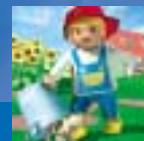
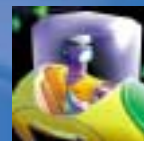




FINANCIAL REPORT 1997-98



1997/98 Financial Report

DIRECTORS - SENIOR MANAGEMENT - AUDITORS OF UBI SOFT ENTERTAINMENT

BOARD OF DIRECTORS

President and CEO:

Yves GUILLEMOT

Members of the Board of Directors:

Michel GUILLEMOT

Gérard GUILLEMOT

Claude GUILLEMOT

Christian GUILLEMOT

Yvette GUILLEMOT

SENIOR MANAGEMENT

Yves GUILLEMOT, President and CEO

Michel GUILLEMOT, Vice President, General Director of Development,
Strategy and Finance

Gérard GUILLEMOT, Vice President, General Director of Publishing and
marketing

Claude GUILLEMOT, Vice President, General Director of Operations

Christian GUILLEMOT, Vice President, General Director of
Administration

STATUTORY AUDITORS

André METAYER

Cabinet Jean DELQUIÉ

Deputy Auditors

Pierre BORIE

Jean DELQUIÉ

PERSONS RESPONSIBLE FOR NOTIFICATIONS TO SHAREHOLDERS

Yves GUILLEMOT

Michel GUILLEMOT

Gérard GUILLEMOT

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1.1. Information of a General Nature concerning Ubi Soft Entertainment S.A.

1.1.0. 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 S.A.

Registered office: 28, rue Armand Carrel - 93100 Montreuil-sous-Bois cédex.

1.1.1. Legal status

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

Appointed Auditors:

- Mr André METAYER
- Compagnie Consulaire d'Expertise Comptable Jean DELQUIÉ

1.1.3. Governing laws

Company subject to French legislation.

1.1.4. Term

- Formed on 28 March 1986;
- Term of 99 years;
- Term expires on 9 April 2085 unless previously extended or dissolved.

1.1.5. Aims and Objectives of the Company

(Article 3 of the Articles of Association)

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

- the creation, publishing and distribution of all kinds of multimedia, audio-visual 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 audio-visual products, especially through new communications technologies such as networks and online 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 operations which relate 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.

1.1.6. Register of Commerce and Companies

BOBIGNY: 8.335.186.094 Code NAF: 921 G

1.1.7. Consultation of legal documents

The Articles of Association, Report and Accounts and the Minutes of the General Meetings may be reviewed at the registered office at the address stated above.

1.1.8. Company financial year

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

1.1.9. 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.

1.1.10. 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 S.A.. It 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 the 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 356-9 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.

Company's repurchase of its own equity

The Mixed General Meeting of 2 September 1997 authorised Ubi Soft to deal in its own shares to regulate the market, in accordance with the provisions of Articles 217 et seq. of the Act of 24 July 1966 and within legal restrictions. The maximum purchase price has been fixed at FF 650, and the minimum sales price shall not be lower than FF 325. This authorisation took effect on the date of the General Meeting and shall expire on 2 March 1999.

Since its listing on the Second Market of the Paris Stock Exchange, Ubi Soft has performed no transaction in its own shares for the purpose of regulating the market.

Consent Clause

The Articles of Association of UBI ENTERTAINMENT S.A. do not contain any Consent Clause.

1.2 Information of a General Nature concerning the Capital

1.2.0. 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 to 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 have been proven to be registered for at least four 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.

1.2.1. Total subscribed capital

The total capital subscribed amounts to FF 22,231,180, representing a total of 2,223,118 shares in the same category of 10 French francs registered.

1.2.2. Authorized unissued capital

On 31 March 1998, authorized unissued capital amounted to FF 7,775,657.

The Mixed General Meeting of 2 September 1997 authorised the Board of Directors to take the following actions:

- to issue securities with irrevocable reserved right of subscription for shareholders of record, providing access to the capital immediately or at a future date;
- to issue securities without reserved right of subscription for shareholders of record, providing access to the capital immediately or at a future date;

Capital increases, either immediately or at a future date, pursuant to the above authorization may not exceed FF 10 million in nominal value (plus, if applicable, the nominal value of the securities issued to preserve security-holder rights to shares).

Likewise, the maximum amount of borrowing authorized for issuance above may not exceed FF 200 million, or the exchange value in French francs of that amount if the loans are issued in a foreign currency or an accounting unit established with reference to several currencies.

The above authorizations are valid for a period of 26 months, dating from the Mixed General Meeting held on 2 September 1997.

The 12 September 1997 Board of Directors' Meeting used the 2 September Mixed General Meeting's authorization of FF 100.2 million to issue convertible bonds without reserved right of subscription for shareholders of record.

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;
- Term of loan: 5 years and 173 days;
- Maturity and payment date: 10 October 1997;
- Annual interest: 2% a year, of FF 12 per bond, payable on 1 April of each year beginning on 1 April 1998;
- Annual gross yield: 4.26% on 10 October 1997;
- Normal amortization: full amortization on 1 April 2003, through reimbursement at a price of FF 681.58, or 113.6% of the issue price.

1.2.3. Securities exclusive of capital

None.

1.2.4. 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 FF 200,000 shares with a nominal value of FF 10, or a maximum total capital increase of FF 2 million in nominal value.

Using the authorization 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 50,000 shares on 15 June 1996;
- to grant employee stock options for 50,000 shares on 22 April 1997;

<u>Date of Board of Directors' Meeting</u>	<u>06/16/96</u>	<u>04/22/97</u>
Number of shares eligible for subscription:	50,000	50,000
• including managers	0	0
Number of persons affected:	100	470
• including managers	-	-
Period		
• beginning	06/27/1997	04/22/2001
• end	06/15/2001	04/22/2002
Subscription price:	180	397
Number of shares subscribed as of 31 March 1998 :	2,043	0
• including managers	0	0
Number of shares available for subscription as of 31 March 1998 :	47,957	50,000
• including managers	0	0

1.2.5. Table Showing Trends in Share Capital

• Date • Nature of operation	Number of shares	Number of shares (Cumulative)	Amount of increase of capital		Nominal share value	Issued Premium (en FRF)	Accumulated amount in capital (en FRF)
			through capital contribution (in FF)	through incorporation (in FF)			
03/1986 Formation of the company	2,500	2,500			100	-	250,000
09/1990 Increase in share capital through incorporation of reserves	22,500	25,000		2,250,000	100	-	2,500,000
09/1991 Increase in share capital through incorporation of reserves	25,000	50,000		2,500,000	100	-	5,000,000
02/1993 Increase in share capital through incorporation of reserves	30,000	80,000		3,000,000	100	-	8,000,000
01/1994 Increase in share capital through incorporation of reserves	20,000	100,000		2,000,000	100	-	10,000,000
03/1996 Increase in share capital through incorporation of reserves	50,000	150,000		5,000,000	100	-	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
03/1997 Increase in share capital following subscribed stock options	818	2,223,118	8,180		10	139,060	22,231,180
03/1998 Increase in share capital following subscribed stock options	1,225	2,224,343	12,250		10	208,250	22,243,430

1.3. Distribution of capital and voting rights to 31 March 1998

	CAPITAL		VOTING RIGHTS	
	Number of shares	Percentage	Number of shares	Percentage
Yves GUILLEMOT	238,172	10.707%	467,914	13.806%
Claude GUILLEMOT	238,178	10.708%	467,920	13.807%
G�rard GUILLEMOT	240,577	10.817%	472,719	14.003%
Michel GUILLEMOT	240,577	10.817%	472,719	14.003%
Christian GUILLEMOT	238,224	10.711%	462,966	13.821%
Suzanne GUILLEMOT	2,400	0.107%	2,400	0.071%
Nathalie GUILLEMOT	2,400	0.107%	4,800	0.142%
Jo�lle GUILLEMOT	2,400	0.107%	3,000	0.090%
Yvette GUILLEMOT	2,400	0.107%	2,400	0.071%
Total for the GUILLEMOT Family	1,205,328	54.188 %	2,356,838	69.814%
Public & Group employees	1,019,015	45.812%	1,019,015	30.186%
TOTAL	2,224,343	100.000 %	3,375,853	100.000 %

There is no shareholders' agreement binding the different members of the GUILLEMOT family.

Significant stock sales by the five brothers took place in August and December of 1996 and on 4 September 1997. The first involved 120,000 securities which sold for an average of FF 309; the second consisted of 350,000 shares which sold for an average of FF 309; and the third of 130,000 shares which sold for an average of FF 470.

To the best of the company's knowledge, no shareholder (other than the five Guillemot brothers) owned more than 5% of the capital; the following seven shareholders owned more than 1% of the capital of Ubi Soft Entertainment S.A.:

FRANCE OPPT	3.50 %
Gan Vie	1.61 %
AGF INVEST	1.59 %
FCP UFF AVENIR France	1.38 %
State Street Bank & Trust	1.12 %
Banque CPR	1.07 %
Paribas France Emergence	1.04 %

2. STRUCTURE OF THE UBI SOFT ENTERTAINMENT GROUP

Subsidiaries

Date created	Subsidiary Name	Country	Business
1989	UBI SOFT LTD	United Kingdom	Distribution
1991	UBI SOFT INC.	USA	Distribution
1991	UBI SOFT ENTERTAINMENT GmbH	Germany	Distribution
1992	LUDIMEDIA SA	France	Design
1993	UBI SOFT SRL	Romania	Animation and computer research and development
1994	UBI SOFT KK	Japan	Distribution
1994	UBI SOFT SA	Spain	Distribution
1994	UBI STUDIOS SA	France	Development of computer engines
1995	UBI PICTURES SARL	France	Graphics and computer graphics
1995	UBI SOUND STUDIO SARL	France	Voice, music, sound effects
1995	UBI GAME DESIGN SARL	France	Game design
1995	UBI SOFT SpA	Italy	Distribution
1995	UBI BOOKS AND RECORDS SARL	France	Management and administration
1996	UBI RESEARCH AND DEVELOPMENT SARL	France	Computer research and development
1996	UBI ANIMATION SARL	France	Animation and special effects
1996	UBI SIMULATIONS SARL	France	Computer
1996	UBI GRAPHICS SARL	France	Graphics et modeling
1996	UBI SOFT PTY Ltd	Australia	Distribution
1996	SHANGHAI UBI COMPUTER SOFTWARE	China	Distribution and production
1997	UBI SOFT DIVERTISSEMENTS Inc.	Canada	Distribution and production
1997	UBI SOFT FRANCE S.A.	France	Distribution
1998	UBI SOFT ENTERTAINMENT Sarl	Morocco	Computer
1998	UBI WORLD S.A.	France	Worldwide marketing
1998	UBI NETWORKS SARL	France	Internet services
1998	UBI VOICES Inc.	USA	Copyrights

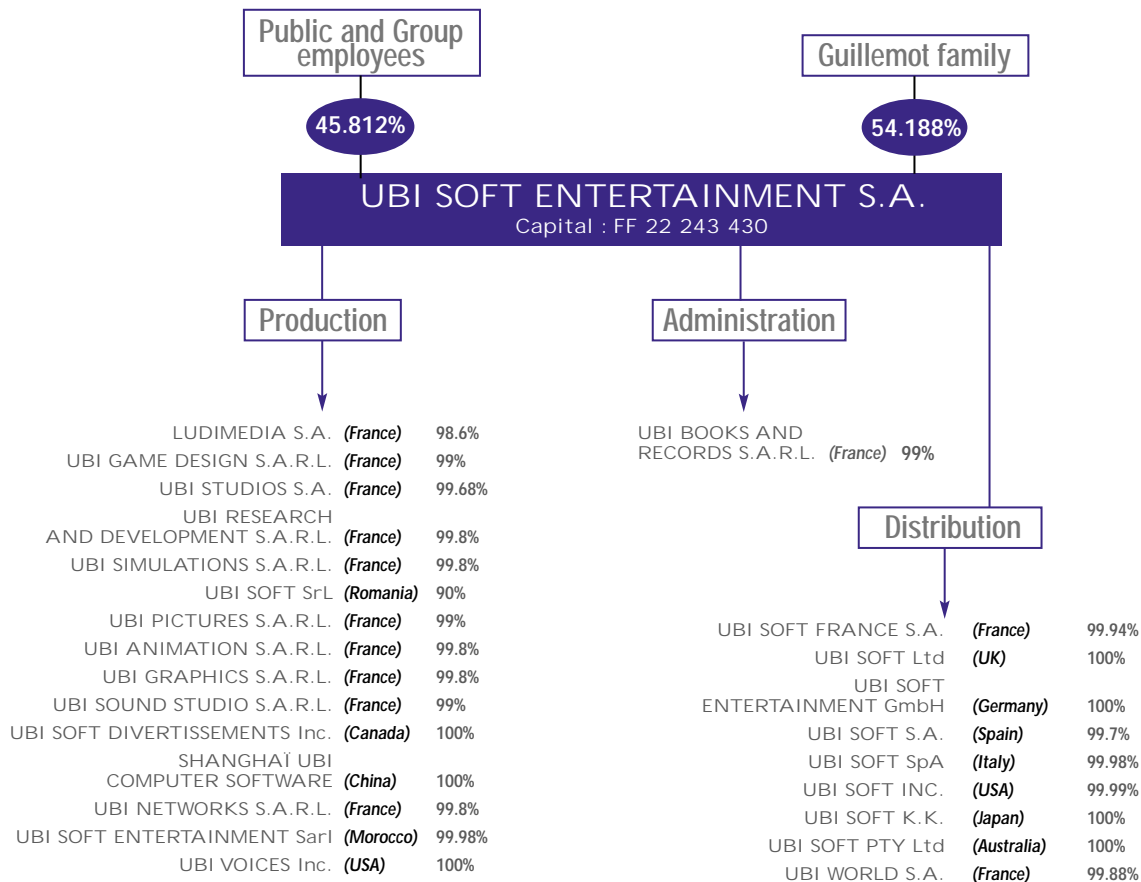
The subsidiaries created during the financial year are either distribution or production companies. They reflect Ubi Soft's desire to expand its distribution network throughout the world and to diversify production sites.

Main distribution subsidiaries (in thousands of French francs)

Filiales	Consolidated turnover 03.31.98	Consolidated turnover 03.31.97	Net income 03.31.98	Net income 03.31.97
UBI SOFT Ltd (UK)	77,625	21,589	3,262	95
UBI SOFT INC. (USA)	81,104	22,577	5,184	737
UBI SOFT ENTERTAINMENT GmbH (Germany)	84,331	21,391	830	4
UBI SOFT SA (Spain)	30,084	9,478	1,805	142
UBI SOFT SpA (Italy)	13,168	4,876	620	70
UBI SOFT K.K. (Japan)	4,237	8,829	144	290

The relationships among Group subsidiaries are as follows:

- the production companies invoice their work on the progress of their projects,
- the distribution companies are invoiced based on the volume of their sales.



3. CONSOLIDATED ACCOUNTS AND EXPLANATORY NOTES

3.1. Consolidated Balance Sheet to 31 March 1998

All data are quoted in thousands of French francs.

The pro forma consolidated accounts to 31 March 1996 include the financial information for 12 months of activity for companies existing at that date (excluding Ubi Soft Srl Romania).

The rate selected for conversion to the euro is : 1 Euro = FF 6.66.

	03.31.98	Depr. 03.31.98	Net Legal 03.31.98	Net Legal 03.31.97	Net Legal 03.31.96	Net Pro forma 03.31.96	EURO € Net 03.31.98
ASSETS							
Intangible assets	342,882	108,839	234,043	137,403	55,001	55,001	35,142
Goodwill	7,068	872	6,196	6,550	6,904	6,904	930
Tangible fixed assets	77,659	35,195	42,464	21,746	13,279	13,279	6,376
Long-term investments	3,945	0	3,945	3,249	852	852	592
<i>Fixed assets</i>	<i>431,554</i>	<i>144,906</i>	<i>286,648</i>	<i>168,948</i>	<i>76,036</i>	<i>76,036</i>	<i>43,040</i>
Inventory and work-in-progress	42,869	482	42,387	23,192	18,884	18,884	6,364
Prepaid expenses	22,746	0	22,746	0	1	1	3,415
Trade notes and accounts receivable	129,665	5,109	124,556	80,917	27,798	27,798	18,702
Other receivables	50,655	0	50,655	15,546	4,359	4,359	7,606
Cash	115,310	0	115,310	46,327	9,386	9,386	17,314
<i>Current assets</i>	<i>361,245</i>	<i>5,591</i>	<i>355,654</i>	<i>165,982</i>	<i>60,428</i>	<i>60,428</i>	<i>53,401</i>
Redemption premium	12,444		12,444				1,868
Adjustment accounts	10,646		10,646	5,953	3,680	3,680	1,599
Total Assets	815,889	150,497	665,392	340,883	140,144	140,144	99,908

LIABILITIES	Legal 03.31.98	Legal 03.31.97	Legal 03.31.96	Pro forma 03.31.96	EURO € 03.31.998
Capital	22,243	22,231	20,000	20,000	3,340
Premiums	53,699	48,909	0	0	8,063
Consolidated reserves	20,833	8,725	2,293	380	3,128
Group Net Income	29,058	15,818	6,931	8,828	4,363
Conversion reserve	2,061	616	-13	3	309
Investment subsidy	87	0	0	0	13
Group Equity	127,981	96,299	29,211	29,211	19,216
Minority interests	0	0	0	0	0
<i>Total Equity</i>	<i>127,981</i>	<i>96,299</i>	<i>29,211</i>	<i>29,211</i>	<i>19,216</i>
Provisions for contingent liabilities	1,853	1,034	1,374	1,374	278
Debt (1)	256,185	53,782	34,756	34,756	38,466
Shareholder current account	82,311	82,232	7,098	7,098	12,358
Advances, payments received on account	657	68	0	0	99
Trade and other accounts payable	100,649	72,415	47,868	47,868	15,113
Tax and social security liabilities	70,287	28,595	16,384	16,384	10,554
Payables to suppliers of fixed assets and related accounts	11,473	3,884	1,081	1,081	1,723
Other debts and liabilities	4,652	1,734	1,884	1,884	698
<i>Total debts and liabilities</i>	<i>526,214</i>	<i>242,710</i>	<i>109,071</i>	<i>109,071</i>	<i>79,013</i>
Adjustment accounts	9,344	840	488	488	1,403
Total Liabilities	665,392	340,883	140,144	140,144	99,908
(1) inc. amount at one year:	69,044	23,965	22,499	22,499	10,367
inc. amount at more than one year:	187,141	29,817	12,257	12,257	28,099

3.2. Consolidated Statement of Income

	Legal 03.31.98	Legal 03.31.97	Legal 03.31.96	Pro forma 03.31.96	EURO € 03.31.98
Total net sales	632,195	345,298	229,880	249,656	94,924
Capitalized costs	169,981	110,448	7,151	42,907	25,523
Production held in store	0	-966	4,299	3,599	0
Operating subsidy	9,180	31	0	0	1,378
Reversals of depreciation and other provisions, cost transferred	2,612	137	1,233	933	392
Other operating income	281	268	214	242	42
Total operating revenue	814,249	455,216	242,777	297,337	122,259
Purchases, variation in inventory and external costs	486,892	264,007	184,453	199,577	73,107
Tax	6,469	4,252	1,899	2,740	971
Wages and social security costs	170,066	105,722	24,535	57,685	25,535
Other costs	449	2,795	1,272	1,507	67
Depreciation and other provisions	97,018	51,808	21,009	23,254	14,567
Total operating expenses	760,894	428,584	233,168	284,763	114,247
Net operating income	53,355	26,632	9,609	12,574	8,012
Net financial income/expenses	-4,256	-3,630	2,023	1,896	-639
Operating income less net financial income/expenses	49,099	23,002	11,632	14,470	7,373
Net income/expenses, non recurring items	-563	-109	21	21	-85
Income before tax	48,536	22,893	11,653	14,491	7,288
Tax on profits	19,478	7,075	4,722	5,663	2,925
Total net income	29,058	15,818	6,931	8,828	4,363
Minority interests	0	0	0	0	0
Net Group Income	29,058	15,818	6,931	8,828	4,363

3.3. Consolidated Statement of Changes in Financial Position

Flows related to operating activities	
Net Group Income	29,058
Depreciation of tangible and intangible fixed assets	93,486
Amortization of goodwill	353
Changes in accounts provisions	3,436
Subsidy	-300
Flows arising from the disposal of fixed assets	23
Total cash flow related to operating activities	126,056
Increase in operating fund requirements	-35,293
Decrease in non-operational requirements	7,272
Total flows	-28,021
Flows related to investments	
Acquisitions of intangible assets	-178,039
Acquisitions of tangible fixed assets	-38,578
Acquisition of equity holdings	-561
Acquisition of other long-term loans and investments	-1,337
Expenses to be allocated	-4,869
Other flows	139
Total fund flows related to investments	-223,245
Flows related to finance transactions	
New long- and medium-term loans	195,528
Repayments of loans	-25,452
Increase in capital	12
Increase in issue premium	208
Subsidy	450
Net shareholder current account contributions	-1,000
Change in conversion reserve	1,734
Change in consolidated subsidiaries	1,119
Unrealized exchange gains/losses	1,073
Other flows	1,812
Total flows related to finance transactions	175,484
Net changes in cash position	
Net cash position at the beginning of the financial year	42,481
Net cash position at the end of the financial year	92,755

3.4. Explanatory notes to the Consolidated Accounts

1) Accounting principles

a. Consolidation principles

The accounts of companies totally controlled by Ubi Soft Entertainment S.A. have been fully consolidated.

Intra-Group transactions have been eliminated, following applicable consolidation rules, for all companies in the Group.

All significant transactions between consolidated companies, in addition to unrealized internal earnings included in capitalized assets or in the inventory of consolidated companies have been eliminated.

b. 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, where applicable, be subject to exceptional amortization or write-down.

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 have been stated in the accounts under the heading "Intangible assets". 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. However, that period cannot be less than the period initially defined at the end of the financial year of commercial release. Software tools, a category containing complex development programs which may be used for a number of products, are amortized over 36 months using the straight-line method.

Licence agreements relate to distribution and reproduction rights acquired from third-party publishers. They are amortized on the basis of the estimated sales life for each product concerned, up to maximum of 36 months.

c. 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:

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

d. Fixed assets acquired through leasing finance arrangements

Capital assets of significant importance financed by leasing agreements are restated in the Consolidated Accounts as if the Company had acquired the assets directly using loan finance.

e. 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.

f. Prepaid expenses

The licences cover distribution and rights acquired from other publishers. The signature of licencing contracts entails the payment of guaranteed amounts, recorded in account No. 409 to 31 March 1998.

g. Trade and other accounts receivable

Trade and other accounts receivable 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.

h. Income 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.

i. Translation of items expressed 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 when the net figure shows a latent loss.

j. 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.

2) Scope of consolidation

I. Companies covered by the Consolidated Accounts of the Ubi Soft Entertainment as of 31 March 1998

COMPANY	Country	Consolidated	Percentage control	Parent Company
UBI SOFT ENTERTAINMENT SA	France	Yes	Parent Company	Full consolidation
UBI STUDIOS SA	France	Yes	100 %	Full consolidation
LUDI MEDIA SA	France	Yes	100 %	Full consolidation
UBI SOFT Inc	USA	Yes	100 %	Full consolidation
UBI PICTURES SARL	France	Yes	100 %	Full consolidation
UBI SOFT Ltd	UK	Yes	100 %	Full consolidation
UBI SOFT ENTERTAINMENT GmbH	Germany	Yes	100 %	Full consolidation
UBI SOFT SA	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 RESEARCH AND DEVELOPMENT SARL	France	Yes	100 %	Full consolidation
UBI BOOKS AND RECORDS 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 FRANCE SA	France	Yes	100 %	Full consolidation
UBI NETWORKS SARL	France	Yes	100 %	Full consolidation
UBI WORLD SA	France	Yes	100 %	Full consolidation
UBI SOFT DIVERTISSEMENTS Inc	Canada	Yes	100 %	Full consolidation
SHANGHAI UBI COMPUTER SOFTWARE	China	Yes	100 %	Full consolidation
UBI SOFT ENTERTAINMENT SARL	Morocco	No	100 %	Unconsolidated
UBI VOICES Inc	USA	No	100 %	Unconsolidated
UBI SOFT SRL	Romania	No	90 %	Unconsolidated

Due to their insignificant size related to the whole, Ubi Soft Entertainment SARL (Morocco), Ubi Voices Inc et Ubi Soft Srl were not consolidated.

II. Change in consolidated subsidiaries

New companies added to the consolidation scope as of 31 March 1998:

- Ubi Soft France SA (created: May 97)
- UBI NETWORKS SARL (created: December 97)
- UBI WORLD SA (created: January 98)
- UBI DIVERTISSEMENTS Inc (created: April 97)
- SHANGHAI UBI COMPUTER SOFTWARE (created: December 96)

The impact of the change in the consolidation scope is as follows:

- on turnover: + FF 3.111 thousand
- on operating income: + FF 3.504 thousand
- on Net Group Income: + FF 2.380 thousand

3) Explanatory notes to the Balance Sheet

I. Intangible assets

Intangible assets break down as follows:

Intangible assets	03.31.1997			03.31.1998
	Gross	Increase	Decrease	Gross
Parent software				
program in progress	140,155	143,078	1,633	281,600
Tool software program	23,377	26,872	0	50,249
Licences granted	11,686	40,704	52,390	0
Other licences	3,166	4,522	371	7,317
Office software	0	3,240	0	3,240
Other	157	327	8	476
TOTAL	178,541	218,743	54,402	342,882

Depreciation	03.31.1997			03.31.1998
	Cumulative	Increase	Decrease	Cumulative
Parent software				
program in progress	28,554	59,805	1,633	86,726
Tool software program	4,579	10,962	0	15,541
Licences granted	6,345	0	6,345	0
Other licences	1,656	3,465	34	5,087
Office software	0	1,322	0	1,322
Other	4	167	8	163
TOTAL	41,138	75,721	8,020	108,839

The increase of intangible assets reflects the Group's orientation as a producer rather than a distributor of games. Guaranteed prepaid expenses on the licencing contracts are recorded under "prepaid expenses" beginning with the accounting period which ended 31 March 1998. The figure in that account corresponds to the balance of the "licences granted" accounts (gross and amortization) at the start of the year, and the amount of those licences reported in the results for the accounting period:
22,565 = 52,390 - 6,345 - 23,480.

The break down of the gross value of the parent software programs based on the amortization period as of 31 March 1998 is as follows:

- MFF 26 amortized over a period of 1 year (MFF 7 as of 31 March 1997);
- MFF 8 amortized over a period of 2 year;
- MFF 248 amortized over a period of 3 year (MFF 133 as of 31 March 1997).

a. Goodwill

Total goodwill breaks down as follows:

Aquired company	Date of acquisition	Gross	03.31.1997 Amortization	Provision	03.31.1998 Amortization
Ubi Studios S.A.	02.02.96	104	6	5	11
Ludimedia S.A.	02.02.96	1,925	120	96	216
Ubi Pictures S.A.	02.02.96	504	29	25	54
Ubi Soft Inc	02.02.96	1,984	124	99	223
Ubi Soft Ltd	12.31.94	1,548	155	78	233
Ubi Soft Entertainment GmbH	08.01.95	1,003	84	51	135
TOTAL		7,068	518	354	872

b. Commercial software

The following companies in the Ubi Soft Entertainment S.A. Group are producers of software programs:

LUDIMEDIA SA
UBI STUDIOS SA
UBI PICTURES SARL
UBI GAME DESIGN SARL
UBI RESEARCH AND DEVELOPMENT SARL
UBI SOUND STUDIO SARL
UBI SIMULATIONS SARL
UBI ANIMATION SARL

UBI GRAPHICS SARL
 UBI NETWORKS SARL
 SHANGHAI UBI COMPUTER SOFTWARE
 UBI SOFT DIVERTISSEMENTS INC
 UBI SOFT ENTERTAINMENT SARL
 UBI VOICES INC
 UBI SOFT Srl

The above companies all produces software tools and do sub-contract work for Ubi Soft Entertainment S.A., the latter being the only company producing parent software, that is to say programs for use one more than one hardware platform.

II. Tangible fixed assets

Tangible fixed assets break down as follows:

Fixed Assets	03.31.1998			03.31.1998
	Gross	Increase	Decrease	Gross
Technical facilities	9,581	2,333	106	11,808
Computer equipment and furniture	13,083	26,385	743	38,725
Transport vehicles	76	226	27	275
Computer equipment financed by Leasing Agreement	17,300	9,634	83	26,851
TOTAL	40,040	38,578	959	77,659

Amortization	03.31.1997			03.31.1998
	Cumulative	Increase	Decrease	Cumulative
Technical facilities	2,585	1,772	106	4,251
Computer equipment and furniture	5,353	8,106	682	12,777
Transport vehicles	42	52	19	75
Computer equipment financed by Leasing Agreement	10,314	7,834	56	18,092
TOTAL	18,294	17,764	863	35,195

III. Long-term loans and investments

	03.31.1997	Augmentation	Diminution	03.31.1998
Unconsolidated companies	1,763	561	1,119	1,205
Deposits and guarantees	1,486	1,337	83	2,740
TOTAL	3,249	1,898	1,202	3,945

IV. Inventory and work-in-progress

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

	Gross	03.31.1998 Depreciation	Net	03.31.1997 Net
Goods for sale	42,869	482	42,387	23,192

The heading "Goods for sale" (net values) breaks down as follows by Group entity:

COMPANY	03.31.1998	03.31.1997
UBI SOFT ENTERTAINMENT SA	34,477	19,751
UBI STUDIOS SA	-	-
LUDI MEDIA SA	-	-
UBI PICTURES SARL	-	-
UBI GAME DESIGN SARL	-	-
UBI SOUND STUDIO SARL	-	-
UBI BOOKS AND RECORDS SARL	-	-
UBI SOFT Inc	2,777	888
UBI RESEARCH AND DEVELOPMENT SARL	-	-
UBI SOFT Ltd	4,263	1,418
UBI SOFT ENTERTAINMENT GmbH	-	798
UBI SOFT SA	-	-
UBI SOFT KK	556	333
UBI SOFT SpA	-	-
UBI ANIMATION SARL	-	-
UBI SIMULATIONS SARL	-	-
UBI GRAPHICS SARL	-	-
UBI SOFT PTY Ltd	-	4
SHANGHAI UBI COMPUTER SOFTWARE	314	-
UBI SOFT FRANCE SA	-	-
UBI NETWORKS SARL	-	-
UBI WORLD SA	-	-
UBI SOFT DIVERTISSEMENTS INC	-	-
UBI SOFT SRL	-	-
Goods	42,387	23,192

V. Prepaid Expenses

These are guaranteed prepaid expenses on licensing contracts.

VI. Trade and other accounts receivable

Trade and other accounts receivable break down as follows:

COMPANY	03.31.1998			03.31.1997
	Gross	Depreciation	Net	Net
UBI SOFT ENTERTAINMENT SA	45,344	714	44,630	45,706
UBI STUDIOS SA	8	1	7	8
LUDI MEDIA SA	613	112	501	548
UBI PICTURES SARL	55	1	54	9
UBI GAME DESIGN SARL	-	-	-	-
UBI SOUND STUDIO SARL	1	-	1	-
UBI BOOKS AND RECORDS SARL	74	-	74	-
UBI SOFT Inc	32,673	3,770	28,903	10,942
UBI RESEARCH AND DEVELOPMENT SARL	-	-	-	-
UBI SOFT Ltd	13,669	-	13,669	11,063
UBI SOFT ENTERTAINMENT GmbH	19,189	177	19,012	3,426
UBI SOFT SA	11,137	251	10,886	4,744
UBI SOFT KK	2,258	29	2,229	1,747
UBI SOFT SpA	4,065	54	4,011	2,535
UBI ANIMATION SARL	-	-	-	-
UBI SIMULATIONS SARL	-	-	-	-
UBI GRAPHICS SARL	-	-	-	-
UBI SOFT PTY Ltd	8	-	8	189
SHANGHAI UBI COMPUTER SOFTWARE	412	-	412	-
UBI SOFT FRANCE SA	-	-	-	-
UBI NETWORKS SARL	-	-	-	-
UBI WORLD SA	-	-	-	-
UBI DIVERTISSEMENTS Inc	159	-	159	-
UBI SOFT SRL	-	-	-	-
Clients et comptes rattachés	129,665	5,109	124,556	80,917

The increase in receivables results from the overall growth in the activity of the companies in the Group.

VII. Other accounts receivable

Other accounts receivable break down as follows:

	1998	1997
Deferred tax debits, temporary discrepancies	1.202	1.018
Deferred tax debits, restatements for the purpose of consolidation	1.651	882
VAT	32.761	5.718
Other	15.041	7.928
TOTAL	50.655	15.546

VIII. Cash

The cash items comprises only cash in bank accounts, which totalled FF 115,310 thousand to 31 March 1998, as against FF 46,327 thousand for the previous year.

IX. Redemption premium

The amount of the redemption premium on the assets side is FF 13,624 thousand. This premium is amortized by prorating the accrued interest, or FF 1,180 thousand to 31 March 1998.

X. Adjustment accounts

The adjustment accounts are as follows:

	1998	1997
Prepaid expenses	4,427	4,751
Expenses to be allocated	4,462	187
Unrealized exchange gains/loss	1,757	1,015
TOTAL	10,646	5,953

The increase in expenses to be amortized is explained by Ubi Soft Entertainment's recording of the expenses involved in issuing bond debentures for FF 2,453 thousands, and by Shanghai Ubi Computer Software's averaging of certain start-up costs totalling FF 1,690 thousand.

IX. Shareholders' equity

Capital

At March 31, 1998 the capital of Ubi Soft Entertainment S.A. comprised 2,224,343 shares each with a nominal value of 10 French francs.

Changes in shareholders' equity

Equity on 03.31.97	96,299
Capital increase by cash contribution	12
Issue premium	208
Net 1997/1998 Group income	29,058
Changes in conversion reserve balances	1,734
Other	670
Equity on 03.31.98	127,981

Number of Ubi Soft Entertainment shares

Number at 04.01.97	2,223,118
New shares created	1,225
Number at 03.31.98	2,224,343

XII. Contingency and loss provisions

Contingency and loss provisions cover the foreign exchange risks of discounting the receivables and debts denominated in foreign currencies at the 31 March 1998 exchange rate.

XIII. Long-term debts

The breakdown of long-term debts is as follows:

	03.31.98	03.31.97	
Bond debenture	113,824	-	
Borrowing from lending institutions	106,743	39,934	
Accrued interest	713	718	
Bank overdrafts	22,555	3,846	
Borrowing due to renegotiation of leasing conditions	12,350	9,284	
Long-term debts	256,185	53,782	
	at 1 year	at more than 1 year: less than 5 years	at more than 5 years
Matured amounts outstanding on 03.31.98	69,044	187,141	-

Ubi Soft carries 196,524 in fixed-rate debt and 59,661 in variable-rate debt.

The bank overdrafts cover occasional cash needs resulting from changes in working-capital requirements.

Net long-term debt for 1997/98 including borrowings and bank overdrafts totalled 27,051 during the 1997/98 financial year.

Chief characteristics of the bond debentures:

- Number and nominal amount: 167,000 bonds with a nominal value of FF 600;
- Issue price: FF 600 per bond;
- Maturity and payment date: 10 October 1997;
- Loan period: 5 years and 173 days;
- Annual interest: 2% a year, or FF 12 per bond, payable on 1 April of each year, starting 1 April 1998;
- Normal amortization: full amortization on 1 April 2003, through reimbursement at the price of FF 681.58, or 113.6% of the issue price.

XIV. Tax and social security liabilities

Tax and social security liabilities breakdown as follows:

	03.31.98	03.31.97
Social security liabilities	21,527	16,415
Tax liabilities	48,760	12,180
TOTAL	70,287	28,595

4) Explanatory notes to the Income Statement

I. Purchases, variations in inventory and external costs

Purchases, variations in inventory and external costs breakdown as follows:

	03.31.1998	03.31.1997
Purchases consumed (purchases + inventory variation)	306,488	178,282
Other external costs	180,404	85,725
TOTAL	486,892	264,007

Other external costs consist mainly of advertising expenses, royalties, and real property and property leasing charges.

II. Depreciation and other provisions in accounts

Depreciation and other provisions in accounts breakdown as follows:

	03.31.1998	03.31.1997
Depreciation of fixed assets	93,839	49,222
Other external costs	3,179	2,586
TOTAL	97,018	51,808

Given the reclassification of amounts paid out for licences granted, the depreciation allowance recorded on 31 March 1997 is now entered under external costs. The impact of depreciation allowances on licences granted totalled FF 5,016 thousand on 31 March 1997.

III. Net financial income/expense

Net financial income/expense breakdown as follows:

	03.31.1998	03.31.1997
Financial proceeds:		
Positive exchange rate differences	10,767	6,115
Interests and related proceeds	1,607	800
Reversals of depreciation	1,015	956
	13,389	7,871
Financial costs:		
Negative exchange rate differences	8,958	6,916
Interests and related expenses	5,518	3,559
Depreciation expense	3,169	1,026
	17,645	11,501
Net financial income/expense	-4,256	-3,630

Currency exchange risk

In order to limit the Group's currency exchange risk, Ubi Soft Entertainment hedges against the risk of rate changes on future sales in foreign currencies by means of reverse financial transactions involving the same currencies. Thus, if exchange rates rise, the margin generated on sales also increases and exchange-rate differentials will be negative. If rates fall, the margin on sales is reduced and exchange-rate differentials will be positive.

IV. Net income/expenses, non recurring items

Net income/expenses, non recurring items break down as follows:

	03.31.1998	03.31.1997
Extraordinary income:		
Extraordinary gains on operations	475	309
Proceeds of assets sold and other capital gains	56	67
Reversals of provisions	56	0
	587	376
Extraordinary losses:		
Extraordinary losses on operations	1,071	360
Book value of assets sold and other capital losses	79	125
Unusual depreciation and regulated provisions	0	0
	1,150	485
Total net income/expenses, non recurring items	-563	-109

The 15% increase in corporate income tax in France generates an additional charge of FF 1,061 thousand to 31 March 1998, recorded under "extraordinary losses on operations."

IV. Tax on profits

	03.31.1998	03.31.1997
Current tax	20,038	7,539
Deferred tax	-560	- 464
Total	19,478	7,075

For the French companies in the Group, income tax was calculated using the rate in effect on 31 March 1998, or 33.33% plus 10% and 15%.

V. Miscellaneous information

a. Off-balance sheet commitments

- Guarantees given : 4,340
- Collateral for loans: none
- Guarantees received: 63

Initial value	depreciation	net value	payments made	payments remaining to be made		residual value
				<1 an	>1 an	
26,776	18,066	8,710	7,216	7,158	6,127	220

- Notes receivable discounted: none
- Retirement payments: due to the low average age of the workforce, commitments related to retirement payments are not at a significant level.
- Factoring: 66
- A number of products are marketed under licence agreements signed with Ubi Soft Entertainment S.A. As of 31 March 1998, the undertakings made involve the payment of royalties, with associated guaranteed minimum payments. At the end of the financial year commitments including such minimum guarantees totalled 27,434.

b. Payments to Company management

The gross total for remuneration paid by the Company and its subsidiaries to management personnel amounted to FF 2,646 thousand. No directors' fees were paid.

Report of the Statutory Auditors Report on Consolidated Accounts

Financial Year to 31 March 1998

Dear Sir or Madam,

In pursuance of the task entrusted to us by the General Meetings of shareholders, we have conducted an audit of the consolidated accounts of Ubi Soft Entertainment SA for the financial year ending 31 March 1998, as appended to the present report.

The consolidated accounts were drawn up by the company's Board of Directors. It is our task to express an opinion on those accounts, based on our audit.

We performed our audit according to the standards of our profession. Accounting standards require due diligence in order to ascertain with reasonable certainty that the consolidated accounts contain no significant discrepancies. An audit consists of using a sampling process to examine significant items which can confirm the accuracy of the information in the accounts. It also involves an assessment of the accounting principles applied, of the main estimated figures used to draw up the accounts, and of their overall presentation. We consider that our audit constitutes a reasonable basis for the opinions expressed below.

We hereby certify that the present consolidated accounts are a true and accurate record, and that they faithfully reflect the assets of the company, its financial position, and the overall net income generated by all the companies included within the scope of consolidation.

We also verified the information contained in the annual report concerning the Group's management. We have no observations to make as to the accuracy of that information, nor as to its conformity with these consolidated accounts.

Issued in Rennes and Paris, 5 June 1998

by the Statutory Auditors

A. METAYER

COMPAGNIE CONSULAIRE
D'EXPERTISE COMPTABLE JEAN DELQUIE

4. COMPANY ACCOUNTS AND EXPLANATORY NOTES

All datas are quoted in thousands of French francs.

4.1. Balance Sheet to 31 March 1998

ASSET	03.31.98 Gross	03.31.98 Depr.	03.31.98 Net	03.31.97 Net	03.31.96 Net	03.31.98 EURO €
Intangible assets	335,981	105,004	230,977	136,343	50,894	34,681
Tangible fixed assets	11,111	4,233	6,878	4,734	2,278	1,033
Long-term loans & investments	31,241	0	31,241	20,981	11,813	4,691
Capital assets	378,333	109,237	269,096	162,058	64,985	40,405
Inventory and work-in-progress	34,743	266	34,477	19,751	14,492	5,177
Prepaid expenses	22,565	0	22,565	0	0	3,388
Trade accounts receivable	93,184	714	92,470	74,665	33,787	13,884
Other accounts receivable	37,175	0	37,175	13,644	2,687	5,582
Cash	85,025	0	85,025	36,689	5,451	12,767
Current assets	272,692	980	271,712	144,749	56,417	40,798
Redemption premium	12,444	0	12,444	0	0	1,868
Adjustment accounts	6,537	0	6,537	2,800	1,619	981
Total Actif	670,006	110,217	559,789	309,607	123,021	84,052

LIABILITIES	03.31.98	03.31.97	03.31.96	03.31.98 EURO €
Capital	22,243	22,231	20,000	3,340
Premiums	53,699	48,909	0	8,063
Reserves	22,254	10,994	3,034	3,341
Net income for financial year	15,636	15,842	7,960	2,348
Net investment subsidy	150	0	0	23
Shareholders' Equity	113,982	97,976	30,994	17,115
Provisions for contingent liabilities	1,726	1,002	936	259
Bond debentures	113,824	0	0	17,091
Liabilities (1) (2)	124,221	43,658	27,515	18,652
Debts (3)	63,520	64,923	6,603	9,537
Trade accounts payable	81,694	64,423	42,399	12,266
Tax and social security liabilities	9,481	6,468	5,753	1,424
Payables to suppliers of fixed assets and related accounts	46,638	29,725	7,524	7,003
Other debts and liabilities	3,736	596	1,144	561
Total debts and liabilities	443,114	209,793	90,938	66,534
Adjustment accounts	967	836	153	145
Total Liabilities	559,789	309,607	123,021	84,053
(1) payable at less than one year:	56,965	18,463	18,790	8,554
payable at more than one year:	67,256	25,195	8,725	10,098
(2) current bank credit facilities	22,747	3,831	14,458	3,415
(3) shareholders' current account	0	0	0	0

4.2. Income Statement

	03.31.98	03.31.97	03.31.96	EURO 03.31.98
Production in financial year	533,464	303,106	192,744	80,100
Other operating income and cost transferred	10,961	4,127	1,869	1,646
Total operating revenue	544,425	307,233	194,613	81,746
Purchases	274,277	160,331	117,800	41,183
Variation in inventory	-13,147	-6,535	433	-1,974
External costs	155,068	67,792	45,450	23,283
Tax	2,264	1,881	1,532	340
Wages and social security costs	16,882	17,638	14,827	2,535
Other costs	128	25	1,224	19
Depreciation and other provisions	75,627	40,656	3,597	11,355
Total operating expenses	511,099	281,788	184,863	76,741
Net operating income	33,326	25,445	9,750	5,005
Income on equity holding	0	0	0	0
Income on other equity	0	0	0	0
Other interest and related proceeds (1)	1,477	537	172	222
Reversals of provisions in accounts	1,002	936	1,397	150
Unrealized exchange gains	10,644	6,090	6,261	1,598
Total financial income	13,123	7,563	7,830	1,970
Depreciation and other provisions	3,138	1,002	936	471
Other interest and related expenses	5,327	2,471	1,834	800
Unrealized exchange losses	8,717	6,666	2,608	1,309
Total financial expenses	17,182	10,139	5,378	2,580
Net financial income/expenses	-4,059	-2,576	2,452	-610
Operating income less financial expenses	29,267	22,869	12,202	4,395
Net income/expenses, non recurring items	-653	0	20	-98
Income before tax	28,614	22,869	12,222	4,297
Tax on profits	12,978	7,027	4,262	1,949
Net income for financial year	15,636	15,842	7,960	2,348
(1) including revenue from affiliated companies	402	64	0	60

4.3. Statement of Changes in Financial Position

Flows related to operating activities	
Net income	15,636
Depreciation of tangible and intangible fixed assets	75,094
Changes in accounts provisions	824
Subsidy	-300
Flows arising from the disposal of fixed assets	-14
Total cash flow related to operating activities	91,240
Increase in operating fund requirements	- 49,700
Decrease in non-operational requirements	16,955
Total flows	- 32,745
Flows related to investments	
Acquisitions of intangible assets	- 173,079
Acquisitions of tangible fixed assets	- 4,135
Acquisition of equity holdings	- 10,201
Acquisition of other long-term loans and investments	- 72
Expenses to be allocated	-2,685
Other flows	26
Total fund flows related to investments	- 190,146
Flows related to finance transactions	
New long- and medium-term loans	180,200
Repayments of loans	- 18,654
Increases in capital	12
Increase in issue premium	208
Subsidy	450
Net shareholder current account contributions	-1,000
Total flows related to finance transactions	161,216
Net changes in cash position	
Net cash position at the beginning of the financial year	29,565
Net cash position at the end of the financial year	32,905
	62,470

4.4 Explanatory notes to the Financial Statements

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,
- 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.

2) Accounting rules and methods

a. Intangible assets

These comprise

- office software programs,
- distribution and reproduction licences acquired from third-party publishers,
- software tools,
- commercial software programs under exploitation or not yet marketed,

These assets are amortized over the following periods:

- office software programs: 1 year,
- licences: depending on the market life of the products, up to a maximum of 36 months,
- software tools: 3 years,
- commercial software programs: 3 years maximum.

Licences covering distribution and reproduction rights acquired from other publishers have been placed in "prepaid expenses" to 31 March 1998.

b. 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

c. Long-term loans and investments

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.

d. Inventory

Inventory is valued at weighted cost.

Depreciation expenses are stated in the accounts when that cost is higher than the probable realizable value.

e. Trade and other accounts receivable

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

f. Translation of accounts payable and receivable expressed in foreign currencies

These are translated at the rates applicable on March 31, 1997. 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.

3) Subsidiaries and affiliated companies

CONSOLIDATED COMPANIES

	Country	Currency	Capital (thousands)	Reserves and amounts carried forward before allocation of net income (thousands)	Share of equity held	Book value of securities held		Loans and advances granted by the company and not yet repaid (thousands)	Total collateral and guarantees provided by the company	Net Sales (thousands)	Net income for last complete financial year (thousands)	Dividends received
						(thousands)						
						Gross	Net					
UBI STUDIOS SA	France	FRF	250	272	100 %	498	498	0	0	57,257	332	0
LUDI MEDIA SA	France	FRF	250	928	100 %	2,958	2,958	0	0	89,068	481	0
UBI SOFT Inc	USA	USD	1,000	-4	100 %	7,602	7,602	0	0	15,318	887	0
UBI PICTURES SARL	France	FRF	50	378	100 %	743	743	0	0	16,983	91	0
UBI SOFT Ltd	UK	GBP	500	-52	100 %	5,929	5,930	0	0	8,143	342	0
UBI SOFT ENTERTAINMENT GmbH	Germany	DM	250	37	100 %	2,397	2,397	0	0	28,149	247	0
UBI SOFT SA	Spain	PTA	10,000	3,820	100 %	412	412	0	0	790,473	45,352	0
UBI SOFT KK	Japan	JPY	10,000	12,460	100 %	562	562	93,000	0	132,709	3,012	0
UBI SOFT SpA	Italy	Lira	200,000	24,425	100 %	660	660	200,000	0	4,277,730	181,231	0
UBI GAME DESIGN SARL	France	FRF	50	404	100 %	50	50	0	0	16,909	70	0
UBI SOUND STUDIO SARL	France	FRF	50	104	100 %	50	50	0	0	16,847	104	0
UBI RESEARCH AND DEVELOPMENT SARL	France	FRF	50	188	100 %	50	50	0	0	20,796	228	0
UBI BOOKS AND RECORDS SARL	France	FRF	50	76	100 %	50	50	0	0	10,643	40	0
UBI SIMULATIONS SARL	France	FRF	50	8	100 %	50	50	0	0	5,854	68	0
UBI GRAPHICS SARL	France	FRF	50	1	100 %	50	50	50	0	8,940	46	0
UBI SOFT Pty Ltd	Australia	ASD	25	18	100 %	103	103	0	0	1,187	87	0
UBI ANIMATION SARL	France	FRF	50	98	100 %	50	50	0	0	13,558	31	0
UBI SOFT FRANCE SA	France	FRF	1,000	0	100 %	999	999	0	0	10,878	230	
UBI NETWORKS SARL	France	FRF	50	0	100 %	50	50	0	0	82	4	
UBI WORLD SA	France	FRF	500	0	100 %	499	499	0	0	38	1	
SHANGHAI UBI COMPUTER SOFTWARE	China	RMB	1,659	0	100 %	1,119	1,119	11,038	0	8,746	318	
UBI SOFT DIVERTISSEMENTS Inc	Canada	CAD	1,000	0	100 %	4,207	4,207	1,000	1,000	5,231	452	

UNCONSOLIDATED COMPANIES

UBI MAROC	Morocco	Dirham				500	500					
UBI VOICES INC	USA	USD				61	61					
UBI SOFT SRL	Roumania	USD				644	644	480				

4) Intangible assets

Intangible assets breakdown as follows:

Intangible assets				
	03.31.97		03.31.98	
	Gross	Increase	Decrease	Gross
Parent software program in progress	140,058	142,833	1,633	281,258
Tool software program	22,778	26,873	0	49,651
Licences granted	11,686	40,704	52,390	0
Other licences	1,839	3,373	140	5,072
TOTAL	176,361	213,783	54,163	335,981

Depreciation				
	03.31.97		03.31.98	
	Cumulative	Increase	Decrease	Cumulative
Parent software program in progress	28,547	59,499	1,633	86,413
Tool software program	4,379	10,762	0	15,141
Licences granted	6,345	0	6,345	0
Other licences	747	2,842	139	3,450
TOTAL	40,018	73,103	8,117	105,004

Licences granted are recorded under "prepaid expenses", starting with the period ending 31 March 1998. The amount entered in that account represents the balance for the "licences granted" accounts (gross and amortization) at the beginning of the period, and the amount for the licences granted reported in the income or loss for the period: 22,565=52,390-6,345-23,480.

5) Tangible fixed assets

Tangible fixed assets breakdown as follows:

Fixed Assets				
	03.31.97		03.31.98	
	Gross	Increase	Decrease	Gross
Fixtures and fittings	4,428	1,758	105	6,081
Transport vehicles	50	0	0	50
Computer equipment and furniture	3,081	2,377	478	4,980
TOTAL	7,559	4,135	583	11,111

Depreciation				
	03.31.97		03.31.98	
	Cumulative	Increase	Decrease	Cumulative
Fixtures and fittings	1,525	638	105	2,058
Transport vehicles	23	25	0	48
Computer equipment and furniture	1,277	1,328	478	2,127
TOTAL	2,825	1,991	583	4,233

6) Long-term loans and investments

Long-term loans and investments breakdown as follows:

	03.31.97	Increase	Decrease	03.31.98
Equity holding	20,092	10,201	0	30,293
Other financial asset	0	25	0	25
Deposits and guarantees	889	47	13	923
TOTAL	20,981	10,273	13	31,241

7) Inventory and work-in-progress

Inventory and work-in-progress breakdown as follows:

	03.31.98		03.31.97	
	Gross	Depreciation	Net	Net
Goods for sale	34,743	266	34,477	19,751
TOTAL	34,743	266	34,477	19,751

8) Prepaid expenses

These are guaranteed prepaid amounts on licensing contracts.

9) Trade and other accounts receivable

Trade and other accounts receivable breakdown as follows:

	03.31.98		03.31.97	
	Gross	Depreciation	Net	Net
Trade receivable	93,184	714	92,470	74,665
TOTAL	93,184	714	92,470	74,665

10) Accounts payable and receivable

ACCOUNTS RECEIVABLE	Gross amount	< 1 year	> 1 year
Receivables on capital assets			
Other long-term loans and investments	923		923
Receivables on current assets			
Doubtful accounts	1,028		1,028
Trade and other accounts receivable	92,156	92,156	
Employees	3	3	
State (VAT credit, miscellaneous)	8,735	8,735	
Group and affiliated companies	21,478	21,478	
Miscellaneous debtors	29,525	29,525	
Prepaid expenses	2,359	2,359	
TOTAL	156,207	154,256	1,951

ACCOUNTS PAYABLE	Gross amount	< 1 year	> 1 year
Convertible bond debentures	113,824		113,824
Loans initially at 2 years maximum	124,221	56,965	67,256
Loans initially at 2 years minimum	-		
Borrowings and sundry debts	-		
Trade and other accounts payable	81,694	81,694	
Tax and social security liabilities	9,481	9,481	
Other debts	3,736	3,736	
Liabilities on capital assets	46,638	46,638	
Group and affiliated companies	63,520	63,520	
TOTAL	443,114	262,034	181,080
Loans contracted during financial year	80,000		
Loans repaid during financial year	18,654		
Total for liabilities contracted with private individuals	-		

11) Accrued income

Accrued supplier credit notes	3,914
Unbilled income	2,773
TOTAL	6,687

12) Statement of changes in shareholders' equity

	Balance to 03.31.97	96/97 income or loss allocation	Subsidy	Capital increase through cash contributions	97/98 income or loss	Balance to 03.31.98	Proposed of allocation to 97/98 income or loss	Balance to 03.31.98 after allocation of 97/98 income or loss
Capital	22,231			12		22,243		22,243
Paid-in capital	48,909	4,582		208		53,699		53,699
Legal reserve	2,000	223				2,223	1	2,224
Regulated reserves	126					126		126
Other reserves	8,868	11,037				19,905	15,635	35,540
Net Income	15,842	-15,842			15,636	15,636	-15,636	0
Investment subsidy	0	0	150			150		150
TOTAL	97,976	0	150	220	15,636	113,982	0	113,982

13) Financial commitments

- Guarantees given: 4,340
- Collateral for loans: none
- Guarantees received: 63
- Leasing finance:

Initial value	Depreciation	net value	payments made	payments remaining to be made		residual value
				< 1 year	> 1 year	
22,360	13,650	8,710	6,355	6,763	6,127	195

- Notes receivable discounted: none
- Retirement payments: due to the low average age of the workforce, the level of commitments related to retirement payments is not significant.
- Factoring: 66
- A number of products are marketed under licence agreements signed with Ubi Soft Entertainment S.A.. As of 31 March 1997, the undertakings made involve the payment of royalties, with associated guaranteed minimum payments. At the close of the financial year, commitments including such minimum guarantees totalled 27,434.

14) Accrued liabilities

Interest on loans from lending institutions	192
Interest on borrowings and sundry debt	0
Total accrued liabilities for loans, borrowings and sundry debt	192
Trade invoices not yet received	18,717
Credits not yet issued	2,142
Tax and social security liabilities	2,540
TOTAL	23,591

15) Items relating to affiliated companies

Current assets

Equity holdings	30,293
Trade and other accounts receivable	47,926
Sundry receivables	23,665

Accounts payable

Trade and other accounts payable	47,847
Other debts	1,868

16) Balance sheet provisions

	04.01.97	Provision	Reversal	03.31.98
Contingent liabilities				
exchange	1,002	1,726	1,002	1,726
costs	386	363	386	363
Total	1,388	2,089	1,388	2,089
Depreciation				
inventory	1,845	266	1,845	266
accounts receivable	447	267	0	714
Total	2,292	533	1,845	980
Total	3,680	2,622	3,233	3,069

17) Depreciation allowances

Given the reclassification of sums paid out for licences granted, the depreciation allowance recorded on 31 March 1997 is now entered under external costs. The impact of depreciation allowances on licences granted totalled FF 5,016 thousand on 31 March 1997.

18) Corporate income tax

Corporate income tax was calculated based on the rate in effect on 31 March 1998, or 33.33% plus 10% and 15%.

The 15% increase in corporate income tax in France generated an additional charge of FF 958 thousand to 31 March 1998, recorded under "extraordinary losses on operations".

19) Table showing the annual net income of Ubi Soft Entertainment S.A. for the last five financial years (Art. 135 of the Decree of 23 March 1967)

Accounting period	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Share capital	8,000,000	10,000,000	10,000,000	20,000,000	22,231,180	22,243,430
No. of ordinary shares	80,000	100,000	100,000	2,000,000 (2)	2,223,118	2,224,343
No. of priority dividend shares	-	-	-	-	-	-
Maximum number of shares to be created	-	-	-	-	49,182	264,957
by conversion of debentures	-	-	-	-	-	167,000
by exercise of stock options	-	-	-	-	49,182	97,957
by exercise of rights of subscription	-	-	-	-	-	-
Net sales (TFF)	122,257	151,958	206,787	208,188	301,177	532,908
Net income before taxes, profit-sharing and depreciation (TFF)	5,998	7,311	8,630	15,357	63,586	105,185
Tax on profits (TFF)	1,712	1,712	1,923	4,261	7,027	12,978
Employees profit-sharing	-	-	-	-	-	-
Earnings after tax, profit-sharing and depreciation (TFF)	2,485	3,984	3,814	7,960	15,842	15,636
Distributed earnings (TFF)	250	250	1,000	-	-	-
Per share, earnings after tax and prior to depreciation	53.56	56	67.08	5.55	25.44	41.45
Per share, earnings after tax and depreciation	31.07	39.84	38.14	3.98	7.13	7.03
Dividend awarded to each share	5 (1)	3,125 (1)	10	0	0	0
Average number of employees	43	43	45	48	48	44
Total payroll amount (TFF)	8,931	9,048	10,106	10,546	12,252	11,975
Social welfare taxes and benefits (TFF)	3,732	3,658	4,090	4,281	5,386	4,907

(1) before increase in capital

(2) nominal value divided by 10

Auditors' Statutory Reports Auditors' General Report

Period ended 31 march 1998

Dear Sir or Madam,

As part of our auditing duties, we are pleased to be able to present you with our report for the period ended 31 March 1998, covering:

- our audit of the annual accounts for the company Ubi Soft Entertainment, as enclosed with this report;
- 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.

I. 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.

II. 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.

Issued in Rennes and Paris, 5 June 1998

By the Statutory Auditors

André METAYER

COMPAGNIE CONSULAIRE
D'EXPERTISE COMPTABLE
JEAN DELQUIE
Jean DELQUIE

Auditors' Special Report

Period ended 31 March 1998

Dear Sir or Madam,

Pursuant to Article 103 of the law dated 24 July 1966, we wish to inform you of the agreements covered by Article 101 thereof.

A. New agreement

Guarantee given to the subsidiary Ubi Soft Divertissements Inc. As a guarantee of a loan of Canadian \$1 million granted to the company Ubi Soft Divertissements Inc., your company will stand security for the same amount. This agreement was authorized by the Board of Directors' meeting of 30 January 1998.

Directors concerned: Yves Guillemot, Michel Guillemot, Claude Guillemot, Gérard Guillemot and Christian Guillemot.

B. Relations between companies in the Group and associated companies

Many common transactions - buying, selling, provision of services - have been conducted in normal circumstances with subsidiaries of the Group or companies in which your directors have interests.

These transactions are covered by Article 102 of the law dated 24 July 1966. These are the regulated agreements and transactions submitted for your approval.

Issued in Rennes and Paris, 5 June 1998

by the Statutory Auditors

André METAYER

*COMPAGNIE CONSULAIRE
D'EXPERTISE COMPTABLE JEAN DELQUIE
Jean DELQUIE*

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

Article 168 of law No. 66-537 dated 24 juillet 1966 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 1998 to the five persons receiving the most remuneration from the Company amounted to FF 2,330,390.

The Board of Directors

*Certified a true record, 5 June 1998
by the Statutory Auditors*

A. METAYER

*COMPAGNIE CONSULAIRE
D'EXPERTISE COMPTABLE
JEAN DELQUIE
Jean DELQUIE*