



Ubisoft reports full-year 2007-08 results

- **Sales¹ up 36% (43% at constant exchange rates).**
- **Record-high profitability and net cash position:**
 - **Current operating income²: 14.3% of sales.**
 - **Cash flow from operating activities: €117 million.**
 - **Net cash: €150 million.**
- **Outlook for 2008-09 confirmed.**
- **Events subsequent to March 31, 2008:**
 - **Calyon sells remaining Ubisoft shares held under the Equity Swap.**
 - **Signature of a new syndicated loan agreement.**

Paris, May 22, 2008 – Today Ubisoft released its results for the fiscal year ended March 31, 2008.

Key financial data

In € millions	2007-08	%	2006-07	%
Sales	928.3		680.3	
Gross profit	616.6 ³	66.4%	439.2 ³	64.6%
R&D expenses	(264.6)	28.5%	(233.0)	34.2%
SG&A expenses	(218.9) ³	23.6%	(167.9) ³	24.7%
Current operating income before stock options	133.1	14.3%	38.3	5.6%
Operating income	131.5	14.2%	34.6	5.1%
Net income	109.8	11.8%	40.5	6.0%
Diluted earnings per share (in €)	2.3		0.92	
Cash flows from R&D investments	283.6*		244.5*	
Net cash	149.5		55.0	

*including royalties and excluding future commitments

Yves Guillemot, chief executive officer at Ubisoft stated: *"The surge in our profitability and net cash in 2007-08 was driven by continued strengthening of existing franchises such as Rainbow Six, Rayman, The Settlers and Ghost Recon, combined with the sharp ramp-up of the "Games For Everyone" casual range and the successful launch of the new releases, Assassin's Creed and Imagine. Going forward, 2008-09 is set to be another record year for Ubisoft. We now have 14 multimillion unit-selling franchises and will be launching 5 new IPs during the period as well as new brands in the casual games segment."*

1 Sales figures for full-year 2007-08 were released on April 24, 2008.

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

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

Main income statement items

Sales for full-year 2007-08 came to €928.3 million, up 36.4%, or 42.9% at constant exchange rates.

Gross profit⁴ represented 66.4% of sales, versus 64.6% in 2006-07. This rise was fueled by a more favorable product mix thanks to the Group's early position in games for new generation consoles.

Current operating income before stock options jumped to €133.1 million from €38.3 million, representing 14.3% of sales versus 5.6% in 2006-07, and outstripping the 14.0% forecast. This increase was primarily attributable to a combination of the following factors:

- The rise in gross profit.
- The strong decrease in R&D expenses as a percentage of sales, due to the superior sales performance turned in during the year. These expenses totaled 28.5% of sales (€264.6 million), compared with 34.2% in 2006-07 (€233.0 million).
- The significant leverage effect on structure fixed costs, which decreased as a percentage of sales. In 2007-08 these costs amounted to 11.3% of sales (€104.8 million), versus 13.8% (€93.8 million) the previous year. This leverage effect was partially offset by an increase in variable marketing expenses which totaled 12.3% of sales (€114.1 million), compared with 10.9% (€74.1 million) in 2006-07. Consequently, as a percentage of sales, SG&A expenses⁴ decreased year-on-year to 23.6% (€218.9 million) from 24.7% (€167.9 million).

Ubisoft ended fiscal 2007-08 with operating income of €131.5 million, up from €34.6 million one year earlier. This figure includes stock option expenses of €8.5 million and an €8.4 million gain resulting from the positive outcome of a lawsuit in the first half of the year.

Net financial income came to €12.4 million (versus €18.0 million in 2006-07), breaking down primarily as follows:

- €2.9 million in financial charges against €7.0 million in 2006-07.
- €14.0 million in foreign exchange losses due to the strong increase in the value of the euro towards the end of the fiscal year (€1.7 million in 2006-07).
- A €28 million positive impact attributable to the Equity Swap⁵ – including €3.8 million following Calyon's sale of 193,153 shares during the year – compared with €27.1 million in 2006-07.

Following the sale of Ubisoft's Gameloft shares to Calyon in July 2007, the Group's share of profit of associates (principally Gameloft) decreased to almost zero from €3.1 million in 2006-07. During 2007-08 Ubisoft recorded €14.8 million under "Net gain from operations of discontinued business segment" following Calyon's sale of a portion of its Gameloft shares in the first half of the year.

Net income for 2007-08 totaled €109.8 million, up from €40.5 million the previous year, and diluted earnings per share amounted to €2.3. Excluding non-recurring items (including the impact of the Gameloft share sale, the Equity Swap, the positive lawsuit outcome and the impact of stock options), the net income figure would be €80.6 million and diluted earnings per share €1.69, versus €22.7 million in 2006-07 and €0.52 per share.

⁴ After adjustments relating to logistics costs which have been reclassified from "SG&A expenses" to "Cost of sales".

⁵ Transaction entered into with Calyon on September 30, 2003.

Main cash flow statement and balance sheet items

Cash flows from operating activities climbed from €53 million in 2006-07 to €117 million in 2007-08, reflecting cash flows from operations of €59 million* and a €58 million* improvement in working capital requirement (including €10.8 million from Calyon's sale of 193,153 shares).

At March 31, 2008, Ubisoft had a net cash position of €149.5 million compared with €55.0 million at March 31, 2007. The main movements during the period were as follows:

- The above-mentioned €117 million in cash flows from operating activities.
- €25 million arising from the sale of Gameloft shares.
- €48 million in acquisitions of tangible and intangible assets including the Tom Clancy license.
- The purchase of Sunflowers, Anno™ and Digital Kids for €18 million.
- Proceeds from issue of capital totaling €15 million following the exercise of stock options and conversion of bonds with redeemable warrants (OBSAR).
- A €3 million effect from exchange rate fluctuations.

* Future commitments on external development contracts and licenses are now included in "Other intangible assets" in the balance sheet with a contra-entry under "Trade payables". This item – which does not affect cash flow generation – rose to €80 million in 2007-08 from €37 million in 2006-07. In the "Cash flow statement for comparison with other industry players" these advances are now included in "Costs related to internal development and development of licenses" and represented €43 million in 2007-08, compared with €11.3 million in 2006-07. Before these adjustments "Costs related to internal development and development of licenses" amounted to €258.3 million in 2007-08 and €226.0 million in 2006-07.

2008-09 outlook confirmed

Ubisoft is maintaining its previously announced targets:

- First-quarter sales of approximately €154 million.
- Full-year 2008-09 sales of around €1 billion and current operating income before stock options representing at least 12% of sales.
- Based on these objectives, and in view of Calyon's sale of its Ubisoft shares (see below), the Group's net cash position is expected to amount to at least €270 million at March 31, 2009.

Sale by Calyon of all its Ubisoft shares

The 1,243,121 Ubisoft shares held by Calyon at March 31, 2008 were sold at the beginning of 2008-09. This transaction will give rise to a €59.3 million cash inflow as well as financial income of €8.8 million in the first half of the fiscal year.

Signature of a new syndicated loan

The Group did not exercise its option to renew its existing syndicated loan facility for a further one-year period and instead signed a new five-year syndicated loan agreement on May 19, 2008 for €180 million.

2008 financial calendar

Release	Date
First-quarter 2008-09 sales	July 24, 2008

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

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Disclaimer

This statement may contain estimated financial data, information on future projects and transactions and future business results/performance. Such forward-looking data are provided for estimation purposes only. They are subject to market risks and uncertainties and may vary significantly compared with the actual results that will be published. The estimated financial data have been presented to the Board of Directors and have not been audited by the Statutory Auditors. (Additional information is specified in the most recent Ubisoft Registration Document filed on June 27, 2007 with the French Financial Markets Authority (*'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 25 countries and sales in 55 countries around the globe. It is committed to delivering high-quality, cutting-edge video game titles to consumers. Ubisoft generated sales of €928 million for the 2007-08 fiscal year. To learn more, please visit www.ubisoftgroup.com.

Consolidated income statement

in € thousands	12 months ended 03.31.08	12 months ended 03.31.07
Sales	928,307	680,348
Other operating income	191,209	164,823
Cost of sales	(329,984)	(243,164)
Inventory changes	18,275	2,037
Personnel costs	(205,010)	(171,038)
Other operating expenses	(218,182)	(161,079)
Tax and duty	(6,872)	(5,950)
Depreciation and amortization	(254,492)	(230,000)
Provisions	1,328	(1,038)
Current operating income	124,578	34,939
Other income and expenses from operations	6,942	(360)
Operating income	131,520	34,579
Income from cash and cash equivalents	2,605	1,476
Gross borrowing costs	(2,926)	(7,067)
Net borrowing costs	(321)	(5,591)
Financial income	43,521	38,201
Financial expenses	(30,774)	(14,563)
Net financial income	12,426	18,047
Share of profit of associates	28	3,149
Income tax	(48,957)	(15,217)
Net gain from operations of discontinued business segment	14,827	-
Net income of consolidated companies	109,844	40,558
Minority interests	-	-
Net income	109,844	40,558
Basic earnings from ordinary activities per share	2.07	0.95
Diluted earnings from ordinary activities per share	1.99	0.92
Basic earnings from discontinued activities per share	0.32	-
Diluted earnings from discontinued activities per share	0.31	-
Weighted average number of shares in issue (after 2-for-1 stock split)	45,874	42,481
Diluted weighted average number of shares in issue (after 2-for-1 stock split)	47,849	43,997

Consolidated balance sheet

ASSETS	Net	Net
in € thousands		
	03.31.08	03.31.07
Goodwill	84,376	77,374
Other intangible assets	398,378	301,798
Tangible assets	22,480	25,510
Investments in associates	328	33,998
Non-current financial assets	2,517	2,458
Deferred income tax assets	21,684	37,630
Total non-current assets	529,763	478,768
Inventories	39,879	24,794
Trade receivables	84,226	87,857
Other receivables	91,683	73,959
Other current financial assets	64,342	19,183
Income tax receivable	11,146	10,605
Cash and cash equivalents	228,913	126,552
Total current assets	520,189	342,950
Total assets	1,049,952	821,718
EQUITY AND LIABILITIES	03.31.08	03.31.07
in € thousands		
Capital	7,165	7,037
Share premiums	459,457	435,234
Consolidated reserves	57,685	38,990
Net income for the period	109,844	40,558
Equity (Group share)	634,151	521,819
Minority interests		
Total equity	634,151	521,819
Provisions	1,861	1,952
Employee benefits	1,699	1,205
Borrowings	23,323	22,706
Deferred tax liabilities	43,990	28,214
Total non-current liabilities	70,873	54,077
Borrowings	56,097	48,874
Trade payables	177,903	118,950
Other payables	95,505	75,895
Other current financial liabilities	1,353	-
Income tax payable	14,070	2,103
Total current liabilities	344,928	245,822
Total equity and liabilities	1,049,952	821,718

Cash flow statement for comparison with other industry players

in € thousands	12 months ended 03.31.08	12 months ended 03.31.07
Cash flows from operating activities		
Net income	109,844	40,558
+/- Share of profit of associates	(28)	(3,149)
+/- Net gain from operations of discontinued business segment	(14,827)	-
+/- Amortization of games software	239,284	214,499
+/- Other depreciation/amortization	15,213	15,619
+/- Provisions	35	884
+/- Cost of stock-based compensation	8,526	3,344
+/- Disposal gains and losses	2,096	243
+/- Other adjustments	(600)	(221)
+/- Costs related to internal development and development of licenses	(300,849)	(237,332)
Cash flows from operations	58,694	34,445
Inventories	(17,569)	(1,914)
Trade receivables	(7,096)	(842)
Other receivables	(27,936)	(34,830)
Trade payables	60,714	22,862
Other payables	49,981	33,429
+/-Change in working capital requirement	58,095	18,705
CASH FLOWS FROM OPERATING ACTIVITIES	116,788	53,150
- Acquisition of intangible and tangible assets	(48,344)	(43,394)
+ Proceeds from sale of intangible and tangible assets	475	95
+/- Acquisition/sale of financial assets	(23,731)	(15,778)
+/- Other flows related to investing activities	(66)	(153)
+ Proceeds from long-term loans and other financial assets	23,735	16,078
+ Net gain from operations of discontinued business segment	25,110	-
+/- Changes in Group structure ⁽¹⁾	(18,342)	170
CASH FLOWS FROM INVESTING ACTIVITIES	(41,162)	(42,982)
Cash flows from financing activities		
+ New financial lease loans	-	60
+ New long- and medium-term loans	268	30,740
- Repayments of financial lease borrowings	(55)	(230)
- Repayments of other borrowings	-	(151,993)
- Accrued interest	-	(807)
+ Proceeds from issue of capital	15,825	106,551
+/- Purchase/sale of own shares	(392)	625
+/- Other	3	(42)
CASH FLOWS FROM FINANCING ACTIVITIES	15,649	(15,036)
Net change in cash and cash equivalents	91,275	(4,868)
Cash and cash equivalents at beginning of year	78,653	80,894
Effect of exchange rate fluctuations	3,253	2,627
Cash and cash equivalents at end of year	173,181	78,653
⁽¹⁾ including cash from companies acquired or sold	(897)	(17)

Consolidated cash flow statement

in € thousands	12 months ended 03.31.08	12 months ended 03.31.07
Cash flows from operating activities		
Net income	109,844	40,558
+/- Share of profit of associates	(28)	(3,149)
+/- Net gain from operations of discontinued business segment	(14,827)	-
+/- Depreciation and amortization	254,497	230,118
+/- Provisions	35	884
+/- Cost of stock-based compensation	8,526	3,344
+/- Disposal gains and losses	2,096	243
+/- Other adjustments	(600)	(221)
+ Interest paid	5,231	4,678
+ Income tax paid	18,891	7,129
Inventories	(17,569)	(1,914)
Trade receivables	(7,096)	(842)
Other receivables	(27,936)	(34,830)
Trade payables	60,714	22,862
Other payables	49,981	33,429
+/-Change in working capital requirement	58,095	18,705
CASH FLOWS FROM OPERATING ACTIVITIES	441,760	302,289
- Interest paid	(5,231)	(4,678)
- Income tax paid	(18,891)	(7,129)
NET CASH FLOWS FROM OPERATING ACTIVITIES	417,637	290,482
- Acquisitions of intangible and tangible assets	(349,193)	(280,725)
+ Proceeds from sale of intangible and tangible assets	475	95
- Acquisition of financial assets	(23,731)	(15,778)
+/- Other flows related to investing activities	(66)	(153)
+ Proceeds from long-term loans and other financial assets	23,735	16,077
+ Net gain from operations of discontinued business segment	25,110	-
+/- Changes in Group structure ⁽¹⁾	(18,342)	170
CASH FLOWS FROM INVESTING ACTIVITIES	(342,011)	(280,314)
Cash flows from financing activities		
+ New financial lease loans	-	60
+ New long- and medium-term loans	268	30,740
- Repayments of financial lease borrowings	(55)	(230)
- Repayments of other borrowings	-	(151,933)
+ Accrued interest	-	(807)
+ Proceeds from issue of capital	15,825	106,551
+/- Purchase/sale of own shares	(392)	625
+/- Other	3	(42)
CASH FLOWS FROM FINANCING ACTIVITIES	15,649	(15,036)
Net change in cash and cash equivalents	91,275	(4,868)
Cash and cash equivalents at beginning of year	78,653	80,894
Effect of exchange rate fluctuations	3,253	2,627
Cash and cash equivalents at end of year	173,181	78,653
⁽¹⁾ including cash from companies acquired or sold	(897)	(17)