



Ubisoft announces its results for the first half of the 2006-07 fiscal year

- **Sales up 13% to €172.1 million**
- **Marked improvement in current operating income¹ : -€33.6 million compared with -€42.4 million in the first half of 2005-06**
- **Third quarter 2006-07 sees Ubisoft consolidate its leading position on the Wii™ and marks the return to the front ranks for Tom Clancy's Splinter Cell®, Rayman® and Tom Clancy's Rainbow Six®**
- **Minimum sales growth target for 2006-07 raised from 8% to 10%**

Paris, December 6, 2006 – Today Ubisoft, one of the world's largest video game publishers, released its results for the six months ended September 30, 2006.

Key financial data

In € millions	H1 2006-07	%	H1 2005-06	%
Sales ²	172.1		152.9	
Gross profit	107.3	62.3%	95.0	62.1%
R&D expenses	-71.4	41.5%	-60.3	39.4%
Sales, marketing, G&A expenses	-69.5	40.4%	-77.1	50.4%
Current operating income/(loss) before stock options	-33.6	-19.5%	-42.4	-27.7%
Current operating income/(loss)	-35.3	-20.5%	-43.7	-29.0%
Net income/(loss)	-20.5	-11.9%	-11.3	-7.4%
Basic earnings/(loss) per share (in €)	-1.0		-0.6	
Diluted earnings/(loss) per share (in €)	-0.69		-0.35	
Cash flows from R & D investments	107.2		77.7	
Net debt	125.4		83.9	
Gearing	32.0%		24.0%	

Yves Guillemot, CEO of Ubisoft stated: "The improvement in our results for the first half of the fiscal year reflects both a very good business performance and tight control of marketing expenditures. The third quarter of 2006-07 is off to a good start, with Red Steel and Rayman in the top five sales on the launch of the Wii, and Tom Clancy's Splinter Cell and Tom Clancy's Rainbow Six returning to the front ranks. These positive factors have enabled us to raise our minimum growth target for 2006-07."

¹ Before the impact of stock-based compensation ("before stock options")

² Sales figures for the first half of fiscal 2006-2007 were released on October 24, 2006.

Main income statement items:

- **Gross margin stable at 62%, due to a temporary rise in distribution activity.**
- **Marketing expenditure down and R&D expenses up, in line with forecasts.**
- **Positive financial results due to a €7 million gain arising from the Equity Swap**

Sales for the first six months of 2006-07 climbed 13% to €172.1 million.

Gross margin at 62% was on a par with the prior-year period due to the temporary weighting of Distribution sales which generate lower margins than other businesses. Distribution sales rose in the first half of 2006-07 to 11% of net sales, compared with 8% in the first half of 2005-06.

Current operating income before stock options amounted to -€33.6 million, an improvement on the -€42.4 million loss reported for the first six months of 2005-06. This is primarily attributable to a combination of the following factors:

- A positive €12.3 million impact on gross profit resulting from the higher sales figure.
- A decrease in sales, marketing and G&A expenses to €69.5 million (40% of sales) from €77.1 million in the comparable prior year period (50% of sales), mainly due to a €5.4 million reduction in marketing expenditure.
- A rise in R&D expenses, in line with forecasts, to €71.4 million (42% of sales) from €60.3 million (39% of sales) in the comparable prior-year period.

Financial income jumped to €3.3 million from €0.9 million in the first half of 2005-06, breaking down as follows:

- €4.7 million in financial charges, of which €1.3 M in application of IFRS standards for compound financial instruments.
- €1.0 million in foreign exchange gains.
- A €7.0 million positive impact attributable to the Equity Swap³.

The contribution of equity accounted companies (Gameloft) amounted to €2.9 million, compared with €19.3 million in the first half of 2005-06 – a period that saw a €15.8 million gain from the disposal of Gameloft shares as well as a €2.6 million dilution gain.

The Group's net income before the contribution of equity accounted companies totaled -€23.3 million, representing an improvement on the -€30.6 million recorded for the first half of 2005-06. The Group's reported net income came to -€20.5 million versus a net loss of -€11.3 million in the corresponding period of 2005-06, giving rise to a diluted loss per share figure of -€0.69.

Main cash flow statement and balance sheet items:

Cash flows from operating activities improved slightly, coming in at -€55.2 million compared with -€56.5 million for the first half of 2005-06. This reflects the positive effect of the Group's enhanced results and effective containment of working capital requirement, which was offset by a €29.4 million increase in R&D investments to €107.2 million.

³ Operation concluded with Crédit Lyonnais on September 30, 2003.

Net debt as of September 30, 2006 stood at €125.4 million, up €60.0 million compared to March 31, 2006. For the first half of 2005-06 the increase was €13.7 million. This €46.3 million difference was primarily due to the following twin factors:

- the 2006-07 acquisition of the brands and all of the intellectual property rights relating to the FarCry[®] and Driver[®] franchises, for €27 million.
- the 2005-06 sale of Gameloft shares, amounting to €22 million.

Consequently Ubisoft's gearing ratio came to 32% on September 30, 2006, versus 24% one year earlier.

Third-quarter business review

Ubisoft's key titles are performing solidly :

- In October, Tom Clancy's Splinter Cell Double Agent[™] ranked No. 1 on the Xbox360[™] in the United States, generating 113% growth for Ubisoft in this market during that month.
- Red Steel[™], launched on the Wii in the United States and Japan, met with solid success. It was ranked the second best sale in the United States and is up for a good start in Japan.
- Rayman Raving Rabbids[™] also went down very well with consumers and ranks among the five best sales since the launch of the Wii[™] in the United States. As a result, Ubisoft has bolstered its position as the leading independent publisher for this console.
- Tom Clancy's Rainbow Six[®] Vegas was successfully launched on the Xbox360[™]. It has received glowing reviews and has joined Tom Clancy's Ghost Recon Advanced War Fighter[™] in the hit parade of the best games on this platform, as ranked by the benchmark site Gamerankings.com.

Outlook

Sales for the third quarter and full-year 2006-07

- The sales target for the third quarter of 2006-07 has been raised in order to take into account the Group's strong sales performance in October and November. The target is now approximately €280 million, up from the €270 million announced on the release of the Group's sales figures for the second quarter of the year. The sales target for full-year 2006-07 has also been revised upward to reflect the €10 million increase for the third quarter. The minimum growth target for 2006-07 sales is now therefore 10% instead of the previously announced 8%. The upper-end target of 12% sales growth has been maintained, pending definitive results for the Christmas period which, as usual, will play a determining role.

2006-07 results

- Current operating income before stock options for full-year 2006-07 is expected to be between 3% and 4% of sales, as previously announced.
- Taking into consideration the Group's R&D investments and brand acquisitions, as well as issues of new shares and the conversion in November of a portion of the Group's OCEANE convertible bonds, net debt for 2006-07 should remain stable at around €65 million.

2007-08 targets

- The Group is maintaining its targets for 2007-08 : sales growth of about 25% and current operating income before stock options representing at least 8% of total sales.

Significant events of the first eight months of the fiscal year

Wii™ line-up: Ubisoft has the largest line-up of games available for the Wii™, with seven games for the Christmas period and seven new games due to come out in the fourth quarter of fiscal 2006-07. In Japan, three high-potential games (Red Steel™, Rayman Raving Rabbids™, and Monster 4X4: World Circuit) are released in tandem with the Wii™ launch.

Equity increase: Ubisoft's equity was raised by €24.2 million as a result of the November 2006 conversion of a portion of the Group's 2006 OCEANE convertible bonds.

Acquisition of the Driver® brand: On July 14, Ubisoft announced its acquisition of the brand and intellectual property rights related to the Driver® franchise, as well as the Reflections studio for €19 million. These purchases have given Ubisoft a direct point of entry into the driving games segment.

Market share: For the first ten months of the calendar year, Ubisoft ranked fifth in the United States, with 5.8% market share (compared with fifth and 4.4% one year earlier); second in France with 6.5% market share (compared with second and 7.0%); second in the United Kingdom with 7.7% market share (compared with second and 6.9%); and third in Germany with 6.5% market share (compared with fourth and 7.4%).

Opening of a subsidiary in Mexico and a studio in Bulgaria: During the first half of the fiscal year, Ubisoft announced that it was opening a new commercial subsidiary in Mexico, with a view to capitalizing on this growth market, as well as a design studio in Sofia, Bulgaria.

Ubisoft's success on Xbox Live®: Tom Clancy's Ghost Recon Advanced Warfighter™ ranked first among the solo and multiplayer games on the Xbox Live® on-line game service in the second calendar quarter.

Tom Clancy's Ghost Recon Advanced Warfighter™ awarded Game of the Year at the video game BAFTAs: Tom Clancy's Ghost Recon Advanced Warfighter™ (Xbox 360™) received the Game of the Year award, the most coveted award at the BAFTA (British Academy of Film and Television Arts) Video Game Awards. The game also received the Technical Achievement Award.

Ubisoft's Montreal studio emerged victorious from the CAEAA: At the first annual Canadian Awards for the Electronic and Animated Arts (CAEAA) Ubisoft's Montreal Studio won a total of five prizes: Best Graphics, Best Character Design and Best Innovation in Gaming for *Peter Jackson's King Kong: The Official Game of the Movie* for the Xbox 360™; Best Console Game for *Prince of Persia® The Two Thrones™*; and Best Motion Graphics for *Far Cry Instincts Predator™*.

2006-2007 financial calendar

Release	Date
Sales figures for the fourth quarter of 2006-07	Tuesday, January 23, 2007

Please note that this date is subject to change and will be confirmed at a later stage.

Contact

Investor relations

Jean-Benoît Roquette

Head of Investor Relations

+ 33 1 48 18 52 39

Jean-benoit.roquette@ubisoft.com

Disclaimer

This statement may contain estimated financial data, information on future projects and transactions and future business results/performance. Such forward-looking data are provided for estimation purposes only. They are subject to market risks and uncertainties and may vary significantly compared with the actual results that will be published. The estimated financial data have been presented to the Board of Directors and have not been audited by the Statutory Auditors. (Additional information is specified in the most recent Ubisoft Registration Document filed on September 20, 2006 with the French Financial Markets Authority (*l'Autorité des marchés financiers*)).

About Ubisoft

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

© 2005 Ubisoft Entertainment. All Rights Reserved. Universal Studios' King Kong movie © Universal Studios. Licensed by Universal Studios Licensing LLLP. All Rights Reserved.

© 2005 Ubisoft Entertainment. All Rights Reserved. Far Cry, Far Cry Instinct Predator are trademarks of Ubisoft Entertainment in the US and/or other countries. Based on Crytek's original Far Cry directed by Cevat Yerli. Powered by Crytek's technology "CryEngine".

© 2006 Ubisoft Entertainment. All Rights Reserved. Splinter Cell, Splinter Cell Double Agent, Red Steel, Rayman, the character of Rayman, Rayman raving Rabbids, Rainbow Six, Driver, Ghost Recon, Ghost Recon Advance Warfighter, Ubisoft, Ubi.com and the Ubisoft logo are trademarks of Ubisoft Entertainment in the U.S. and/or other countries.

© 2005 Ubisoft Entertainment. All Rights Reserved. Based on Prince of Persia® created by Jordan Mechner. Prince of Persia, Prince of Persia The Two Thrones are trademarks of Jordan Mechner in the US and/or other countries used under license by Ubisoft Entertainment.

Microsoft, Xbox, Xbox 360, Xbox Live, and the Xbox, Xbox 360, and Xbox Live logos are either registered trademarks or trademarks of Microsoft Corporation in the U.S. and/or other countries.

The Wii TM and the Wii logo are trademarks of Nintendo.

CONSOLIDATED ACCOUNTS FOR THE SIX MONTHS ENDED
SEPTEMBER 30, 2006

Consolidated income statement

in € thousands	6 months ended 09.30.06 (IFRS)	6 months ended 09.30.05 (IFRS)
Sales	172,110	152,887
Other operating income	77,340	59,539
Cost of sales	(62,767)	(63,399)
Inventory changes	(2,044)	5,536
Wages and social security costs	(79,758)	(65,865)
Other operating expenses	(64,885)	(66,753)
Tax and duty	(2,436)	(2,602)
Depreciation	(44,020)	(38,078)
Provisions	(28,836)	(24,920)
Current operating income/(loss)	(35,296)	(43,655)
Other current operating expenses	(33)	(1,667)
Operating income/(loss)	(35,329)	(45,322)
Income from cash and cash equivalents	445	943
Gross borrowings cost	(4,686)	(7,754)
Net borrowings cost	(4,241)	(6,811)
Financial income	13,325	18,022
Financial expense	(5,823)	(10,358)
Net financial income/(expense)	3,261	853
Share of profit/(loss) of associates	2,856	19,270
Income tax expense	8,741	13,865
Net income/(loss) of consolidated companies	(20,471)	(11,334)
Minority interests	-	-
Net income/(loss)	(20,471)	(11,334)
Basic earnings/(loss) per share	(1)	(0.60)
Diluted earnings/(loss) per share	(0.69)	(0.35)

Consolidated balance sheet

ASSETS	Net	Net
in € thousands	(IFRS)	(IFRS)
	09.30.06	03.31.06
Goodwill	79,623	80,032
Other intangible assets	299,679	233,959
Tangible assets	25,087	22,276
Investments in associates	33,344	30,034
Non-current financial assets	2,559	2,702
Deferred income tax assets	49,930	42,321
Total non-current assets	490,222	411,324
Inventories	21,350	23,716
Trade receivables	60,905	91,246
Other receivables	60,681	62,290
Financial assets	-	321
Income tax receivable	6,932	5,708
Cash and cash equivalents	100,546	136,991
Total current assets	250,414	320,272
Total Assets	740,636	731,596
EQUITY AND LIABILITIES		
in € thousands	09.30.06	03.31.06
Capital	6,395	6,025
Share premiums	356,853	325,065
Component of equity	8,204	8,204
Consolidated reserves	38,176	30,032
Net income/(loss) for the period	(20,471)	11,932
Equity (Group share)	389,157	381,258
Minority interests	-	-
Total equity	389,157	381,258
Provisions	-	4
Employee benefits	1,333	1,156
Borrowings	56,221	54,981
Deferred tax liabilities	21,865	22,854
Total non-current liabilities	79,419	78,995
Borrowings	169,678	147,354
Trade payables	48,290	71,033
Other payables	52,455	52,073
Financial liabilities	974	1
Income tax payable	663	882
Total current liabilities	272,060	271,343
Total equity and liabilities	740,636	731,596

Consolidated cash flow statement

in € thousands	6 months ended 09.30.06	6 months ended 09.30.05
Cash flows from operating activities		
Net income/(loss)	(20,471)	(11,334)
+/- Share of profit/(loss) of associates	(2,856)	(19,270)
+/- Depreciation	72,280	38,078
+/- Provisions	4	24,028
+/- Gains and losses due to changes in fair value	-	-
+/- Cost of stock-based compensation	1,685	1,210
+/- Disposal gains and losses	33	6
+/- Other adjustments	(51)	(112)
Inventories	1,876	(5,049)
Trade receivables	28,393	58,765
Other receivables	(6,487)	6,559
Trade payables	(22,743)	(45,482)
Other payables	368	(26,141)
+/-Change in working capital requirement	1,407	(11,348)
CASH FLOWS FROM OPERATING ACTIVITIES	52,031	21,258
- Acquisition of intangible and tangible fixed assets	(143,704)	(86,975)
+ Proceeds from sale of intangible and tangible fixed assets	59	53
+/- Acquisitions/disposals of financial fixed assets	(5,256)	(388)
+/- Other flows related to investing activities	(30)	-
+ Grants received	-	-
+ Proceeds from long-term loans and other financial assets	5,364	261
+/- Changes in Group structure ⁽¹⁾	-	22,692
CASH FLOWS FROM INVESTING ACTIVITIES	(143,567)	(64,357)
Cash flows from financing activities		
+ New financial lease loans	-	1,021
+ New long- and medium-term loans	5,885	2,226
- Repayments of financial lease borrowings	(146)	(122)
- Repayments of borrowings	(2,895)	(21,634)
+ Accrued interest	1,058	359
+ Proceeds from issue of capital	30,472	31,372
+/- Purchase/sale of own shares	428	131
- Dividends	-	-
+/- Other	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	34,802	13,353
Net change in cash and cash equivalents	(56,734)	(29,746)
Cash and cash equivalents at beginning of period	80,894	90,493
Effect of exchange rate fluctuations	590	(2,049)
Cash and cash equivalents at end of period	24,750	58,698
⁽¹⁾ including cash from companies acquired or sold	-	22,692

Cash flow statement for comparison with other industry players – Unaudited.

in € thousands	6 months ended 09.30.06	6 months ended 09.30.05
Cash flows from operating activities		
Net income/(loss)	(20,471)	(11,334)
+/- Share of profit/(loss) of associates	(2,856)	(19,270)
+/- Depreciation of games software (internal and external)	65,099	55,755
+/- Other depreciation/amortization	7,181	5,622
+/- Provisions	4	729
+/- Cost/income of stock-based compensation	1,685	1,210
+/- Other adjustments	(51)	(112)
+/- Costs related to internal development and development of licenses and brands	(107,176)	(77,743)
CASH FLOWS FROM OPERATIONS	(56,585)	(45,143)
Inventories	1,876	(5,049)
Trade receivables	28,393	58,765
Other receivables	(6,480)	6,559
Trade payables	(22,743)	(45,482)
Other payables	368	(26,141)
+/-Change in working capital requirement	1,414	(11,348)
CASH FLOWS FROM OPERATING ACTIVITIES	(55,171)	(56,491)
- Acquisition of intangible and tangible fixed assets	(9,961)	(9,232)
+/- Acquisitions/disposals of non-current financial assets	(5,256)	(388)
+ Proceeds from sale of intangible and tangible fixed assets	59	53
+/- Disposal gains and losses	33	6
+/- Other flows related to investing activities	(30)	-
+ Grants received	-	-
+ Repayment of long-term loans and other financial assets	5,364	261
- Acquisitions of brands/+ disposals of equity interests	(26,574)	22,692
CASH FLOWS FROM INVESTING ACTIVITIES	(36,365)	13,392
Cash flows from financing activities		
+ New financial lease loans	-	1,021
+ New long- and medium-term loans	5,885	2,226
- Repayments of financial lease borrowings	(146)	(122)
- Repayments of borrowings	(2,895)	(21,634)
+ Accrued interest	1,058	359
+ Proceeds from issue of capital	30,472	31,372
+/- Purchase/sale of own shares	428	131
- Dividends	-	-
+/- Other	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	34,802	13,353
Net change in cash and cash equivalents	(56,734)	(29,746)
Cash and cash equivalents at beginning of period	80,894	90,493
Effect of exchange rate fluctuations	590	(2,049)
Cash and cash equivalents at end of period	24,750	58,698