



UBISOFT announces its results for the 2005-2006 fiscal year

- **Ubisoft attains the position of 4th largest independent publisher (excluding Japan)¹, with sales up 3% in a market down 3%.**
- **Current operating income in line with revised objectives: €3.1 M before stock based compensation.**
- **Net income: €11.9 M.**
- **Gearing: decreased from 24% to 17% in a period of very high investment.**
- **Objectives for 2006-2007 and 2007-2008: acceleration of growth and increased profitability thanks to a strategy of anticipated investments on new consoles.**

Paris, June 28 2006 - Ubisoft Entertainment, one of the world's leading video game publishers, today released its 2005-2006 annual results for the fiscal year ended March 31, 2006.

On March 31, in millions of euros		2005/2006	2004/2005
Key elements of the consolidated income statement (IFRS)²			
Net sales ³	€M	547.1	532.5
Gross Margin	%	65.9	66.5
Current Operating Income before stock-based compensation	€M	3.1	39.0
Current Operating Income	€	0.4	33.5
Net Income	€M	11.9	24.7
EPS ⁴	€	0.63	1.39
Key elements of the consolidated balance sheet			
Net Debt	€M	65.3	74.4
Gearing	%	17.0	24.0

Yves Guillemot, CEO of Ubisoft said: "Ubisoft has achieved a solid performance during this fiscal year, gaining new market shares and increasing its sales in spite of the 3% decline in the video game sector. Thanks to our R&D efforts and our early positioning on new generation consoles, we have already achieved almost 30% of our sales from next generation in fiscal year 2005-2006 and in the fourth quarter, we attained 20% of market share on the Xbox 360™. 2005-2006 was also marked by the success of the game Peter Jackson's King-Kong : The official Game of the Movie, which enabled us to jump into the film licensing market with 4.5 million units sold. Finally, during this period of high investment, Ubisoft has continued to improve its financial position and can therefore accelerate its growth and pursue its development."

¹ United States, Canada, United Kingdom, Germany, France, Spain, Italy and Australia

² The financial statements of the Ubisoft Group have been prepared in accordance with international accounting standards (IFRS) since 1 April 2005.

³ Annual sales for 2005-2006 were published on 27 April 2006.

⁴ Non diluted

Main elements of the income statement:

- **Gross margin maintained at a high level thanks to the success of titles for the new consoles.**
- **Major R&D efforts to take full advantage of the substantial growth expected from the new consoles market.**
- **Temporary rise in marketing expenses: a necessary step of the transition phase.**

On March 31	2005/2006		2004/2005	
	In millions of euros	As a % of sales	In millions of euros	As a % of sales
Net Sales	547.1	100.0%	532.5	100.0%
Gross margin	360.7	65.9%	354.2	66.5%
R & D expenses	170.4	31.1%	157.6	29.6%
Sales, marketing, G&A expenses	187.2	34.2%	157.6	30.0%
Current operating income before stock based compensation	3.1	0.6%	39.0	7.3%

Sales increased 3%.

The gross margin was steady at a high level (65.9%) thanks to the performance achieved on high margin next generation consoles (75% on average compared with 57% on average for old generation consoles).

Pre-tax operating profit stood at €3.1 M before stock based compensation, in accordance with forecasts revised on January 26, 2006 on publication of third quarter sales. The fiscal year was marked in particular by:

- The €12.8 M increase in R&D expenses aimed at supporting the strategy of growth and acquisition of market share for the new consoles;
- The €18.4 M increase in advertising expenses needed to reach the mass market target for old generation consoles. This increase had been scheduled in order to attain a higher sales objective than was actually achieved. The old generation console activity, as previously announced, has in fact declined more rapidly than anticipated.

The financial charges amount to €9.1 M, broken down as follows:

- €10.3 M in financial expenses, of which €1.7 M in application of IFRS standards for compound financial instruments;
- €6.3 M in exchange losses;
- €7.5 M positive impact linked to the "equity swap⁵".

The contribution of equity accounted companies amounted to €19.1M, and is broken down as follows:

- €0.7 M representing the share of the results of Gameloft
- €2.6 M corresponding to a dilution profit
- €15.8 M in capital gains on the sales of securities.

Net income amounts to €11.9 M, i.e. a net income per share of €0.63. It benefits from a net tax credit of €3.3 M, which is broken down as follows:

- a tax credit of €3.2 M linked to the negative pre-tax profit for the fiscal year;
- research tax credits in the amount of €2.5 M;
- taxation of €2.4 M on capital gains from sales of Gameloft SA securities.

⁵ Operation concluded with Crédit Lyonnais on September 30, 2003.

Main cash flow and balance sheet elements:

Net debt on March 31, 2006 was €65.3 M, €9 M lower than the previous fiscal year. It shows a gearing of 17%, compared to 24% at March 31, 2005.

This improvement reflects:

- capital increases in the amount of €41 M deriving from the conversion of convertible bonds and the exercise of share subscription warrants;
- sales of Gameloft SA securities in the amount of €23 M;
- offset by a strong increase in investments, principally in production and brand acquisitions (+ €55 M, i.e. an increase of +37%) in order to take full advantage of the substantial growth anticipated in the new consoles market.

Outlook

Yves Guillemot said: "2006-2007 will be a new year of transition with the arrival of Sony's PS3 and Nintendo's WII™ consoles. We forecast a sales growth of between 5% and 10%, despite a global market which should decrease by 7%, thanks to the launch of 5 new high-potential brands, including:

- *Assassin's Creed™ awarded the Game Critics : Best of E3 for Best Action / Adventure game;*
- *Red Steel™ which will be an exclusive launch title for the Nintendo Wii™;*
- *Heroes of Might and Magic®, already released during the fiscal year, and ranked N°1 in PC sales in the UK, France and Germany upon launch.*

Current operating income before stock based compensation is expected to improve and represent between 3% and 4% of total sales for 2006-2007. We confirm our sales objective for the first quarter of 2006-2007 at approximately €60 M."

Yves Guillemot continued: "2007-2008 will be a year of strong recovery for the sector and we should once again outperform the market, whose growth is expected to approach 17% for the year. The investments made in the last two years will enable us to launch 5 new brands and new Hollywood licenses. In this context, the pre-tax operating profit before stock options should show a very strong improvement".

Yves Guillemot concluded: "We will pursue our offensive strategy of investment in new consoles in order to continue to grow faster than the market thanks to the creation of new brands and to our entry into new games segments. We will thus be able to take full advantage of the strong upturn in the sector predicted for 2007-2008 onwards".

Notable Events of the Fiscal Year

April 2005

- Opening of a new development studio in Quebec, Canada, complementing that of Montreal.

May 2005

- Conclusion of a syndicated credit agreement of €100 M.

July 2005

- Capital gains of €15.8 M before tax realized on the transfer of 5,155,000 shares of Gameloft SA, reducing shares held from 27.57% to 19.9%.

August 2005

- Peter Jackson's King Kong: The official Game of the Movie elected best PlayStation® 2 game at the Games Convention in Leipzig, Germany.

September 2005

- Co-publishing and distribution agreement with Hip Interactive Europe for the launch of Rugby Challenge 2006.

October 2005

- Over 99% conversion of the July 1998 convertible bond. This transaction strengthened the Group's equity capital by €24 M.

December 2005

- Success of sales in the United Kingdom: Peter Jackson's King Kong: The Official Game of the Movie topping Christmas week sales.

January 2006

- Publishing agreement with 4Kids Entertainment and Mirage Group for the development and distribution of a game based on the Teenage Mutant Ninja Turtle license, to launch at the same time as the animated feature film;
- Agreement with Square Enix to distribute Dragon Quest™ in PAL territories;
- Conclusion with Capcom of a distribution agreement for 3 AAA PC titles (Resident Evil 4™, Onimusha®: Demon Siege, and Devil May™ Cry 3: Dante's Awakening).

February 2006

- Agreement signed with Shaun White, six-time gold medal winner at the X Games and Olympic Snowboard Champion at the 2006 Winter Olympics in Turin, to create a game based on his snowboarding exploits, expected for 2007.

March 2006

- Stunning success of Tom Clancy's Ghost Recon Advanced Warfighter™ on Xbox 360™ which sold 360,000 units in the first week of launch;
- Acquisition of all intellectual property rights for the Far Cry franchise as well as the CryEngine® license.

May 2006

- Ubisoft and Touchstone join forces to bring the "Lost" universe to life. Developed by the award-winning Montreal studio, the game will be available on portable and salon consoles as well as on PC in 2007.
- Ubisoft increases its capital by €24 M thanks to the 97% conversion of share subscription warrants into shares allocated in May 2003.

Financial Calendar 2006

Event	Date
First Quarter sales	Thursday 27 July 2006
Annual General Meeting	Monday 25 September 2006

Note that these are tentative dates and are subject to change.

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Disclaimer:

This statement may contain financial data evaluated, information on future projects and transactions and future economic results/performance. Such valuations are provided for estimation purposes only. They are subject to market risks and uncertainties and may vary significantly with the actual results that shall be published. The financial data evaluated have been presented to the board of directors and have not been audited by the Auditors. (Additional information is specified in the last Ubisoft Background Paper filed on September 14, 2005 with the financial markets authority).

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About Ubisoft

Ubisoft is a leading producer, publisher and distributor of interactive entertainment products worldwide and has grown considerably through its strong and diversified lineup of products and partnerships. Ubisoft has offices in 21 countries and sales in more than 50 countries around the globe. It is committed to delivering high-quality, cutting-edge video game titles to consumers. Ubisoft generated revenue of 547 million Euros for the 2005-2006 fiscal year. To learn more, please visit www.ubisoftgroup.com.

Consolidated accounts as of March 31, 2006

Consolidated balance sheet

ASSETS	Net	Net
in thousand euro		
	(IFRS)	(IFRS)
	31.03.06	31.03.05
Goodwill	80.032	76.798
Other intangible assets	233.959	194.876
Tangible assets	22.276	15.953
Investments in associates	30.034	33.264
Non-current financial assets	2.702	1.977
Deferred income tax assets	42.321	28.606
Total non-current assets	411.324	351.474
Inventories	23.716	21.849
Trade receivables	91.246	140.976
Other receivables	62.290	63.742
Financial assets	321	241
Income tax receivable	5.708	6.310
Cash and cash equivalents	136.991	201.727
Total current assets	320.272	434.845
Total Assets	731.596	786.319
LIABILITIES	31.03.06	31.03.05
in thousand euro		
Capital	6.025	5.594
Share premiums	325.065	282.018
Component of equity	8.204	10.651
Consolidated reserves	30.032	-5.360
Consolidated earnings	11.932	24.732
Equity (Group share)	381.258	317.635
Minority interest	-	-
Total equity	381.258	317.635
Provisions	4	4
Employee benefits	1.156	738
Borrowings	54.981	138.166
Deferred tax liabilities	22.854	17.267
Total non-current liabilities	78.995	156.175
Borrowings	147.354	137.963
Trade creditors	71.033	100.543
Other payables	52.073	72.443
Financial liabilities	1	439
Income tax payable	882	1.121
Total current liabilities	271.343	312.509
Total Liabilities	731.596	786.319

Consolidated income statement

in thousand euro	31.03.06 (IFRS)	31.03.05 (IFRS)
Sales	547.070	532.483
Other operating income	132.965	105.347
Cost of sales	-187.623	-165.930
Inventory changes	1.186	-12.356
Wages and social security costs	-140.674	-123.230
Other operating expenses	-186.883	-153.209
Tax and duty	-4.906	-5.605
Depreciations	-81.302	-83.125
Provisions	-79.440	-60.912
Current operating result	393	33.463
Other current operating expenses	-1.784	-8
Operating result	-1.391	33.455
Income from cash and cash equivalent	2.183	1.364
Gross borrowings cost	-10.693	-10.531
Net borrowings cost	-8.510	-9.167
Financial income	17.369	19.343
Financial expense	-17.969	-12.144
Financial result	-9.110	-1.968
Share of (loss)/profit of associates	19.109	199
Income tax expense	3.324	-6.954
Result after income tax of consolidated companies	11.932	24.732
Minority interests	-	-
Group share	11.932	24.732
Net income per share	0,63	1,39
Net diluted income per share	0,70	1,24

Consolidated cash flow statement

in thousand euro	31.03.06	31.03.05
Cash flows from operating activities		
Net income	11.932	24.732
+/- Share of (loss)/profit of associates	-19.109	-199
+/- Depreciations	158.792	142.542
+/- Provisions	2.776	-6.727
+/- expenses and income due to stock options	2.692	5.464
+/- Flows from disposal of fixed assets	126	3.506
+/- Other calculated income and expenses	-147	-
Inventories	-2.873	13.936
Trade receivables	54.688	-48.941
Other receivables	-7.048	-10.213
Trade payables	-32.204	38.792
Other payables	-19.084	29.702
+/-Change in working capital requirement	-6.521	23.276
CASH FLOWS FROM OPERATING ACTIVITIES	150.541	192.594
- Acquisition of intangible and tangible fixed assets	-201.866	-147.167
+ Proceeds from sale of intangible and tangible fixed assets	140	176
+/- Acquisition of financial fixed assets	-4.227	-642
+/- other flows on investments operations	-153	-
+ Grants received	-	-
Proceeds from long-term loans and other financial assets	3.787	665
+/- Partial sales of associates ¹	22.691	-19.508
CASH FLOWS FROM INVESTMENTS	-179.628	-166.476
Cash flows from financing activities		
+ New financial lease loans	128	647
+ New long and medium term loans	7.537	4.525
- Repayments of financial lease borrowings	-1.040	-1.032
- Repayments of borrowings	-24.875	-
+ Proceeds from issue of capital	40.786	6.562
+/- purchase/sales of own shares	-503	646
- Dividends	-	-
+/- Other flows	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	22.033	11.348
Net change in cash flows	-7.054	37.466
Net cash and cash equivalents position at the beginning of the fiscal year	90.493	51.192
Effect of exchange rate fluctuations	-2.545	1.835
Net cash and cash equivalent position at the end of the fiscal year	80.894	90.493

¹ including cash from companies acquired or sold