



UBISOFT®

H1 FY12 Earnings Presentation

November 08, 2011



- **Yves Guillemot, President and Chief Executive Officer**
- **Alain Martinez, Chief Financial Officer**
- **Jean-Benoît Roquette, Head of Investor Relations**

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 28, 2011 with the French Financial Markets Authority (l'Autorité des marchés financiers)).

Summary

H1 : Better than expected topline and operating income performance with strong growth margin improvement

H1 : Across the board performance : Online – Casual – High Definition

H2 : High potential H2 line-up for casual and passionate players, targeting Thriving HD, online platforms and casual segments

H2 : Quality improves significantly

Online : Continue to strengthen our offering and expertise

FY12 : Confirming guidance for FY12

FY13 : Improvement in operating income and back to positive cash-flows

H1 FY12 performance

H2 FY12 line-up and guidance

H1 FY12

Q2 Sales higher than guidance (146 M€ vs 99 M€)

Across the board performance : Online – Casual – HD

Benefits from stronger focus on top franchises

+ 29 M€ from Online – Back-catalog – Driver

+ 18 M€ from early release of Just Dance 3

H1 Sales slightly up at constant exchange rates (249 M€)

(with fewer HD releases)

H1 FY12

Gross margin up 8 percentage points

Thanks to better online and back-catalog

Improvement in Current operating loss : (49.3) M€

Lower R&D, higher marketing expenses, controlled structure costs

Cash flows from operating activities* : down 19 M€

Working Capital* : improves 12 M€

*On a comparable basis and excl. one time events

H1 FY12 : Online momentum keeps growing

Online momentum keeps growing

H1 Online sales : 30 M€, up 85%

The Settlers Online

From Dust, Clash of Heroes, Outland (XBLA/PSN)

Trackmania 2 Canyon

The Smurfs (Facebook)

Full game downloads



H1 FY12 : With The Smurfs, Ubisoft entered Facebook top 15



Top Games on Facebook by MAU as on 19/09/11

	Name	MAU	Publisher
1	CityVille	74,605,848	Zynga
2	The Sims Social	48,524,129	Electronic Arts
3	Empires & Allies	38,098,761	Zynga
4	FarmVille	36,420,878	Zynga
5	Texas HoldEm Poker	35,710,052	Zynga
6	Pionner Trail	22,503,818	Zynga
7	Gardens of Time	16,815,233	Playdom
8	Diamond Dash	12,057,202	Wooga
9	Words with Friends	11,920,770	Zynga
10	The Smurfs & Co	10,367,511	Ubisoft
11	Bubble Island	10,129,681	Wooga
12	Cafe World	10,118,207	Zynga
13	Bejeweled Blitz	9,907,291	Electronic Arts
14	Monster World	8,894,840	Wooga
15	Zoo World	8,667,742	RockYou

Source : AppData

H1 FY12 : Top High-Definition and Casual franchises continue to deliver

Top High-Definition and Casual franchises continue to deliver

H1 Back-catalog sales : 107 M€, up 38%

Assassin's Creed, Just Dance, Michael Jackson



H1 FY12 : Assassin's Creed Brotherhood as good as AC 2



**Brotherhood's sell thru in line with AC II
(value & units, ltd)**

**Back-catalog benefits from sell-in prudence
end of FY11**

**31 million units sold-in
since the release of the first AC in FY08**



H1 FY12 : Just Dance the second biggest franchise in the US



Rank	Title	Publisher	From Jan 10 to Sept 11 (sell thru - units)
1	Black Ops	Activision Blizzard	14,983,459
2	Just Dance 2	Ubisoft	5,245,480
3	Madden NFL 11	EA	5,195,251
4	Halo: Reach	Microsoft	4,746,560
5	New Super Mario Wii	Nintendo	4,231,423
6	NBA 2K11	Take 2	4,202,926
7	Pokemon Gold/Silver	Nintendo	3,943,889
8	Red Dead Redemption	Take 2	3,877,037
9	Wii Fit Plus	Nintendo	3,577,800
10	Pokemon Black/White	Nintendo	3,581,789
11	AC Brotherhood	Ubisoft	3,141,187

**JD2
is the
2nd
biggest
US title**

Source : NPD

17 million units sold-in
since the release of the first JD in FY10

H1 FY12 : Driver, a high quality game



Sales : better than planned

Solid reviews (80% metacritic), excellent critics

"Easily the most surprising game I've played this year" GameInformer

"It looks great, it's got a lot of personality, it tells an entertaining story and it's great fun to play" IGN

"Driver ... is an absolute blast" Gamespot

"I should have been playing Gears of War 3 most of Saturday afternoon, but I felt the irrepressible urge to do something else: play more Driver" Kotaku

H1 FY12 : Profitability up

	<u>H1 2011-12</u>		<u>H1 2010-11</u>	
€ million		%		%
Sales	248,5		260,5	
Gross profit	158,4	63,7	146,2	56,1
R&D expenses	(86,7)	34,9	(98,4)	37,8
Selling expenses	(87,7)	35,3	(81,9)	31,4
G & A expenses	(33,2)	13,4	(30,8)	11,8
SG & A expenses	(121,0)	48,7	(112,7)	43,2
Current operating income	(49,3)	19,9	(64,9)	24,9

- **Gross margin up 8 percentage point and 12.2 M€ on lower sales**
 - Continued improvement of back-catalog gross margin (more prudent sell-in end of FY11) + online sales momentum
- **R&D down 11.7 M€**
 - Lower depreciation due to fewer HD releases, partly compensated by
 - royalties increase (dance)
 - and increase in online related expenses
- **SG&A up 8.3 M€**
 - variable marketing expenses up at 61.8 M€ or 24.9% of sales (56 M€ and 21.5% in H1 FY11). Related to dance and online growth.
 - fixed structure costs at 59.1 M€ or 23.8% of sales (56.7 M€ and 21.7% in H1 FY11), with higher online related costs and lower packaged goods costs.

H1 FY12 : Capitalized investments slightly down

€ million	<u>H1 2011-12</u>	<u>H1 2010-11</u>
Depreciation of in-house games	45,2	69.2
Depreciation of external games and licences	11,1	14.9
Royalties	14,4	5.6
Non Capitalized R&D & others	16,0	8.7
Total Current R&D depreciation and royalties	86,7	98.4
Total Non Current R&D	0,0	62.1
Total R&D depreciation and royalties	86,7	160.5
Capitalized software-related production	148,3	146.4
Investment in external production and licenses (excluding future commitments)	26,3	29.3
Royalties	14,4	5.6
Non Capitalized R&D & others	16,0	8.7
Total development investment	205,0	189.9

- **Depreciation down** : 28 M€, due to product mix (less high-end releases and greater dance business)
- **Increase in royalties** : dance titles
- **Increase in Non Capitalized R&D** : cash expenses related to ramping investments on online (new contents for released online games, online servers etc...)
- **Internal and external capitalized investment slightly down at 174.5 M€ (vs 175.7 M€)**
- **Increased gap between current R&D depreciation and capitalized investments** : +27 M€

H1 FY12 : Net Income up

€ million	H1 2011-12	H1 2010-11
Current operating income*	(49,3)	(64,9)
Fair Value Variation	0,0	(1,4)
Stock-based compensation	(5,5)	(5,4)
Other revenues (expenses)	(0,0)	(62,1)
Operating income/(loss)	(54,8)	(133,8)
Net financial income/(expense)	(1,7)	(1,7)
Share of profit of associates	(0,1)	0,1
Net income tax	19,5	45,6
Net income	(37,1)	(89,8)
Diluted earnings/(loss) per share (€)	(0,39)	(0,93)
Nbr of shares fully diluted	95 865	96 862

- **Financial expenses :**
 - Interest charge: (1.1) M€
 - H1 FY11 : a (3.6) M€ charge related to sell-off on tax credit sales + 4.7 M€ gains on GLFT shares
 - Foreign exchange : (0.6) M€ ((2.3) M€ loss in H1 FY11)
- **Tax rate 38% excluding stock base compensation :** benefit of R&D tax credit

H1 FY12 : Net income before non recurring elements and stock-based compensation

In million of euros, except for per share data	H1 2011-12			H1 2010-11		
	As reported	Adjustment	Before non recurring elements and stock based compensation	As reported	Adjustment	Before non recurring elements and stock based compensation
Sales	248,5		248,5	260,5		260,5
Total Operating expenses	(303,3)	5,5	(297,8)	(394,3)	68,9	(325,4)
Stock-based compensation	(5,5)	5,5	0,0	(5,4)	5,4	0,0
Fair Value Variation	0,0	0,0	0,0	(1,4)	1,4	0,0
Other operating income and expenses	(0,0)	0,0	0,0	(62,1)	62,1	0,0
Operating Income	(54,8)	5,5	(49,3)	(133,8)	68,9	(64,9)
Net Financial income	(1,7)	0,0	(1,7)	(1,7)	(4,7)	(6,4)
Income tax	19,5	0,0	19,5	45,6	(19,0)	26,6
Net Income	(37,1)	5,5	(31,5)	(89,8)	45,2	(44,6)
Diluted earnings per share	(0,39)	0,06	(0,33)	(0,93)	0,47	(0,46)

H1 FY12 : Cash flows comparisons impacted by one-time events

€ million	HY 2011-2012	HY 2010-11
Opening cash position	99,2	41,3
Cash flows from operations	(142,7)	(99,2)
Change in WCR	(35,4)	(30,6)
Tax impact	0,0	0,0
Cash flows from operating activities	(178,1)	(129,8)
Net investment in capital assets	(15,3)	(13,3)
Net free cash flow	(193,4)	(143,1)
Net acquisitions/disposals	(8,4)	0,0
Proceeds from issue of capital and other financial flows	(1,4)	0,1
Tax credit sales	0,0	21,9
Effect of exchange rate fluctuations	2,5	0,6
Decrease/(increase) in net debt	(200,6)	(120,6)
Closing cash position	(101,4)	(79,3)

- **Net Free Cash Flow decrease : 50 M€, impacted by 41 M€ one-time events and tax related events**
 - Impact from Gameloft shares sales : 8 M€
 - Impact from tax factoring : 20 M€
 - Impact from tax reimbursement in H1 FY11 : 13 M€

H1 FY12 : Cash flows comparisons impacted by one-time events

€ million	HY 2011-2012	<u>HY 2010-11</u>
Cash flows from operations	(142,7)	(99,2)
Year on year difference	(43,5)	
Tax credit related to H1 FY11 non current R&D charges	(21,0)	
Net profit on Gameloft shares sold in H1 FY11	(3,0)	

Excluding one time events, Cash flows from operations year on year difference is (19,5) M€

€ million	HY 2011-2012	<u>HY 2010-11</u>
Change in WCR	(35,4)	(30,6)
Year on year difference	(4,8)	
Impact of tax credit factoring	(20,0)	
Impact of tax reimbursement in H1 FY11	(13,0)	
Impact of Gameloft shares sold on working capital	(5,0)	
Impact of tax credit related to H1 FY11 non current R&D charges	21,0	

**Excluding one time events and on a comparable basis,
year on year difference would have improved by 12,0 M€**

H1 FY12 performance

H2 FY12 line-up and guidance

H2 FY12 : A high-quality franchises-based line-up targeting the strongest segments

Industry strong franchises on multi-platforms

For passionate and casual audiences

Targeting strong high-definition and growing online platforms and thriving casual genres

Very high quality and innovative offering

H2 FY12 : +2% to +7% growth expected

+2% ~ +7%

	H2 FY11	H2 FY12
High-Definition	Assassin's Creed Shaun White Raving Rabbids	Assassin's Creed Ghost Recon Rayman Origins Raving Rabbids Tintin
Casual	Just Dance 2 Michael Jackson Your Shape	Just Dance 3 Black Eyed Peas Abba Rocksmith Your Shape 2
Online	Settlers Online CSI Crime City	Settlers Online Howrse Trackmania 2 Canyon Ghost Recon Online The Smurfs iOS titles

+

stronger digital distribution & back-catalog in H2 FY12

High-Definition : Assassin's Creed Revelations (Q3)

The lead/associate studios organisation is delivering

Execution prowess

"I'm consistently impressed by Ubisoft's apparent ability to crank out complete Assassin's Creed games each year" Kotaku

A great game

"A few hours with ACR barely scratched the surface of the large and impressive game" GameInformer

Multiplayer grows

"Revelations' multiplayer ...is becoming deeper, more involved and more complex. It's a great deal of fun, offering an experience unlike others on the market today" IGN

Potential to perform as well or even better than prior opus

Budgeted prudently below ACB's performance

High-Definition : Rayman Origins (Q3)



Major expectations from gaming press

"Michel Ancel triumphantly returns to his beloved franchise with Rayman Origins" IGN

"Dynamic, funny and absolutely beautiful, it gets all the assets of a marvel capable of satisfying the old hardened fans as the newcomers" jeuxvideo.com

"A platforming Masterpiece" Nintendo Power Magazine (9.5/10)

Big winner at E3 – 13 awards

5 skus in H2 : Xbox360 – PS3 – Wii – Vita – 3DS

Targets family and passionate audiences

19 million units sold-in

since brand creation (excluding Raving Rabbids sales)

High-Definition : Ghost Recon Future Soldiers (Q4)



March 2012

Major communication plan starts in December

Back in the Shooter War !

Industry best visuals, great single player, 4 players coop, huge multiplayer campaign



18 million units sold-in

since brand creation



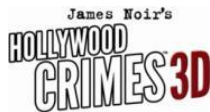
High-Definition : Ghost Recon Future Soldiers (Q4)



Engage gamers with an integrated multiplatforms experience



Casual : Capitalize on 5 years of successful experience (Q3)



Successful franchises

Just Dance 3, Black Eyed Peas, Abba ...

Leverage new platforms Kinect, Move

Just Dance 3, BEP & Michael Jackson on Kinect

YourShape, MotionSports Adrenaline ...

New experiences

Rocksmith, James Noir's Hollywood Crimes ...

Casual : Just Dance 3 launch update (Q3)



Highly rated by players on Amazon.com



4. 46 days in the top 100

Just Dance 3

by UBI Soft

★★★★★ (35)

First 3 weeks significantly up versus JD2

JD3 Wii up (double digit growth) versus JD2 Wii

+ JD3 Kinect + JD Japan

Online : Continue to build our expertise and grow topline and profitability (H2)



H2 FY12

Free to Play

Settlers Online – Ghost Recon Online

The Smurfs – Imagine Town

Howrse

Trackmania 2 Canyon/ManiaPlanet

XBLA/PSN

Trials Evolution – Shoot many robots

Bable Rising – I am Alive

iOs

Monster Burner – AC Recollection

AC Multiplayer Rearmed – Michael Jackson ...



Expert in Free to Play ecosystems

Total registered users : 25 million – Howrse MAUs : 2.4 million

Topline growth of 70% last year and profitability > 20%

Expand Howrse & strengthen our own online operations



Expert in digital multiplatforms

Trials HD : XBLA bestseller – Draw Race : excellent critics (iPad, iPhone)

Topline growth of 40% last year and profitability = 30%

Physic-based game mechanics & asynchronous multiplayer gameplay

Great mutliplatforms potential

Online : Uplay, Ubisoft's online service platform



The online hub that puts players at the core of the experience

Unique account for all brands and platforms – Integrated multiplatforms experience

17 million members

Uplay services available : Win/Share/Help/Shop

600 million units won – 10 million virtual AC items bought

Uplay brings our developers closer to players

Enrich the experience, adapt content to players' needs

Provide social interaction in every brands

Uplay brings our marketing teams closer to players

Connect directly with players

Content and services 24h / 7 days a week – Direct marketing and direct selling

FY12

Q3 sales : 580 M€ to 620 M€

FY 12 Sales : 1 040 M€ to 1 080 M€

Gross Margin : up 2 percentage points

Better Back-Catalog margins and increased online revenues

Current operating income : 40 M€ to 60 M€

Summary

H1 : Better than expected topline and operating income performance with strong growth margin improvement

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H2 : Quality improves significantly

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FY12 : Confirming guidance for FY12

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Appendices

Online : Ghost Recon Online, a Free-To-Play for the cult gamer franchise



"It's surprisingly good. I say 'surprisingly' because free-to-play can sometimes mean cheap. Ubisoft have been working on GRO for 2 years, and it feels like a proper shooter – in fact it's remarkably slick." **PC Gamer Online**

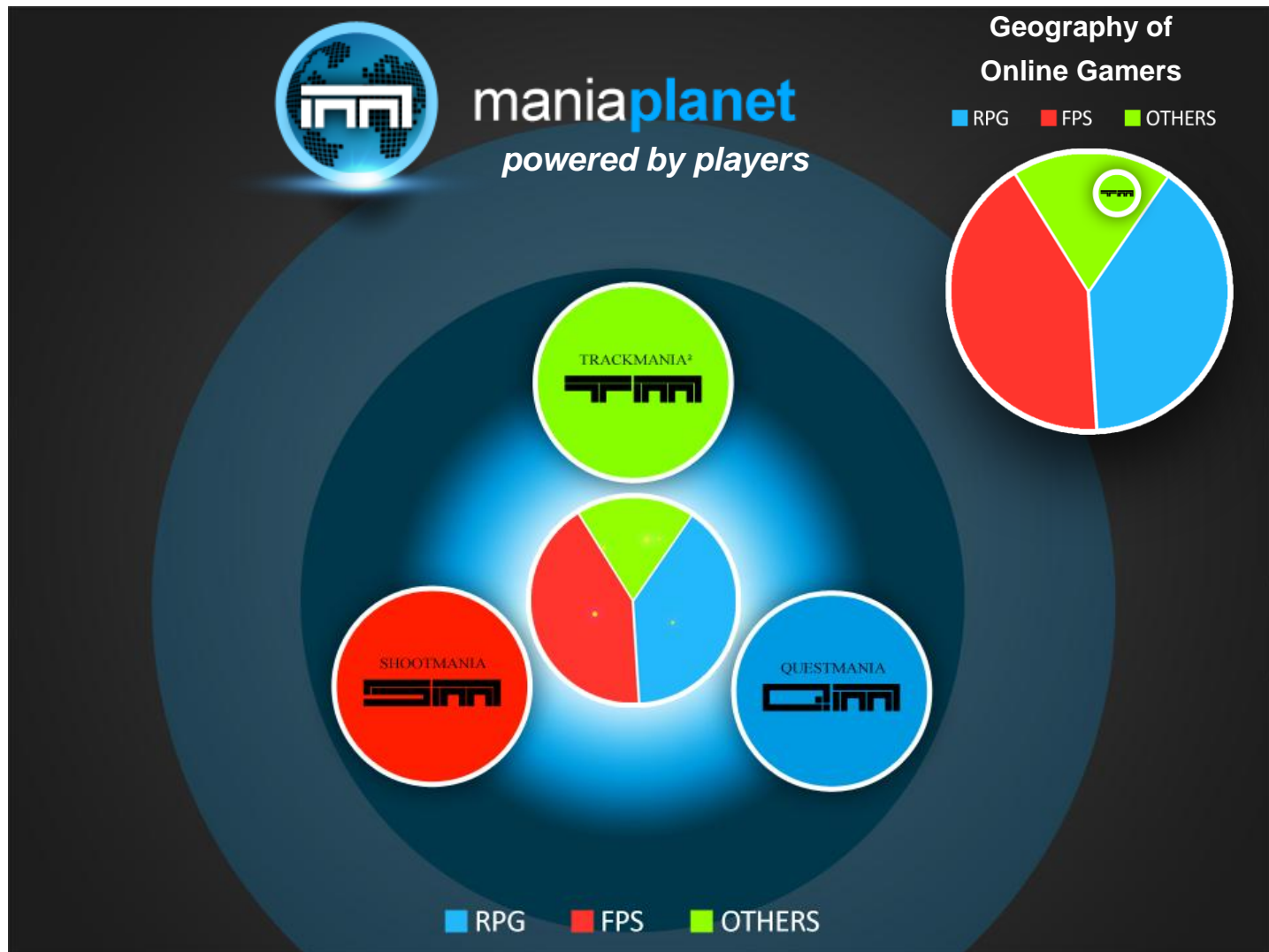
"For a free-to-play title, the game looked surprisingly sharp."
Destructoid

"From what I played I can't wait to spend more time with it."
Kotaku

"Ghost Recon Online offers something different in the free-to-play market." **IGN**

Currently in closed Beta

Online : TrackMania / ManiaPlanet, powered by players



TrackMania 2 Canyon released on September 14th

Online : Engage players with Uplay



Direct contact to 17 million registered users

Uplay users play more, are more committed to our games : stronger brand loyalty

Grows our franchises revenue potential