to the applicable consolidation rules. All significant transactions between consolidated companies and all internal results taken to fixed assets and the stocks of consolidated companies are eliminated.

#### ➤ Intangible assets

##### Goodwill

When a new company is acquired, identifiable assets and liabilities of the company concerned are stated in the Consolidated Balance Sheet at their value as reassessed at that date. The difference remaining between the acquisition cost of the equity and the proportionate share of the net assets as revalued is stated under the heading "Goodwill."

All goodwill is amortized over a period of 20 years using the straight-line method. Goodwill is reviewed for each set of Annual Accounts in the light of changes in subsidiary net sales and its contribution to the net income of the consolidated entity as a whole; such goodwill may, therefore, be subject to exceptional amortization or write-down, where applicable.

##### Other intangible assets

Software production costs are determined in accordance with the guidelines issued by the Conseil National de la Comptabilité [French National Council for Accountancy] in April 1987. These costs are stated in the accounts under the heading "intangible assets" (account no. 232) during the development process. From the date of their first commercial release, they are transferred to the account "Released parent software programs" (account no. 208).

Parent software programs have been amortized from their commercial release date on the basis of the expected market life of the product concerned, as assessed at the accounts closing date. The amortization period is between 12 and 36 months, maximum. Net sales of the various products until the end of their market life are estimated at FF 2,764,885 KF (it came to 1,904,402 KF on 31 March 1999). This sum allows for amortization of the corresponding parent software programs. The system of amortization used is the straight-line method. However, if sales are less than estimated, a supplementary amortization will be undertaken. Software tools, a category containing complex development programs that may be used for a number of products, are amortized over 36 months using the straight-line method.

#### ➤ Tangible fixed assets

Fixed assets are stated in the Balance Sheet at their acquisition cost. Depreciation, which is calculated using rates standardized throughout the Group, is determined on the basis of the methods and use life durations set out below:

Equipment .....	5 years (straight-line)
Fixtures and fittings .....	5 and 10 years (straight-line)
Computer equipment .....	3 years (diminishing balance)
Office furniture .....	10 years (straight-line)

#### ➤ Financial fixed assets

The gross value of equity holdings corresponds to the cost of acquisition or the payment in cash for the shares of no-consolidated companies.

The value of the shareholding is estimated at the end of each financial year, based on the subsidiary's net financial position on that date. A provision for depreciation is established, if required.

#### ➤ Fixed assets acquired through leasing finance arrangements

Significant capital assets financed by leasing agreements are restated in the Consolidated Accounts as if the Company had acquired the assets directly using loan finance.

#### ➤ Inventory and work-in-progress

The inventories of all Group companies are valued after elimination of internal margins using cost prices based on normal trading. Inventory is valued using the moving-average method. The gross value of goods and supplies includes purchase price and related expenses. Financial costs have been excluded from inventory valuation in all cases. Items are written down in the accounts if the probable net realizable value is less than the book value.

#### ➤ Prepaid expenses

Licenses cover distribution and reproduction rights acquired from other publishers. The signature of licensing contracts entails the payment of guaranteed amounts, recorded in account no. 409.

### ➤ Trade and other receivables

Trade and other receivables have been valued at their nominal amount. Where applicable, a depreciation expense may be entered according to the degree of certainty as to ultimate collection existing at the accounts closing date.

### ➤ Corporation tax

A number of restatements have been made in the Annual Accounts of consolidated companies in order to harmonize them with the accounting principles applied in the Consolidated Accounts, in addition to the fact that certain time lags in tax assessment between the Annual Accounts lead to temporary discrepancies between fiscal net income and net income as restated in the accounts.

Such temporary discrepancies, in addition to those resulting from the elimination of internal net income, lead to the inclusion of deferred tax in the Consolidated Accounts, which is stated using the liability method.

Deferred tax losses are recorded only when then can likely be charged, in the short term, to pre-tax profit.

### ➤ Translation of items expressed in foreign currencies

#### Translation of transactions of French companies carried out in foreign currencies

Transactions expressed in foreign currencies have been translated at the rate of exchange in force at the relevant date or at the rate of any exchange cover which may have been put in place. Corporate assets and liabilities expressed in foreign currencies at the accounts closing date have been translated at the rate applicable on the closing date or at the cover rate, where applicable. Exchange differences due to the translation of transactions expressed in foreign currencies have been included in the Income Statement.

In order to factor in the impact of currency fluctuations of currencies outside the euro area, the Group has decided to take the positive and negative impact of claims and debts valued in foreign currencies to profit, with effect from 31 March 2000.

#### Translation of the financial statements of foreign subsidiaries in French francs

The assets and liabilities of foreign subsidiaries are translated at the exchange rate in force at the closure of the financial year, while the income statement is translated at the average annual rate. The translation difference resulting from the impact of exchange rate fluctuations on assets and liabilities, and the difference between the result at the average rate and the result at the closure rate is taken to the translation reserve under equity.

### ➤ Retirement payments

On retirement, Group employees receive a payment calculated according to the provisions contained in the relevant collective bargaining agreement. Given the low average age of the workforce, the policy of the Group is not to include a provision in the accounts for accrued rights to such payments, but rather to state the cost arising from actual retirement of salaried employees in the fiscal year of their departure.

### ➤ Provisions for risks and charges

Provisions for risks and charges are taken for probable risks and charges whose purpose is clearly identified.

## 5.1.4.2. CONSOLIDATION STRUCTURE

### ➤ Companies consolidated by Ubi Soft Entertainment to 31 March 2000

COMPANIES	Country	Consolidated	Controlling	Method
		companies	percentage	
UBI SOFT ENTERTAINMENT S.A.	France	Yes	Parent company	Full consolidation
UBI STUDIOS S.A.	France	Yes	100%	Full consolidation
UBI SOFT Inc	USA	Yes	100%	Full consolidation
UBI PICTURES SARL	France	Yes	100%	Full consolidation
UBI SOFT ENTERTAINMENT Ltd	GB	Yes	100%	Full consolidation
UBI SOFT ENTERTAINMENT GmbH	Germany	Yes	100%	Full consolidation
UBI SOFT S.A.	Spain	Yes	100%	Full consolidation
UBI SOFT KK	Japan	Yes	100%	Full consolidation
UBI SOFT SpA	Italy	Yes	100%	Full consolidation
UBI GAME DESIGN SARL	France	Yes	100%	Full consolidation
UBI SOUND STUDIO SARL	France	Yes	100%	Full consolidation
UBI BOOKS AND RECORDS SARL	France	Yes	100%	Full consolidation
UBI RESEARCH AND DEVELOPMENT SARL	France	Yes	100%	Full consolidation
UBI ANIMATION SARL	France	Yes	100%	Full consolidation
UBI SIMULATIONS SARL	France	Yes	100%	Full consolidation
UBI SOFT PTY Ltd	Australia	Yes	100%	Full consolidation
UBI GRAPHICS SARL	France	Yes	100%	Full consolidation
UBI SOFT FRANCE S.A.	France	Yes	100%	Full consolidation
UBI NETWORKS SARL	France	Yes	100%	Full consolidation
UBI WORLD S.A.	France	Yes	100%	Full consolidation
UBI SOFT DIVERTISSEMENTS Inc	Canada	Yes	100%	Full consolidation
SHANGHAI UBI COMPUTER SOFTWARE LTD	China	Yes	100%	Full consolidation
UBI SOFT ENTERTAINMENT SARL	Morocco	No	100%	Not consolidated
UBI VOICES Inc	USA	No	100%	Not consolidated
UBI SOFT ENTERTAINMENT NORDIC AS	Denmark	Yes	100%	Full consolidation
UBI INFO DESIGN SARL	France	Yes	100%	Full consolidation
UBI MUSIC PUBLISHING Inc	Canada	No	100%	Not consolidated
UBI SOFT ENTERTAINMENT Ltd	Hong Kong	Yes	100%	Full consolidation
UBI SOFT ENTERTAINMENT BV	Netherlands	Yes	100%	Full consolidation
UBI SOFT ENTERTAINMENT Sprl	Belgium	Yes	100%	Full consolidation
UBI STUDIOS SL	Spain	Yes	100%	Full consolidation
UBI STUDIOS Srl	Italy	Yes	100%	Full consolidation
UBI SOFT ENTERTAINMENT Ltda	Brazil	Yes	100%	Full consolidation
UBI SOFT DIFFUSION S.A.	France	Yes	100%	Full consolidation
UBI PRODUCTIONS France SARL	France	Yes	100%	Full consolidation
UBI WORLD STUDIOS SARL	France	Yes	100%	Full consolidation
UBI COMPUTER SOFTWARE BEIJING COMPANY LTD	China	Yes	100%	Full consolidation
UBI SOFT PUBLISHING OEM Inc	Canada	No	100%	Not consolidated
UBI SOFT ENTERTAINMENT Inc	USA (New York)	Yes	100%	Full consolidation
UBI STUDIOS KK	Japan	No	100%	Not consolidated
UBI SOFT ENTERTAINMENT SWEDEN AB	Sweden	No	100%	Not consolidated
UBI COLOR SARL	France	Yes	100%	Full consolidation
UBI MARKETING RESEARCH SARL	France	Yes	100%	Full consolidation
UBI DIGITAL MOVIES INC	Canada	No	100%	Not consolidated
UBI MUSIC INC	Canada	No	100%	Not consolidated
UBI VENTURES S.A.	France	Yes	100%	Full consolidation
UBI STUDIOS LTD	GB	Yes	100%	Full consolidation
UBI SOFT ENTERTAINMENT FIA	Taiwan	No	100%	Not consolidated
GAMEBUSTERS GmbH	Austria	No	100%	Not consolidated
UBI SOFT SRL	Roumania	No	95%	Not consolidated

*The financial year of all consolidated companies ends on 31 March. Certain companies have not been consolidated, since their creation was too recent or their volumes were not significant as of 31 March 2000.*

### Change in consolidation structure

#### New companies added to the consolidation structure on 31 March 2000:

UBI SOFT ENTERTAINMENT Ltd (Hong Kong)	incorporation date:	May 1998
UBI SOFT ENTERTAINMENT BV	incorporation date:	July 1998
UBI STUDIOS SL	incorporation date:	August 1998
UBI SOFT ENTERTAINMENT INC (New York)	incorporation date:	August 1998
UBI SOFT ENTERTAINMENT SprL	incorporation date:	November 1998
UBI STUDIOS SRL	incorporation date:	November 1998
UBI COMPUTER SOFTWARE BEIJING LTD	incorporation date:	December 1998
UBI WORLD STUDIOS SARL	incorporation date:	January 1999
UBI SOFT ENTERTAINMENT Ltda	incorporation date:	May 1999
UBI COLOR SARL	incorporation date:	September 1999
UBI MARKETING RESEARCH SARL	incorporation date:	December 1999
UBI VENTURES S.A.	incorporation date:	February 2000
UBI STUDIOS LTD	acquisition date:	February 2000

### 5.1.4.3. NOTES ON THE BALANCE SHEET

#### 1 Intangible assets

Intangible assets break down as follows:

Intangible assets	31.03.99			31.03.00
	Gross	Increase	Decrease	Gross
Released parent software program	227,587	337,614	189,909	375,292
Parent software in progress	272,209	224,756	272,209	224,756
Tool software program	57,698	69,909	14,048	113,559
Other licenses	7,127	490	841	6,776
Office software	5,428	5,679	216	10,891
Miscellaneous	2,034	4,387	2,282	4,139
Other	506	1,727	146	2,087
<b>Total</b>	<b>572,589</b>	<b>644,562</b>	<b>479,651</b>	<b>737,500</b>

Depreciation	31.03.99			31.03.00
	Cumulative	Increase	Decrease	Cumulative
Released parent software program	210,130	192,744	188,075	214,799
Parent software in progress	-	-	-	-
Tool software program	32,384	30,446	6,073	56,757
Other licenses	6,241	743	798	6,186
Office software	3,446	4,138	40	7,544
Miscellaneous	-	-	-	-
Other	349	581	146	784
<b>Total</b>	<b>252,550</b>	<b>228,652</b>	<b>195,132</b>	<b>286,070</b>

The increase in intangible assets in the accounts reflects the increase in the Group's activity. All software currently being marketed was amortized over a period of 3 years as of 31 March 2000.

#### Goodwill

Goodwill broke down as follows on 31 March 2000:

Société acquise	Acquisition	Gross	On 31.03.99		On 31.03.00
	Date		Amortization	Appropriation	Amortization
UBI Studios S.A.	02.02.96	104	16	5	21
UBI Pictures S.A.	02.02.96	504	79	25	104
Ubi Soft Inc	02.02.96	1,984	322	100	422
Ubi Soft Entertainment Ltd	31.12.94	1,547	311	77	388
Ubi Soft Entertainment GmbH	01.08.95	1,003	184	50	234
<b>Total</b>		<b>5,142</b>	<b>912</b>	<b>257</b>	<b>1,169</b>

#### Commercial software

Some of the Group's companies produce parent software, software used on several media and tool software. They act as subcontractors for Ubi Soft Entertainment SA.

## 2 Tangible fixed assets

Tangible fixed assets break down as follows:

	31.03.99			31.03.00
Fixed assets	Gross	Increase	Decrease	Gross
Plant & machinery	12,935	7,179	355	19,759
Computer equipment & furniture	52,895	40,894	4,581	89,208
Transport equipment	344	186	71	459
Lease-financed IT hardware	31,496	5,160	5,630	31,026
Construction in progress	-	435	-	435
<b>Total</b>	<b>97,670</b>	<b>53,854</b>	<b>10,637</b>	<b>140,887</b>

	31.03.99			31.03.00
Depreciation	Cumulative	Increase	Decrease	Cumulative
Plant & machinery	5,065	2,640	287	7,418
Computer equipment & furniture	20,271	27,765	3,954	44,082
Transport equipment	117	70	27	160
Lease-financed IT hardware	21,129	8,197	5,630	23,696
<b>Total</b>	<b>46,582</b>	<b>38,672</b>	<b>9,898</b>	<b>75,356</b>

## 3 Financial assets

	31.03.99	Increase	Decrease	31.03.00
Non-consolidated companies	6,920	37,838	4,182	40,576
Other long-term investments	25	-	-	25
Deposit and guarantees	3,167	3,990	1,336	5,821
<b>Total</b>	<b>10,112</b>	<b>41,828</b>	<b>5,518</b>	<b>46,422</b>

Equity investments in non-consolidated companies consisted mainly of the interests in GameLoft.com SA and Ludi Wap SA, respectively valued at FF 20 million and FF 12.05 million.

## 4 Inventory and work-in-progress

Inventory and work-in-progress break down as follows:

			31.03.00	31.03.99
	Gross	Depreciation	Net	Net
Goods	91,236	3,017	88,219	47,274
<b>Total</b>	<b>91,236</b>	<b>3,017</b>	<b>88,219</b>	<b>47,274</b>

## 5 Prepaid expenses

These are guaranteed prepaid amounts on licensing contracts totaling FF 160.493 thousand.

These advances are taken on earnings in proportion to sales made with the licensed products.

## 6 Trade and other receivables

Trade and other receivables break down as follows:

			31.03.2000	31.03.1999
	Gross	Depreciation	Net	Net
Trade receivable	581,376	7,252	574,124	378,960
<b>Total</b>	<b>581,376</b>	<b>7,252</b>	<b>574,124</b>	<b>378,960</b>

Growth of trade receivables outstanding was driven mainly by the release of many products toward the end of the financial year (*Rayman 2* for Dreamcast, *Rayman 2* and *All Star Tennis 99* for GameBoy, *Football World Manager* for PCs, launched in February/March 2000). This trend also reflects the general increase of sales by the Group's companies and longer payment times on the US market.

## 7 Other receivables

Other receivables break down as follows:

	2000	1999
Tax credits, timing differences	4,744	1,803
Tax credits, consolidation adjustments	5,254	2,650
Current account advances	55,542	22,356
VAT	9,738	8,330
Other tax and social security claims	56,279	18,672
Credits receivable from suppliers	9,367	7,580
Suppliers with debits	16,640	14,948
Other	62,856	27
<b>Total</b>	<b>220,420</b>	<b>76,366</b>

All receivables have a maturity of less than one year.

## 8 Cash

The cash account including investment securities amounted to FF 680,580,000 on 31 March 2000, compared with FF 98,375,000 the year before, and cash deposits of FF 283,621,000, compared with FF 136,290,000 on 31 March 1999.

## 9 Redemption premium

The amount of the premium recorded under assets is FF 13,624,000.

This premium is amortized in proportion to accrued interest, i.e. FF 4,297,000 on 31 March 2000.

Moreover, conversion of 90,276 bonds during the past year and 17,308 bonds during the previous year has reduced the call premium by FF 8,017,000.

## 10 Accruals

Accruals broke down as follows:

	2000	1999
Prepaid expenses	10,438	8,084
Charges to be carried to future financial years	4,759	8,703
Translation difference	2,830	3,248
<b>Total</b>	<b>18,027</b>	<b>20,035</b>

## 11 Equity

### Capital

On 31 March 2000, Ubi Soft Entertainment SA's capital consisted of 16,578,368 shares with a par value of FF 2 each, i.e. FF 33,156,736.

### Change in equity

Equity on 31.03.99	180,680
Capital increase in cash, by bond conversion, or by exercise of options or share warrants	10,698
Issue premium	1,585,502
FY99/00 earnings	71,803
Change in consolidation structure	-7
Change in translations reserves	6,046
Other	4
<b>Equity on 31.03.00</b>	<b>1,854,726</b>

### Ubi Soft Entertainment shares outstanding

On 01.04.96	2,245,853
Exercised options	11,437
Bond conversion	54,082
New shares	372,058
Exercised share warrants	5
	2,683,435
3-for-1 share split on 17/01/00	13,417,175
Exercised options	30,670
Bond conversion	836,355
New shares	78,575
Exercised share warrants	2,215,593
On 31.03.00	16,578,368

### Capital increases

In order to bolster its financial resources, Ubi Soft Entertainment SA completed two capital increases during the past year:

- one capital increase by issuing shares with warrants:

**Number and nominal value:** 372,058 shares, with a nominal value of FF 10, each accompanied by a warrant; 2 warrants can be used to the subscriber at one share with a nominal value of FF 10.

**Issue price:** EUR 136 (FF 892.10)

**Payment date:** 3 November 1999

**Exercise period:** from 3 November 1999 to 2 November 2002

**Exercise price:** EUR 170 (FF 1,115.13)

**Parity at the moment of issue:** 2 warrants for one share  
after the stock split: 2 warrants for 5 shares

- one capital increase by issuing new shares:

**Number and nominal value:** 2,215,593 shares with a nominal value of FF 2

**Subscription price:** EUR 75 (FF 491.97)

**Payment date:** 13 March 2000

### Stock options

The capital increases and issue premiums during the past financial year were partly driven by exercise of stock options. For the record, the exercise conditions of the stock options plans are as follows:

#### First plan:

**Initial number of shares:** 250,000 shares at FF 2 per share (nominal value).

**Subscription price per share:** FF 36, i.e. an issue premium of FF 34.

**Period of the plan:** from 15 June 1996 to 15 June 2001.

On 31 March 2000, 133,365 options remained to be exercised.

#### Second plan:

**Initial number of shares:** 250,000 shares at FF 2 per share (nominal value).

**Subscription price per share:** FF 79.40, i.e. an issue premium of FF 77.40.

**Period of the plan:** from 22 April 1997 to 22 April 2002.

On 31 March 2000, 247,575 options remained to be exercised.

#### Third plan :

**Initial number of shares:** 250,000 shares at FF 2 per share (nominal value).

**Subscription price per share:** FF 133.80, i.e. an issue premium of FF 131.80.

**Period of the plan:** from 23 October 1998 to 23 October 2003.

On 31 March 2000, no option had been exercised.

## 12 Provisions for risks and charges

Provisions for risks and charges broke down as follows:

	On 31.03.99	Increase	Appropriation	Writeback	On 31.03.00
Provisions for currency losses	3,248	-	2,829	3,248	2,829
Negative goodwill	-	1,216	-	10	1,206
<b>Total</b>	<b>3,248</b>	<b>1,216</b>	<b>2,829</b>	<b>3,258</b>	<b>4,035</b>

The negative goodwill was connected with the acquisition of Ubi Studios Ltd on 1 February 2000.

## 13 Borrowings

Borrowings broke down as follows:

	31.03.00	31.03.99	
Bond loan	238,929	442,023	
Borrowings from credit institutions	68,004	198,340	
Accrued interest	6,235	9,821	
Advances in foreign currencies	2,750	35,739	
Bank overdrafts	18,233	2,436	
Borrowings resulting from restatement of leases	10,069	13,652	
Advances by the State	248	248	
<b>Borrowings</b>	<b>344,468</b>	<b>702,259</b>	
	- 1 year	+ 1 year and - 5 years	+ 5 years
<b>Maturities still payable on 31.03.00</b>	<b>70,113</b>	<b>274,355</b>	-

The Group's borrowings and fixed and floating rates amounted to FF 309,468,000 and FF 35,000,000, respectively.

Leases mainly cover IT hardware leased under contracts of a maximum of 3 years.

Overdrafts are used to finance temporary cash needs linked to changes in working capital requirements.

At the closure of FY 99/00, net borrowings stood at zero.

### > Main characteristics of the first bond loan

**Number and nominal value:** 167,000 bonds with a nominal value of FF 600

**Issue price:** FF 600 per bond

**Rights and payment date:** 10 October 1997

**Term of loan:** 5 years and 173 days

**Annual interest:** 2% per year, i.e. FF 12 per bond, paid each year on 1 April, effective from 1 April 1998

**Gross yield rate:** 4.26% on 10 October 1997

**Normal amortization:** total amortization on 1 April 2003 by redemption at a price of FF 681.58, i.e. 113.6% of the issue price.

107,584 bonds have been converted, including 90,276 during the past year (54,082 before the stock split and 36,194 after). 59,416 bonds remain to be converted.

### > Main characteristics of the second bond loan

**Number and nominal value:** 314,815 bonds with a nominal value of FF 1,080

**Issue price:** FF 1,080 per bond

**Rights and payment date:** 16 July 1998

**Term of loan:** 7 years

**Annual interest:** 3.80% p.a., i.e. FF 41.04 per bond, payable annually from 16 July

**Gross yield rate:** 3.80% on 16 July 1998

**Normal amortization:** total amortization on 16 July 2005 by redemption at a price of FF 1,080, i.e. the entire issue price.

131,081 bonds have been converted, including 131,077 during the past year after the stock split. 183,734 bonds remain to be converted.

## 14 Tax and social security liabilities

Tax and social security liabilities broke down as follows:

	31.03.00	31.03.99
<b>Social security liabilities</b>	<b>35,741</b>	<b>29,595</b>
<b>Tax liabilities</b>	<b>34,466</b>	<b>39,219</b>
<b>Total</b>	<b>70,207</b>	<b>68,814</b>

## 15 Accruals

Accruals consisted of FF 22 million worth of unearned revenue and FF 13 million worth of translation differences.

### 5.1.4.4. NOTES ON THE INCOME STATEMENT

#### 1 Revenue

The geographical revenue mix was as follows:

Germany	10.4%
GB	8.4%
Spain	2.1%
Italy	2.5%
France	31.0%
North America	29.5%
Rest of the world	16.1%
<b>Total</b>	<b>100%</b>

#### 2 Purchases, stock change and external charges

Purchases, stock changes and external charges broke down as follows:

	31.03.2000	31.03.1999
Cost of goods sold (purchases + stock change)	438,885	361,521
Other external charges	453,430	252,049
<b>Total</b>	<b>892,315</b>	<b>613,570</b>

Other external charges consisted mainly of advertising expenses, royalties, and rental of fixed assets and movables.

#### 3 Appropriations to amortization, depreciation and provisions

Appropriations to amortization, depreciation and provisions broke down as follows:

	31.03.2000	31.03.1999
Amortization and depreciation of fixed assets	233,490	170,120
Provisions for current assets	6,831	5,525
<b>Total</b>	<b>240,321</b>	<b>175,645</b>

#### 4 Financial result

Net financial income broke down as follows:

	31.03.2000	31.03.1999
<b>Financial income</b>		
Currency gains *	48,915	18,954
Unrealized currency gains **	12,703	0
Interest and similar income	2,606	2,162
Income from divestment of investment securities	481	1,366
Income from securities	1,389	1,142
Writebacks from provisions	3,464	1,760
	<b>69,558</b>	<b>25,384</b>
<b>Financial charges</b>		
Currency losses	34,523	15,523
Interest and similar charges	27,557	20,626
Depreciation appropriations	4,647	6,691
	<b>66,727</b>	<b>42,840</b>
<b>Total net financial income</b>	<b>2,831</b>	<b>-17,456</b>

\* currency gains during the year

\*\* unrealized currency gain recognized on 31/03/00 (this amount corresponds to foreign exchange (credit) in the parent company accounts)

**Note on the accounting change to recommended methods:**

In order to factor in the impact of fluctuations in currencies outside the euro area, the Group decided to take currency gains or losses on claims and debts booked in foreign currencies to consolidated earnings, effective from 31 March 2000, in accordance with the CNC recommendation of 17 December 1998. The positive impact of this change amounted to FF 13 million for the year.

On 31 March 1999, only unrealized currency losses were carried to consolidated earnings. The positive impact of price changes amounted to FF 3 million. Net earnings would have been raised from FF 41 million to FF 44 million if this recommended method had been adopted at the closure on 31 March 1999.

**Currency risk:**

In order to limit the currency risk, Ubi Soft Entertainment hedges currency fluctuations on future sales in foreign currencies by reverse financing transactions in the same currencies. When currencies appreciate, the margin on products increases and translation differences become negative. When currencies depreciate, the margin on products decreases and translation differences become positive.

## 5 Net exceptional income broke down as follows

	31.03.2000	31.03.1999
<b>Exceptional income</b>		
Exceptional income on management operations	807	561
Exceptional income on capital transactions	32,840	6,597
	33,647	7,158
<b>Exceptional charges</b>		
Exceptional charges on management operations	1,565	1,551
Exceptional charges on capital transactions	10,621	4,598
Appropriations to amortization, depreciation and provisions	25,222	9
	37,408	6,158
<b>Total net exceptional income</b>	<b>-3,761</b>	<b>1,000</b>

Net exceptional income was generated by the sale of Game Service to GameLoft.com SA for FF 20 million and divestment of trademark utilization rights to Ludi Wap SA for FF 12 million, as well as appropriations to exceptional amortization and depreciation of fixed assets connected with projects abandoned during the financial year.

## 6 Corporation tax

Corporation tax broke down as follows:

	31.03.2000	31.03.1999
<b>Current tax</b>	<b>22,056</b>	<b>31,163</b>
<b>Deferred tax</b>	<b>-5,055</b>	<b>-737</b>
<b>Total</b>	<b>17,001</b>	<b>30,426</b>

Tax paid by French companies was calculated at the rate in force on 31 March 2000, i.e. 33.33% plus 10%, and, as applicable, the contribution of 3.3%.

## 7 Earnings per share

	31.03.2000	31.03.1999
<b>Number of shares</b>	<b>16,578,368</b>	<b>11,229,265 *</b>
<b>EPS</b>	<b>FF 4.33</b>	<b>FF 3.65</b>

\* after the 5-for-1 stock split on 17/01/00.

## 8 Other information

### > Off balance sheet commitments

Guarantees given .....	FF 8,159,000
Collateral for loans .....	none
Guarantees received .....	none
Leasing finance	

Initial value	Depreciation	Net value	Payments made	Payment remaining to be made		Residual value
				- 1 year	+ 1 year	
28,859	22,834	6,025	8,437	5,703	3,762	273

Bills discounted and not yet due: none.

Retirement payments: due to the low average age of the workforce, the level of commitments related to retirement payments is not significant.

A number of products are marketed under license agreements signed with Ubi Soft Entertainment SA. As of 31 March 2000, the undertakings made involve the payment of royalties, with associated guaranteed minimum payments. At the close of financial year, commitments including such minimum guarantees totaled FF 165 million.

### > Directors' remuneration

The gross remuneration paid during the past year by the company and its subsidiaries to the managers, Misters Yves, Claude, Michel, Gérard and Christian Guillemot, amounted to FF 1,646,000 including FF 6,000 in benefits in kind. No attendance fees were paid.

### 5.1.4.5. OTHER INFORMATION

#### 1 Workforce

As of 31 March 2000, numbers of people employed broke down as follows:

Europe	659
Asia	336
Canada	377
USA	85
Morocco	103
Roumania	86
Australia	4
Brazil	2
<b>Total</b>	<b>1,652</b>

#### 2 Events after closure

No event has occurred after closure that is likely to have an impact on the financial statements.

### REPORTS OF THE STATUTORY AUDITORS

#### Auditors' General Report Period ended 31 March 2000

Dear Sir or Madam:

Pursuant to the assignment vested in us by your General Meeting, we have audited UBI Soft Entertainment SA's consolidated financial statements for the financial year to 31 March 2000, as attached to this report.

The annual accounts have been prepared by the Board of Directors. It is our task to give an opinion on these accounts, on the basis of our audit.

We conducted our audit in accordance with accepted professional standards; these standards require due diligence in order to ascertain with reasonable certainty that the annual accounts are free from material misstatements. An audit consists of an examination, on a sampling basis, of evidence relevant to the amounts and to the disclosures made in the financial statements. It also involves an assessment of the accounting principles applied, of the significant estimates made in the preparation of the financial statements and of their overall presentation. It is our view that the audit we have carried out forms a true and fair basis for the opinion expressed below.

We hereby certify that the financial statements give a true and fair view of the results obtained for the period in question and of the financial situation and assets of the company at the end of the accounting period.

As mentioned in the management report and note 5.1.4.4 IV, the company added unrealized currency gains to consolidated earnings for the year to 31 March 2000.

We have also verified the information on the Group given in the management report. In our opinion, it agrees with the consolidated financial statements.

*Issued in Rennes and Paris on 8 August 2000*

By the Statutory Auditors

André METAYER

COMPAGNIE CONSULAIRE D'EXPERTISE COMPTABLE JEAN DELQUIÉ  
Jean DELQUIÉ

## 5.2. PARENT COMPANY FINANCIAL STATEMENTS

### 5.2.1. BALANCE SHEET TO 31 MARCH 2000 (FF thousands)

ASSETS	31.03.00	31.03.00	31.03.00	31.03.99	31.03.98	31.03.00
	Gross	Amort/dag	Net	Net	Net	EUR99
Tangible assets	730,275	278,521	451,754	318,114	230,977	68,870
Tangible fixed assets	24,704	11,733	12,971	11,548	6,878	1,977
Financial assets	735,385	4,286	731,099	41,574	31,241	111,455
<b>Fixed assets</b>	<b>1,490,364</b>	<b>294,540</b>	<b>1,195,824</b>	<b>371,236</b>	<b>269,096</b>	<b>182,302</b>
Inventory and work-in-progress	68,164	2,055	66,109	37,086	34,477	10,078
Prepaid expenses	160,493		160,493	61,995	22,565	24,467
Trade receivables	453,083	2,591	450,492	299,626	92,470	68,677
Other receivables	344,723		344,723	126,377	37,175	52,553
Investment securities	89,904		89,904	98,375	0	13,706
Cash	153,307		153,307	104,729	85,025	23,371
<b>Current assets</b>	<b>1,269,674</b>	<b>4,646</b>	<b>1,265,028</b>	<b>728,188</b>	<b>271,712</b>	<b>192,852</b>
Redemption premium	1,310		1,310	8,922	12,444	200
Adjustment accounts	10,085		10,085	13,427	6,537	1,538
<b>Total Actif</b>	<b>2,771,433</b>	<b>299,186</b>	<b>2,472,247</b>	<b>1,121,773</b>	<b>599,769</b>	<b>376,802</b>
LIABILITIES		31.03.00	31.03.99	31.03.98	31.03.00	EUR99
Capital		33,157	22,459	22,243	5,055	
Premiums		1,650,207	64,451	53,699	251,573	
Reserves		65,336	37,890	22,254	9,960	
Net income for financial year		20,347	27,700	15,636	3,102	
Net investment subsidy		323	322	150	49	
<b>Equity</b>		<b>1,769,370</b>	<b>152,822</b>	<b>113,982</b>	<b>269,739</b>	
Provisions for risks and charges		2,766	2,859	1,726	422	
Bond debentures		238,929	442,023	113,824	36,424	
Liabilities (1) (2)		75,825	237,970	124,221	11,559	
Debts (3)		55,227	26,027	63,520	8,419	
Trade payables		171,389	170,694	81,694	26,128	
Tax and social security liabilities		3,857	11,223	9,481	588	
Debts on fixed assets		118,288	46,638	46,638	18,033	
Other debt and liabilities		23,893	17,403	3,736	3,643	
<b>Total for debt and accounts payable</b>		<b>687,408</b>	<b>863,105</b>	<b>443,114</b>	<b>104,784</b>	
Adjustment accounts		12,703	2,987	967	1,937	
<b>Total Liabilities</b>		<b>2,472,247</b>	<b>1,121,773</b>	<b>599,769</b>	<b>376,802</b>	
(1) payable at less than one year:		44,325	78,071	56,965	6,757	
payable at more than one year:		31,500	159,899	67,256	4,802	
(2) current bank credit facilities and debit balances:		6,720	36,251	22,747	1,024	
(3) shareholders' current accounts:						

### 5.2.2. INCOME STATEMENT (FF thousands)

	Financial year	Financial year	Financial year	EURO
	of 12 months	of 12 months	of 12 months	
	ended 31.03.00	ended 31.03.99	ended 31.03.98	31.03.00
Production in financial year	828,143	674,944	533,464	126,250
Other operating income and costs transferred	29,055	10,983	10,961	4,429
<b>Total operating revenue</b>	<b>857,198</b>	<b>685,927</b>	<b>544,425</b>	<b>130,679</b>
Purchases	403,135	314,313	274,277	61,458
Change in inventory	-28,828	-4,592	-13,147	-4,395
External costs	239,833	154,191	155,068	36,562
Tax and duty	3,679	2,569	2,264	561
Wages and social security costs	2,141	10,073	16,882	326
Other costs	299	70	128	46
Depreciation and other provisions in accounts	208,077	149,260	75,627	31,721
<b>Total operating expenses</b>	<b>828,336</b>	<b>625,884</b>	<b>511,099</b>	<b>126,279</b>
<b>Net operating income</b>	<b>28,862</b>	<b>60,043</b>	<b>33,326</b>	<b>4,400</b>
Financial income from interests	0	1	0	0
Income from other securities and claims on fixed assets	508	1,141	0	77
Other interest and related income (1)	7,766	3,695	1,477	1,184
Reversals of provisions in accounts	3,076	1,726	1,002	469
Unrealized exchange gains	47,448	18,301	10,644	7,234
Net proceeds from sales of transferable securities	481	1,366	0	73
<b>Total financial proceeds</b>	<b>59,279</b>	<b>26,230</b>	<b>13,123</b>	<b>9,037</b>
Depreciation and other provisions	8,869	6,299	3,138	1,352
Other interest and related expenses	24,050	18,425	5,327	3,666
Unrealized exchange losses	32,317	15,124	8,717	4,927
<b>Total financial expenses</b>	<b>65,236</b>	<b>39,848</b>	<b>17,182</b>	<b>9,945</b>
Net financial income/expense	-5,957	-13,618	-4,059	-908
<b>Operating income less net financial income/expense</b>	<b>22,905</b>	<b>46,425</b>	<b>29,267</b>	<b>3,492</b>
Net income/expense, no-recurring items	-2,558	1,987	-653	-390
Income before tax	20,347	48,412	28,614	3,102
Corporation tax	0	20,712	12,978	0
<b>Net income for financial year</b>	<b>20,347</b>	<b>27,700</b>	<b>15,636</b>	<b>3,102</b>
(1) including revenue from affiliated companies:	6,193	2,346	402	944

### 5.2.3. CASH FLOW STATEMENT

(FF thousands)

<b>Flows related to operating activities</b>	
Net income	20,347
Depreciation of tangible and intangible fixed assets	230,010
Changes in accounts provisions	7,105
Subsidy	-98
Flows arising from the disposal of fixed assets	-22,191
<b>Total cash flow related to operating activities</b>	<b>235,173</b>
Increase in operating fund requirements	-489,595
Decrease in no-operational requirements	56,920
<b>Total flows</b>	<b>-432,675</b>
<b>Flows related to investments</b>	
Acquisitions of intangible assets	-368,150
Acquisitions tangible assets	-6,744
Acquisition of equity holding	-692,619
Acquisition of other long-term loans and investments	-1,196
Disposal of fixed assets	32,000
Proceeds from long-term loans and investments	1
<b>Total flows related to investments</b>	<b>-1,036,709</b>
<b>Flows related to finance transactions</b>	
Repayments of loans	-328,241
Increase in capital	10,698
Increase in issue premium	3,016
Increase in conversion premium	193,515
Increase in share issue premium	1,056,267
Increase in issue premium on shares with warrants	336,416
Increase in current accounts of the shareholders	29,200
Other flows	-4
<b>Total flows related to finance transactions</b>	<b>1,300,867</b>
<b>Net changes in cash flow</b>	<b>66,656</b>
Net cash position at the beginning of the financial year	167,086
Net cash position at the end of the financial year	233,742

### 5.2.4. NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

The following notes to the balance sheet and tables, shown in thousands of French francs, are an integral part of the financial statements. Before distribution of earnings for the year ended 31 March 2000, the balance sheet totaled FF 2.47 billion. The income statement showed a profit of FF 20.35 million.

The financial year covered a period of 12 month from 1 April 1999 to 31 March 2000.

The Board of Directors approved the financial statements on 5 July 2000.

#### 5.2.4.1. ACCOUNTING PRINCIPLES

General accounting conventions were applied in compliance with the principle of conservatism and the following fundamental criteria:

- going concern concept;
- consistency principle;
- time period concept;
- and adherence to the general rules governing the drawing up and the presentation of annual financial statements.

The historical cost principle was applied as the basic method for the valuation of items stated in the accounts.

#### 5.2.4.2. ACCOUNTING RULES AND METHODS

##### ➤ Intangible assets

These mainly consist of software design expenses, i.e.:

- commercial software programs under exploitation or not yet marketed
- software tools

These assets are amortized over the following periods:

- commercial software programs: 3 years maximum
- software tools: 3 years

Software production costs are determined in accordance with the guidelines issued by the Conseil National de la Comptabilité [French National Council for Accountancy] in April 1987. These costs are stated in the accounts under the heading "intangible assets" (account no. 232) during the development process. From the date of their first commercial release, they are transferred to the account "Released parent software programs" (account no. 208).

Parent software programs have been amortized from their commercial release date on the basis of the expected market life of the product concerned, as assessed at the accounts closing date. The amortization period is between 12 and 36 months, maximum. Net sales of the various products until the end of their market life are estimated at 2,764,885 thousand of Francs (it came to 1,904,402 thousands of Francs on 31 March 1999). This sum allows for amortization of the corresponding parent software programs. The system of amortization used is the straight-line method. However, if sales are less than estimated, a supplementary amortization will be undertaken. Software tools, a category containing complex development programs that may be used for a number of products, are amortized over 36 months using the straight-line method.

#### ➤ Tangible fixed assets

These are stated at historical cost. The depreciation rates applied are as follows:

- fixtures and fittings: straight-line, 5 and 10 years
- computer equipment: diminishing-balance, 3 years
- office equipment: straight-line, 5 and 10 years

#### ➤ Long-term loans and investments

Equity investments are valued at acquisition cost. If the book value is lower than the gross value at the end of the year, a depreciation provision is taken to cover the difference.

The value of an equity holding is reviewed at the end of each financial year on the basis of the net position or earning power of the subsidiary at that date. A provision for depreciation is made if necessary.

#### ➤ Inventory

Inventories are valued on the basis of cost prices based on normal trading, using the weighted average cost method. The gross value of goods and supplies includes purchase price and related expenses. Financial costs have been excluded from inventory valuation in all cases.

A provision for depreciation is made where the probable net realizable value is less than the book value.

#### ➤ Trade and other receivables

These are valued at their nominal amount. Receivables are subject to a depreciation expense where relevant when their inventory value is less than their book value.

#### ➤ Translation of accounts payable and receivable expressed in foreign currencies

These are translated at the rates applicable on 31 March 2000. Any resulting unrealized exchange gains or losses are shown in the Balance Sheet under a specific heading. A provision for contingent liabilities is made in the accounts if the translation reveals the existence of latent losses.

#### ➤ Provisions for risks and charges

Provisions for risks and charges are taken for probable risks connected with a clearly determined object.

As of 31 March 2000, provisions for risks and charges covered the currency risks linked to discounting of claims and debts denominated in foreign currencies.

### 5.2.4.3 EXPLANATORY NOTES TO THE BALANCE SHEET

#### 1 Intangible assets

Intangible assets break down as follows:

Intangible assets	31.03.99		31.03.00	
	Gross	Increase	Decrease	Gross
Released parent software programs	230,666	345,383	189,909	386,140
Parent software programs in progress	272,209	224,756	272,209	224,756
Tool software programs	57,099	69,909	13,449	113,559
Other licenses	5,509	311	-	5,820
<b>Total</b>	<b>565,483</b>	<b>640,359</b>	<b>475,567</b>	<b>730,275</b>

Amortissements	31.03.99		31.03.00	
	Cumulative	Increase	Decrease	Cumulative
Released parent software programs	210,589	193,939	188,075	216,453
Parent software programs in progress	-	-	-	-
Tool software programs	31,785	30,446	5,474	56,757
Other licenses	4,995	316	-	5,311
<b>Total</b>	<b>247,369</b>	<b>224,701</b>	<b>193,549</b>	<b>278,521</b>

## 2 Tangible fixed assets

Tangible fixed assets break down as follows:

Tangible fixed assets	Gross	Increase	Decrease	Gross
	<b>31.03.99</b>			<b>31.03.00</b>
Fittings	7,562	151	243	7,470
Transport equipment	50	-	-	50
Computer equipment and furniture	12,131	7,205	2,152	17,184
<b>Total</b>	<b>19,743</b>	<b>7,356</b>	<b>2,395</b>	<b>24,704</b>

Depreciation	Cumulative	Increase	Decrease	Cumulative
	<b>31.03.99</b>			<b>31.03.00</b>
Fittings	2,756	708	243	3,221
Transport equipment	50	-	-	50
Computer equipment and furniture	5,389	4,612	1,539	8,462
<b>Total</b>	<b>8,195</b>	<b>5,320</b>	<b>1,782</b>	<b>11,733</b>

## 3 Long-term loans and investments

Financial assets broke down as follows:

	Brut	Acquisitions	Decrease	Gross	Provision	Net
	<b>31.03.99</b>			<b>31.03.00</b>		<b>31.03.00</b>
Equity investments	40,722	692,620	4	733,338	4,286	729,052
Other long-term investments	25	-	-	25	-	25
Deposits and guarantees	827	1,196	1	2,022	-	2,022
<b>Total</b>	<b>41,574</b>	<b>693,816</b>	<b>5</b>	<b>735,385</b>	<b>4,286</b>	<b>731,099</b>

## 4 Inventory and work-in-progress

Inventory and work-in-progress break down as follows:

	Gross	Provisions	Net	Net
	<b>31.03.00</b>			<b>31.03.99</b>
Goods	68,164	2,055	66,109	37,086
<b>Total</b>	<b>68,164</b>	<b>2,055</b>	<b>66,109</b>	<b>37,086</b>

## 5 Advances and installments paid

These are guaranteed prepaid expenses on licensing contracts totaling FF 160,493 thousand.

These advances are taken to earnings in proportion to sales made with the licensed products.

## 6 Trade receivables

Trade receivables broke down as follows:

	Gross	Provisions	Net	Net
	<b>31.03.2000</b>			<b>31.03.99</b>
Clients	453,083	2,591	450,492	299,626
<b>Total</b>	<b>453,083</b>	<b>2,591</b>	<b>450,492</b>	<b>299,626</b>

## 7 Statement of claims and debts

Statement of claims	Gross amount	- 1 year	+ 1 year
<b>Claims on fixed assets</b>			
Other financial assets	2,022		2,022
<b>Claims on current assets</b>			
Doubtful claims	3,284		3,284
Trade receivables	449,800	449,800	
Social security organizations	4	4	
State (VAT credit, other)	27,143	27,143	
Group and partners	231,022	231,022	
Advances and installments	160,493	160,493	
Other debts	86,554	86,554	
Prepaid expenses	3,670	3,670	
<b>Total</b>	<b>963,992</b>	<b>958,686</b>	<b>5,306</b>
Statement of debts	Gross amount	- 1 year	+ 1 year
Convertible bond loan	238,929		238,929
Borrowings of maximum 2 years on inception	75,825	44,325	31,500
Borrowings of minimum 2 years on inception			
Miscellaneous borrowings			
Trade payables	171,389	171,389	
Tax and social security liabilities	3,857	3,857	
Other debts	23,893	23,893	
Debts on fixed assets	118,288	118,288	
Group and partners	55,227	55,227	
<b>Total</b>	<b>687,408</b>	<b>416,979</b>	<b>270,429</b>
Borrowings taken out during the year	50,000		
Borrowings repaid during the year	365,887		
Debt taken out vis-à-vis natural persons	10,000		

## 8 Income receivable

Credits receivable from suppliers ..... 9,605

Products not yet billed ..... 946

Interest receivable ..... 119

**Total ..... 10,670**

## 9 Investment securities

Investment securities are booked at acquisition cost. At the closure, capital losses, if any, are provisioned.

## 10 Equity

	Balance on 31.03.99	Appropriation of FY98/99 earnings	Capital increase in cash and by bond conversion	FY99/00 earnings	Balance on 31.03.00	Proposed appropriation of FY99/00 earnings	Balance on 31.03.00 appropriation of FY99/00 earnings
Capital	22,459		10,698		33,157		33,157
Issue premium	64,451	254	1,585,502		1,650,207	3,712	1,653,919
Legal reserves	2,224	22			2,246	1,070	3,316
Regulated reserves	126				126	1,435	1,561
Other reserves	35,540	27,424			62,964	14,130	77,094
Earnings	27,700	-27,700		20,347	20,347	-20,347	0
Investment subsidy	323				323		323
<b>Total</b>	<b>152,823</b>	<b>0</b>	<b>1,596,200</b>	<b>20,347</b>	<b>1,769,370</b>	<b>0</b>	<b>1,769,370</b>

In order to bolster its financial resources, Ubi Soft Entertainment SA completed two capital increases during the past year:

#### ➤ One capital increase by issuing shares with warrants

**Number and nominal value:** 372,058 shares with a nominal value of FF 10, each accompanied by a warrant; 2 warrants can be used to subscribe to one share with a nominal value of FF 10

**Issue price:** EUR 136 (FF 892.10)

**Payment date:** 3 November 1999

**Exercise period:** from 3 November 1999 to 2 November 2002

**Exercise price:** EUR 170 (FF 1,115.13)

#### ➤ One capital increase by issuing new shares

**Number and nominal value:** 2,215,593 shares with a nominal value of FF 2

**Subscription price:** 75 euros (491.97 F)

**Payment date:** 13 mars 2000

Number of Ubi Soft Entertainment shares

<b>01.04.99</b>	<b>2,245,853</b>
Exercised options	11,437
Bond conversion	54,082
New shares	372,058
Exercised share warrants	5
	<b>2,683,435</b>
<b>5-for-1 share split on 17.01.00</b>	<b>13,417,175</b>
Exercised options	30,670
Bond conversion	836,355
New shares	78,575
Exercised share warrants	2,215,593
<b>31.03.00</b>	<b>16,578,368</b>

On 31 March 2000, the share capital consisted of 16,578,368 shares with a nominal value of FF 2, i.e. FF 33,156,736.

The capital increases and issue premiums during the past financial year were partly driven by exercise of stock options. For the record, the exercise conditions of the stock options plans are as follows:

#### ■ First plan:

**Initial number of shares:** 250,000 shares at FF 2 per share (nominal value)

**Subscription price per share:** FF 36, i.e. an issue premium of FF 34

**Period of the plan:** from 15 June 1996 to 15 June 2001

On 31 March 2000, 133,365 options remained to be exercised.

#### ■ Second plan:

**Initial number of shares:** 250,000 shares at FF 2 per share (nominal value)

**Subscription price per share:** FF 79.40, i.e. an issue premium of FF 77.40

**Period of the plan:** from 22 April 1997 to 22 April 2002

On 31 March 2000, 247,575 options remained to be exercised.

#### ■ Third plan:

**Initial number of shares:** 250,000 shares at FF 2 per share (nominal value)

**Subscription price per share:** FF 133.80, i.e. an issue premium of FF 131.80

**Period of the plan:** from 23 October 1998 to 23 October 2003

On 31 March 2000, no option had been exercised.

## 11 Payables

Interest on borrowings from credit institutions	5,652
Bank charges payable	547
Interest on miscellaneous borrowings	-
<b>Total borrowings</b>	<b>6,199</b>
Trade payables, invoices not yet received	55,730
Credits to be issued	18,850
Tax and social security liabilities	2,751
<b>Total</b>	<b>83,530</b>

## 12 Items relating to affiliated companies

### Current assets

Equity holdings	696,997
Trade and other receivables	158,991
Other receivables	180,298

### Accounts payable

Trade and other accounts payable	37,446
Debts on fixed assets	78,055
Other debts	9,049

## 13 Provisions on the balance sheet

	01.04.99	Appropriation	Writeback	31.03.00
<b>Provisions for risks</b>				
for currency risks	2,859	2,766	2,859	2,766
<b>Provisions for depreciation</b>				
of equity investments	-	4,286	-	4,286
of stock	2,250	1,425	1,620	2,055
of receivables	1,085	1,737	231	2,591
<b>Total</b>	<b>3,335</b>	<b>7,448</b>	<b>1,851</b>	<b>8,932</b>
<b>Total</b>	<b>6,194</b>	<b>10,214</b>	<b>4,710</b>	<b>11,698</b>

## 14 Financial debts

The company has made two convertible bond issues with the following characteristics:

### > Chief characteristics of the convertible bonds

**Number and nominal value:** 167,000 bonds with a nominal value of FF 600

**Issue price:** FF 600 per bond

**Effective date and settlement:** 10 October 1997

**Loan period:** 5 years and 173 days

**Annual interest rate:** 2% per year, or FF 12 per bond, payable on 1 April of each year starting 1 April 1998

**Annual gross yield:** 4.26% on 10 October 1997

**Normal amortization:** full amortization on 1 April 2003, through repayment at a price of FF 681.58, or 113.6% of the issue price.

107,584 bonds have been converted, including 90,276 during the past year (54,082 before the stock split and 36,194 after). 59,416 bonds remain to be converted.

### > Chief characteristics of the convertible bonds

**Number and nominal value:** 314,815 bonds with a face value of FF 1,080

**Issue price:** FF 1,080 per bond

**Effective date and settlement:** 16 July 1998

**Loan period:** 7 years

**Annual gross yield:** 3.80% per year, or FF 41.04 per bond, payable on 16 July of each year starting 16 July 1999

**Gross yield:** 3.80% at 16 July 1998

**Normal amortization:** amortized in full by 16 July 2005, through repayment at the price of FF 1,080, or 100% of the issue price.

131,081 bonds have been converted, including 131,077 during the past year after the stock split. 183,734 bonds remain to be converted.

#### 5.2.4.4 NOTES TO THE INCOME STATEMENT

##### ➤ Sale

The breakdown of sales, in percentage terms, is as follows:

**Distribution 10.05%    Production 66.95%    Publishing 23.00%    Total 100%**

##### ➤ Appropriations to amortization, depreciation and provisions

Appropriations broke down as follows:

	31.03.2000	31.03.1999
Appropriations for amortization of intangible assets	199,593	142,365
Appropriations for depreciation of tangible assets	5,321	4,353
Appropriations to provisions	3,163	2,542
<b>Total</b>	<b>208,077</b>	<b>149,260</b>

##### ➤ Corporation tax

The costs connected with the capital increases have been charged to the issue premium and have therefore been deducted from pre-tax earnings, which consequently showed a loss. As a result, no corporation tax will be paid for the past year.

##### ➤ Net exceptional income

Net exceptional income broke down as follows:

	31.03.2000	31.03.1999
<b>Extraordinary income</b>		
Extraordinary income from management transactions	305	0
Extraordinary income from capital transactions	32,098	4,830
	32,403	4,830
<b>Extraordinary charges</b>		
Extraordinary charges from management transactions	44	26
Extraordinary charges from capital transactions	9,809	2,808
Allocations to depreciation and provisions	25,108	9
	34,961	2,843
<b>Total net exceptional income</b>	<b>-2,558</b>	<b>1,987</b>

Net exceptional income was generated by the sale of Game Service to GameLoft.com SA for FF 20 million and divestment of trademark utilization rights to Ludi Wap SA for FF 12 million, as well as appropriations to exceptional amortization and depreciation of fixed assets connected with projects abandoned during the financial year.

#### 5.2.4.5 OTHER INFORMATION

##### ➤ Average numbers employed

The workforce averaged 5 persons during the year, consisting exclusively of senior executives.

##### ➤ Financial commitments and other information

Guarantees given: 8,159KF  
 Collateral for loans: none  
 Guaranteed received: none  
 Leasing finance (in thousands of French francs):

Initial value	Depreciation	Net value	Payments made	Payments remaining to be made		Residual value
				< 1 year	> 1 year	
28,984	22,707	6,277	8,481	5,713	3,762	274

Leased assets consist mainly of IT hardware.

Discounted bills not due: none

Retirement payments: because of the average age of the staff, retirement commitments are insignificant.

Different products are marketed under license agreements signed by Ubi Soft Entertainment SA. As of 31 March 2000, the commitments accepted by the company provided for payment of guaranteed minimum royalties. At the closure of the financial year, commitments by virtue of this guaranteed minimum amounted to FF 165 million.

Next year, the reductions (increases: no) in the future tax liability will be as follows:

organic 371  
 exchange-rate fluctuations 12,703  
 13,074 KF

##### ➤ Directors' remuneration

Remuneration paid to the company's directors during FY99/00 amounted to FF 1,576,000, including FF 6,000 in benefits in kind.

Misters Yves, Claude, Michel, Gérard and Christian Guillemot are paid a salary by the company.

Mrs Yvette Guillemot, director, does not receive a salary.

### Subsidiaries and affiliated companies on 31.03.00

	Country	Currency	Capital	Reserves and amount carried forward before allocation	Share of equity held	Book value of securities held (FF thousands)		Loans and advances granted company and not yet paid	Total collateral guarantees provided by the company	Net sales	Net income for last complete year	Dividend collected
			Currency thousands	Currency thousands		Gross	Net	Currency thousands		Currency thousands	Currency thousands	
<b>Detailed information on subsidiaries and interests whose book value exceeds 1%</b>												
<b>Subsidiaries held for less Than 50%</b>												
Ubi Soft Inc	USA	Dollar	1,000	1,536	100%	7,602	7,602	7,440	0	43,088	3,075	0
Shanghai Ubi Computer Software Company Ltd	China	RMB	9,939	483	100%	7,252	7,252	300 USD	500 USD	58,672	4,750	0
Ubi Ventures SA	France	Franc	655,957	0	100%	655,957	655,957	0	0	0	526	0
<b>Other subsidiaries</b>												
<b>French subsidiaries</b>												
						4,387	3,818					
<b>Foreign subsidiaries</b>						25,690	21,973					
<b>Interests from 10 to 50%</b>												
<b>French interests</b>						32,450	32,450					
<b>General</b>						733,338	729,052					

### 5.2.5. FINANCIAL TABLE (ART. 135 OF THE DECREE OF 23 MARCH 1967)

Financial year	1995/96	1996/97	1997/98	1998/99	1999/00
Share capital	20,000,000	22,231,180	22,243,430	22,458,530	33,156,736
Ordinary shares outstanding	2,000,000 <sup>(1)</sup>	2,223,118	2,224,343	2,245,853	16,578,368 <sup>(2)</sup>
Prior preferred shares outstanding	-	-	-	-	-
Maximum number of shares that may be created by bond conversion	-	49,182	264,957	608,262	2,698,235
by exercise of stock options	-	-	167,000	464,503	1,215,750
by exercise of warrants	-	49,182	97,957	143,759	630,940
	-	-	-	-	851,545
<b>Net revenue (FF thousands)</b>	<b>208,188</b>	<b>301,177</b>	<b>532,908</b>	<b>674,944</b>	<b>828,143</b>
Pre-tax income, profit sharing, appropriation (FF thousands)	15,357	63,586	105,185	199,950	234,912
Corporation tax (FF thousands)	4,261	7,027	12,978	20,712	-
Employee profit-sharing	-	-	-	-	-
Income after tax, profit-sharing, appropriations (FF thousands)	7,960	15,842	15,636	27,700	20,347
Distributed income (FF thousands)	-	-	-	-	-
Net earnings per share before appropriations	5.55	25.44	41.45	79.81	14.17
Net earnings per share after tax and appropriations	3.98	7.13	7.03	12.33	1.23
<b>Dividend per share</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Average workforce	48	48	44	25	5
Payroll (FF thousands)	10,546	12,252	11,975	7,374	1,576
Social security contributions and welfare benefits (FF thousands)	4,281	5,386	4,907	2,699	565

(1) 10-for-1 stock split

(2) 5-for-1 stock split

No dividend has been declared for the last five years.

## REPORTS OF THE STATUTORY AUDITORS (Auditors' General Report Period ended 31 March 2000)

Dear Sir or Madam,

Pursuant to the assignment entrusted to us by your General Meeting, we hereby present you with our report for the period ended 31 March 2000 covering:

our audit of the annual accounts for the company Ubi Soft Entertainment, as enclosed with this report; and the specific verifications and information required by law.

The annual accounts have been prepared by the Board of Directors. It is our task to give an opinion on these accounts, on the basis of our audit.

### ➤ Opinion on the annual accounts

We conducted our audit in accordance with accepted professional standards; these standards require due diligence in order to ascertain with reasonable certainty that the annual accounts are free from material misstatements. An audit consists of an examination, on a sampling basis, of evidence relevant to the amounts and to the disclosures made in the financial statements. It also involves an assessment of the accounting principles applied, of the significant estimates made in the preparation of the financial statements and of their overall presentation. It is our view that the audit we have carried out forms a true and fair basis for the opinion expressed below.

We hereby certify that the financial statements give a true and fair view of the results obtained for the period in question and of the financial situation and assets of the company at the end of the accounting period

### ➤ Specific verifications and information

In accordance with accepted professional standards, we have also made the specific verifications required by law.

We have no observations to make concerning the accuracy of the information given in the Board of Directors' report, or in the documents concerning the financial situation and annual accounts as addressed to shareholders, or their conformity with the annual accounts.

In accordance with the law, we have ensured that the carious notices relating to acquisition of equity holdings and control have been transmitted to you in the management report.

*Rennes and Paris, 8 August 2000*

By the Statutory Auditors,

André METAYER

COMPAGNIE CONSULAIRE D'EXPERTISE COMPTABLE JEAN DELQUIÉ

## SPECIAL STATUTORY AUDITORS' REPORT ON REGULATED AGREEMENTS (Period ended 31 March 2000)

Dear Sir or Madam,

In our capacity as the Statutory Auditors of your company, we hereby present our report on regulated agreements.

Pursuant to Article 103 of the Act of 16 July 1966, we have been advised of the agreements that are the subject of the prior authorization by your Board of Directors.

It is not up to us to look for other agreements that may exist, but on the basis of information given to us, to inform you of the essential features and details of those agreements that we have been made aware of, without having to pass judgment on their usefulness and validity. According to the provisions of Article 92 of the decree of 23 March 1967, it is up to you to assess whether it is in your interest to enter into these agreements before approving them.

We have carried out our work in accordance with professional standards; these standards require due diligence in order to ascertain that the information provided to us corresponds to the basic documents from which it comes.

### ➤ Current account advances made by UBI PARTICIPATIONS

UBI Participations has granted your company interest-bearing advances.

Interest on these advances amounted to FF 63,014 during the year.

This agreement was approved at the Board meeting held on 15 February 2000.

**Joint directors:**  
**Mr. Gérard GUILLEMOT**  
**Mr. Yves GUILLEMOT**  
**Mr. Claude GUILLEMOT**  
**Mr. Michel GUILLEMOT**  
**Mr. Christian GUILLEMOT**

### ➤ Divestment of GAME SERVICE activity to GAMELOFT.COM

Under a transfer agreement dated 15 March 2000, your company contributed its GAME SERVICE to GAMELOFT.COM SA for FF 20,000,000.

**Joint directors:**  
**Mr. Gérard GUILLEMOT**  
**Mr. Yves GUILLEMOT**  
**Mr. Claude GUILLEMOT**  
**Mr. Michel GUILLEMOT**  
**Mr. Christian GUILLEMOT**

### ➤ Agreement to use trademarks and characters on all mobile telephony media

Under a transfer agreement dated 15 March 2000, your company granted Ludi Wap SA the right to use the trademarks and characters owned by your company on all mobile telephony media in consideration of a payment of FF 12,000,000.

This agreement was approved at the Board meeting held on 15 February 2000.

**Joint directors:**

- Mr. Gérard GUILLEMOT**
- Mr. Yves GUILLEMOT**
- Mr. Claude GUILLEMOT**
- Mr. Michel GUILLEMOT**
- Mr. Christian GUILLEMOT**

Moreover, pursuant to the decree of 23 March 1967, we have been informed that the following agreement, approved during a previous financial year, remained in force during the past financial year:

### ➤ License agreement for KIVEND educational and cultural software granted by LUDIMEDIA to your company

The amounts billed to your company during the past year, net of the cost of distribution, managed by UBI Soft Entertainment SA, came to FF 8,921,189.

These amounts were approved at the Board meeting held on 1 December 1998.

**Joint directors:**

- Mr. Gérard GUILLEMOT**
- Mr. Claude GUILLEMOT**
- Mr. Michel GUILLEMOT**
- Mr. Christian GUILLEMOT**

*Rennes and Paris, 8 August 2000*

By the Statutory Auditors,

André METAYER

COMPAGNIE CONSULAIRE D'EXPERTISE COMPTABLE JEAN DELQUIÉ

### ➤ Total remuneration paid to the persons receiving the highest level of remuneration during the financial year just ended

Article 168 of Act No. 6537 of 24 July 1996 concerning business corporations

The total for all remuneration both direct and indirect, including benefits in kind and reimbursement of expenses as allocated during the financial year to 31 March 2000, to the 5 highest paid employees of the company, amounted to FF 1,576,000.

The Board of Directors

*Certified a true record on 8 August 2000*

By the Statutory Auditor,

André METAYER

COMPAGNIE CONSULAIRE D'EXPERTISE JEAN DELQUIÉ

## 6. INFORMATION ABOUT THE BOARD OF DIRECTORS AND THE MANAGEMENT TEAM OF UBI SOFT ENTERTAINMENT

### Management

Chairman: **Mr. Yves Guillemot**

General Managers: **Mr. Claude Guillemot**

**Mr. Michel Guillemot**

**Mr. Gérard Guillemot**

**Mr. Christian Guillemot**

Name	Appointment date	Appointment renewal date	Appointment expiration date
<b>Yves Guillemot</b> Chairman and CEO	26 February 1988	Renewal of mandate on 29 September 1989	Ordinary General Meeting called to vote on the financial statements for the financial year ended 31 March 2001
<b>Claude Guillemot</b> Vice-President Operations	9 January 1996		Ordinary General Meeting called to vote on the financial statements for the financial year ended 31 March 2001
<b>Michel Guillemot</b> Vice-President Operations Expansion, Strategy, Finance	9 January 1996		Ordinary General Meeting called to vote on the financial statements for the financial year ended 31 March 2001
<b>Gérard Guillemot</b> Vice-President Operations Publishing and Marketing	9 January 1996		Ordinary General Meeting called to vote on the financial statements for the financial year ended 31 March 2001
<b>Christian Guillemot</b> Vice-President Operations Administration	9 January 1996		Ordinary General Meeting called to vote on the financial statements for the financial year ended 31 March 2001

### Board of directors

Nom	Appointment date	Appointment renewal date	Date d'expiration du mandat
<b>Yves Guillemot</b> Director Chairman of the Board of Directors	28 February 1988	Ordinary General Meeting of 29 September 1989 Ordinary General Meeting of 8 September 1995	Ordinary General Meeting called to vote on the financial statements for the financial year ended 31 March 2001
<b>Claude Guillemot</b> Director	28 February 1988	Ordinary General Meeting of 29 September 1989 Ordinary General Meeting of 8 September 1995	Ordinary General Meeting called to vote on the financial statements for the financial year ended 31 March 2001
<b>Michel Guillemot</b> Director	28 February 1988	Ordinary General Meeting of 29 September 1989 Ordinary General Meeting of 8 September 1995	Ordinary General Meeting called to vote on the financial statements for the financial year ended 31 March 2001
<b>Gérard Guillemot</b> Director	28 February 1988	Ordinary General Meeting of 29 September 1989 Ordinary General Meeting of 8 September 1995	Ordinary General Meeting called to vote on the financial statements for the financial year ended 31 March 2001
<b>Christian Guillemot</b> Director	28 February 1988	Ordinary General Meeting of 29 September 1989 Ordinary General Meeting of 8 September 1995	Ordinary General Meeting called to vote on the financial statements for the financial year ended 31 March 2001
<b>Yvette Guillemot</b> Director	25 January 1996		Ordinary General Meeting called to vote on the financial statements for the financial year ended 31 March 2001

The Board of Directors met about twenty times during FY99/00.

The members of the Board of Directors and the management team have not been granted options on the stock of the company or its tier-one or tier-two subsidiaries.

The Board of Directors and management have not created committees.

## ➤ Offices held by the directors

### Mr. Yves GUILLEMOT

*Director and Chairman of the Board of Ubi Soft Entertainment SA. His term of office will expire on adjournment of the Ordinary General Meeting convened to vote on the financial statements of the year to 31 August 2001.*

Other functions:

Chairman and CEO of UBI SOFT FRANCE S.A.  
 Chairman and CEO of UBI WORLD S.A.  
 Chairman and CEO of UBI SOFT DIFFUSION S.A.  
 Chairman and CEO of UBI SOFT EDUTAINMENT S.A.  
 Manager of UBI EMEA SARL  
 Manager of UBI MARKETING RESEARCH SARL  
 Chairman of GAMEBUSTERS GesmbH (Austria)  
 Managing Director of UBI SOFT ENTERTAINMENT GmbH (Germany)  
 Managing Director of UBI SOFT ENTERTAINMENT NORDIC AS (Denmark)  
 Manager of UBI SOFT ENTERTAINMENT SPRL (Belgium)  
 Manager of UBI SOFT ENTERTAINMENT BV (Netherlands)  
 Chairman of UBI SOFT Spa (Italy)  
 Chairman of UBI SOFT S.A. (Spain)  
 Managing Director of UBI SOFT ENTERTAINMENT Ltd (Great Britain)  
 Manager of UBI SOFT ENTERTAINMENT SARL (Morocco)  
 Chairman of UBI SOFT KK (Japan)  
 Vice-Chairman of SHANGHAI UBI COMPUTER SOFTWARE COMPANY Ltd  
 Chairman of UBI SOFT ENTERTAINMENT Ltd (Honk Kong)  
 Chairman of UBI COMPUTER SOFTWARE BEIJING COMPANY Ltd (Beijing)

Managing Director of UBI SOFT Pty Ltd (Australia)  
 Chairman of UBI SOFT DIVERTISSEMENTS Inc (Canada)  
 Chairman of UBI SOFT PUBLISHING OEM Inc (Canada)  
 Chairman of UBI SOFT Inc (San Francisco)  
 Chairman of UBI STUDIOS KK (Japan)  
 Managing Director of UBI SOFT ENTERTAINMENT SWEDEN AB (Sweden)  
 Chairman of UBI DIGITAL MOVIES Inc (Canada)  
 Director and General Manager of GAMELOFT.COM S.A.  
 Director and Chairman and CEO of UBI PARTICIPATIONS S.A.  
 Director and General Manager of GUILLEMOT CORPORATION S.A.  
 Director and General Manager of GUILLEMOT PARTICIPATIONS S.A.  
 Director and General Manager of LUDI WAP S.A.  
 Director and General Manager of UBI VENTURES S.A.

### Mr. Gérard GUILLEMOT

*Director and General Manager of Ubi Soft Entertainment SA. His term of office will expire on adjournment of the Ordinary General Meeting convened to vote on the financial statements of the year to 31 August 2001.*

Chairman and CEO of LUDIMEDIA S.A.  
 Director of UBI STUDIOS S.A.  
 Director of UBI SOFT FRANCE S.A.  
 Director of UBI WORLD S.A.  
 Manager of UBI NETWORKS SARL  
 Manager of UBI PRODUCTIONS FRANCE SARL  
 Manager of LUDI FACTORY SARL  
 Director of UBI SOFT DIFFUSION S.A.  
 Director and General Manager of UBI SOFT EDUTAINMENT S.A.  
 Managing Director of UBI SOFT ENTERTAINMENT Ltd (Hong Kong)  
 Managing Director of UBI SOFT KK (Japan)  
 Managing Director of SHANGHAI UBI COMPUTER SOFTWARE COMPANY Ltd (China)  
 Director of UBI SOFT PUBLISHING OEM Inc (Canada)  
 Chairman of UBI VOICES Inc (United States)

Chairman of UBI MUSIC PUBLISHING Inc (Canada)  
 Chairman of UBI MUSIC Inc (Canada)  
 Director of UBI SOFT DIVERTISSEMENTS Inc (Canada)  
 Chairman of UBI DIGITAL MOVIES Inc (Canada)  
 Chairman of UBI SOFT ENTERTAINMENT Inc (New York)  
 Managing Director of UBI SOFT Inc (San Francisco)  
 Managing Director of UBI SOFT S.A. (Spain)  
 Director and Chairman and CEO of GAMELOFT.COM S.A.  
 Director and General Manager of UBI PARTICIPATIONS S.A.  
 Director and General Manager of GUILLEMOT CORPORATION S.A.  
 Director and General Manager of GUILLEMOT PARTICIPATIONS S.A.  
 Director and General Manager of LUDI WAP S.A.  
 Director and General Manager of UBI VENTURES S.A.

**Mr. Michel GUILLEMOT**

*Director and General Manager of Ubi Soft Entertainment SA. His term of office will expire on adjournment of the Ordinary General Meeting convened to vote on the financial statements of the year to 31 August 2001.*

Director and Chairman and CEO of LUDI WAP S.A.  
 Chairman and CEO of UBI STUDIOS S.A.  
 Director of LUDIMEDIA S.A.  
 Manager of UBI RESEARCH & DEVELOPMENT SARL  
 Manager of UBI ANIMATION SARL  
 Manager of UBI SIMULATIONS SARL  
 Director of UBI SOFT FRANCE S.A.  
 Manager of UBI WORLD STUDIOS SARL  
 Manager of UBI INFO DESIGN SARL  
 Manager of UBI COLOR SARL  
 Director of UBI SOFT DIFFUSION S.A.  
 Director and General Manager of UBI SOFT EDUTAINMENT S.A.  
 Director of UBI WORLD S.A.  
 Manager of UBI STUDIOS Srl (Italy)  
 Manager of UBI STUDIOS SL (Spain)  
 Manager of UBI SOFT SRL (Roumania)

Manager of UBI SOFT ENTERTAINMENT SARL (Morocco)  
 Managing Director of UBI SOFT KK (Japan)  
 Managing Director of SHANGHAI UBI COMPUTER SOFTWARE COMPANY Ltd (China)  
 Managing Director of UBI COMPUTER SOFTWARE BEIJING COMPANY Ltd (Beijing)  
 Managing Director of UBI SOFT ENTERTAINMENT Ltd (Hong Kong)  
 Director of UBI SOFT PUBLISHING OEM Inc (Canada)  
 Chairman of UBI SOFT DIVERTISSEMENTS Inc (Canada)  
 Managing Director of UBI SOFT Inc (San Francisco)  
 Managing Director of UBI SOFT S.A. (Spain)  
 Director and General Manager of UBI PARTICIPATIONS S.A.  
 Director and General Manager of GUILLEMOT CORPORATION S.A.  
 Director and General Manager of GUILLEMOT PARTICIPATIONS S.A.  
 Director and General Manager of UBI VENTURES S.A.  
 Director and General Manager of GAMELOFT.COM S.A.

**Mr. Claude GUILLEMOT**

*Director and General Manager of Ubi Soft Entertainment SA. His term of office will expire on adjournment of the Ordinary General Meeting convened to vote on the financial statements of the year to 31 August 2001.*

Director of LUDIMEDIA S.A.  
 Director of UBI STUDIOS S.A.  
 Director of UBI SOFT FRANCE S.A.  
 Director of UBI WORLD S.A.  
 Director of UBI SOFT DIFFUSION S.A.  
 Director and General Manager of UBI SOFT EDUTAINMENT S.A.  
 Manager of UBI SOUND STUDIO SARL  
 Managing Director of UBI SOFT ENTERTAINMENT Ltd (Hong Kong)  
 Director of SHANGHAI UBI COMPUTER SOFTWARE COMPANY Ltd (China)  
 Managing Director of UBI SOFT Inc (San Francisco)  
 Director of UBI SOFT DIVERTISSEMENTS Inc (Canada)  
 Managing Director of UBI SOFT ENTERTAINMENT Inc (New York)  
 Director of UBI SOFT PUBLISHING OEM Inc (Canada)

Chairman and CEO of GUILLEMOT CORPORATION S.A.  
 Director and Chairman and CEO of GUILLEMOT PARTICIPATIONS S.A.  
 Director and General Manager of UBI PARTICIPATIONS S.A.  
 Director and General Manager of UBI VENTURES S.A.  
 Director and General Manager of LUDI WAP S.A.  
 Director and General Manager of GAMELOFT.COM S.A.

**Mr. Christian GUILLEMOT**

*Director and General Manager of Ubi Soft Entertainment SA. His term of office will expire on adjournment of the Ordinary General Meeting convened to vote on the financial statements of the year to 31 August 2001.*

Director of LUDIMEDIA S.A.

Director of UBI STUDIOS S.A.

Manager of UBI GAME DESIGN SARL

Manager of UBI BOOKS AND RECORDS SARL

Director of UBI SOFT FRANCE S.A.

Director of UBI WORLD S.A.

Manager of UBI GRAPHICS SARL

Manager of UBI PICTURES SARL

Director of UBI SOFT DIFFUSION S.A.

Director and General Manager of UBI SOFT EDUTAINMENT S.A.

Manager of UBI SOFT ENTERTAINMENT SPRL (Belgium)

Managing Director of UBI SOFT ENTERTAINMENT NORDIC AS (Denmark)

Managing Director of UBI SOFT ENTERTAINMENT Ltd (Great Britain)

Manager of UBI SOFT ENTERTAINMENT SARL (Morocco)

Managing Director of UBI SOFT ENTERTAINMENT Ltd (Hong Kong)

Managing Director of SHANGHAI UBI COMPUTER SOFTWARE COMPANY Ltd (China)

Managing Director of UBI SOFT PTY Ltd (Australia)

Director of UBI SOFT PUBLISHING OEM Inc (Canada)

Director of UBI SOFT DIVERTISSEMENTS Inc (Canada)

Managing Director of UBI SOFT Inc (San Francisco)

Director of UBI SOFT ENTERTAINMENT SWEDEN AB (Sweden)

Director and Chairman and CEO of UBI VENTURES S.A.

Director and General Manager of GAMELOFT.COM S.A.

Director and General Manager of UBI PARTICIPATIONS S.A.

Director and General Manager of GUILLEMOT CORPORATION S.A.

Director and General Manager of GUILLEMOT PARTICATIONS S.A.

Director and General Manager of LUDI WAP S.A.

**Director : Mrs Yvette GUILLEMOT**

*Director of Ubi Soft Entertainment SA. Her term of office will expire on adjournment of the Ordinary General Meeting convened to vote on the financial statements of the year to 31 August 2001.*

Director of UBI WORLD S.A.

Managing Director of SHANGHAI UBI COMPUTER SOFTWARE COMPANY Ltd (China)

Director of UBI VENTURES S.A.

## 7. INFORMATION ON RECENT DEVELOPMENTS AND FUTURE PROSPECTS

### 7.1. RECENT DEVELOPMENTS

#### ➤ 1999/2000: a year of consolidation

The year 1999/2000 was marked by the consolidation of the Group's strategic positions.

During this fiscal year, Ubi Soft considerably strengthened its situation by:

- the **recruitment of new multimedia experts** in Europe and the United States; this new talent is itself a factor in accelerating the growth of the teams,
- a **policy of selective acquisitions**, which the Group will continue in order both to acquire new talent and to integrate new product lines and strengthen its distribution network,
- the signing of **new prestigious license agreements**, such as with Disney's Dinosaur, VIP (Pamela Anderson), and The Road to El Dorado (Dreamworks),
- **optimizing production facilities**, using a multi-platform approach and a strategy of broad product lines, which together are combined with shorter production delays and very competitive production costs,
- an **expanded on-line strategy**, since on-line not only sets the stage for the approach of the production teams, but is also one of the focal points for the Group's growth over the coming years, in terms of both marketing and production,
- a **stronger distribution system**, in particular in the United States, where Ubi Soft's position should improve even further,
- a **network of strategic partners** via Ubi Ventures,
- a **reinforcement of its financial position**.

#### ➤ First quarter 2000/2001: solid business in a changing market

During the first quarter of the 2000/2001 financial year, Ubi Soft, armed with its catalogue of more than 1000 titles, once again showed its capacity to deal with a changing market. Sales for the quarter (1 April 2000 – 30 June 2000) were up by 31.7% to FF 150.9 million (23 million euros).

This performance reflected the convergence of several factors:

- A large number of releases: **25 titles** came out between April and June 2000.
- The success of games like *Disney's Dinosaur* on GAME BOY™ Color, **particularly in the United States** where the game came out at the same time as the Disney feature film.

*Dukes of Hazzard™ – Racing for Home* on PlayStation® as well as *Arcatera™*, *EverQuest® : The Ruins of Kunark* and *Taxi 2* on PC also turned in good performances.

## 7.2. OUTLOOK AND STRATEGY

### ➤ 2000/2001: a growing number of leading titles

The 2000/2001 financial year will be marked by a number of product releases, in particular several titles using the recently acquired Disney and Warner licenses, including Donald Duck, Dinosaur and even Batman.

Ubi Soft Entertainment will also have a strong presence on the new generation of machines, with in particular five product releases announced for Sony's PlayStation 2 for Christmas 2000, including leading titles like Rayman 2 The Great Escape; Dinosaur; Donald Duck; The Jungle Book; and a Formula 1 racing simulation on the lines of Monaco Grand Prix, which has an official license from the International Formula 1 Federation. A dozen other titles on the Sony PlayStation 2 will follow in 2000, giving Ubi Soft a large market share on this mass market machine.

During the 2000/2001 financial year, many other titles with great potential are scheduled, including Rayman 2 on PlayStation, several games based on the Batman world of adventures, Cyprien Evil Twin, The Dukes of Hazard, Evolution 2, The Flintstones, Les Visiteurs, Flashpoint, Animorphs, Inspecteur Gadget, Heroes III, POD 2, VIP, Dragon Riders, PeaceMakers, etc.

At the same time, the production teams are working on some 30-odd projects on Nintendo GameCube, X-Box and GameBoy Advance, which should be released during 2001.

### ➤ Prospects for sustained growth

For several years now the Group has set up a dynamic system that is bringing it undeniable strategic benefits. The Group's development has come from five strategic focal points of growth: reusable engines, technological mastery in partnership with the big manufacturers, a worldwide system of studios, marketing subsidiaries on all the most dynamic markets, and the systematic creation of strong brands. Each of these five focal points has a very significant impact on the company's growth and profitability.

Even with these strong points, Ubi Soft has nonetheless set cautious objectives for the year, considering the context of a fast-changing market, while at the same time confirming its capacity to maintain a solid pace of growth in the coming years based on the high quality of its studios, its rich portfolio of licenses, its extensive distribution network and the significant increase in its resources.

On 29 August 2000, Ubi Soft Entertainment S.A. and the well-known American publisher **Red Storm Entertainment** announced a definitive agreement for the buyout of Red Storm Entertainment by Ubi Soft Entertainment. As part of this agreement, Ubi Soft has also signed a new long-term (17-year) exclusive licensing agreement with Tom Clancy, covering all games platforms and all PC and console products. Created in November 1966 by the successful writer Tom Clancy, and based in North Carolina (USA), Red Storm publishes and develops interactive games, specializing in the field of adventure, action and military strategy games. The main shareholders are Tom Clancy and the Pearson Group.

Red Storm ranked number 11 among US publishers in 1999 and has grown rapidly since its founding, based mainly on the application of Tom Clancy licenses, and in particular on two hits: *Tom Clancy's Rainbow Six* and *Tom Clancy's Rogue Spear*. These two games alone account for total sales of more than 3 million copies around the world.

With a hundred employees based in the United States and the United Kingdom, Red Storm's net sales for 1999 (the fiscal year ending 31 December) totaled USD 52 million, with net profits of USD 2.5 million. The company has solid roots in North America, an area that accounts for 70% of its sales.

The acquisition agreement signed with Red Storm gives Ubi Soft new opportunities for further growth and increased profitability. Red Storm gives Ubi Soft:

- a new line of more adult products: action/strategy games; henceforth Ubi Soft's main action/strategy games will be published under the Red Storm label,
- a new well-known license (Tom Clancy has sold more than 80 million books worldwide in 52 languages), which adds to an already well-stocked portfolio of global brands,
- know-how in on-line multi-player games, which rounds out Ubi Soft's on-line range. The Group will develop massively multi-player game projects, which should be released beginning in 2002.

At the same time, Red Storm products will have the benefit of Ubi Soft's global distribution network.

The finalization of this acquisition is subject to the usual conditions, including approval by both the shareholders of the two companies and the regulatory authorities, which involves examination by the US anti-trust commission. Ubi Storm has acquired Red Storm for the price of USD 43 million, which will be financed mainly from the funds raised during the last two capital increases in October 1999 and March 2000. Red Storm has a net cash balance of USD 10 million.

Once the sale is finalized, Red Storm will become a 100%-owned subsidiary of Ubi Soft Entertainment and a Ubi Soft brand, in close cooperation with Tom Clancy. Red Storm employees will have the incentive of a stock-option plan for Ubi Soft shares.

In 2000, Red Storm should turn in sales of USD 40 to 45 million. The impact on Ubi Soft, which will in principle consolidate the company beginning in October 2000, will be on the order of sales of USD 20 million for the 2000/2001 fiscal year, and there will be a positive impact on the Group's profits.

The integration of Red Storm will thus enable the Group to revise its 2000/2001 growth targets upwards, from 25% to 30% in terms of consolidated growth in business and profitability. The acquisition will also considerably strengthen Ubi Soft's presence in North America, which will become the Group's leading market, accounting for 40% of consolidated sales.

In 2001, Red Storm sales should reach about USD 50 to 60 million.

The acquisition of Red Storm is in line with the strategy of selective acquisitions implemented by Ubi Soft in recent months. It will help the Group reach its objective of becoming one of the **top five global publishers**, with sales on the order of USD 1.5 billion by 2005/2006.

# TABLE OF CONCORDANCE

*This document has been prepared in accordance with regulation no. 98-01 of the Commission des Opérations de Bourse, with regard to information to be disclosed on admission to a regulated market for financial instruments and on issue of financial instruments for which admission to trading on a regulated market is requested, and in accordance with the application instruction issued pursuant to this regulation.*

Headings of the application instruction of COB regulation 98-01		Page of the reference document
<b>Chapter 1</b>	<b>1. Persons responsible for the reference document and statutory auditors</b>	<b>3</b>
1.1.	1.1. Persons responsible for the reference document	3
1.2.	1.2. Attestation	3
1.3.	1.3. Name and address of statutory auditors	3
1.4.	1.4. Information policy	4
	<b>2. Securities issues</b>	<b>5</b>
<b>Chapter 3</b>	<b>3. Ubi Soft Entertainment - Capital</b>	<b>6</b>
3.1.	3.1. General information on Ubi Soft Entertainment S.A	6
3.2.	3.2. General information on the capital	9
3.3.	3.3. Distribution of capital and voting rights on 31 March 2001	14
3.3.1.	3.4. Changes in the capital and voting rights during the past three financial years	16
3.4.	3.5. Listing market	17
	3.6. Draft resolutions submitted for approval to the combined Ordinary and Extraordinary General Meeting of 13 September 2000	18
<b>Chapter 4</b>	<b>4. Activity of Ubi Soft Entertainment</b>	<b>25</b>
4.1.	4.1. Presentation of the company and the Group	25
4.2.	4.2. Dependence of UBI Soft Entertainment on certain contracts - main clients	48
4.3.	4.3. Disputes	48
4.4.	4.4. Numbers employed during the past three years	48
4.5.	4.5. Investment policy	50
<b>Chapter 5</b>	<b>5. Assets - Situation - Results</b>	<b>53</b>
5.1.1.	5.1. Consolidated financial statements	53
	5.2. Parent company financial statements	76
<b>Chapter 6</b>	<b>6. Board of directors and management team of the Ubi Soft Entertainment group</b>	<b>98</b>
<b>Chapter 7</b>	<b>7. Recent events and outlook</b>	<b>105</b>
7.1.	7.1. Recent events	105
7.2.	7.2. Outlook and strategies	106