ANNUAL REPORT

UBISOFT

2012

A statement from **Yves Guillemot**

Ubisoft registered a solid performance in FY2011-12 due to the success of Just Dance®, Assassin's Creed® and our online games. FY2012-13 should mark a turning point for Ubisoft thanks to a stronger offering for core gamers, popular casual titles and continued momentum for our online games. We therefore expect sustained growth and increased profitability in FY2012-13. Looking farther ahead, we believe the arrival of the next generation of consoles, the integration of the mechanics from social gaming and the item-based model represent significant opportunities for the industry and for Ubisoft in particular.

Our annual sales for FY2011-12 reached €1.061 billion. This result is driven by our franchises for core gamers - Assassin's Creed, The Settlers® Online, Rayman® and Driver® - and by our casual titles, with a strong showing for Just Dance and Howrse® and the successful launch of Rocksmith™ in North America. Our current operating income grew by 90% to €56 million while our online and digital revenue was up 111%. Finally, our net-cash position as of March 31, 2012 reached €84.6 million. We have therefore ended the year in a solid financial position all the while continuing to invest in our future.

All of the efforts and investments we've made over the past few years to continually improve the quality of our titles for core gamers and to develop the online segment should translate into a sharp increase in our revenue and profitability, starting 2012-13:

- The console market has grown steadily over the past few years, up 40% in 2011 versus the highs of the prior cycle in 2005. This increase underscores the strength of the Xbox 360® and PLAYSTATION® 3 experience for core players. Huge opportunities await us as we have an extraordinary line-up, whose diversity and originality aroused great admiration at E3 (Electronic Entertainment Expo) this year. Assassin's Creed 3 is on track to becoming the biggest launch in company history thanks to a new hero, a new engine, new gameplay, fantastic landscapes and impressive crowd-rendering – after three years of well-planned and executed development, the title looks stunning. We are also making a strong return to the shooter segment, the biggest genre in the industry, accounting for 35% of sales in the whole market, with two big franchises on console: Tom Clancy's Ghost Recon Future Soldier™ and Far Cry® 3. We are also very excited about the return of the Splinter Cell® franchise with the arrival of Tom Clancy's Splinter® Cell Blacklist™ set for Spring 2013.

- On the online and digital front, we expect to differentiate ourselves with high-quality games and reputable brands. Our performance will be driven by purely online titles, as well as titles for XBLA, iOS and Android. To pursue our expansion into the booming free-to-play market, we plan to launch new core titles for PC players: Ghost Recon® Online, Silent Hunter® as well as Shootmania® which targets the rapidly-growing community of eSports' enthusiasts. We will also continue to leverage our first successful titles - Howrse® and The Settlers Online. On XBLA, we released Trials Evolution in May to a metacritic score of 91% and the highest grossing day one sales in XBLA history. Finally, a free-to-play social game for mobile based on the Assassin's Creed brand will be launched at the end of 2012.

- We also believe there to be many opportunities in the casual segment. Our objective is to reinforce our Just Dance franchise by leveraging its growth potential across Continental Europe and Asia and also by bringing it to the Wii U™, Nintendo's new console for which we will launch five casual titles. We also plan to expand the success of our new franchise Rocksmith to EMEA territories.

On the long term, we expect to capitalize on two major trends. Firstly, we believe that the next generation of consoles is going to boost the market; these machines will integrate the social gaming revolution and item-based model, not to mention amazing graphics, highly sought-after by core gamers. Secondly, the continued strong growth of the free-to-play market will allow us to bring our brands to more platforms (PC, tablet and mobile) and to significantly increase the impact and geographical reach of our brands. All this combined should drive an increase in the Average Revenue Per User (ARPU) and profitability of all our games.

Ubisoft, as a unique creator of brands for both core and casual players, is ideally positioned to reap the benefits of these trends. I know we have the talent and energy to seize the many opportunities to grow and increase profitability that lie ahead of us, in 2013 and beyond. Our aim is to create increasingly strong entertainment experiences for gamers, wherever they are and on every platform.

In closing, I would like to extend my gratitude to Ubisoft's talented teams whose creativity and motivation bring our company's vision to life, as well as to our shareholders and consumers for their support.

UBISOFT®

ANNUAL REPORT 2012

This French version of the Annual Report was recorded on July, 2 2012 in accordance with Article 212-3 of the Autorité des Marchés Financiers General regulation (The French Securities and Exchange Commission).

This document is a translation of the Reference document of the Ubisoft group for the year ended March 31, 2012.

Its purpose is to assist English speaking readers. The greatest attention has been paid to its preparation. However, the only official document is the 2012 Reference Document in French, filed with the French securities regulator (Autorité des Marchés Financiers – AMF) on July 2, 2012.

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1 THE GROUP'S BUSINESS ACTIVITIES AND RESULTS FOR FINANCIAL YEAR 2011/2012

1.1 GROUP PRESENTATION

In 2011, Ubisoft® was ranked third worldwide among independent publishers in terms of physical game sales (sources: NPD, Chart-Track, GFK etc.).
The Group's activities are centered around development, publishing and distribution of video games for portable and home consoles, the PC, smartphones and tablets in both physical and online formats. These games are aimed at two distinct categories of gamer:

- Habitual gamers,
- Casual gamers.

Ubisoft currently employs 6,930 staff.

1.1.1 HISTORY

In a constantly evolving industry, the Group has built and is continuing to establish solid foundations that allow it to anticipate the entertainment of the future.
1986: Creation of Ubisoft by the five Guillemot brothers.
1989-1995: International expansion
Ubisoft opens its first distribution subsidiaries in the US, Germany and the United Kingdom and its first internal development studios in France and Romania. *Rayman*® – the first major franchise – is released in 1995 followed by *Raving Rabbids*™. The game has attracted over 34 million gamers to date.
1996-2001: Organic growth and strategic acquisitions
Flotation on the Paris stock exchange in 1996. Opening of new studios (Shanghai in 1996, Montreal in 1997, Morocco, Spain and Italy in 1998, Annecy and Montpellier in 1999). In 2000, acquisition of Red Storm Entertainment (*Tom Clancy*® games); acquisition in 2001 of Blue Byte Software (*The Settlers*®) and the video games division of The Learning Company (*Myst*® and *Prince of Persia*®). This strategy powered Ubisoft into the world's top 10 independ
ent publishers in 2001.
2002-2006: A strategy of developing owned brands
Ubisoft nearly tripled its number of flagship brands, from three to eight, increasing its market share in new territories. In 2006: Acquisition of the *Driver*® and *Far Cry*® franchises; opening of a studio in Bulgaria.
2007-2012: A true creator and development of online gaming
Ubisoft builds on its reputation as a key player: the Group becomes the world's third independent publisher. 39 million copies of *Assassin's Creed*® and 30 million copies of *Just Dance*® have been sold to date.
Opening of a new studio in China (Chengdu) in 2007 and acquisition of a studio in Japan (Digital Kids). Acquisition of the Tom Clancy name for video games and ancillary products, and of the *Anno*® brand. Acquisition of four new studios: Action Pants (Vancouver, Canada), Southlogic® (Porto Alegre, Brazil), Massive Entertainment® (Sweden) and Pune (India). In 2008, acquisition of Hybride, a studio specializing in cinema special effects. In 2009, acquisition of the Nadéo studio and of the cult online gaming brand *TrackMania*®; agreement signed with the government of Ontario regarding the opening of a studio in Toronto. In 2010, closure of the two Brazilian studios and acquisition of Quazal Technologies, leader in the creation of online technology solutions. In 2011, acquisition of Owlient®, specializing in free-to-play games, and RedLynx®, specializing in downloadable games. Closure of the Vancouver studio in 2012.

1.1.2 HIGHLIGHTS OF THE 2011/2012 FINANCIAL YEAR

April 2011 – Opening of a new credit line
Ubisoft Divertissements Inc. signed a bilateral credit line for a period of two years and amounting to €25 million. This line is secured by Ubisoft Entertainment SA and follows the same covenants as other credit lines.

June 2011 – Extension of Gameloft Equity Swap contract
The Equity Swap contract concluded on July 12, 2007 with Crédit Agricole Corporate and Investment Bank (formerly Calyon) on Gameloft® shares has been extended for another two years, until July 15, 2013.

September 2011 – Sale of €8.5 million in receivables under the factoring agreement
The factoring agreement on Credit for Multimedia titles (Canada), concluded between BNC and Ubisoft Divertissements Inc., allowed for the sale of receivables amounting to €8.5 million in the first half of the year.

September 2011 – Sale of research tax credit receivables
Ubisoft Entertainment SA sold of a €3.6 million research tax credit claim for research expenditure incurred in the year ended March 31, 2011 by the companies forming part of the French tax group; it was assigned without recourse as a discount to Natexis.

September 2011 – Buyback of Ubisoft shares
Ubisoft bought on the market between September 8 and September 19, 2011, 400,000 Ubisoft shares at an average price of €3.97, a share buyback authorized by the General Meeting of June 30, 2011 and implemented by the Board of Directors on the same date.
This treasury stock has been allocated to cover stock option plan 24, authorized by the Board of Directors on March 9, 2012.

October 2011 – Partnership with France Télévisions to produce a television series of *Raving Rabbids*™
In cooperation with France Télévisions, Ubisoft Motion Pictures will produce 78 mini episodes in CGI. *Raving Rabbids*™ will debut on children's television programming slot Ludo on France 3 in spring 2013.

October 2011 – Partnership with Nickelodeon to distribute the *Raving Rabbids*™ television series
Partnership with Nickelodeon to distribute a television series of *Raving Rabbids*™ aimed at a global audience. Nickelodeon will broadcast the series in twenty-six 30-minute slots on TV channels around the world (except France) from 2013.

November 2011 to March 2012 – Sale of Gameloft shares
Disposal of 3,171,818 Gameloft shares at an average price of €4.32.

March 2012 – Details released on Assassin's Creed® III
The next installment in the flagship franchise for habitual gamers will be released on October 30, 2012. The game will be set against the backdrop of the American Revolution and will feature a new main character.

March 2012 – Sale of €22 million in receivables under the factoring agreement
The factoring agreement on Credit for Multimedia titles (Canada), concluded between the BNC and Ubisoft Divertissements Inc., allowed for the sale of €22 million receivables in the second semester.

March 2012 – Set-up of an equity line and a free issue of share subscription warrants
Set-up of an "equity line", an equity financing mechanism, to boost the Group's acquisition capacity and free issue of share subscription warrants to shareholders on the basis of one warrant per share registered for accounting purposes at the end of the day on April 5, 2012. 11 warrants will give the right to subscribe to one new share for an exercise price of €7.

<u>Highlights of online activities</u>

May 2011 – Tom Clancy's Ghost Recon® Online
Development of Tom Clancy's Ghost Recon® Online, a new multiplayer third-person shooter game, which will be available on a free-to-play basis on the PC.

July 2011 – Acquisition of Owlient
Acquisition of the Owlient studio, maker of free-to-play games, notably the hugely successful *Howrse*®, and expert in the management of community games.

November 2011 – Acquisition of RedLynx
Acquisition of RedLynx, creator of the cult gaming brand *Trials*. The studio has developed more than 100 titles mainly in digital distribution (PC, consoles, cell phones, tablets and interactive TV).

February 2012 – Collaboration with GREE to launch a new *Assassin's Creed*® game on iOS and Android
An unprecedented partnership to create a new Assassin's Creed® game developed exclusively for the new GREE platform. Assassin's Creed® will be available in English and Japanese from December 2012 and in all other languages at a later date.

1.1.3 KEY FIGURES

The consolidated financial statements for the year ended March 31, 2012 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at March 31, 2012, as adopted by the European Union.

Only the standards approved by the European Commission and published in its official journal before March 31, 2012, and whose application was mandatory as of April 1, 2011, have been applied by the Group to the consolidated financial statements for the year ended March 31, 2012. No standard or interpretation whose application has become mandatory since March 31, 2012 has been applied early to the consolidated financial statements for the year ended March 31, 2012.

The IFRS standards as adopted by the European Union differ in certain ways from the IFRS standards published by the IASB. However, the Group has made sure that the financial information presented would not have been substantively different if it had applied IFRS standards as published by the IASB.

In thousands of euros	03/31/12	03/31/11
Sales	**1,061,296**	**1,038,826**
Gross margin	718,134	673,618
R&D costs	(348,407)	(363,505)
SG&A expenses	(313,694)	(280,748)
Operating profit (loss) from continuing operations*	**56,033**	**29,365**
Non-recurring restructuring expenses	-	(95,942)
Operating profit (loss)	45,623	(80,486)
Net financial income	2,466	(3,679)
Share in profit of associates	10	-
Income tax (credit)	(10,778)	32,045
Net income (group share)	**37,321**	**(52,120)**
Equity	762,707	713,995
Capital expenditure on internal production	301,763	287,470
Staff	6,927	6,331

*excluding share-based payments.

Cash flow statement for comparison with other industry players (unaudited and not part of the consolidated accounts)

In thousands of euros	03/31/12	03/31/11 adjusted*	03/31/11 published
Consolidated earnings	37,321	(52,120)	(52,120)
+/- Share in profit of associates	(10)	-	-
+/- Gaming software amortization	270,530	382,906	382,906
+/- Other amortization	19,596	22,377	22,377
+/- Provisions	(7,296)	6,684	6,684
+/- Cost of share-based payments	10,410	12,556	12,556
+/- Gains/losses on disposals	(8,412)	(5,559)	356
+/- Other income and expenses calculated	731	271	271
+/- Internal development and license development costs	(349,859)	(338,820)	(338,820)
Cash flows from operating activities	**(26,989)**	**28,295**	**34,210**
Inventory	25,392	4,862	4,862
Trade receivables	64,914	19,389	19,389
Other assets	(34,699)	(932)	3,635
Trade payables	(16,663)	(4,559)	(4,559)
Other liabilities	(3,797)	7,110	7,110
+/- Change in WCR linked to operating activities	**35,147**	**25,870**	**30,437**
TOTAL CASH FLOW GENERATED BY OPERATING ACTIVITIES	**8,158**	**54,165**	**64,647**
Cash flows from investing activities			
- Payments for the acquisition of property, plant and equipment and other intangible assets	(26,204)	(22,246)	(22,246)
+ Proceeds from the disposal of intangible assets and property, plant and equipment	748	231	231
+ Proceeds from the disposal of Gameloft shares*	13,701	10,482	-
- Payments for the acquisition of financial assets	(6,298)	(16,095)	(16,095)
+ Repayment of loans and other financial assets	7,584	17,003	17,003
+/- Changes in consolidation scope[(1)]	(17,970)	(5,465)	(5,465)
CASH USED FROM INVESTING ACTIVITIES	**(28,440)**	**(16,090)**	**(26,573)**
Cash flows from financing activities			
+ New finance leases contracted	47	36	36
- Repayment of finance leases	(201)	(192)	(192)
+ New borrowings	-	86	86
- Repayment of borrowings	(21,791)	(750)	(750)
+ Funds received from shareholders in capital increases	446	1,771	1,771
+/- Sales/purchases of own shares	(1,717)	(422)	(422)
+/- Other cash flows (disposal of tax credit resulting from loss carryback)	-	21,886	21,886
CASH GENERATED (USED) BY FINANCING ACTIVITIES	**(23,216)**	**22,415**	**22,415**
Net change in cash and cash equivalents	**(43,498)**	**60,490**	**60,490**
Cash and cash equivalents at the beginning of the period	122,034	64,976	64,976
Impact of translation adjustments	7,789	(3,433)	(3,433)
Cash and cash equivalents at the end of the period	**86,326**	**122,034**	**122,034**
[(1)] including cash in companies acquired and disposed of	7,211	141	141

*Change in the presentation of the disposal of Gameloft shares under investing activities.

This cash flow statement differs from the cash flow statement required by IFRS standards mainly due to the reclassification of internal and external developments in cash flows from operations.

1.2 ANALYSIS OF ACTIVITY AND COMMENTS ON RESULTS FOR FINANCIAL YEAR 2011/2012

1.2.1 QUARTERLY AND ANNUAL CONSOLIDATED REVENUE

Sales in millions of euros	2011/2012	2010/2011	Change at current exchange rates	Change at constant exchange
Q1	103	161	(36)%	(34)%
Q2	146	100	48%	55%
Q3	652	600	9%	11%
Q4	161	178	(10)%	(11)%
Financial year total	**1,061**	**1,039**	**2%**	**4%**

At current rate, sales were up 2% in the financial year 2011/2012 and up 4% at constant exchange rates. Sales were boosted by strong growth in the casual titles, which increased from around €438 million in 2010/2011 to €483 million in 2011/2012, and online/digital revenue climbed from €38 million in 2010/2011 to €80 million in 2011/2012.

1.2.2 SALES BY BUSINESS LINE

The breakdown of sales by business line is as follows:

Breakdown of sales by business line, as %	2011/2012	2010/2011
Development	96%	96%
Publishing	2%	3%
Distribution	2%	1%
TOTAL	**100%**	**100%**

The Development activity benefited this year from the success of the games *Assassin's Creed®* and *Just Dance®*.

1.2.3 CHANGE IN THE NUMBER OF TITLES DEVELOPED

Number of titles released from internal production, third-party co-production, publishing and distribution:

Number of titles *	2011/2012	2010/2011	2009/2010	2008/2009
Development	**51**	**56**	**67**	60
Internal production	**34**	**37**	**27**	*22*
Co-production	**17**	**19**	**40**	*38*
Publishing	**11**	**10**	**14**	31
Distribution	**9**	**12**	**8**	21
TOTAL	**71**	**78**	**89**	**112**

The number of games launched continues to fall in line with the strategy of focusing on a smaller number of titles, partially offset by the rise in the number of online/digital titles.

1.2.4 SALES BY PLATFORM

	2011/2012	2010/2011
Nintendo DS™	2%	5%
Nintendo 3 DS™	2%	3%
PC	7%	4%
PlayStation ®3	22%	19%
PSP™	1%	2%
Wii™	33%	38%
XBOX 360™	29%	27%
PS VITA	1%	-
Other	3%	1%
TOTAL	**100%**	**100%**

Although the market for the Wii™ continued to decline sharply in 2011, the Company posted a limited decline in sales for this platform due to the success of its dance titles. The share for the Xbox360® and the PLAYSTATION®3 also grew on account of the success of *Assassin's Creed*®, *Just Dance*® on Kinect™ for Xbox 360®, Move and Rocksmith™.

1.2.5 SALES BY GEOGRAPHIC DESTINATION

The Group's sales by geographic destination break down as follows:

Financial year	2011/2012	%	2010/2011	%
in millions of euros				
France	97	9%	76	7%
Germany	72	7%	61	6%
United Kingdom	111	10%	146	14%
Rest of Europe	149	14%	131	13%
Total	**429**	**40%**	**414**	**40%**
United States/Canada	559	53%	559	54%
Asia/Pacific	65	6%	59	6%
Rest of world	8	1%	7	1%
TOTAL	**1,061**	**100%**	**1,039**	**100%**

The decline in activity posted in the United Kingdom as a result of the economic downturn was more than offset by a rise in sales in France, Germany and the Rest of Europe.

1.2.6 CHANGES IN THE INCOME STATEMENT

The gross profit margin has increased to €718.1 million, up significantly as a percentage of sales at 67.7% compared with 64.8% in 2010/2011. In line with the continued improvement observed in 2010/2011, this increase is mainly due to the considerable improvement in the gross profit margin of the back catalogue and to the strong increase in online sales at a very high margin.

Current operating income excluding share-based payments amounts to €56.0 million; a significant improvement compared to €29.4 million posted in 2010/2011. This figure is at the higher end of the target range announced a year earlier (between €40 million and €60 million) and falls in line with the recent upward revision of these targets (between €45 million and €65 million).

Current operating income before share-based payments is as follows:

- Increase of €44.5 million in the gross profit margin.
- Decrease of €15.1 million in research and development costs, which amount to €348.4 million (32.8% of sales) compared with €363.5 million in 2010/2011 (35.0%), due to the fact that fewer games were released on high-definition consoles during the period, partially offset by higher royalties and a rise in certain online non-capitalized costs.
- Increase of €33.0 million in SG&A expenses to €313.7 million (29.6%), compared with €280.7 million (27.0%) in 2010/2011:
    - Variable marketing expenses are up at 16.7% of sales (€177.1 million) compared with 15.4% (€160.4 million) in the financial year 2010/2011. This increase is primarily related to growth in online and dance activities.
    - Structuring costs are up at 12.9% of sales (€136.6 million) compared with 11.5% (€120.3 million) in 2010/2011. This increase is primarily explained by higher expenses related to online activities.

The operating profit, including €10.4 million in share-based payments, comes to €45.6 million compared with an operating loss of €(80.4) million in 2010/2011, which included €95.9 million in non-recurring expenses and €12.6 million in share-based payments.

Financial income amounts to €2.5 million compared with financial expenses of €3.7 million in the financial year 2010/2011, breaks down as follows:

- €(2.5) million in financial expenses compared with €(5.0) million in 2010/2011, which included €(3.6) million in factoring expenses of loss carry back refund claims.
- €(3.4) million in foreign exchange losses, compared with a loss of €(4.3) million over the financial year 2010/2011.
- €8.5 million positive impact (compared with €5.7 million in 2010/2011) mainly from the sale of 3.2 million Gameloft shares. At March 31, 2012, 3.1 million Gameloft shares are recognized in the balance sheet.

Net profit of €37.3 million was posted, corresponding to earnings per share (diluted) of €0.39, compared with a net loss of €(52.1) million and €(0.54) over the financial year 2010/2011.

1.2.7 CHANGE IN THE WORKING CAPITAL REQUIREMENT (WCR) AND DEBT LEVELS

The working capital requirements decreased by €35.2 million compared with a decrease of €25.9 million the previous year. The principal variations related to:
- Decrease in trade receivables €(65) million and inventory €(25) million,
- Increase in trade payables (€17 million) and other assets (€35 million).
The sharp fall in receivables is related to reduced activity at year-end and reduced recovery times. The reduction in the inventory item reflects increased efforts in the management of inventories and destocking activities.

The cash position at March 31, 2012 stood at €84.6 million against €99.2 million at March 31, 2011. This variation is primarily due to:

- Generation of cash flow from operating activities of €8.2 million,
- Investment in property, plant and equipment and intangible assets of €(25.5) million,
- Net buyback of Ubisoft shares of €(1.3) million,
- Disposal of Gameloft shares of €13.7 million,
- Acquisitions for a total of €(17.5) million,
- Translation adjustments of €7.8 million.

1.2.8 ASSET FINANCING POLICY

The Company does not use securitization agreements, Dailly Act assignment of receivables, repurchase agreements (with the exception of one-off operations), market opportunity functions, factoring expenses of rights to Credit Multimedia shares in Canada (September 2011 and March 2012) or research tax credit in France (September 2011).
However, the Company does use invoice discounting and receivables factoring, mostly in Germany and the United Kingdom.
The factoring position is as follows:

in millions of euros	03/31/12	03/31/11	03/31/10
United Kingdom	10.2	15.8	19.8
Germany	6.8	12.6	20.4
Total	**17.0**	**28.4**	**40.2**

The Company finances its peak cash requirements using confirmed credit facilities of €275 million, including a syndicated loan of €180 million as well as €95 million in bilateral credit lines.

1.3 CASH AND CAPITAL

1.3.1 CHANGES IN EQUITY

The video games business line calls for investments in development of around 35% of revenue. This capital expenditure takes place over average periods of between 24 and 36 months, which publishers must be able to finance out of their own resources. Furthermore, publishers are required to launch new releases on a regular basis, and their level of success cannot be guaranteed.

For these reasons, significant capitalization is essential to guarantee the continuous financing of capital expenditure and to deal with contingencies stemming from the success or failure of a particular title without endangering the future of the Company.
With equity of €763 million, up €49 million, Ubisoft easily finances its capital investments in games, which amount to €350 million.

1.3.2 CASH FLOW

Video game publishers have two kinds of cash flows:

- Cash flows for financing development costs are spread evenly over a period of 24 to 36 months, given that each project progressively scales up but that teams work on a number of projects. They represented €428 million in 2011/2012;
- Cash flows linked to the marketing of games, which are highly seasonal in nature (25% of sales are made in the first half of the year and 75% in the second half), and the lag between production costs and cash inflows. This is because the Company must first finance product manufacturing, which accounts for 33% of sales and is payable at 30 days on average, and also finance marketing costs (around 17% of sales) before cash flows in at an average of 48 days after the games hit the shelves. For this reason, the Company must finance significant cash peaks around Christmas time before seeing its cash climb back up during February and March. This timing may be different if Q4 of the financial year is very strong, because in this case, working capital requirements may be higher.

Accordingly, in the financial year 2011/2012, the Company’s net cash varied between €99 million and €85 million, with debt peaking from October to December.

1.3.3 BORROWING TERMS AND FINANCING STRUCTURE

In 2011/2012, most of the financing used came from a medium-term loan of €20 million, paid off in February 2012, from the syndicated loan of €180 million agreed in May 2008 (maturing in May 2013) and from bilateral credit lines of €95 million (maturing in April and May 2013).
The average cost of borrowing was under 2% for the financial year 2011/2012.

The covenants with which the Company must comply regarding the syndicated loan and those of the €95 million bilateral credit lines are as follows:

	2011/2012
Net debt restated for assigned receivables/equity restated for goodwill <	0.8
Net debt restated for assigned receivables/Ebitda <	1.5

For the financial year 2012/2013, and unless the Company makes a major acquisition, Ubisoft should be able to finance its operations from cash and the lines at its disposal, including €275 million in lines of credit of more than one year (including €180 million from the Syndicated Loan signed in 2008) and €74.3 million in bank overdrafts.

On March 20, 2012, Ubisoft set up an equity line, an equity financing mechanism, to boost its acquisition capacity. For information purposes, based on the price at the transaction date, the equity contribution that is likely to be made via this equity line could reach around €54 million.

1.4 SUSTAINABLE DEVELOPMENT

1.4.1 HUMAN RESOURCES

Ubisoft key figures as at March 31, 2012

	At 03/31/12	At 03/31/11	At 03/31/10
Number of employees	6,927	6,331	6,402
Average headcount	6,688	6,289	6,144
Number of countries	29	28	28
Average age	32.8 years	32.1 years	31.9 years
Average seniority	4.7 years	4.9 years	4.1 years

Breakdown of headcount by activity

ACTIVITIES	Headcount as at 03/31/12	%	Headcount as at 03/31/11	%	Headcount as at 03/31/10	%
Production	5,829	84%	5,318	84%	5,347	84%
Business	1,098	16%	1,013	16%	1,055	16%
Total	**6,927**		**6,331**		**6,402**	

Breakdown of headcount by region

COUNTRY	Headcount as at 03/31/12	Headcount as at 03/31/11	Headcount as at 03/31/10
North, Central & South America	3,031	2,939	2,885
Europe + North Africa	2,847	2,515	2,630
Asia-Pacific	1,049	877	887
	6,927	**6,331**	**6,402**

1.4.1.1 ATTRACTING AND RETAINING THE FINEST TALENT

Attracting, developing and retaining the finest talent in the industry is one of the key factors determining Ubisoft's success. Over the past five years, Ubisoft has created 600 jobs a year on average across its global subsidiaries. We are committed to providing the resources that our teams need in order to progress, learn and develop their skills and expertise. This will enable us to create the best games of the future, today.

Providing our teams with the necessary development will ensure that we preserve our recognized expertise in the gaming industry. Ubisoft has the second-largest internal creative force in the industry (more than 5,800 employees in game development), which constitutes a competitive advantage for the Company, enabling it to be responsive and innovative.

In order to retain this advantage, our HR development policy is focused on three pillars: Skill development, diverse career paths and compensation that aims to recognize skills, performance and commitment.

Skill development

In a sector where continuous innovation, staying on top of technological advances and developing expertise are key, naturally, all forms of training are a top priority. In recent years, the sector has seen a significant evolution in online gaming. Ubisoft is training its teams to work on online games and several of our production studios have since specialized in online gaming so that the Company is always in a position to provide gamers with innovative new experiences across the range of online platforms. Furthermore, the development of several games for a new generation of consoles, starting with the Wii U™ from Nintendo, gives our team the opportunity to master the most advanced technologies on the video game market today.

Video gaming is a relatively new business compared to other entertainment industries, and adapted training courses are provided, for the most part, within the Group, complementing on-the-job training.

Training is organized primarily at local level. High-level international corporate university-type training courses are also offered in the Group’s core business areas, such as game design and gameplay programming.

Excluding on-the-job training, the training programs offered in financial year 2011/2012 can be summarized as follows:

- The budget allocated to training (excluding salaries) amounted to €2,782 thousand over the period.
- 9,598 days of training were provided within the Group.
- The majority of this training dealt with the technical skills required for production work since 47% of the training focused on subjects relating to game production.
- The average number of training hours per employee within the Group amounted to 20.9 hours.

Training also takes place on-the-job through exchanges between teams. Thus, the Group is committed to creating an environment that encourages skill sharing:

- For more than two years, Ubisoft “Académies” have been providing participants with the opportunity to develop their skills and forge new contacts within the Company. With a total of three academies and 30 training sessions, more than 600 studio staff have been given the opportunity to train, learn and share their experiences.
- Skill-sharing between sites through personal visits is also commonplace. In the financial year 2011/2012, 196 employees traveled on short- and long-term assignments.
- A Group training portal with access to e-learning tools allows people to develop their skills and knowledge.
- The use of technologies or applications that facilitate exchanges, such as instant messaging, web conferencing and the use of video as a communication medium, is encouraged.
- Integration and sponsorship programs for new employees are available at most sites. These allow new recruits to learn about the Group’s fundamental business methods from the outset.

As a true entertainment Company, Ubisoft is also developing the expertise of its teams in new areas including comic books, book publishing, toys and figurines of our characters, films and TV series.

Links between Ubisoft and related industries (music, film, television, publishing, etc.) are being developed and exchanges with experts in these industries are encouraged. The overriding objective is to consolidate its strong brands in order to establish them on several types of media.

Diverse career paths

The Group currently offers numerous possibilities for advancement within specific fields and other areas of activity. For Ubisoft, such decisions are based on two key factors: Existing opportunities and the desire to offer each person, within a flexible environment, a challenge adapted to their desires and skills.

As well as local interdepartmental transfers and promotions, the Group's presence in 29 countries offers teams opportunities to work abroad. All international job offers are available in real-time to all employees on the Group portal.

Compensation that aims to recognize skills, performance and commitment

Ubisoft has established a bonus policy that reflects its desire to reward personal and collective performance:

- Production teams in particular receive a bonus calculated according to both the profitability of the game on which they worked and their individual contribution.
- Business teams receive a bonus calculated on the basis of achieving results that are set at the beginning of the year.
- Support teams receive a bonus according to an objective based on both qualitative and quantitative factors, which serve to evaluate their individual performance.

Employee share ownership is another excellent way for Ubisoft to let employees participate in the Company's success. Capital increases reserved for employees took place on a regular basis in France, the United States, Canada and the United Kingdom. Unfortunately, the current economic climate has not been as favorable this year.

Overall, total registered shares held by employees or indirectly through an FCPE (Company mutual fund) amounted to 1.4% of the capital.

Lastly, stock options are awarded on a discretionary basis to employees who have consistently exceeded performance expectations. All plans combined, as at March 31, 2012, nearly 22% of the Group's employees received such options.

1.4.1.2 DEVELOPING A COLLABORATIVE APPROACH WITHIN OUR TEAMS

Ubisoft teams are present in 29 countries throughout the world, and there are 82 different nationalities within the Group. The diversity of the team is a real opportunity which is utilized throughout multiple collaborations between the different teams on a daily basis. Developing a collaborative approach at all levels within the Company allows us to further strengthen this asset and ensure that Ubisoft's teams remain among the most creative in the industry.

Diversified teams for a richer collaboration

The diversity within the Ubisoft team helps create a work environment where ideas and opinions can be expressed in a constructive manner. Diversity is also at the heart of video game production. In fact, the process of creating a video game intrinsically involves a high level of cooperation among teams with different backgrounds and training. Ubisoft is committed to encouraging team diversity, which is a source of the Company's wealth enabling it on a daily basis to design the very best games of the future:

- There are more than 50 areas of expertise at Ubisoft, from 3D graphic artists to brand managers, not to mention community managers, programmers and game designers.

- Historically, the video game is a product that primarily appeals to men, and this is reflected within Ubisoft since 78.5% of our teams are composed of men. However, the situation is gradually evolving and increasing numbers of gamers are in fact women. Women hold 40% of the business-related positions within the Group and represent more than 25% of top management employees.

Ubisoft strives to encourage diversity within the teams and the Company runs a few local initiatives to fight against discrimination, particularly against minorities. For instance, the teams in San Francisco took part in the “It gets better” initiative in 2011. Instigated by Dan Savage in response to the suicide of a gay teenager who had been discriminated against because of his sexual orientation, the initiative aims to prevent this type of tragedy from happening again. Accounts by celebrities were broadcast on the Internet in a series of videos.

Collaboration encouraged and promoted at all levels within the Company

Collaboration is strongly encouraged at all levels within the Company and this gives rise to a broad range of actions and initiatives from the organization of workshops to share experiences to the creation by six different studios of one of Ubisoft’s flagship games – Assassin’s Creed® Revelations. Other initiatives to promote collaboration also take place within the Group:

- The Ubisoft Developers Conference convenes for several days in Montreal once a year, bringing together Ubisoft developers from around the world. Through a variety of presentations, round tables and workshops, this event allows developers to present and debate the technological advances of our production teams.

- The Ubisoft internal social network enables employees to access and interact with the limitless source of knowledge generated by the more than 7,000 talented professionals working at the Company. This network is an effective means of working, communicating and sharing information. It also enables employees to familiarize themselves with the other teams and identify experts in specific areas. It also encourages interaction between the various stakeholders in the Company.

- Better information facilitates collaboration. The teams are regularly informed of the Company’s strategy and news through various communication channels: The internal social network, local intranets, a weekly Group newsletter, internal meetings at all subsidiaries, team seminars and inter-team events.

- Open forums and business-specific databases continue to be developed and structured. Their goal is to facilitate collaboration, organization and the sharing of key information related to teams, projects, business lines and sites, etc. The Group Portal is a gateway to business resources and a platform for the exchange of information and best practices with peers.

1.4.1.3 PROMOTING A FRIENDLY WORKPLACE

Ubisoft is a company that makes the well-being of its teams one of the pillars of its global strategy. We know that the work environment plays a fundamental role in ensuring team morale. This is why Ubisoft has created a friendly and welcoming environment in all of its subsidiaries and studios.

In that sense, an internal survey is carried out every two years to consult all employees on major company issues (in terms of strategy, HR policy and work environment) and take soundings on team satisfaction. Actions and programs are implemented in response to the results of the survey, and employees are given regular progress reports. In the last survey, more than 95% of employees said that they were satisfied with the friendly work environment within the Group.

There are many local initiatives aimed at improving the daily working lives of our employees. The studio in Montreal, for example, set up a well-being clinic for all employees and their families, which is open five days a week. Ubisoft Montreal has also been certified a “Healthy Enterprise” by the Bureau de normalisation du Québec since 2010. This standard aims to ensure the continuous improvement of practices that focus on health and well-being at work at Ubisoft Montréal.

Ubisoft also vows to prioritize smaller structures wherever possible (85% of sites have fewer than 200 employees) where managers are available to their teams and HR managers are in close contact with daily operations. In the last internal survey, more than 92.2% of employees said that they were happy with the level of contact with their managers.

Despite its ever increasing size, Ubisoft has always sought to cultivate and preserve this friendly, open and outward-looking atmosphere.

1.4.1.4 EMPLOYMENT AT UBISOFT IN FRANCE

- Average headcount of 1,159 employees over the financial year
- 73% men and 27% women
- 63% on the production side, 19% on the business side and 18% on the support side
- Average age of 32.75 years
- Average seniority of 5.42 years

Work environment and working conditions

- Working hours:

Full-time work is 35 hours per week. This working time varies, depending on the constraints of the activity and the choices expressed by employees and can be spread over five days, or made up in recovery days (RTT).

2.41% of employees work part-time.

Overtime worked during the year was in compliance with legal and contractual provisions.
The rate of absence in 2011/2012 was 1.16%[1] and broke down as follows:

- 83.68% due to illness
- 11.16% due to exceptional leave[2]
- 5.16% due to accidents at work

- Outsourcing:

From time to time, Ubisoft employs individuals under freelance contracts (particularly for artistic services) and temporary contracts.
Peripheral activities at certain sites (security, cleaning, and computer maintenance) are subcontracted to outside companies.

- Health and safety:

In France[3], Ubisoft complies with legal health and safety regulations.

- Recreation:

[1] Absenteeism does not include maternity and paternity leave.
[2] Mainly consisting of leave granted on account of a birth, marriage, moving house, etc.
[3] As is the case in all Ubisoft subsidiaries.

The recreation department offers discount prices on show tickets (1,305 tickets subsidized at 40% by Ubisoft in 2011/2012), reductions on certain cultural and gym memberships, leisure weekends and various social events.
A media lending library provides staff with video games and consoles.

A sports hall reserved for employees offers fitness activities and group lessons.

Skill development

Ubisoft has integrated France's DIF (Personal Training Right) into its professional training policy. In 2011/2012, the budget allocated to training (excluding salaries) amounted to €1,197 thousand. Ubisoft also took on interns and trainees during the 2010/2011 financial year. Internships often pave the way to an actual hire. In France, for example, 35% of the junior employees recruited this year had previously completed an internship at Ubisoft.

Employment and anti-discrimination

Information on employment and anti-discrimination in France is as follows:

- 71.34% of Ubisoft's workforce are executives,
- Women represent 27% of total employees and 75.6% of women are executives,
- Professional equality between men and women is respected, particularly with regard to compensation,
- 80.2% of employees are employed on permanent open-ended contracts,
- Staff have representation within Ubisoft in France,
- During the 2011/2012 financial year, Ubisoft employed three disabled workers and contributed €270 thousand to funds for the employment of disabled persons.

Compensation

Compensation in France includes a fixed and a variable portion.
In addition, under Group Savings Plans first implemented in 2001, French employees benefit from a discount on the Company share price on the financial markets.

1.4.2 SOCIAL PROJECTS

Ubisoft depends on the talent its teams possess and the human factor has remained a central concern in all its operations since the Company was founded. Entertainment, training and development of each individual's potential are central to Ubisoft's mission as a company.

For eight years now, the Group has been running a sponsorship program entitled "Sharing More Than Games," providing management and other support for solidarity initiatives, both individual efforts and those that are broader-based, within the Group. The scope of this program aims to coincide with our core business and our values as it ties in initiatives promoting access to education, culture and leisure for children, teenagers and young adults who are ill or from deprived backgrounds .

There is a wide variety of initiatives and actions carried out under this program, including financial aid, partnership with an association, gifts of games or sponsoring skills, and these initiatives may be extended to an individual, locally or even on an international scale.

Some initiatives become ongoing actions, such as the U-Care program, initiated in 2009 by Ubisoft Shanghai and Ubisoft Chengdu in response to the earthquake that hit the area of Sichuan (China). In 2010 and 2011, the teams focused their efforts on the children from Gansu province, near the Shanghai studio. This involved material donations, money and skills transfer. As in previous years, Ubisoft also is maintaining its commitment to associations providing support to children. These include the Breakfast Club in Canada which provides a healthy, balanced breakfast for almost 15,000 children each day, the Fondation Théodora in Spain, which visits children in hospital, and the Toys for Tots association in the United States, which collects new toys still in their packaging to distribute to children in need.

A number of new initiatives also have been initiated throughout the year, such as the “Guide dogs for the blind” program led by the Bucharest studio in Romania in partnership with the Light into Europe association. The Light into Europe organization is committed to improving the lives of young Romanians suffering from visual and hearing impairments by offering services providing access to education for families and specially adapted equipment and training to improve these children’s lives. In particular, The “Guide dogs for the blind” initiative deals with the training of guide dogs. As well as fundraising for the association, the team at Ubisoft Bucharest hosted members of Light into Europe in April 2012 and held demonstrations and activities centered around the training program “Guide dogs for the blind”. By the end of the day, the program had recruited seven extra volunteers to be trained in puppy socialization.

Ubisoft’s Massive studio, based in Sweden, decided to support the cause of safeguarding cheetahs in Africa by spponsoring a 2-year-old female cheetah through the AfriCat foundation,. Apart from safeguarding wild animals in Africa, AfriCat is also involved in providing environmental education to young Namibians, farmers and wildlife protection officers as part of its mission to strike a balance between wildlife and humans.

2011 also kicks off a major Group-level program: The annual “Sharing More Than Games” project. As part of this project, each Ubisoft studio and subsidiary has established a partnership of a minimum of one year with a local association. The start of these partnerships was celebrated officially at a day-long event called “Sharity Day” held throughout each of the Group subsidiaries. On this day, the studios and subsidiaries hosted members of their partner associations and organized various activities to raise funds, share information about the associations and recruit volunteers.

“Sharity Day” was a huge success with an extremely diverse range of initiatives throughout the Group. For example, The Ubisoft Australia team organized a Christmas party for children at a pediatric hospital in Sydney. The German team chose to support a childrens’ hospital called “Regenbogenland” (rainbow land), donating consoles and games and lending support to the patients. Ubisoft Kiev organized an auction to raise funds for homeless children in the Ukraine and also began a partnership with the Angel program. Ubisoft Chengdu used “Sharity Day” as an opportunity to donate school supplies and money to the elementary school of Dujiangyan in Gansu province, which was affected by the 2008 earthquake.

Finally, because creation remains at the heart of Ubisoft’s business, the San Francisco teams got involved in the Imagine Bus Project, an initiative that uses creative and artistic activities to help develop the potential of young people from disadvantaged backgrounds. During Sharity Day, the team raised employees’ awareness for this cause and the first group of volunteers got on board the bus in January. The team at the Singapore studio worked with teenagers at the Very Special Arts School, which uses art to aid the integration and rehabilitation of disabled people. Ubisoft Singapore employees and the aspiring young artists created joint artwork, which was then exhibited or sold to raise money for the association.

The annual “Sharing More Than Games” program will continue this year, with established partnerships being renewed for 2011 or new links being forged thanks to the sustained commitment of the more than 615 employees involved in 35 associations.

1.4.3 ENVIRONMENTAL DATA

Data on the Group's environmental impact solely covers its direct video game production and publishing activities. To the extent that the Company does not manufacture the video games it publishes and distributes, its direct impact on the environment is very low, whether in terms of air emissions, water or soil pollution and with regard to noise and odor pollution. Ubisoft's water consumption is not significant.
The Group nonetheless takes the issues of respect for and protection of the environment very seriously. The Company's approach focuses on three main areas:

1) Finding the best means to reduce its carbon footprint and greenhouse gas emissions

- Reducing the Group's energy consumption:
  - Improving the energy efficiency of information systems (Green IT)
  - Reducing the energy consumption of buildings
- Promoting videoconferencing tools and business travel policy

2) Identifying short-, medium- and long-term opportunities to reduce its environmental impact and manage resources sustainably (excluding greenhouse gas emissions)

- For recycling:
  - Life-cycle management and recycling of computer equipment
  - Reduction of consumption and recycling of consumables
  - Processing and recycling unmarketable products
  - Processing waste
- For operations:
  - Developing a responsible and sustainable procurement policy
  - Involving suppliers in a responsible, environmentally friendly approach

3) Measuring and identifying areas for improvement with regard to social change to support sustainable development

- The territorial, economic and social impact of its activities
- Links with local organizations (associations, training institutions, local populations, etc.)
- Links with commercial partners (subcontractors, suppliers, etc.)

4) Raising awareness of environmental issues among staff and the general public

- Identifying sound environmental practices suited to Ubisoft's sector of activity, and applying them at the Company level
- Promoting internal initiatives to help protect the environment and introducing them at other subsidiaries of the Group
- Identifying key changes in employee behavior and encouraging change using innovative communication tools
- Raising awareness among the general public regarding environmental problems through the products that it markets

An internal survey is carried out every year at subsidiaries to evaluate environmental policies, programs and indicators.

Each subsidiary manages its own action in accordance with the country's regulations and depending on the wishes and involvement of its staff.

The subsidiary in Montreal is a good example, as it has formalized its commitment through an Environmental Policy that has been adopted by the management of the studio. This policy is the result of an environmental impact assessment in the first half of 2008 and establishes short- and medium-term action plans to minimize the subsidiary's impact on the environment.

1.4.3.1 CARBON FOOTPRINT AND GREENHOUSE GAS EMISSIONS

ENERGY CONSUMPTION

In the financial year 2011/2012, the Group's electricity consumption went up slightly, stabilizing at around 21.5 million kWh.

The countries with the highest electricity consumption at the Group were:

	CANADA	FRANCE	ROMANIA	CHINA	UNITED STATES	OTHER COUNTRIES	TOTAL
Consumption in kWh (in thousands) in FY 2011/2012	10,359	3,999	1,715	1,522	1,339	2,555	21,489
Consumption in kWh (in thousands) in FY 2010/2011	10,327	3,684	1,733	987	1,172	2,213	20,116
Change by country	**+ 0.30%**	**+ 8.6%**	**(1)%**	**+ 54.2%**	**+ 14.2%**	**+ 15.5%**	**+ 6.8%**

The significant increases in electricity consumption in China, the United States and France were due to the creation of server rooms in Shanghai and Paris and to the rise in staff numbers at these subsidiaries in 2011/2012.

In 2012, the Group continued to encourage measures to reduce overall energy consumption.

The Group also is striving to bring lower-energy light bulbs into general use. Almost 80% of our subsidiaries currently use this type of light bulb, (Canada, Romania, Denmark, China, the Netherlands, India and Singapore). And almost half of our studios and subsidiaries are equipped with timers or switches with movement detectors in meeting rooms and rest rooms.

Many subsidiaries have introduced good practices to limit consumption of air-conditioning and heating systems that are mostly shut down at weekends (server rooms being an exception). In 2010, Ubisoft Sofia upgraded the air-conditioning system and promoted the switching off of electronic devices not in use, which achieved energy savings of almost 30% over the year. In Japan, premises are equipped with a system that automatically shuts off the heating, air-conditioning and lighting when the main door is locked.

Ubisoft Montreal, which accounts for more than a third of total Ubisoft staff, has formed a partnership with the electricity supplier Hydro-Québec, with 98% of their production coming from hydroelectric dams.Some studios plan to set energy-saving objectives following the initiative of Ubisoft Chengdu, which has planned a 5% reduction in energy consumption per year and per employee. Subsidiaries and studios regularly receive local messages informing them of good practices related to energy saving (electricity or water) by email. Japan, Canada, France, Romania and Bulgaria are all examples. Finally, campaigns to provide information on and to raise awareness of energy saving have been organized at the Group level. In 2010/2011, in line with its fitness brand, *Your Shape: Fitness Evolved,* the Group organized a poster campaign in all its studios and subsidiaries to encourage employees to use the stairs rather than the elevator.

GREENHOUSE GAS EMISSIONS (GHGE)

CARBON FOOTPRINT

To the extent that the Company does not manufacture the video games it publishes and distributes, the Group's carbon footprint remains very low resulting solely from employee travel and events organized by the Group. The Group nonetheless takes the issues of respect for and protection of the environment very seriously and makes every effort to reduce its carbon footprint as much as possible. At the studio in Montreal, the two major events (the internal meeting and the Christmas Party) are carbon-neutral, being entirely offset by carbon credits purchased from the organization Planetair.

Following a survey on employees' transport patterns at the end of 2011, Ubisoft Montreal has been working in collaboration with the organization Voyagez Futé on a transport action plan, with immediate projects including the addition of terminals and racks for Bixi bikes.

PROMOTING VIDEOCONFERENCING TOOLS AND BUSINESS TRAVEL POLICY

Due to the Group's international scale, employees frequently have to travel to other sites. Group policy seeks to limit the environmental impact of these business trips and minimize the consequences of travel wherever possible. The following measures are favored:

- Efficient management of employees' appointments so that their travel is limited to the absolute minimum,
- Choosing the least expensive and most-environmentally friendly means of transport,
- Instituting Videoconferencing (Breeze), conference calls (Lync 2010) and other collaborative means.

Most of the Group's subsidiaries have dedicated videoconferencing rooms and those that do not (such as Ukraine and Chengdu in China) expect to have them within two years. The majority of the subsidiaries also have implemented a specific policy aiming to reduce business travel.

The Group also is aiming to make the use of web conferencing widespread by systematically equipping new work stations with webcams and microphones.

1.4.3.2 ECOLOGICAL IMPACT AND SUSTAINABLE MANAGEMENT OF RESOURCES USED (EXCLUDING GREENHOUSE GAS EMISSIONS)

In some countries, recycling complies with strict environmental regulations: In Germany, Ubisoft holds a "Green License" in connection with the European directive on packaging. In order to obtain the Green Dot label on its cardboard packaging, Ubisoft participates in the Eco-packaging contribution program, and in similar programs at its French, Spanish and Italian subsidiaries.

CONSUMPTION OF PAPER

All subsidiaries are made aware of the ecological impact of paper consumption; they take advantage of municipal or government programs to recycle their paper through waste sorting at their premises or collection areas, such as those in Germany, Australia, Korea, Italy, Switzerland and the United Kingdom. Many subsidiaries use outside specialists, including Canada, France and the United States. As at March 31, more than 90% of subsidiaries had introduced a paper recycling process, while nearly half used labeled recycled paper for some or all of their supplies.

In order to reduce their paper consumption, the French and Italian subsidiaries have opted for a paperless pay slip management policy as of June 2010 (Novapost). The Italian subsidiary estimates that this enables an annual saving of 20,000 sheets of paper and the French subsidiary more than 30,000 sheets. In 2011, the Chengdu studio (China) set the objective of reducing its paper consumption by 5% and the Pune office (India) pledged a reduction of 10% in the financial year 2012/2013.

CONSUMPTION OF WATER

Even if Ubisoft's water consumption is not significant, measures have been put in place to raise employees' awareness of their consumption.

Many subsidiaries are using low-consumption taps or taps with automatic shut-off and low-consumption toilets, such as Italy, Germany, Sweden, Romania, the United Kingdom, Australia and Shanghai (China). Some subsidiaries have implemented simple measures to encourage employees to limit their water consumption; for example, in India, notices have been placed next to each water outlet. And the Italian subsidiary has installed devices that filter and/or gasify tap water, which has considerably reduced their purchase of bottled water.

PROCESSING AND RECYCLING UNMARKETABLE PRODUCTS

Subsidiaries are directly responsible for scrapping at distribution platforms. This is organized by suppliers or subsidiaries' warehouse managers.
The various destruction tasks (grinding or compacting) are carried out under the supervision of official bodies and were outsourced to external companies for:

- Burning (in Japan, Belgium, the Netherlands and the United Kingdom for whatever cannot be recovered), or
- Burial (Italy and Switzerland), or
- Recycling (United Kingdom, United States, Germany, Australia, Canada, France, Japan, and Romania).

For half of the subsidiaries, products are destroyed under the supervision of a government body.
The destruction of products in France is carried out by a company specializing in recycling CDs, DVDs, computer disks and all types of plastic electronic media. The products are first ground down and sorted before being transformed into fine particles and resold to the plastic processing sector.

LIFE-CYCLE MANAGEMENT AND RECYCLING OF COMPUTER EQUIPMENT

For more than half of Ubisoft's studios and subsidiaries, the IT and electronic equipment is purchased in accordance with energy-consumption standards (such as the Energy Star standard). This is the case in Canada, Bulgaria, Spain, Germany, Australia, Chengdu (China) and Seoul (Korea).

Ubisoft takes an active part in the recycling of its used IT, electric and electronic equipment.

Except in a few countries where services of this kind are not available (notably in Morocco), the vast majority of subsidiaries manage the disposal of their computer equipment by calling on external service providers, specialist organizations or companies.

Depending on the case, equipment disposed of by the Group is reused by schools or charities that may be chosen by local authorities. IT equipment that has reached the end of its life is sometimes sold directly to employees (whereby the proceeds are given directly to charities or schools).

In France, Ubisoft has its computer equipment recycled by companies specializing in the dismantling of such equipment and for which a recovery, disassembly and recycling contract has been signed. These activities, involving the processing of electrical and electronic waste and the cleanup of monitors, are carried out in compliance with the applicable laws and standards. This year, the French subsidiaries recycled around 4 tons of computer equipment.

Foreign subsidiaries also are carefully recycling their computer equipment in collaboration with specialist companies. For example, the National Computer Recycling Company processes IT hardware reaching the end of its life at the Newcastle studio. It is recycled, donated or destroyed in compliance with relevant European standards. The subsidiary in Montreal donates some of its used equipment to a social enterprise operating in the IT sector, which runs work and job-finding programs for young adults with difficulties. This enterprise takes on the task of recycling and reconditioning the equipment and selling it on to welfare organizations. In Germany, recycling of PCs, batteries, printer cartridges and electronic components is entrusted to a local company specializing in the recovery of electric and electronic waste (Demotronic). In the financial year 2011/2012, the studio recycled 300 kg of equipment.

PROCESSING AND RECYCLING OF CONSUMABLES

INK CARTRIDGES

Most of the Group's subsidiaries reuse ink cartridges by refilling them several times. Otherwise, any ink cartridges that are not reused are systematically recycled or returned to the supplier for recycling.

The Red Storm studio in the United States uses soya ink (Soy Inc.) rather than oil-based ink to print its posters, banners and POS displays.

BATTERIES

In 90% of the subsidiaries, batteries are collected and recycled at collection points located at strategic points on the premises (reception, the entrance to each floor etc.). The Hong Kong office has opted for rechargeable batteries, as has the Italian subsidiary.

OTHER CONSUMABLES

Numerous initiatives have been taken in France and at international subsidiaries to reduce the ecological impact of resources consumed by the Group in the course of its business.

For example, many sites have sought to reduce or stop the procurement of consumables. For example, in Shanghai, Switzerland and at the US offices, disposable plastic cups have given way to glasses or personalized mugs made of bamboo fiber (70% biodegradable).

The subsidiaries also are seeking to minimize the ecological footprint of these consumables. For example, fruit available in the Montreuil (France) and Montreal cafeterias is certified organic, and plates and cutlery in Montreal are made from 100% biodegradable reconstituted potato starch. Ubisoft France includes recycled office supplies in its ordering catalogue. In France, coffee capsules are collected and recycled.

PROCESSING WASTE

Many subsidiaries have already introduced sorting systems, often in partnership with local authorities. For example, the studio in Montreal has removed all individual waste baskets in favor of shared recycling bins in order to improve the sorting of waste and minimize the burying of non-recyclable waste. The studio also implemented a pilot composting project next to the cafeteria in 2010/2011. Following the success of this initiative, the studio decided to extend the compost collection to all levels in 2011/2012. Montreal has held "Ici, on recycle" (We recycle here) level 2 certification since March 2010 for its efforts in the processing and recycling of waste. The Japanese subsidiaries have collection bins in communal areas where paper, bottles and other recyclable materials as well as flammable and non-flammable waste can be sorted .

Ubisoft's Head Office has installed compactors at the three Montreuil sites in France for recycling cans. 25,200 cans have been recycled since this program was introduced in 2010, equivalent to 528 kg of aluminum, 38 bicycles or 4,800 kg of CO_2 emissions.

INVOLVING SUPPLIERS IN A RESPONSIBLE, ENVIRONMENTALLY FRIENDLY APPROACH

Ubisoft uses environmentally concerned suppliers. The main production facilities of Ubisoft's assemblers in the EMEA zone are ISO 9001 certified, which means that they comply with the "Safety and quality" process. Two thirds of them also have ISO 14001 certification, which specifically relates to the environment. This standard promotes the Company's efforts to:

- minimize the harmful effects of its activities on the environment; and,

- continually improve its environmental performance.

On top of these efforts to reduce the use of paper in packaging for its games, Ubisoft has teamed up with Technimark, Inc. to produce more environmentally friendly DVD cases for all its future PC games in North America. The new case, which is made of 100% recycled polypropylene and is called “ecoTech,” was launched with *Tom Clancy’s Splinter Cell Conviction®* for PCs in April 2010.

1.4.3.3 IDENTIFYING AREAS OF IMPROVEMENT FOR SOCIAL CHANGE TO SUPPORT SUSTAINABLE DEVELOPMENT

TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF UBISOFT’S ACTIVITIES

The Group measures its territorial, economic and social impact in terms of regional development and job creation. For example, The Toronto studio created more than 100 jobs in 2011/2012 and intends to create 80 more new jobs in financial year 2013 to achieve its target of 800 jobs created in 10 years. The Singapore studio created nearly 80 jobs in 2011 and aims to create 50 more in 2012/2013. Since the end of 2011, the Group has opened a new studio in Abu Dhabi (United Arab Emirates) with a goal to create more than 100 jobs in the region within 5 years.

LINKS WITH LOCAL ORGANIZATIONS (ASSOCIATIONS, TRAINING INSTITUTIONS, LOCAL POPULATIONS, ETC.)

In all its locations, the Group has strong links with local organizations and associations, such as universities as well as the local populations. The Head Office (Montreuil – France) has thus established a partnership with the Montreuil city council. This agreement aims to promote careers in the video gaming industry among school pupils in the neighboring areas of the Head Office. In practical terms, this partnership involves visits to the Ubisoft production studios and providing information on associated jobs. The Head Office also is involved in the “Nos quartiers ont du talent” (Our neighborhoods have talent) project, which aims to help young graduates, mainly from working-class neighborhoods, find a pathway into work via a professional mentoring program.

The Ubisoft offices in Germany have set up a collaborative agreement with a school located near to the studios. They have focused their efforts on helping young people with immigrant backgrounds find employment.

Since October 2009, the Singapore studio has launched the “DigiPen-Ubisoft Campus Program”, a tripartite collaboration between the DigiPen Institute of Technology Singapore (an American university specializing in video game development) the Singapore Workforce Development Agency (WDA) and the Ubisoft studio in Singapore. Under the guidance of Ubisoft employees, the students are given training for a 10-month cycle with three different areas of specialization (Programming, Game Design and Art). The Ubisoft Singapore team also helps the students find employment.

More initiatives are listed in 1.4.2 Social Projects.

LINKS WITH COMMERCIAL PARTNERS (SUBCONTRACTORS, SUPPLIERS, ETC.)

Ubisoft is concerned by the environmental, social and societal actions of its commercial partners. Although there is still no formal policy outlined at the Group level, the majority of the studios and subsidiaries state that they systematically favor partners who give the best guarantees in terms of environmental and social commitment and who offer equal benefits and budgets.

Some studios and distribution subsidiaries even have committed to make sustainable development a priority when selecting a partner. This is true of Australia and France, which systematically include a note on sustainable development in their tender specifications.

1.4.3.4 RAISING AWARENESS AND SHARING SOUND ENVIRONMENTAL PRACTICES

APPLYING SOUND ECOLOGICAL PRACTICES AT A GROUP LEVEL

At a Group level, Ubisoft identifies ecological initiatives that follow the objectives of its environmental policy. These sound practices may be inspired by initiatives already implemented at subsidiaries or other companies with exemplary environmental behavior. The Group favors initiatives that offer a pragmatic response to environmental challenges, have proved their effectiveness and help to streamline operations and investment. These sound practices will then be highlighted in a dedicated section on Ubisoft's intranet so that all the subsidiaries can benefit from the know-how at a Group level. In the years to come, the Group also plans to set up a committee to handle environmental questions at a global level. The task of this committee will be to identify areas for improvement within the Group and to communicate guidelines and proposed actions to the subsidiaries.

PROMOTING INITIATIVES

Alongside the actions it takes to minimize Ubisoft's impact on the environment, the Group considers it equally important to encourage individual changes in behavior. Many subsidiaries implement local awareness campaigns to steer employees toward sound environmental practices.

For example, In 2009/2010 Ubisoft Sofia launched the "Reduce, Reuse, Recycle" program. The campaign's objective was to raise the teams' awareness of recycling options and procedures available at the studio, including recycling paper, plastic and damaged electronic equipment as well as the use of recycled materials. As a result of this initiative, the quantity of paper used by the studio was reduced by half and 150 kg of plastic was recycled in 2010/2011. The program will carry on this year, with the teams working on a program to introduce LED lighting that is more energy- and heat-efficient and less harmful to the eyes. When the group changed premises in 2012, a reminder of the main principles of this program was sent to all employees.

Ubisoft Chengdu has undertaken to reduce its carbon footprint with the launch of the "To live a low-carbon life, I'm in!" program in 2009/2010. A collection of clothes, shoes and books was organized at the studio. The items were then redistributed to a charity organization, thus lowering the carbon generated in manufacture. The program is being repeated regularly with new collections of books, clothes, games and toys, which are redistributed to children from Gansu province, which is located close to the studio.

In 2010/2011, Ubisoft Shanghai implemented an internal communications campaign entitled "Green Rabbit Action" with the aim of raising employee awareness of energy savings. Without informing employees, during the night the communications team at the studio put green rabbit stickers on the screens of computers that had been left switched on. The following day, employees at the studio received an email reminding them to switch off their PCs and electronic equipment at night. The same procedure was repeated three times and on the third occasion, the number of PCs and items of electronic equipment left switched on was noticeably lower.

Several subsidiaries have set up Environment Committees with the aim of raising awareness locally among the teams and to recommend concrete actions encouraging the preservation and respect of the environment and the assessment of progress made. This is the case in Montreal, Quebec, Mexico, San Francisco, Sofia, Barcelona and Malmo (Sweden).

In 2010/2011, the Environment Committee in Montreal supervised measures to optimize the recycling of paper and used batteries, in addition to the sorting of glass and metal. The studio also worked on the implementation of basic projects such as the creation of a software program for car pooling, the use of a policy to automatically switch computers to stand-by when not in use, and the widespread use of recycled paper in printers.

Last year, the Montreal committee introduced an awareness campaign related to the use of paper cups, a partnership with an organic farm (distribution of seasonal organic vegetable boxes) and was involved in setting up a terrace on the studio roof (selection of plants and planting). In Montreal, employees also have access to a blog where information and practical advice related to the environment is posted regularly by members of the Environment Committee.

The Environment Committees of the various subsidiaries also are keen to establish contact with users and enter into partnerships with external organizations. This is the case with the San Francisco studio, which worked with Urban Forest to develop green spaces and plant trees in the area around the studio in 2009.

RAISING AWARENESS OF ENVIRONMENTAL ISSUES AMONG THE GENERAL PUBLIC

The Group also helps to make the general public aware of environmental issues through its games.

For example, the *Planet Nature*™ product range spreads a message of ecological responsibility and provides a recreational environment in which players can learn sound practices in matters of sustainable development.

The themes of protection of nature and fauna also are presented in recent games such as *From Dust*™*, Child of Eden*® and even *Anno 2070*®*.* The mechanics of the game *From Dust*™ are based entirely on awareness of the fragility of nature. Players take on the role of a god who can modify the natural elements as he or she wants (water, earth, plants, fire etc.), critically modifying the ecological landscape. In *Child of Eden*®*,* players find themselves immersed in a sensory experience in which they have to save the organic world of Eden from an unknown virus. Finally, *Anno 2070*® transports the player to a time in the near future where ecological and environmental changes, such as rising water levels and the reduction of hospitable land, have forced humans to adapt their way of life. Players are required to face numerous ecological challenges in order to build their empire.

1.5 SUBSIDIARIES AND EQUITY INVESTMENTS

1.5.1 INVESTMENTS DURING THE FINANCIAL YEAR

Creation of new companies:

- December 2011: Creation of the subsidiary Ubisoft Motion Pictures Rabbids SAS in France.
  Creation of the subsidiary Ubisoft Emirates FZ LLC in the United Arab Emirates, in partnership with Twofour54, the Abu Dhabi Regional Media Authority.
- March 2012: Creation of the subsidiary Ubisoft Music Publishing Inc. in Canada.
  Creation of the subsidiaries Ubisoft Motion Pictures Assassin's Creed SAS and Ubisoft Motion Pictures Splinter Cell SAS in France.

Acquisitions:

- July 2011: Acquisition of Owlient SAS.
  On July 12, 2011, Ubisoft acquired the company Owlient SAS, a maker of free-to-play games and expert in the management of community games.
- November 2011: Acquisition of RedLynx Oy.
  On October 31, 2011, Ubisoft acquired the Finnish studio, RedLynx Oy, creator of online games.

Legal reorganization:

- French companies: During the financial year 2011/2012, mergers and partial transfers of assets were made, which meant that 30 French companies were removed from the consolidation scope.
- March 2012: Merger of the companies Ubisoft Holding Inc. and Ubisoft Inc.
- March 2012: Merger of the companies Sunflowers Interactive Entertairnment GmbH and Ubisoft GmbH.
- March 2012: Merger of the companies Ubisoft Digital Arts Inc., Ubisoft Vancouver Inc. and Ubisoft Divertissements Inc.

1.5.2 BUSINESS ACTIVITIES OF THE SUBSIDIARIES

<u>Production subsidiaries:</u>

These are responsible for the design and development of the software.
The Group has continued its strategy of reorganization in line with industry developments and is developing its expertise toward the area of online gaming.

<u>Sales and marketing subsidiaries:</u>

The sales and marketing subsidiaries are responsible for distributing Ubisoft products throughout the world.

<u>Relations between the parent Company and subsidiaries:</u>

The relationship between the parent Company and the subsidiaries involves:

- Production subsidiaries billing the parent Company for development costs based on the progress of their projects. These costs are capitalized at the parent Company and amortized from the commercial launch date.
- The parent company invoicing distribution subsidiaries for a contribution to development costs.

The parent Company also centralizes a certain number of costs that it then allocates to its subsidiaries, in particular:

- The purchase of computer equipment
- General and administrative expenses

- Interest expenses related to the cash management agreement, guarantees and loans

Main subsidiaries:

Subsidiary (in thousands of euros)	03/31/12			03/31/11			03/31/10		
IFRS financial statements	Sales	Operating profit (loss)	Net profit (loss)	Sales	Operating profit (loss)	Net profit (loss)	Sales	Operating profit (loss)	Net profit (loss)
Ubisoft Inc. (United States)	495,348	11,826	7,664	513,284	12,063	6,971	342,647	8,192	4,694
Ubisoft Ltd (United Kingdom)	125,972	1,399	556	159,274	2,196	1,319	122,647	1,337	1,064
Ubisoft GmbH (Germany)	85,253	2,647	2,251	75,922	2,880	2,106	85,781	1,793	1,244
Ubisoft France SAS	76,881	623	476	71,911	972	891	61,706	664	165

1.5.3 UBISOFT ENTERTAINMENT SA SUBSIDIARIES AND EQUITY INVESTMENTS(1)

PRODUCTION

FRANCE
Ubisoft Annecy SAS
Ubisoft Montpellier SAS
Ubisoft Paris SAS
Ubisoft Production Internationale SAS

GERMANY
Blue Byte GmbH
Related Designs Software GmbH (2)

BULGARIA
Ubisoft EooD

CANADA
Ubisoft Divertissements Inc. (Montreal)
Ubisoft Divertissements Inc. (Quebec) (4)
Ubisoft Musique Inc.
Ubisoft Editions Musique Inc.
L'Atelier Ubi Inc. / Ubi Workshop Inc.
Ubisoft Toronto Inc.
Quazal Technologies Inc.

CHINA
Chengdu Ubi Computer Software Co. Ltd
Shanghaï Ubi Computer Software Co. Ltd

UNITED ARAB EMIRATES
Ubisoft Emirates FZ LLLC

SPAIN
Ubi Studios SL

UNITED STATES
Red Storm Entertainment Inc.

INDIA
Ubisoft Entertainment India Private Ltd

ITALY
Ubisoft Studios Srl

JAPAN
Ubisoft Osaka KK

MOROCCO
Ubisoft Sarl

ROMANIA
Ubisoft Srl

UNITED KINGDOM
Ubisoft Reflections Ltd

SINGAPORE
Ubisoft Singapore Pte Ltd

SWEDEN
Ubisoft Entertainment Sweden AB

SWITZERLAND
Ubi Games SA, Zweigniederlassung Thalwil (3)

UKRAINE
Ubisoft Ukraine LLC

ONLINE

FRANCE
Nadéo SAS
Owlient SAS

FINLAND
RedLynx Oy

POST-PRODUCTION VIDEO

CANADA
Hybride Technologies Inc.

FILM PRODUCTION

FRANCE
Ubisoft Motion Pictures SARL
Ubisoft Motion Pictures Rabbids SAS

MARKETING

FRANCE
Ubisoft Emea SAS
Ubisoft France SAS

GERMANY
Ubisoft GmbH

AUSTRIA
Ubisoft GmbH (3)

AUSTRALIA
Ubisoft Pty Ltd

BELGIUM
Ubisoft BV (3)

BRAZIL
Ubisoft Entertainment Ltda

CANADA
Ubisoft Canada Inc.

KOREA
Ubisoft Entertainment SA (3)

DENMARK
Ubisoft Nordic AS

SPAIN
Ubisoft SA

UNITED STATES
Ubisoft Inc.

HONG KONG
Ubisoft Ltd

ITALY
Ubisoft SpA

JAPAN
Ubisoft KK

MEXICO
Ubisoft Canada Inc. (5)

NETHERLANDS
Ubisoft BV

POLAND
Ubisoft GmbH spółka z ograniczoną (3)

UNITED KINGDOM
Ubisoft Ltd

SWEDEN
Ubisoft Sweden AB

SWITZERLAND
Ubi Games SA

SUPPORT

FRANCE
Ubisoft International SAS
Ubisoft Learning & Development SARL

(1) 100% direct or indirect interest
(2) 29.95% indirect interest
(3) Branch
(4) Office opened
(5) Representative office

1.6 GENERAL INFORMATION

1.6.1 CAPITAL EXPENDITURE POLICY

Ubisoft continued its sustained capital expenditure policy, which should enable the Company to gain traction in new platforms, create new licenses in various genres, develop the online activity and more generally increase its market share. Accordingly, in 2011/2012, internal production costs rose 4% from €287 million to €299 million.

	2011/2012	2010/2011	2009/2010
Production-related capex	€299 million	€287 million	€259 million
% of total sales ex-VAT	28.21%	27.66%	29.70%
Capex per member of production staff (average headcount)	€55,668	€57,003	€50,451

1.6.2 RESEARCH AND DEVELOPMENT POLICY

In order to develop exceptional video games, Ubisoft has established a project-led R&D policy for tools and technologies, using the most recent technological advances. The choice of development engines, tools and processes takes place well upstream in a project, because this choice determines the potential for innovation and the necessary investment in terms of time, human resources and financing for the game.
Its close-knit team of engineers who have mastered the best available technologies now enables Ubisoft to take a highly pragmatic approach to its projects: Depending on the challenges and expected results on a game, the choice of tools may involve specific internal developments, software already available on the market, or a combination of the two. Research is thus focused on innovation and functionality, using technologies suited to a high-quality product.

Development costs on commercial software are capitalized and amortized over two or three years, with additional impairment losses recognized to reflect the product life cycle. During the financial year, they were amortized in the amount of €206 million.

The Group does not carry out any fundamental research.

1.6.3 PROPERTY, PLANT AND EQUIPMENT

Ubisoft owns the land and building occupied by its Hybride Technologies Inc. subsidiary in Canada, at 111 Chemin de la gare, Piedmont, Quebec.

1.7 RISK FACTORS

The Company conducted a risk review of a risks which may have a significant negative effect on it activity, its financial position and its result (or on its capacity to reach objectives). The Company does not believe that there are any other significant risks than those listed.

Identified risks are categorized by type.

1.7.1 RISKS LINKED TO THE BUSINESS AND THE VIDEO GAMES MARKET

1.7.1.1 RISKS ASSOCIATED WITH PRODUCT STRATEGY, POSITIONING AND BRAND MANAGEMENT

Ubisoft, like all publishers, is dependent on the success of its product catalogue and the suitability of its offering with regard to consumer demand.
In order to meet market demand, Ubisoft takes particular care in building its product catalogue by concentrating on:

- Regularly strengthening its existing franchises in the high-definition segment,
- Launching innovative products in order to seize opportunities in the Casual segment,
- Developing its online and digital activity.

In order to diversify and enrich its brand portfolio and thus ensure steady income in the long term, Ubisoft favors a strategy of creating its own brands and producing internally, underpinned by a targeted acquisition strategy.

The Company allocates the necessary marketing and sales resources to showcase its products through a distribution network covering over 55 countries. Its position as the third-largest independent publisher in Europe and the United States (NPD, Chart-Track, GFK) provides the Group with a high-performance distribution platform for its products.

1.7.1.2 RISKS ASSOCIATED WITH MARKET CHANGES

Ubisoft operates on a market that is becoming increasingly competitive and selective and is subject to concentration and economic fluctuations, marked by rapid technological changes requiring significant R&D investment.
Ubisoft also faces new challenges such as the dematerialization of physical media (which is set to gradually replace games boxes at some point in the future), a growing second-hand market, piracy, online games and emerging competitors in Asia.

The sector overall, therefore, should be a growing one in 2012, led by the online games sector which is experiencing rapid growth while the consoles market may remain down due to the continued decline of the Wii, despite an anticipated marginal rise in the sales of Xbox 360® and PLAYSTATION®3 games and the positive impact generated by the introduction of the Wii U™.

In order to remain competitive, it is essential for a publisher to choose the development format for a game wisely; an inappropriate choice could have a negative impact on the expected sales and profitability.

While continuing to invest in new technology, Ubisoft managed to capitalize on the success of its *Just Dance®* franchise although sales on the Wii™ market continued to fall sharply in 2011.

The Company is also striving to promote collaboration between its various development studios in order to ensure the optimization of its development power and to benefit fully from its presence in low-cost zones.

In Canada and in Singapore, Ubisoft depends on substantial grants and any change in government policy could have a significant impact on production costs and the Company's profitability. Ubisoft ensures that it renegotiates these agreements on a regular basis and does not foresee any risk over the next few years.

The current operating income showed an improvement for the financial year 2012 thanks to the success of *Assassin's Creed® Revelation, Just Dance®* 3, *The Settlers® Online* and *Howrse®*. Nevertheless, the uncertain economic situation and the technological changes that are taking place may continue to impact the Company's performance.

Size of the video games market in 2011[1]
Physical game sales: $14.4 billion
Digital and online sales: $24 billion (including China)

Main competitors in the physical game sector: Electronic Arts, Activision, Take-Two, Nintendo
Main competitors in the online game sector: Electronic Arts, Activision, Tencent, Zynga, NetEase

Market share in 2011* in terms of physical sales (GFK, Chart-Track, NPD)
US: Third-largest independent publisher with an 8.4% share of the market (compared with a third-place ranking and a 7.3% share in 2010)
EMEA: Third-largest independent publisher with an 8.7% share of the market (compared with a third-place ranking and a 9.0% share in 2010)

1.7.1.3 RISKS OF A DELAY OR POOR START TO THE RELEASE OF A FLAGSHIP GAME

Seasonal trends in the video games business:

Sales/quarter in millions of euros	2011/2012	Breakdown	2010/2011	Breakdown	2009/2010	Breakdown
1st quarter	103	9%	161	15%	83	10%
2nd quarter	146	14%	99	10%	83	10%
3rd quarter	652	**62%**	**600**	**58%**	**495**	**56%**
4th quarter	161	15%	178	17%	210	24%
Consolidated annual sales	**1,061**	**100%**	**1,039**	**100%**	**871**	**100%**

The third quarter of the financial year represents, on average, 59% of annual sales over the last three financial years.

In a very competitive and above all seasonal market, increasingly characterized by the need to release big hits, the announcement of a delay in releasing an expected game may have a negative impact on the Group's income and future results and thus cause a drop in its share price.

A game's launch may be delayed by the difficulty in accurately predicting the time required to develop or test it. For example, in 2011/2012, Ubisoft (like other players in the sector) was obliged to postpone Tom Clancy's *Ghost Recon® Future Soldier*.

The launch of a game below the standard required for it to fully realize its potential can negatively impact the Company's results.

[1] Source: NPD, Chart Track, GFK, Nielsen, PriceWaterhouseCoopers

Whether in the organization of its teams or ongoing research into improving development processes, Ubisoft relies on the efficiency of its commercial expertise and synergies between its studios in order to anticipate these risks and alert the management teams as necessary.

1.7.1.4 RISKS ASSOCIATED WITH RECRUITING AND RETAINING TALENTED STAFF

The Group's success largely depends on the talent and skills of its production and marketing teams in a highly competitive international market. If the Group were no longer able to attract and retain new talents, or were no longer capable of retaining or motivating its key employees, the Company's growth prospects and financial position could be affected.

The Company follows an active policy of recruitment, training and retention through the following initiatives in particular:

- Company/university collaboration: Strong relationships with the main universities in the various countries where the Group operates,
- The addition of tools and forums to encourage skills sharing,
- Implementation of various high-level training programs for core production activities.

All of the programs established by Human Resources at a local and international level are first and foremost designed to attract, train, retain and motivate employees with strong technical and/or managerial skills: Development opportunities, share purchase plans, stock option plans, personal development plans etc.

1.7.1.5 RISKS ASSOCIATED WITH THE ACQUISITION AND INTEGRATION OF NEW ENTITIES

The Company has an international expansion policy, regularly reflected in the opening and acquisition of production studios in new territories. The integration of these studios is critical for the Company's success in order to meet future growth targets.

In order to ensure that these new entities are integrated successfully, the Company has put in place a number of solutions to support the teams. Similarly, the Company continues to develop the skills of its administrative teams in order to limit financial, tax or legal risks.

A sound financial structure for the target Company (net financial surplus and the available equity) is expected to minimize these risks.

Nevertheless, the following risks could arise:

- Dilution of the current shareholder structure as a result of an acquisition paid in shares,
- Creation of significant long-term debt,
- Potential losses that could have a negative impact on profitability,
- Provisioning for goodwill or other intangible assets.

The potential loss of key employees at the target Company could have a negative impact on financial performance. However, to date, Ubisoft has always proven capable of integrating acquired companies into the Group.

1.7.2 LEGAL RISKS

1.7.2.1 LAWSUITS – LEGAL PROCEEDINGS AND ARBITRATION

There are no government, legal or arbitration proceedings pending that are likely to have or that, over the past 12 months, have had a material impact on the financial position or profitability of the Company and/or the Group.

The Group is subject to regular tax inspections by the tax authorities in the countries where it is present.
As part of a tax audit at Ubisoft Divertissements Inc. (Canada) for 1999 to 2003, and 2004 to 2008, a bilateral transfer price agreement has been initiated with the tax authorities. Pending the final agreement, the provision of CAD 3 million is unchanged.

A tax audit is underway at Ubisoft Holdings Inc. for the financial year 2008/2009. No proposed adjustments have been received to date. Consequently, no provision has been made in the accounts.

1.7.2.2 **REGULATORY ENVIRONMENT**

The Company has developed tools and implemented the requisite procedures to comply at a global level with local laws and regulations, in particular those relating to consumer protection, also covering but not limited to information given to consumers on the rules of use and content of games, the classification of games in accordance with age-rating classifications of PEGI in Europe and ESRB in the United States, the protection of consumers' personal data then this data is collected and the protection of minors (notably by setting up parental consent procedures). The Company has introduced internal control procedures to check compliance with the above.

It is a member of the ESA (Entertainment Software Association) in the United States and Canada, the ISFE (Interactive Software Federation of Europe) and the SELL (Syndicat des Éditeurs de Logiciels de Loisirs) in France, and complies with the classification systems PEGI (Europe) and ESRB (United States).

1.7.2.3 **RISKS ASSOCIATED WITH INTELLECTUAL PROPERTY RIGHTS**

Given the importance and intrinsic value of its brands, the Company has taken the necessary measures to protect its portfolio of commercial brands as well as the other intellectual property rights that it holds:

- Procedure for checking the pre-existence of brands proposed for games at European and international level, registration of brands and domain names of games designed at European and international level,
- Legal monitoring of brands that are similar or identical to those of the Company and that have been registered by third parties at a global level,
- Legal monitoring of potential Company copyright violations,
- A dedicated anti-piracy team, whose task is to carry out a technology watch, advise development teams and coordinate action between the various internal and external teams,
- Copyright infringement pressing civil claims in criminal proceedings where applicable, or via any other available criminal or civil avenues, and measures against hackers in order to obtain the removal of games illegally put online.

Ubisoft is not dependent on any particular patents.

1.7.2.4 **LICENSING AGREEMENT RISKS**

Every year, Ubisoft signs a series of partnership agreements with, in particular, prestigious partners such as film studios, music labels etc., enabling it to develop its game catalogue and increase sales.
The biggest licensor accounts for nearly 3.8% of sales.

The potential interruption of certain partnerships, for whatever reason, at the behest of Ubisoft or its partners, is likely to have a negative impact on the revenue and future performance of the Company as it would not be offset by other new licenses.

1.7.3 OPERATIONAL RISKS

1.7.3.1 RISK OF DEPENDENCY ON CUSTOMERS

Because it has many large retailer customers in numerous countries, the Company believes it has no significant dependency on any customer that could affect its growth plan.

Share of the main customers in the Group's sales ex-VAT:

Share in %	2011/2012	2010/2011	2009/2010
Top customer	10%	12%	10%
Top 5 customers	39%	41%	32%
Top 10 customers	50%	54%	45%

Moreover, in order to protect themselves against the risk of default, the Group's main subsidiaries, which account for approximately 85% of consolidated sales, are all covered by credit insurance.

1.7.3.2 RISK OF DEPENDENCY ON SUPPLIERS AND SUBCONTRACTORS THE COMPANY HAS NO SIGNIFICANT FINANCIAL DEPENDENCY ON SUBCONTRACTORS OR SUPPLIERS LIKELY TO AFFECT ITS GROWTH PLAN.

The Company has no significant financial dependency on subcontractors or suppliers likely to affect its growth plan.

Ubisoft and its subsidiaries mainly use services or products from suppliers such as systems integrators (printers to produce manuals and product packaging, disk suppliers to subcontract the supply and duplication of CD-ROMs and DVD-ROMs, other systems integrators), technology providers and suppliers of licenses and maintenance in connection with the Company’s operations.

However, there is a dependency on manufacturers. Ubisoft, like all console-game publishers, purchases cartridges and gaming media from console manufacturers (Sony, Nintendo and Microsoft). Supply is thus subject to prior approval of the manufacturers, the production of these media in sufficient quantities and the establishment of royalty rates. Any change in the terms of sale by manufacturers could have a material impact on the Company's results. For PC games, there is no specific dependency.

Despite the priority given to games developed internally, which account for 90% of sales, the Company may call on outside studios in the context of its development activities in order to work on traditional subcontracting projects by supplying additional and/or specialized production capacity or to take on original projects in which they have specific expertise. These independent development studios may sometimes have a limited capital base that may put the completion of a project at risk.

To limit such risks, Ubisoft has introduced internal monitoring procedures, limited the number of games entrusted to a single studio, and ensured that it assimilates all or a portion of the technology that these studios use.

Ubisoft Entertainment SA’s terms for trade payables:

Pursuant to the provisions of Articles L 441-6-1 para 1 and D 441-4 of the Commercial Code, please note that the Company's liabilities to suppliers at the close of the last two financial years break down by due date as follows:

Liabilities by contractual due date			
Due date	Total trade payables: 1 to 30 days	Total trade payables: 31 to 60 days	TOTAL
At 31/03/12	€ 41,379,722	€ 552,675	€ 41,932,396
At 31/03/11	€ 46,426,845	€ 456,881	€ 46,883,726

1.7.3.3 FINANCIAL AND ACCOUNTING RISKS

The reliability of financial and accounting information, risk management and the related internal control system are explained in the report by the Chairman of the Board of Directors on the internal control procedures implemented by the Company.

1.7.3.4 CHALLENGES INHERENT IN INFORMATION SECURITY

Like any other international company with a strong presence on the Internet, Ubisoft is exposed to multiple prerequisites such as changes in regulations and standards relating to data protection and the management of sensitive data, while also facing numerous threats in many areas: mobility solutions, social networking, online services and games, partnerships for development, to mention just a few.

Information is a strategic resource that represents considerable value for Ubisoft and must be suitably protected. Hence, Ubisoft's risk management and security team is responsible for protecting information from external and internal threats in order to guarantee its confidentiality, integrity and availability, and to ensure business continuity. To achieve this, Ubisoft is investing more and more heavily in specialist resources to reduce current risks and to increase our ability to anticipate future threats.

Efforts with regard to policies and standards were pursued while increasing both technical and human resources dedicated to various initiatives under way: security relay points are now in place at all Group subsidiaries to handle local problems and relay information. A centralized incident management system is in place and a secure and standardized solution for teleworking has been introduced, enabling enhancement of collaboration within the Group and with our numerous partners. Internal and external audits are conducted regularly to validate various architectures and technology choices of our project portfolio. Ubisoft is clearly adapting and progressing by modifying its approach to risk management in order to meet future challenges in an environment where technologies are constantly evolving.

1.7.4 MARKET RISKS

1.7.4.1 FINANCIAL RISKS:

In the course of its business, the Group is exposed to varying degrees of financial risk (foreign-exchange, financing, liquidity, interest-rate), counterparty risk and equity risk.

Group policy consists of:

- minimizing the impact of its exposure to market risks on both its income and, to a lesser extent, its balance sheet,
- tracking and managing this exposure centrally whenever regulatory and monetary circumstances allow,
- using derivatives for hedging purposes only.

The risk management policy and its organization within the Group - notably through the Treasury Department, attached to the Finance Department - are described in the Chairman's internal audit report.

Additional information and figures on exposure to these different risks are detailed in Note 16 to the consolidated financial statements.

FOREIGN-EXCHANGE RISK

In light of its international presence, the Group may be exposed to exchange-rate fluctuations in the following three cases:

- through its operating activities: sales and operating expenses of Group subsidiaries are largely denominated in local currency. However, some transactions such as license agreements and intercompany invoicing are denominated in another currency. The operating margin of the subsidiaries concerned may therefore be exposed to fluctuations in exchange rates involving their operational currency;

- through its financing activities: in line with its policy of centralizing risks, the Group has to manage financing and cash in various currencies;

- during the process of translating the accounts of its subsidiaries from foreign currencies into euros: current operating income may be generated in currencies other than the euro. As a result, fluctuations in foreign currency exchange rates against the euro may have an impact on the Group's income statement. These fluctuations also affect the carrying amount of assets and liabilities denominated in foreign currencies and appearing in the consolidated balance sheet.

The Group first uses natural hedges provided by transactions in the other direction (development costs in foreign currency offset by royalties from subsidiaries in the same currency). The parent company uses foreign currency borrowings, forward sales or foreign-exchange options to hedge any residual exposures and non-commercial transactions (such as inter-company loans in foreign currencies).

The sensitivity of Group earnings to changes in the value of its main currencies is described in Note 16 to the consolidated financial statements.

YEAR-END MARCH 31, 2012

Impact of a +/-1% variation in the main currencies on revenue and operating income/loss

In thousands of euros for FY 2011/2012

Currency	Impact on revenue	Impact on operating income/loss
USD	4,904	1,396
GBP	1,247	780
CAD	729	877

Impact of a variation (+/-1%) in the main currencies on goodwill and brands

Currency	Impact on shareholders' equity [(1)]
USD	629
GBP	12
CAD	141

[(1)] In thousands of euros

FINANCING AND LIQUIDITY RISK

In the course of its operating activity, the group has no recurrent or significant debts. Operating cash flows are generally sufficient to finance operating activity and organic growth. However, the group may need to increase its debt by using credit lines to finance merger & acquisition activity. In order to finance temporary needs related to increases in working capital during especially busy periods, the group has a €180 million syndicated loan, €95 million in confirmed credit facilities and other bank credit facilities totaling €74.3 million at March 31, 2012.

The Group's liquidity risk is mainly induced by payment flows on derivatives and is therefore not material.

INTEREST-RATE RISK

Interest-rate risk is mainly incurred through the Group's interest-bearing debt. This is essentially euro-denominated and centrally managed. Interest-rate risk management is primarily designed to minimize the cost of the Group's borrowings and to reduce exposure to this risk. For this purpose, the Group uses primarily fixed-rate loans for its long-term financing needs and variable-rate loans to finance specific needs related to increases in working capital during particularly busy periods.

At March 31, 2012, the Group's debt included bank overdrafts which, given the Group's positive cash position, were used essentially to finance the high year-end working capital requirement engendered by the highly seasonal nature of the business.

The sensitivity of debt to a change in interest rates is described in Note 16 to the consolidated financial statements.

1.7.4.2 COUNTERPARTY RISK

The Group is exposed to counterparty risk - mostly banking-related - in the course of its financial management. The aim of the Group's banking policy is to focus on the creditworthiness of its counterparties and thus reduce its risks.

1.7.4.3 SECURITIES RISK

RISK TO THE COMPANY'S SHARES

In accordance with its share buyback policy and within the authorizations granted by the Shareholders' Meeting, the Company may decide to buy back its own shares. The fluctuations in the price of shares bought in this way have no impact on the Group's income.

Own shares are held under a market-making and liquidity agreement signed with Exane BNP. These buybacks are made under the terms of a market-making agreement that complies with all applicable regulations, and are designed to ensure the liquidity of purchases and sales of shares.
The Company allocated €1.7 million for the implementation of this agreement over the last financial year.

400,000 shares were purchased on the market (assigned to employee shareholdings) under the 6th resolution of the Shareholders’ Meeting of June 30, 2011.

As at March 31, 2012, the Company held 566,584 of its own shares with a value of €2,491 thousand. Own shares are deducted from equity at cost of sale.

RISK ON OTHER SECURITIES

The Gameloft shares are covered by an equity swap agreement signed by the Group with CA-CIB (Crédit Agricole Corporate & Investment Bank).
On July 12, 2007, Ubisoft Entertainment SA signed two contracts with CACIB. The first concerns the sale of all Gameloft securities held by Ubisoft Entertainment SA, i.e. 13,367,923 shares at a price of €6.08 per share. The second relates to the opportunity for Ubisoft to continue to benefit from share price fluctuations either up or down in relation to a value of €6.08 per share until July 15, 2013.
Under IAS 39, as all risks and benefits have not been transferred, Gameloft shares have been classified as current financial assets available for sale.
The sale of Gameloft shares on the market by Calyon is recorded in the income statement.
The Gameloft shares not yet sold by Calyon are measured at fair value. The change in fair value of shares not yet sold by Calyon is recognized in the consolidated reserves.

At March 31, 2012, financial assets included €14.6 million in shares in the listed company Gameloft.

Information on the valuation of these shares is presented in Note 9 to the consolidated financial statements and the accounting principles.

A 10% change in closing price would have an impact of €1.5 million on shareholders' equity.

1.7.5 INDUSTRIAL OR ENVIRONMENT-RELATED RISKS

The Group currently has no knowledge of any industrial or environmental risk.
Ubisoft did not record any provision, purchase any insurance to cover potential environmental risks, or pay any compensation in this regard during the financial year.

Nevertheless, the Company remains alert to regulatory changes in countries where it is present.
The Group, since it does not manufacture the video games it publishes and distributes, does not have a significant impact on the environment. However, this is an integral part of Company policy and has become an issue in itself. These elements are more accurately presented and detailed in the "Sustainable Development" part of this report.

1.7.6 INSURANCE AND RISK COVERAGE

The policy of insuring the Group aims to protect it against the consequences of certain potential and identified events that could have an adverse effect on it. This policy falls under the general scope of risk management, downstream of prevention plans and business continuity plans.

The following are the principal areas covered by insurance:

- corporate general liability and corporate officers,
- property damage and, where appropriate, trading loss,
- goods in transit,
- vehicles,
- employee health risks and employee benefits,
- business travel,
- expatriate cover,
- etc.

Most of the policies currently in place are taken out locally at subsidiary level, taking account of the specific nature of that subsidiary's activity and the country in which it is present, using brokers as appropriate.
In the first part of financial year 2012, the Group conducted an audit of its insurance coverage on all of its subsidiaries. Based on the findings of this audit, the Group initiated a second phase involving market proposals for the creation of an international program. Under the proposals received on each policy, the Group will decide during the year 2013 on the creation of such a program and its scope and/or measures to harmonize local policies.

There were no major losses in the financial year 2012.
Total premiums paid on insurance policies valid during the financial year ended March 31, 2012 amounted to €971 thousand excluding credit insurance.

1.8 RECENT EVENTS, OUTLOOK AND STRATEGY

1.8.1 RECENT DEVELOPMENTS

Ubisoft has adopted a strategy to develop its brands for both habitual and casual gamers on home and portable consoles and online media, PCs, smartphones and tablets.

- For games for habitual gamers on high-definition consoles and PCs, the Company is focusing its efforts on its strong franchises, in order to increase the quality and regularity of releases. It also plans to capitalize on the momentum expected from the future launch of replacements for the Xbox 360™, PLAYSTATION®3 and Wii™. The brands for habitual gamers are also slated to be adapted for online media, like the Free to Play model, as in the cases of the successful Settlers® Online and the 2012 launch of *Tom Clancy's Ghost Recon® Online*.
- For casual gaming, the Company continues to seize the opportunities offered by the introduction of new consoles like the Wii U™, the creation of new segments such as *Just Dance®* or *Rocksmith™* and the development of strong online media brands, like the highly successful Free to Play game *Howrse®* from the acquisition of Owlient.

1.8.2 MARKET OUTLOOK

In 2011, the console video games market recorded a drop of 7% in Europe and 7% in North America (sources: NPD, Chart-Track, GFK, etc.). In this segment, the year 2012 should be slightly down from 2011 due to the continued decline in sales of games on the Wii, partially offset by a slight increase expected on the PLAYSTATION®3 and Xbox 360™, and the positive effect from the introduction of the Wii U™. On the other hand, it is anticipated that the online video games market should experience another year of strong growth, enabling growth overall in the gaming market.

2 COMMENTS ON THE UBISOFT ENTERTAINMENT SA FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Sales (in thousands of euros)

Revenue basically consists of royalties invoicing to subsidiaries.

€ thousand	March 31, 2012	March 31, 2011
Production/sales	782,547 [1]	729,169
Operating profit (loss)	6,620	(116,929)
Net financial income	(6,924)	(11,077)
Pre-tax profit (loss) from continuing operations	(304)	(128,006)
Non-recurring items	(65,784)	(54,550)
Net profit (loss)	(63,817)	(152,117)

[1] including capitalized production: €355,413 thousand (internally developed software: €324,140 thousand and externally developed software: €31,273 thousand)

Internal development costs

As at March 31, 2012, internal development costs came to €324 million as compared with €311 million as at March 31, 2011.

Tax consolidation scope:

As at March 31, 2012, the tax group includes all French companies, with the exception of those created and acquired during the financial year.

Income statement for the last five years

Financial Year	2007/2008	2008/2009	2009/2010	20010/2011	2011/2012
Capital stock (€)	7,164,812	7,273,867	7,319,603	7,341,411	7,369,475
Number of ordinary shares	46,224,592	93,856,346(1)	94,446,494	94,727,890	95,090,002
Number of preference shares	-	-	-	-	-
Maximum number of shares to be created	4,164,407	9,976,148	12,860,572	15,590,840	17,518,199
through exercise of stock options	3,808,907	9,509,468	12,003,892	14,473,220	16,573,169
through the allocation of bonus shares.	355,500	466,680	856,680	1,117,620	945,030
Sales (€ thousand)	571,034	576,476	558,548	729,169	782,547
Earnings before tax, investments and provisions (€ thousand)	309,662	326,750	190,346	257,594	295,289
Income tax (€ thousand)	1,961	13,532	(786)	(30,439)	(2,271)
Employee profit-sharing	-	-	-	-	-
Earnings after tax, investments and provisions (€ thousand)	75,212	33,553	(153,066)	(152,117)	(63,817)
Distributed earnings	-	-	-	-	-
Per share, earnings after tax, before depreciation and provisions (€)	6.66	3.34	2.02	3.04	3.13
Per share, earnings after tax, depreciation and provisions (€)	1.63	0.36	(1.62)	(1.61)	(0.67)
Dividend per share	-	-	-	-	-
Average headcount	5	5	5	5	5
Payroll (€ thousand)	546	664*	687*	681*	649*
Social security contributions and employee benefits (€ thousand)	204	279	243	239	243

*The remuneration of one corporate officer is booked in subcontracting.

(1) Two-for-one stock split on November 14, 2008

Contingent assets and liabilities

To the best of our knowledge, there were no contingent assets or liabilities at March 31, 2012.

Events after the balance sheet date

N/A

3 INFORMATION ON THE COMPANY AND ITS CAPITAL

3.1 INFORMATION ABOUT THE COMPANY

CORPORATE NAME	UBISOFT ENTERTAINMENT
REGISTERED OFFICE	107, Avenue Henri Fréville - BP 10704 - Rennes (35207) Cedex 2
LEGAL FORM	French corporation (Société Anonyme) with a Board of Directors, governed by the French Commercial Code
DATE OF INCORPORATION AND TERM	The Company was incorporated on March 28, 1986 and listed on the Rennes Trade and Companies Register on April 9, 2006, for a term of 99 years unless such term is extended or the Company is dissolved at an earlier date.
TRADE AND COMPANIES REGISTER	335 186 094 RCS RENNES APE industry code: 5821Z
PLACE WHERE LEGAL DOCUMENTS MAY BE CONSULTED	The Company's legal documents may be consulted at its business address at 28, rue Armand Carrel - 93100 MONTREUIL-SOUS-BOIS, France, or at its registered office.
FINANCIAL YEAR	The financial year runs from April 1 to March 31.

3.2 ARTICLES OF ASSOCIATION

Amendments to the Articles of Association are made by decision of the Extraordinary General Meeting.

3.2.1 CORPORATE PURPOSE (ARTICLE 3 OF THE ARTICLES OF ASSOCIATION)

Ubisoft Entertainment SA has the following purpose, in France and abroad, both directly and indirectly:

- the creation, production, publishing and distribution of all kinds of multimedia, audiovisual and IT products, including video games, educational and cultural software, cartoons and literary, film and television works on any media, current or future;
- the distribution of all kinds of multimedia and audiovisual products, especially through new communication technologies such as networks and online services;
- the purchase, sale and, in general, all forms of trading, including both import and export, via rental or otherwise, of any computer and word-processing hardware with its accessories, as well as any hardware or products for reproducing sound and images;
- the marketing and management of all data processing and word-processing computer programs;
- consulting, support, assistance and training relating to any of the above-mentioned fields;
- the investment by the Company in any operation that may relate to its purpose, by the creation of new companies, the subscription or purchase of securities or corporate rights, by mergers or by other means;
- and in general, any operation related directly or indirectly to the above purpose or similar and related purposes likely to promote the Company's development.

3.2.2 FORM OF SHARES AND IDENTIFICATION OF SHAREHOLDERS (ARTICLE 5 OF THE ARTICLES OF ASSOCIATION)

Fully paid shares may be registered or bearer shares, depending on the preference of the shareholder, subject to applicable legal and regulatory provisions.

The shares of the Company require book-entry under the terms and conditions required by applicable legal and regulatory provisions, and are transferred between accounts by bank transfer.

The Company may at any time, in accordance with legal and regulatory provisions, request information from the French securities clearing organization SICOVAM in order to allow the Company to identify shareholders granted either immediate or future voting rights at Meetings, as well as the number of shares held by any one shareholder and, where applicable, any restrictions to which the shares may be subject.

3.2.3 SIGNIFICANT SHAREHOLDING DISCLOSURE REQUIREMENT (ARTICLE 6 OF THE ARTICLES OF ASSOCIATION)

Without prejudice to the thresholds provided for in Article L 233-7 of the French Commercial Code, any shareholder acting alone or in concert with others who directly or indirectly comes to own at least 4% of the capital or voting rights in the Company or a multiple of this percentage that is less than or equal to 28% is required to inform the Company by registered letter with acknowledgement of receipt sent to the registered office within the period prescribed in Article L 233-7 of the French Commercial Code of the total number of shares, voting rights and securities ultimately granting entitlement to the capital of the Company that are held directly or indirectly or in concert.

The disclosure upon crossing any threshold equaling a multiple of 4% of the capital or voting rights provided for in the above paragraph should also be made when the interest in the capital or voting rights falls below one of the aforementioned thresholds.

Non-compliance with disclosure of statutory thresholds shall result in the deprivation of voting rights in the manner provided for in Article L 233-14 of the French Commercial Code on request, recorded in the minutes of the Shareholders' General Meeting, by one or more shareholders together owning at least 5% of the capital or voting rights in the Company.

3.2.4 RIGHTS AND OBLIGATIONS ATTACHED TO SHARES (ARTICLES 7 AND 8 OF THE ARTICLES OF ASSOCIATION)

Each share shall give rights to ownership of the corporate assets and the liquidating dividend equal to the proportion of the share capital that it represents.

Whenever it is necessary to own several shares in order to exercise a right of any kind, especially in the event of the exchange, consolidation or allocation of shares, or following a capital increase or reduction of whatever form, regardless of the terms and conditions thereof, or subsequent to a merger or any other transaction, shareholders having fewer than the required number of shares may only exercise their rights on condition they make it their own business to group together and, if applicable, purchase or sell the required number of shares or fractional shares or rights.

A double voting right, over that granted to other shares having regard to the proportion of the share capital they represent, is granted to all fully paid-up shares that can be shown to have been registered in the name of the same shareholder for at least two years.

This right is also granted from issue to registered shares granted free to a shareholder by virtue of existing shares for which the shareholder already has this right in the case of capital increases via the capitalization of reserves, earnings or issue premiums.

It should be noted that Article L 225-124 of the French Commercial Code provides that this double voting right is automatically revoked for any share that has been converted to bearer form or for which ownership is transferred, excluding any transfer of ownership between registered accounts as a result of inheritance or family gift or liquidation of marital property.

3.2.5 GENERAL MEETINGS (ARTICLE 14 OF THE ARTICLES OF ASSOCIATION)

General Meetings shall consist of all the shareholders of Ubisoft Entertainment SA, with the exception of the Company itself. They represent the totality of shareholders.
They shall be convened and deliberate under the conditions prescribed by the French Commercial Code. General Meetings shall be held at the registered office or at any other place indicated in the meeting notice. They shall be chaired by the Chairman of the Board of Directors or, in his absence, by a Director appointed for this purpose by the Meeting.

The right to participate in meetings is subject to fulfillment of the formalities provided for under applicable regulations. Shareholders may vote by correspondence or by proxy subject to the requirements of legal and regulatory provisions.
Shareholders may participate in meetings (via video conference or vote by any means of telecommunication or remote transmission, including internet), under the conditions prescribed by the applicable regulations, provided that a decision to this effect by the Board of Directors has been published in the convening notice and/or the meeting notice.

Where a decision to this effect is reached by the Board of Directors, shareholders may send their arrangements for a proxy or vote by correspondence, whether in paper form or via telecommunications or remote transmission, in line with the time frames set out by the applicable laws and regulations. If remote transmission (including electronic means) is the selected arrangement, the electronic signature may take the form of a process meeting the requirements defined in the first sentence of the second paragraph of Article 1316-4 of the Civil Code.

3.2.6 DISTRIBUTION OF EARNINGS UNDER ARTICLE 17 OF THE ARTICLES OF ASSOCIATION

The income from the financial year after deduction of operating expenses, allowances for depreciation and amortization and provisions constitutes the earnings. From earnings for the financial year after deduction of losses, if any, the following items are deducted:

- the sums to be allocated to reserves in accordance with the law and the Articles of Association and, in particular, at least 5% to make up the legal reserve. This allocation is no longer required when the reserve reaches one tenth of the share capital. It is once again required when, for any reason, the legal reserve falls below this percentage; and
- any amounts which the Shareholders' Meeting, on a proposal from the Board of Directors, deems appropriate to allocate to any extraordinary or special reserves or to carry forward as retained earnings.

The balance shall be distributed to the shareholders. However, except in the event of capital reductions, no distribution may be made to shareholders where the shareholders' equity is, or would be if such distribution were to take place, less than the amount of the capital plus reserves that are non-distributable under the law or the Articles of Association.

In accordance with Article L 232-18 of the French Commercial Code, the Shareholders' Meeting may grant each shareholder the option between payment in cash or in shares for all or part of the interim or final dividend.

3.3 INFORMATION ABOUT THE CAPITAL

3.3.1 CLOSING SHARE CAPITAL (LEADING TO A REVISION OF ARTICLES OF ASSOCIATION AND K-BIS (REGISTRY DOCUMENT))

As at March 31, 2012, share capital totaled €7,369,475.16, divided into 95,090,002 fully paid-up shares with a par value of €0.0775 each.
The following table outlines the number of shares created between April 1, 2011 and March 31, 2012:

At April 1, 2011	**94,727,890 shares**
Exercise of subscription options	34,646 shares
Bonus share grants	277,000 shares
PEG	50,466 shares
At March 31, 2012	**95,090,002 shares**

3.3.2 AUTHORIZED UNISSUED CAPITAL

3.3.2.1 STATUS OF CAPITAL INCREASE AUTHORIZATIONS IN FORCE GRANTED TO THE BOARD OF DIRECTORS

In accordance with Article L 225-100, paragraph 7 of the French Commercial Code, the table below summarizes current authorizations granted by the Shareholders' Meeting to the Board of Directors, and the use made of these authorizations during the year.

Type	Date of meeting - Resolution -	Term Expiry at	Maximum use	Use at March 31, 2012	
Share buyback	06/30/11 6th resolution	18 months 12/29/12	10% of the capital Maximum purchase price: €30	see § 4.4	
Capital reduction by cancellation of own shares	06/30/11 8th resolution	18 months 12/29/12	10% of the capital	N/A	
Capital increase by capitalization of reserves, earnings, premiums or other	07/02/10 10th resolution	26 months 09/01/12	€10 million	09/30/11 03/15/12	277,000 shares created
Capital increase with preferential subscription rights preserved	06/30/11 9th resolution (1)	26 months 08/29/13	In capital: €1,450 thousand Debt securities: €400 million	03/26/12	8,644,545 maximum number of shares to be created (5)
Capital increase with waiving of preferential subscription rights by way of a public offering	06/30/11 10th resolution (1)	26 months 08/29/13	In capital: €1,450 thousand Debt securities: €400 million	N/A	N/A
Capital increase with waiving of preferential subscription rights by way of a private placement	06/30/11 11th resolution (1)	26 months 08/29/13	In capital: €1,450 thousand Debt securities: €400 million	03/20/12	9,400,000 maximum number of shares to be created (6)
Fixing of issue price of capital increases with waiving of preferential rights (public offering or private placement) within an annual limit of 10%	06/30/11 12th resolution (1)	26 months 08/29/13	€736 thousand		
Capital increase As consideration for contributions in kind	07/02/10 15th resolution (2)	26 months 09/01/12	10% stake in share capital on the day of the meeting	-	-
Capital increase for the benefit of employees subscribing to the Group savings plan (PEG)	07/02/10 16th resolution (2)(3)	26 months 09/01/12	0.2% of the capital on the day of use by the Board	04/27/11	50,466 shares created
	06/30/11 13th resolution (1)	26 months 08/29/13		See 3.3.2.5	
Allotment of stock purchase or subscription options	07/02/10 17th resolution (2)	38 months 09/01/13	3.4% of the capital on the day of use by the Board	04/27/11	3,220,748 options attributed
Capital increase reserved for subsidiary employees (outside France)	06/30/11 16th resolution (1)	18 months 12/29/12	0.2% of capital on the day of the decision of the Board	N/A	N/A
Bonus share grants	09/22/08 12th resolution (4)	38 months 11/21/11 (expired)	1% of capital on the day of the decision of the Board	06/24/11	143,910 shares attributed

(1) Charged against the limits of €1,450 thousand of capital and €400 million of debt securities (without preferential subscription rights) set by the Meeting of June 30, 2011 (17th resolution)

(2) Charged against the overall limit of €4 million set by the Meeting of July 2, 2010 (18th resolution)

(3) The unused portion of these authorizations was canceled by the Meeting of June 30, 2011, which approved similar resolutions.

(4) Charged against the overall limit of €4 million authorized by the Meeting of September 22, 2008 (16th resolution)

(5) Bonus issue to shareholders of 95,090,002 warrants (BSA) at a rate of one warrant for one share (based on the number of shares registered April 5, 2012 after market close) issued April 10, 2012 and exercisable at any time from April 10, 2012 to October 10, 2013: 11 warrants to subscribe for one new share at an exercise price of € 7

(6) Establishment of an Equity line: issue of 9.4 million share subscription warrants (BEA) at an issue price of € 0.0001 per share exercisable from March 20, 2012 to March 20, 2014 (with right of renewal for one year) at the discretion of the Company subscribed by Crédit Agricole Corporate and Investment Bank (accredited investor within the meaning of Article L.411-2 of the Monetary and Financial Code): one BEA to subscribe to one share of the Company up to an exercise price equal to 95% of the weighted average price during the trading days preceding the determination: an increase in maximum nominal capital of € 728,500

3.3.2.2 SECURITIES GRANTING ENTITLEMENT TO THE CAPITAL OF THE COMPANY/POTENTIAL CAPITAL AS AT MARCH 31, 2012

As at March 31, 2012:

- the number of subscription options open but not yet exercised was 16,573,169:
  - ✓ taking into consideration only those options considered "on the market" (based on the closing price of the share at March 31, 2012: €5.458) for which the exercise periods are open (plans 7, 11, 12) (see table of subscription options for shares), the dilution would be **1.07**%, since the options for other plans (13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23 and 24) have a strike price greater than or equal to the closing share price at March 31, 2012
  - ✓ if all of the options, regardless of the strike price at which they were allocated (i.e. whether greater or less than the share price), were exercised on March 31, 2012
    - taking into account the exercise periods open until March 31, 2012, dilution would be **9.06%**
    - without taking open periods of exercise into account, dilution would be **14.84%.**
- the number of bonus shares granted was 945,030, representing a potential dilution of **0.98%.**

3.3.2.3 BONUS SHARE GRANTS (PLANS OPEN AS AT MARCH 31, 2012)

Date of General Meeting / Date of board meeting	Number of beneficiaries	Number of shares granted	including corporate officers	Of which top 10 employee beneficiaries	Number of shares canceled: Over FY	Number of shares canceled: since grant	Balance at 3/31/2012	Date of acquisition / Date of transfer	Performance conditions
04/04/07 / 06/13/08	5	30,600 [1]	0	30,600 [1]	-	2,000	28,600 [1]	06/12/12 / 06/13/12, 06/13/14 [2]	Yes [3]
04/04/07 / 09/15/08	21	80,580 [1]	0	61,000 [1]	9,000	21,580	59,000 [1]	09/14/12 / 09/15/12	Yes [3]
09/22/08 / 04/09/09	17	45,500	0	34,000	-	1,500	44,000	04/08/13 / 04/09/13	Yes [3]
09/22/08 / 11/17/09	2	15,000	0	15,000	-	-	15,000	11/16/13 / 11/17/13	Yes [3]
09/22/08 / 12/15/09	42	355,000	0	152,000	8,000	63,000	292,000	12/14/13 / 12/15/13, 12/15/15 [2]	Yes [3]
09/22/08 / 06/30/10	1,252	12,520	0	100	-	0	12,520	06/29/12 / 06/30/14 [2]	No [4]
09/22/08 / 06/30/10	26	160,500	0	105,000	7,000	15,500	145,000	06/29/14 / 06/30/14, 06/30/16 [2]	Yes [3]
09/22/08 / 11/15/10	38	215,000	0	112,000	8,000	10,000	205,000	11/14/14 / 11/15/14, 11/15/16 [2]	Yes [3]
09/22/08 / 06/24/11	1,214	12,140	0	100	-	0	12,140	06/23/13 / 06/24/15 [2]	No [4]
09/22/08 / 06/24/11	18	131,770	0	100,770	-	0	131,770	06/23/15 / 06/24/15, 06/24/17 [2]	Yes [3]
TOTAL		**1,058,610**	**0**	**610,570**	**32,000**	**113,580**	**945,030**		

(1) Two-for-one stock split taking effect November 14, 2008.
(2) Locked in for a two-year period for French beneficiaries
(3) Individual performance targets linked to the beneficiary's job
(4) Granted to employees of French subsidiaries (art. L 225-186-1 of the French Commercial Code)

3.3.2.4 SUBSCRIPTION OPTIONS

Date of General Meeting / Date of Board Meeting	Plan number	Options granted (1) (2)	Of which officers (2)	Performance: Period	Performance: Terms and conditions	Performance: Price (1) (2)	31/03/12: Exercised (1) (2)	31/03/12: Canceled (1) (2) (3)	31/03/12: To be exercised (1) (2)
10/19/01 / 08/16/02	7	1,556,260	-	From 01/19/05 to 08/15/12	50 % at 01/19/05 75 % at 08/16/05 100 % at 08/16/06	€3.21	-	-	28,250
07/23/04 / 10/14/04	11	1,552,600	-	From 10/14/05 to 10/13/14	24% after a year then 2% per month	€3.88	17,836	5,311	304,742
07/23/04 / 11/17/04	12	1,485,000	-	From 11/17//05 to 11/16/14	24% after a year then 2% per month	€3.68 (France) €3.87 (Italy)	15,060	280	699,869
09/21/05 / 02/23/06	13	2,711,784	-	From 02/23/07 to 02/22/13 (4)	25% per year from 02/23/07	€7.91	-	40,350	1,682,333
09/25/06 / 04/26/07	14	3,154,800	150,000	From 04/26/08 to 04/25/12	25% per year from 04/26/08	€17.65	-	108,002	2,467,016
09/25/06 / 06/22/07	15	24,072	-	From 06/22/08 to 06/21/12	25% per year from 06/22/08	€18.77	-	1,500	17,398
07/04/07 / 06/13/08	16	1,804,100	-	From 06/13/09 to 06/12/13	25% per year From 06/13/09	€27.75	-	106,220	1,441,880
07/04/07 / 06/27/08	17	1,362,500	138,000	From 06/27/09 to 06/26/13	25% per year from 06/27/09	€27.66	-	21,600	1,269,800
07/04/07 / 09/15/08	18	100,160	-	From 09/15/09 to 09/14/13	25% per year from 09/15/09	€29.30 (France) €28.13 (World)	-	8,000	84,360
09/22/08 / 05/12/09	19	3,073,400	124,000	From 05/12/10 to 05/11/14	25% per year From 05/12/10	€14.92 (France) €14.40 (world)	-	133,150	2,760,300
09/22/08 / 06/18/09	20	119,755	-	From 06/18/10 to 06/17/14	25% per year from 06/18/10	€15.60 (France) €16.90 (world)	-	20,600	86,605
07/10/09 / 12/15/09	21	4,500	-	From 12/15/10 to 12/14/14	25% per year from 12/15/10	€10.04	-	-	4,500
07/10/09 / 04/29/10	22	119,000	119,000	From 04/29/11 to 04/28/15	25% per year From 04/29/11	€10.02	-	-	119,000
10/07/09 / 06/30/10	23	3,088,758	-	From 06/30/11 to 06/29/15	25% per year from 06/30/11	€7.10 (France) €6.386 (world)	1,750	138,165	2,889,343
07/02/10 / 04/27/11	24	3,220,748	110,000	From 04/27/12 to 04/26/16	25% per year from 04/27/12	€6.841	-	502,975 (5)	2,717,773
TOTAL		**23,377,437**	**641,000**				**34,646**	**1,086,153**	**16,573,169**

(1) Two-for-one stock split taking effect December 11, 2006: plans concerned - numbers 7, 11,12, 13
(2) Two-for-one stock split taking effect November 14, 2008: plans concerned - numbers 7, 11, 12, 13, 14, 15, 16, 17, 18
(3) Number of options canceled between April 1, 2011 and March 31, 2012
(4) Two-year extension following a decision by the Board of Directors on January 10, 2011.
(5) Board of Directors meeting of March 9, 2012 → Change in type of 417,000 stock options (of the 3,220,748 options granted) into purchase options, or after cancelation, 410,750 purchase options and 2,717,773 stock options

STOCK OPTIONS GRANTED AND EXERCISED SUBSCRIPTION OPTIONS GRANTED BY THE COMPANY AND EXERCISED BETWEEN APRIL 1, 2011 AND MARCH 31, 2012			
CORPORATE OFFICERS			
Number of options granted between April 1, 2011 and March 31, 2012			
Corporate officer	**Number of options [1] granted**	**Exercise price**	**Plan number and expiry date**
Yves Guillemot	70,000	€6.841	Plan 24 Expiry at 04/26/16
Claude Guillemot	10,000		
Michel Guillemot	10,000		
Christian Guillemot	10,000		
Gérard Guillemot	10,000		
Options exercised during the financial year between April 1, 2011 and March 31, 2012			
N/A			

(1) The nature of the options was amended by the meeting of the Board of Directors of March 9, 2012: stock options → purchase options

At its meeting of April 27, 2011, the Board of Directors exercised the authorization from the General Shareholders' Meeting of July 2, 2010, allocating share subscription options to corporate officers in the proportions shown above.

Pursuant to the provisions of French Act No. 2006-1770 of December 30, 2006, the Board of Directors set at 5% the amount of shares that must be kept as registered by corporate officer beneficiaries until such time as they have relinquished their positions.

Furthermore, the share subscription options granted to corporate officers by virtue of this plan and pursuant to the seventeenth resolution decided upon by the Shareholders' Meeting of July 2, 2010 come with performance conditions based on a cumulated objective of sales and profitability.

The options granted are exercisable per 25% tranche over four years from April 27, 2012 but in practice, as performance conditions are to be met over several consecutive years (i.e. 4 years) based on cumulative annual accounts ended March 31, 2012, 2013, 2014 and 2015, the officers may only exercise their options as of March 31, 2015.

No options have been exercised by corporate officers since AFEP-MEDEF recommendations have been in application.

TEN EMPLOYEES (NOT CORPORATE OFFICERS)			
Number of options granted between April 1, 2011 and March 31, 2012			
	Number of options granted to top 10 beneficiaries	**Average weighted price**	**Plan number Expiry date**
Complete information all Group companies combined	417,000	6.841 €	Plan 24 Expiry at 04/26/16
Options exercised during the financial year between April 1, 2011 and February 29, 2012			
	Number of options exercised by the 10 employees exercising the highest number	**Average weighted price**	**Plan number Expiry date**
Complete information all Group companies combined	26,654	3.897€	Plan 11 Expiry at 10/13/2014
			Plan 12 Expiry at 11/16/2014
			Plan 23 Expiry 06/29/15 [(2)]

(1) Two-year extension following a decision by the Board of Directors on January 10, 2011.

3.3.2.5 EMPLOYEE SHAREHOLDING UNDER THE FCPE (COMPANY MUTUAL FUND)

As of March 31, 2012, employees held 918,316 shares, or 0.97% of the share capital, via the "FCPE Ubi actions" fund.

The extraordinary part of the Combined General Meeting of June 30, 2011 renewed the authorization previously granted to the Board of Directors by the Combined General Meeting of July 2, 2010, giving the Board entire discretion to perform a capital increase reserved for subscribers to a savings plan of the Group, an associated company and/or companies within the meaning of Article L 225-180 of the French Commercial Code, within the limit of 0.2% of the total amount of shares comprising the share capital at the time of its use by the Board of Directors, in particular via a company mutual fund.

Within the scope of this delegation of authority, the Board of Directors resolved on March 9, 2012 to increase the capital of the Company within a limit of 189,943 shares. The Board of Directors resolved to authorize the Chief Executive Officer to fix both the period and the price of subscription (the average opening price of Ubisoft Entertainment SA shares over the 20 trading days prior to the date of the decision setting the start date for subscriptions, with a discount of 15%).

The use of these authorizations made between April 1, 2011 and March 31, 2012 is detailed in 3.3.2.1 for valid authorizations granted to the Board of Directors regarding capital increases.

3.3.2.6 VALUE OF CONVERTIBLE OR EXCHANGEABLE SECURITIES OR SECURITIES COMPRISING SHARE WARRANTS

Via the delegation of authority granted by the General Meeting of June 30, 2011 in its eleventh and twelfth resolutions (acting pursuant to Articles L. 225-129 et seq. of the French Commercial Code - (including L. 225-129-2, L. 225-135 and L. 225-136) - and of Articles L. 228-91 et seq. of the Code) and the sub-delegation granted by the Board on March 9, 2012 to its Chief Executive Officer, it was decided on March 20, 2012 to issue, with cancellation of preferential subscription rights of shareholders, share subscription warrants ("BEA") exercisable at the discretion of the Company, underwritten by CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK (CA-CIB) - an accredited investor within the meaning of Article L.411-2 of the Monetary and Financial Code, through a private placement and for the establishment of an equity line.

The main features of the warrants are outlined below:

Type and category of warrants

The warrants issued by the Company are securities granting entitlement to capital within the meaning of Article L. 228-91 et seq. of the Commercial Code. The warrants have not and will not be the subject of a request for trading on a regulated market or otherwise.

Form and method of registration of warrants

The warrants are issued only in the form of bearer shares.

Ratio for exercising warrants
ONE (1) warrant entitles the holder to subscribe to ONE (1) new share at the subscription price hereinafter defined, subject to any adjustments that may be made in response to financial transactions in particular.

Unit price of warrants
€0.0001.

Maximum nominal amount of capital increases from the exercise of warrants
€728,500, representing approximately 9.9% of share capital at March 20, 2012.

Subscription Price of one new share
The subscription price of one new share through the exercising of warrants shall be 95% of the weighted average of trading days preceding price determination.

Period for exercising warrants
Two years from March 20, 2012 until March 20, 2014 with the option to extend for another year.

Market information:
For each issue of new shares upon exercise of warrants by the Company, a Euronext notice shall be published prior to admission to trading of these shares and shall indicate the number of shares issued and the subscription price.

3.3.2.7 SECURITIES NOT REPRESENTING CAPITAL

There are currently no securities issued by the Company that do not represent capital.

3.3.3 CHANGE IN COMPANY CAPITAL OVER THE PAST THREE FINANCIAL YEARS[1]

Date of Board meeting [2]	Type of transaction	Number of shares issued	Amount (in cash)	Premiums	Cumulative number of shares	Value of share capital
04/09/09	Exercise of subscription options from 11/14/2008 to 03/31/2009	452,436	1,660,687.10€	1,625,623.31€	93,856,346	7,273,866.82€
07/01/09	Exercise of subscription options from 04/01/2009 to 06/30/2009 and capital increases (for the benefit of employees of certain foreign subsidiaries/PEG)	375,826	3,820,575.56€	3,791,449.05€	94,232,172	7,302,993.33€
04/22/10	Exercise of subscription options from 07/01/2009 to 03/31/2010	214,322	1,212,081.36€	1,195,471.41€	94,446,494	7,319,603.29€
12/17/10	Exercise of subscription options from 04/01/10 to 11/30/10 and capital increases (for the benefit of employees of certain foreign subsidiaries)	223,178	1,401,659.69€	1,384,363.40€	94,669,672	7,336,899.58€
04/15/11	Exercise of subscription options from 12/01/10 to 03/31/11	58,218	369,688.34€	365,176.44€	94,727,890	7,341,411.48€
07/18/11	Exercise of subscription options from 04/01/2011 to 06/30/2011 and subscription of FCPE Ubi shares	67,574	373,493.36€	368,256.37€	94,795,464	7,346,648.46€
09/30/11	Exercise of subscription options from 07/01/2011 to 08/31/2011 and increase by capitalization of reserves	167,666	42,307.08€	29,312.97€	94,963,130	7,359,642.58€
03/15/12	Exercise of subscription options from 09/01/2011 to 02/29/2012 and increase by capitalization of reserves	124,848	42,800.24€	33,124.52€	95,087,978	7,369,318.30€
03/30/12	Exercise of subscription options from 03/01/2012 to 03/29/2012	2,024	7,853.12€	7,696.26€	95,090,002	7,369,475.16€

(1) Closing share capital (leading to a revision of articles of association and k-bis (registry document))

(2) or a determination by the Chief Executive Officer in case of delegation

3.3.4 SHARE BUYBACK PROGRAM

3.3.4.1 AUTHORIZATION IN PLACE AT THE TIME OF THIS REPORT

LEGAL FRAMEWORK

The Combined General Meeting of June 30, 2011 renewed the authorization previously granted to the Board of Directors by the Combined General Meeting of July 2, 2010, allowing the Company to buy back its own shares in accordance with Article L 225-209 *et seq.* of the French Commercial Code (hereinafter "Buyback Program").

BALANCE AS AT MARCH 31, 2012

Percentage of own shares held directly and indirectly	0.60%
Number of shares canceled over the previous 24 months	N/A
Number of shares in portfolio	
Liquidity agreements	166,584
Stock option hedges	400,000
Portfolio carrying amount	2,491,244.35€
Portfolio market value [a]	3,092,415.47€

[a] Closing price at March 30, 2012: €5.458

BREAKDOWN OF OWN-SHARE PURCHASES AND SALES OVER THE YEAR

(Article L 225-211 of the French Commercial Code)

Number of shares held in the Company's name as of March 31, 2011	143,295
Number of shares acquired over the year	1,105,732
Average price on acquisition	5.16€
Number of shares sold over the year	682,443
Average price on sale	5.84€
Number of shares canceled over the year	N/A
Execution fees	N/A
Number of shares held in the Company's name as of March 31, 2012	**566,584**
Value of shares held in the Company's name as of 03/31/2012 [a]	2,491,244.35€
Par value of shares held in the Company's name as of 03/31/2012	43,910.26€
Number of shares used over the year	682,443
Reallocation taking place over the year	N/A
Percentage of capital held as treasury stock as of 03/31/2012	0.60%

[a] Measured at purchase price.

ALLOCATION OF TREASURY STOCK BY OBJECTIVE

	Liquidity agreements	Stock option hedges
Number of treasury shares	166,584	400,000

3.3.4.2 LIQUIDITY AGREEMENTS

Since January 2, 2006, the Company has set Exane BNP PARIBAS the task of implementing a liquidity agreement in line with the AMAFI code of ethics recognized by the French Financial Markets Authority (AMF), hereinafter the "Agreement", with a one-year automatically renewable term. The Company allocated €1.5 million for the implementation of this agreement over the last financial year.

By virtue of an amendment to the Agreement dated April 5, 2011, the total figure allocated to the Agreement was increased to €1.7 million.

3.3.4.3 DESCRIPTION OF THE SHARE BUYBACK PROGRAM SUBMITTED FOR THE APPROVAL OF THE COMBINED GENERAL MEETING OF SEPTEMBER 24, 2012

Pursuant to Articles 241-2 and 241-3 of the AMF's general regulations, and to European regulation 2273/2003 of December 22, 2003, the Company describes below the share buyback program that will be submitted for the approval of the Combined General Meeting of September 24, 2012.

Shares concerned: ordinary shares in Ubisoft Entertainment SA, listed on Euronext Paris, division B, ISIN code FR0000054470

Maximum percentage of capital: 10% of the total number of shares making up the capital on the buyback date, in other words - and based for guidance on the number of shares in circulation at April 30, 2012 (95,090,771), taking into account the number of shares held at May 14, 2012 (567,333 shares representing 0.597% of the capital): 8,941,744 or 9.403%

Maximum purchase price: a maximum of €285,272,310 based on the share capital as at April 30, 2012

Objectives:
- To ensure liquidity and market-making for the Ubisoft Entertainment SA stock via an investment service provider acting independently in accordance with the code of ethics recognized by the AMF;
- To hand over shares upon the exercise of rights attached to securities giving entitlement by any means, whether immediately or over time, to the Company's share capital;
- To grant shares to employees and corporate officers of the Ubisoft Group under any arrangement authorized by law and, in particular, via a company profit-sharing scheme, any company savings scheme, any bonus share grant plan, or any stock option plan for some or all of the Group's employees or corporate officers;
- To retain shares for delivery at a later date in exchange or as payment for future acquisitions up to a limit of 5% of the existing capital;
- To cancel shares on the condition that the Shareholders' Meeting of June 30, 2011 adopts the corresponding resolution;
- To implement any market practice that is or may come to be recognized by law or the AMF.

Duration of authorization: 18 months from the Shareholders' Meeting of September 24, 2012.

Summary statements of transactions completed from May 13, 2011 (*) to May 14, 2012, the date of this report

Percentage of own shares held directly and indirectly	0.597%
Number of shares canceled over the previous 24 months	N/A
Number of shares in portfolio (1)	567,333
Portfolio carrying amount	2,511,742.72€
Portfolio market value (2)	2,875,243.64€

(1) 400,000 shares were purchased on the market (assigned to employee shareholdings) under the 6th resolution of the Shareholders' Meeting of June 30, 2011 and the balance under the liquidity contract with Exane BNP Paribas.
(2) Closing price on May 14, 2012: €5.068
(*) In accordance with the provisions of AMF directive 2005-06, the period concerned starts on the day following the date on which the statement of the previous program was drawn up.

	Total flows (*)		Positions open as of 03/31/2012			
	Forward	Forward Transfers	Open buy positions		Open sell positions	
			Call options bought	Forward sales	Call options sold	Forward sales
Number of shares (1)	1,024,577	604,059				
Average maximum term (2)						
Average transaction price	4.94€	5.57€	N/A			
Strike price average	-	-				
Amounts	5,064,984	3,365,067				

(1) 400,000 shares were purchased on the market (assigned to employee shareholdings) under the 6th resolution of the Shareholders' Meeting of June 30, 2011 and the balance under the liquidity contract with Exane BNP Paribas.

(2) Validity of the authorization granted by the Shareholders' Meeting of June 30, 2011: December 29, 2012 or by early termination if the Shareholders' Meeting approves a similar resolution before then.

(*) Total gross flows include spot buying and selling as well as transactions on options, exercised or expired.

3.3.5 MARKET IN COMPANY SHARES

3.3.5.1 UBISOFT SHARE IDENTIFICATION SHEET

ISIN code	FR0000054470
Place listed	Euronext Paris – Division B
Par value	0.0775€
Number of shares in circulation as of 3/31/2012 (1)	95,090,002
Closing price on 3/31/2012 (2)	5.458€
Market capitalization as of 3/31/2012	519,001,230.90€
Flotation price on July 1, 1996 Five-for-one stock split on November 11, 2000 Two-for-one stock split on December 11, 2006 Two-for-one stock split on November 14, 2008	38.11€ 7.62€ 3.81€ 1.90€

(1) Shares in circulation

(2) Source: Euronext

3.3.5.2 CHANGE IN THE SHARE PRICE OVER THE LAST 18 MONTHS

Month	Highest price (in euros) (1)	Lowest price (in euros) (1)	Volume traded (in shares) (1)
2010			
October 2010	9.321	7.913	13,170,939
November 2010	9.963	7.084	30,747,909
December 2010	8.088	7.284	13,408,719
2011			
January 2011	8.616	7.786	11,264,013
February 2011	9.303	7.675	15,755,298
March 2011	7.96	6.765	10,726,438
April 2011	7.694	6.573	11,116,718
May 2011	7.053	6.225	19,548,619
June 2011	7.288	6.293	13,878,506
July 2011	7.191	5.356	12,603,954
August 2011	5.962	4.362	15,749,974
September 2011	4.9	3.517	17,208,604
October 2011	4.621	3.582	10,317,111
November 2011	5.339	3.976	12,968,549
December 2011	5.524	4.588	7,912,037
2012			
January 2012	5.998	5.011	8,194,100
February 2012	6.471	5.871	5,433,610
March 2012	6.364	5.252	5,836,652

(Source: Euronext)

Adjustment April 10, 2012 following issuance of warrants

3.3.5.3 ENTITY PROVIDING SECURITIES SERVICES

BNP PARIBAS Grands Moulins de Pantin
Shareholder relations
9, rue du Débarcadère - 93761 PANTIN CEDEX

3.3.6 BREAKDOWN OF CAPITAL AND VOTING RIGHTS.

3.3.6.1 CHANGE OVER THE LAST THREE YEARS

	March 31, 2012		March 31, 2011		March 31, 2010	
	Number of shares %	Number of voting rights (2) %	Number of shares %	Number of voting rights(2) %	Number of shares %	Number of voting rights(2) %
Guillemot Brothers SA	**6,803,580** *7.155%*	**13,606,248** (1) *12.782%*	**6,803,580** *7.182%*	**13,607,160** *12.779%*	**6,803,580** *7.204%*	**13,607,160** *12.835%*
Claude Guillemot	**685,244** *0.721%*	**1,370,488** *1.287%*	**725,244** *0.766%*	**1,410,488** *1.325%*	**685,244** *0.726%*	**1,370,488** *1.293%*
Yves Guillemot	**836,608** *0.880%*	**1,673,216** *1.572%*	**836,608** *0.883%*	**1,673,216** *1.571%*	**836,608** *0.886%*	**1,673,216** *1.578%*
Michel Guillemot	**499,984** *0.526%*	**999,968** *0.939%*	**499,984** *0.528%*	**999,968** *0.939%*	**499,984** *0.529%*	**999,968** *0.943%*
Gérard Guillemot	**520,428** *0.547%*	**1,040,856** *0.978%*	**520,428** *0.549%*	**1,040,856** *0.978%*	**520,428** *0.551%*	**1,040,856** *0.982%*
Christian Guillemot	**276,788** *0.291%*	**553,576** *0.52%*	**276,788** *0.292%*	**553,576** *0.52%*	**316,788** *0.335%*	**633,576** *0.598%*
Other members of the Guillemot family	**109,148** *0.115%*	**218,296** *0.205%*	**109,148** *0.115%*	**218,296** *0.205%*	**109,148** *0.115%*	**218,296** *0.205%*
Guillemot Corporation SA	**863,874** *0.908%*	**1,727,748** *1.623%*	**863,874** *0.912%*	**1,727,748** *1.623%*	**863,874** *0.915%*	**1,727,748** *1.630%*
Concert (1)	**10,595,654** *11.143%*	**21,190,396** *19.907%*	**10,635,654** *11.228%*	**21,231,308** *19.940%*	**10,635,654** *11.261%*	**21,271,308** *20.064%*
Ubisoft Entertainment SA	**566,584** *0.596%*	- -	**143,295** *0.151%*	- -	**94,318** *0.100%*	**-** -
FCPE Ubi Actions	**918,316** 0.966%	**1,666,903** 1.566%	**748,587** 0.79%	**1,497,174** 1.406%	**748,587** *0.793%*	**1,417,504** *1.337%*
Public	**83,009,448** *87.296%*	**83,592,253** *78.528%*	**83,200,354** *87.831%*	**83,748,865** *78.654%*	**82,967,935** *87.846%*	**83,326,709** *78.599%*
TOTAL	**95,090,002** *100%*	**106,449,552** *100%*	**94,727,890** *100%*	**106,477,347** *100%*	**94,446,494** *100%*	**106,015,521** *100%*

(1) The 10,595,654 shares held by concert, composed of the companies Guillemot Brothers SA and Guillemot Corporation SA and the Guillemot family, all had double voting rights at March 31, 2012, with the exception of 912 shares held by Guillemot Brothers SA switched to single voting rights during the year ended March 31, 2012

(2) In accordance with the Company's Articles of Association, a double voting right is conferred on shares that have been registered for at least two years.

3.3.6.2 BREAKDOWN OF CAPITAL AND VOTING RIGHTS AS AT APRIL 30, 2012

	Capital		Voting rights	
	Number of securities	%	Number	%
Guillemot Brothers SA (1)	6,803,580	7.155%	13,606,248	12.341%
Claude Guillemot	685,244	0.721%	1,370,488	1.243%
Yves Guillemot	836,608	0.880%	1,673,216	1.518%
Michel Guillemot	499,984	0.526%	999,968	0.907%
Gérard Guillemot	520,428	0.547%	1,040,856	0.944%
Christian Guillemot	276,788	0.291%	553,576	0.502%
Other members of the Guillemot family	109,148	0.115%	218,296	0.198%
Guillemot Corporation SA	863,874	0.908%	1,727,748	1.567%
Concert	***10,595,654***	***11.143%***	***21,190,396***	***19.220%***
Ubisoft Entertainment SA	567,333	0.597%	-	-
FCPE Ubi Actions	917,204	0.965%	1,665,791	1.511%
Public	83,010,580	87.296%	87,397,585	79.269%
TOTAL	**95,090,711**	**100%**	**110,253,772**	**100%**

(1) This company is wholly owned by the Guillemot family

3.3.6.3 SHAREHOLDINGS EXCEEDING 5% OF SHARE CAPITAL AS AT MARCH 31, 2012 (1)

Shareholder	% capital	% voting rights
Invesco Ltd.	10.048%	8.976%
FMR LLC (2)	11.212%	10.016%

(1) Information provided on the basis of statements made to the Company and/or AMF and summarized hereafter.

(2) FMR LLC is a holding company of an independent group of portfolio management companies, commonly referred to as Fidelity Investments.

3.3.6.4 CROSSINGS OF LEGAL THRESHOLDS

During the financial year ended March 31, 2012, and up to the date of issue of the Company's reference document, the following crossings of legal thresholds were declared:

Name of shareholder	Date	Threshold (%)		Type	Interest after crossing of threshold (%)	
		Capital	Voting rights		Capital	Voting rights
Harbinger Capital Partners LLC [1]	04/14/11	5%	5%	Decline due to a sale on the market	4.98%	4.43%
Invesco Ltd [1]	04/04/11	10%	-	Decline due to a sale on the market	9.99%	8.87%
	06/01/11	10% [4]	-	Up due to an acquisition on the market	10.09%	8.961%
Altrinsic Global Advisors [2]	09/12/11	-	5%	Decline due to a sale on the market	5.62%	4.99%
	09/14/11	5%	-	Decline due to a sale on the market	4.99%	4.43%
FMR LLC [3]	11/15/11	10% [4]	-	Up due to an acquisition on the market	10.73%	9.54%
	11/18/11	-	10% [4]	Up due to an acquisition on the market	11.39%	10.12%
	03/30/12	-	10%	Decline due to a sale on the market	11.23%	9.98%
	04/10/12	10%		Up due to an acquisition on the market	11.27%	10.02%
Fonds Stratégique d'Investissements	04/21/12	-	5%	Switch to double voting rights on registered shares	3.81%	6.55%

(1) Acting on behalf of the funds under its management.

(2) Investment service provider acting in accordance with a discretionary mandate.

(3) FMR LLC is a holding company of an independent group of portfolio management companies, commonly referred to as Fidelity Investments.

(4) Statement of intent

3.3.6.5 CHANGE OF CONTROL

To the best of the Company's knowledge:

- there are no agreements between shareholders that could lead to restrictions on the transfer of shares or the exercise of voting rights;
- there are certain agreements reached by the Company that would be amended or terminated in the event of a change in control at the Company, but for reasons of confidentiality it seems unwise to specify the nature of these contracts;
- there are no measures that could delay, postpone or prevent a change of control.

3.3.6.6 SHAREHOLDERS' PACT

To the best of the Company's knowledge there are no disclosed or undisclosed shareholder agreements concerning Ubisoft stock.

3.3.6.7 CONDITIONS REGARDING ALL VESTING RIGHTS OR REQUIREMENTS ASSOCIATED WITH SUBSCRIBED CAPITAL NOT PAID UP

N/A

3.3.6.8 SHARE CAPITAL OF UBISOFT GROUP COMPANIES SUBJECT TO AN OPTION OR IN RESPECT OF WHICH AN AGREEMENT HAS BEEN MADE THAT PROVIDES FOR PLACING SUCH SHARE CAPITAL SUBJECT TO AN OPTION

N/A

3.3.6.9 CLAUSE REQUIRING FORMAL APPROVAL

N/A

4 CORPORATE GOVERNANCE

4.1 CORPORATE GOVERNANCE CODE

Following the decision of the Board on April 9, 2009 announced on April 14, 2009, the Company referred to the corporate governance code for listed companies published in December 2008 and updated in April 2010 (the "AFEP-MEDEF Code"), particularly in preparing the report required by Article L 225-37 of the French Commercial Code.

The AFEP-MEDEF Code is available on the MEDEF website ([www. code-afep-medef.com](www.code-afep-medef.com))

The Report of the Chairman of the Board of Directors on corporate governance and internal control includes the AFEP-MEDEF Code recommendations that were eliminated and the reasons for this.

4.2 MEMBERSHIP AND FUNCTIONING OF THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

4.2.1 MEMBERSHIP OF THE BOARD OF DIRECTORS

Name Position in the Company (1)	Date of birth	Date of taking office	Expiry at AGM approving financial statements for FY ended	Number of shares at 03/31/12
Yves Guillemot Director Chief Executive Officer	07/21/60	02/28/88	03/31/12	836,608
Claude Guillemot Director Executive Vice President, Operations	10/30/56	02/28/88	03/31/13	685,244
Michel Guillemot Director Executive Vice President, Development Strategy and Finance	01/15/59	02/28/88	03/31/13	499,984
Gérard Guillemot Director Executive Vice President, Publishing & Marketing	07/14/61	02/28/88	03/31/12	520,428
Christian Guillemot Director Executive Vice President, Administration	02/10/66	02/28/88	03/31/13	276,788
Marc Fiorentino Director	12/08/59	07/10/06	03/31/12	5,004

(1) The offices and positions held in all companies by each of the Directors are set out in 4.4 below.

The other offices held by Directors currently or over the last five years appear in 4.4 below.

It should be noted that the composition of the Board will be changed in the short term [see Chairman's report on corporate governance and internal control].

4.2.2 GROUP MANAGEMENT

Executive Director, EMEA	Alain Corre
Executive Director, North America	Laurent Detoc
Chief Financial Officer	Alain Martinez
Executive Director, Worldwide Production	Christine Burgess-Quémard
Chief Creative Officer	Serge Hascoët

4.2.3 RULES APPLICABLE TO THE APPOINTMENT AND SUBSTITUTION OF MEMBERS OF THE BOARD OF DIRECTORS

Following the recommendations of the AFEP-MEDEF Code, the Shareholders' Meeting of July 10, 2009 resolved to amend Article 9 of the Company's Articles of Association and to reduce the term of office for directors from six years to four years, while introducing a system of staggered renewals to ensure a smooth transition and avoid an ad hoc replacement.
Over the life of the Company, Directors are appointed or reappointed by the Ordinary Shareholders' General Meeting. However, in the event of a merger or demerger, the appointment may be made by the Extraordinary Shareholders' General Meeting held to deliberate on the operation concerned.

Between two Meetings and in the event of a vacancy due to death or resignation, appointments may be made on a provisional basis by the Board of Directors. They are subject to ratification at the following Shareholders' Meeting.

Pursuant to applicable legislative and regulatory provisions, if a Director is appointed to replace another, he or she shall only hold this position for the remainder of his or her predecessor's term.

The term of office of directors ends following the Ordinary Shareholders' General Meeting called to approve the financial statements for the previous financial year and held in the year in which their term of office expires.

4.2.4 FUNCTIONING OF THE BOARD OF DIRECTORS/SENIOR MANAGEMENT

The Board of Directors has the broadest possible powers to determine business policies and ensure their implementation within the limits of the corporate objects and the powers expressly granted by law to the Shareholders' General Meeting.
Pursuant to Article L 225-51 of the French Commercial Code, the Board of Directors, at its meeting of October 22, 2001, decided on the manner in which the Company's senior management functions would be exercised. It decided not to separate the positions of Chairman of the Board of Directors and of Chief Executive Officer, mainly to encourage close relations between managers and shareholders, in the tradition of Ubisoft Entertainment SA.

As a result, Yves Guillemot, as Chairman of the Board of Directors, is legally responsible for representing the Company's Board of Directors, organizing its work and reporting on it to the Shareholders' General Meeting, overseeing the smooth operation of the Company's corporate bodies and ensuring in particular that the Directors are capable of carrying out their responsibilities. With regard to the position of Chief Executive Officer, and subject to the powers legally attributed to the Shareholders' General Meetings and the Board of Directors, he has the broadest authority to act in all circumstances on behalf of the Company and to represent it in its relations with third parties.

The by-laws updated on April 27, 2011 provide the opportunity for directors to participate in the Board's deliberations via videoconference or telecommunications which enable them to be identified and which guarantee their effective participation, under the conditions determined by the regulations in force.

The by-laws provide the operating rules for the permanent committees set up within the Board of Directors.

4.2.5 NO CONVICTION FOR FRAUD, INVOLVEMENT IN A BANKRUPTCY AND/OR OFFICIAL REPRIMAND OR CHARGES

To the best of the Company's knowledge, over the past five years:

- no member of the Board of Directors has been found guilty of fraud;
- no member of the Board of Directors has been involved in a bankruptcy, impoundment or liquidation as a member of an administrative, management or supervisory body;
- no official reprimand and/or charges have been made against any member of the Board of Directors other than warnings and/or financial penalties from the AMF enforcement committee on February 28, 2008 (AMF press release of June 9, 2008), April 3, 2008 (AMF press release of June 6, 2008) and January 8, 2009 (AMF press release of February 27, 2009) for - directly or indirectly - Marc Fiorentino, in his capacity as Chief Executive Officer of Euroland Finance;
- no member of the Board of Directors or Executive Committee has been disqualified by a court from serving as a member of an administrative, management of supervisory body of an issuer, or from participating in the management or conduct of the business of an issuer in the last five years.

4.2.6 LOANS AND GUARANTEES GRANTED TO MEMBERS OF THE BOARD OF DIRECTORS

The Company has not granted any loans or guarantees to any member of the Board of Directors.

4.2.7 ABSENCE OF POTENTIAL CONFLICTS OF INTEREST RELATING TO THE MEMBERS OF THE BOARD OF DIRECTORS

To the best of the Company's knowledge, there are no potential conflicts of interest between the Company duties and personal interests of any of the members of the Board of Directors.

Michel, Claude, Yves, Gérard and Christian Guillemot are brothers and are members of the Management and Board of Directors of Gameloft SA and Ubisoft Entertainment SA. In this respect, there may be potential conflicts of interest when these two companies collaborate on certain projects.

The two companies are linked in particular by:

- A brand licensing agreement according to which Ubisoft Entertainment SA grants Gameloft SA a license for the use of brands belonging to it or for which it has been granted an operating license. The brand license was granted in return for the payment of a license fee proportionate to the sales achieved by Gameloft SA.
- An agreement (i) on an exclusive and nontransferable license for the use and reproduction of video games for iPhone and iPod Touch formats as well as (ii) a nonexclusive and nontransferable license authorizing the reproduction of the trademarks and logos relating to the video games subject to the exclusive license. The license was granted in return for the payment of a license fee proportionate to the sales achieved by Gameloft SA.

These agreements are part of regulated agreements as detailed in part 5 of the Financial Statements.

4.2.8 SERVICE PROVISION AGREEMENTS WITH THE ISSUER AND ITS SUBSIDIARIES

There is no service agreement between members of the Board of Directors and the issuer or a subsidiary of the Group and providing for the granting of benefits, with the exception of the contract and transfer control rights concluded October 18, 2011 between the Company and NextVision SARL, of which Marc Fiorentino is sole manager. Upon completion of this contract, the Company has entrusted NextVision SARL with the design and development of a finance-related free-to-play video game accompanied by a transfer in favor of the Company of all human intellectual property and material in such work. This contract was authorized under agreements regulated by the Board of Directors on June 30, 2011. NextVision SARL has not received any remuneration under the said contract for the past financial year.

4.3 MEMBERSHIP, ROLE AND DUTIES OF BOARD COMMITTEES

4.3.1 MEMBERSHIP OF COMMITTEES

In November 2007, the Board of Directors set up two specialist committees to help it examine specific issues.

STRATEGY AND DEVELOPMENT COMMITTEE	COMPENSATION COMMITTEE
Yves Guillemot, Chairman	
Claude Guillemot, Secretary	Yves Guillemot, Chairman
Gérard Guillemot	Christian Guillemot, Secretary
Michel Guillemot	Marc Fiorentino
Christian Guillemot	

4.3.2 ROLE AND DUTIES OF BOARD COMMITTEES

The role and duties of Board Committees are described below, as well as in the Chairman's Report, in accordance with Article L 225-37 of the French Commercial Code.

In its by-laws, the Board of Directors has set out the responsibilities and powers of its various permanent committees, these being:

- the Strategy and Development Committee
- the Compensation Committee.

The Committees meet at the behest of their Chairman and may be called by any means. The Committees may meet at any place and in any way, including by videoconferencing and teleconferencing. They may only meet validly if at least half their members are present. The Strategy and Development Committee meets at least twice annually and the Compensation Committee at least once a year.

The agenda of the meetings is set by their Chairman. The Committees report on their work to the subsequent Board Meeting in the form of oral statements, opinions, proposed recommendations or written reports.

The Committees may not unilaterally decide to discuss issues overstepping their terms of reference. They have no decision-making power but only that of making recommendations to the Board of Directors.

The main responsibilities of the Strategy and Development Committee and the Compensation Committee are summarized below:

STRATEGY AND DEVELOPMENT COMMITTEE	COMPENSATION COMMITTEE
Consideration and examination of all decisions relating to the major strategic, economic, employment, financial and technological policies of the Company and Group	Examination, analysis and comparison with market practices: • examining and submitting proposals on the compensation of corporate officers (fixed and/or variable portion) • giving opinions on the general stock option allocation policy and more specifically the percentage allocated to managers • proposing an overall amount of directors' fees • approving information given to shareholders in the annual report on the compensation of managers

4.4 OTHER OFFICES HELD BY DIRECTORS

Yves Guillemot

✓Director since February 28, 1988
✓Expiry of term of office March 31, 2012
✓Main position in the Company: Chief Executive Officer
✓Main position held outside the Company: Executive Vice President and Director of Guillemot Brothers SA

OTHER POSITIONS WITHIN THE GROUP AS AT 03/31/2012

FRANCE

- **CHAIRMAN** of Ubisoft Annecy SAS, Ubisoft Emea SAS, Ubisoft France SAS, Ubisoft International SAS, Ubisoft Montpellier SAS, Ubisoft Motion Pictures Rabbids SAS, Ubisoft Motion Pictures Assassin's Creed SAS, Ubisoft Motion Pictures Splinter Cell SAS, Ubisoft Paris SAS, Ubisoft Production Internationale SAS, Nadéo SAS, Owlient SAS
- **MANAGER** of Ubisoft Learning & Development SARL, Ubisoft Motion Pictures SARL

ABROAD

- **MANAGER** of Blue Byte GmbH (Germany), Ubisoft GmbH (Germany), Spieleentwiclungskombinat GmbH (Germnay), Ubisoft EooD (Bulgaria), Ubisoft Studios Srl (Italy), Ubisoft Entertainment SARL (Luxemburg), Ubisoft Sarl (Morocco), Ubisoft BV (Netherlands)
- **CHAIRMAN AND DIRECTOR** of Ubisoft Divertissements Inc. (Canada), Ubisoft Canada Inc. (Canada), Ubisoft Music Inc. (Canada), Ubisoft Music Publishing Inc. (Canada), Ubi Workshop Inc. (Canada), Hybride Technologies Inc. (Canada), Ubisoft Toronto Inc. (Canada), Quazal Technologies Inc (Canada), Ubisoft Nordic A/S (Denmark), Ubisoft Entertainment India Private Ltd (India), Ubi Games SA (Switzerland), Red Storm Entertainment Inc. (United States),
- **VICE-PRESIDENT AND DIRECTOR** of Ubisoft Inc. (United States)
- **CEO AND DIRECTOR** of Ubisoft Emirates FZ LLC (United Arab Emirates)
- **EXECUTIVE DIRECTOR** of Shanghaï Ubi Computer Software Co. Ltd (China), Chengdu Ubi Computer Software Co. Ltd (China)
- **DIRECTOR** of Ubisoft Pty Ltd (Australia), Ubisoft SA (Spain), Ubi Studios SL (Spain), Ubisoft Ltd (Hong Kong), Ubisoft SpA (Italy), Ubisoft KK (Japan), Ubisoft Osaka KK (Japan), Ubisoft Srl (Romania), Ubisoft Ltd (United Kingdom), Ubisoft Reflections Ltd (United Kingdom), Red Storm Entertainment Ltd (United Kingdom), Ubisoft Singapore Pte Ltd (Singapore), Ubisoft Entertainment Sweden A/B (Sweden), Ubisoft Sweden A/B (Sweden), RedLynx Oy (Finland)

OTHER POSITIONS OUTSIDE THE GROUP AS AT 03/31/2012

FRANCE

- **EXECUTIVE VICE-PRESIDENT AND DIRECTOR** of Gameloft SA, Guillemot Corporation SA

ABROAD

- **DIRECTOR** of Gameloft Inc. (Canada), Guillemot Inc. (Canada), Gameloft Live Développements Inc. (Canada), Guillemot Inc. (United States), Guillemot Ltd (United Kingdom)
- **DIRECTOR** of Advanced Mobile Applications Ltd (United Kingdom)

EXPIRED POSITIONS WITHIN THE GROUP (last 5 financial years)

FRANCE

- **CHAIRMAN** of Ludi Factory SAS, Ubisoft Books & Records SAS, Ubisoft Design SAS, Ubisoft Graphics SAS, Ubisoft Manufacturing & Administration SAS, Ubisoft Organisation SAS, Ubisoft World SAS, Tiwak SAS, Ubisoft Computing SAS, Ubisoft Marketing International SAS, Ubisoft Development SAS, Ubisoft Editorial SAS, Ubisoft Operational Marketing SAS, Ubisoft Support Studios SAS
- **MANAGER** of Ubisoft Art SARL, Ubisoft Castelnau SARL, Ubisoft Counsel & Acquisitions SARL, Ubisoft Emea SARL, Ubisoft Gameplay SARL, Ubisoft Market Research SARL, Ubisoft Marketing France SARL, Ubisoft Paris Studios SARL, Ubisoft Production Internationale SARL, Ubisoft Production Annecy SARL, Ubisoft Production Montpellier SARL, Ubisoft Design Montpellier SARL, Ubisoft Talent Management SARL, Ubisoft IT Project Management SARL, Ubisoft Innovation SARL, Ubisoft Services SARL, Ubisoft Créa SARL, Ubisoft Studios Montpellier SARL

ABROAD

- **CHAIRMAN AND DIRECTOR** of Chengdu Ubi Computer Software Co. Ltd (China), Ubisoft Digital Arts (Canada), Ubisoft Vancouver (Canada), Ubisoft Holdings Inc. (United States)
- **CHAIRMAN** of Ubisoft Finland OY (Finland)
- **MANAGER** of Ubisoft Warenhandels GmbH (Austria), Ubisoft GmbH (Germany), Max Design Entertainment Software Entwicklungs GmbH (Austria)
- **DIRECTOR** of Ubisoft Norway A/S (Norway), Ubisoft Ltd (Ireland)
- **LIQUIDATOR** of Ubisoft Warenhandels GmbH (Austria)
- **ALTERNATIVE MEMBER OF THE LIQUIDATION COMMITTEE AND CHAIRMAN** of Ubisoft Norway A/S (Norway)

EXPIRED POSITIONS OUTSIDE THE GROUP (last 5 financial years)

FRANCE

DIRECTOR of Jeuxvidéo.com SA

ABROAD

DIRECTOR of Gameloft Inc (United States)

Claude GUILLEMOT

✓Director since February 28, 1988
✓Expiry of term of office 03/31/2013
✓Main position in the Company: Executive Vice President and Director
✓Main position held outside the Company: Chief Executive Officer of Guillemot Corporation SA

OTHER POSITIONS WITHIN THE GROUP AS AT 03/31/2012

ABROAD

- **DIRECTOR OF** Ubisoft Sweden A/B (Sweden), Ubisoft Nordic AS (Denmark), Ubisoft Emirates FZ LLC (United Arab Emirates)
- **ALTERNATE DIRECTOR OF** Ubisoft Entertainment Sweden A/B (Sweden), RedLynx Oy (Finland)

OTHER POSITIONS OUTSIDE THE GROUP AS AT 03/31/2012

FRANCE

- **CHAIRMAN** of Hercules Thrustmaster SAS
- **EXECUTIVE VICE PRESIDENT AND DIRECTOR** of Gameloft SA, Guillemot Brothers SA

ABROAD

- **CHAIRMAN AND DIRECTOR** of Guillemot Inc. (Canada), Guillemot Recherche et Développement Inc. (Canada) and Guillemot Inc. (United States)
- **DIRECTOR** of Guillemot SA (Belgium), Gameloft Inc. (Canada), Gameloft Live Développements Inc. (Canada), Gameloft Iberica SA (Spain), Gameloft Inc. (United States), Gameloft Ltd (United Kingdom), Guillemot Ltd (United Kingdom), Guillemot Corporation (HK) Ltd (Hong Kong), Guillemot Srl (Italy), Guillemot Romania Srl (Romania), Guillemot Spain SL (Spain)
- **DIRECTOR OF** Advanced Mobile Applications Ltd (United Kingdom)
- **MANAGER** of Guillemot GmbH (Germany)

EXPIRED POSITIONS WITHIN THE GROUP (last 5 financial years)

ABROAD

- **VICE-PRESIDENT AND DIRECTOR** of Ubisoft Divertissements Inc. (Canada)
- **VICE-PRESIDENT** of Ubisoft Digital Arts Inc. (Canada)
- **DIRECTOR** of Ubisoft Canada Inc. (Canada), Ubisoft Music Inc. (Canada), Ubi Workshop Inc. (formerly Ubisoft Music Publishing Inc.) (Canada), Shanghaï Ubi Computer Software Co. Ltd (China), Ubisoft Inc. (United States), Ubisoft Holdings Inc. (United States), Ubisoft Ltd (Ireland)
- **ALTERNATE DIRECTOR** of Ubisoft Norway A/S (Norway)
- **ALTERNATE MEMBER OF THE LIQUIDATION COMMITTEE** of Ubisoft Norway A/S (Norway)

EXPIRED POSITIONS OUTSIDE THE GROUP (last 5 financial years)

FRANCE

- **DIRECTOR** of Jeuxvidéo.com SA

Gérard GUILLEMOT

✓Director since February 28, 1988
✓Expiry of term of office March 31, 2012
✓Main position in the Company: Executive Vice President and Director
✓Main position held outside the Company: Chairman of Longtail Studios Inc.

OTHER POSITIONS OUTSIDE THE GROUP AS AT 03/31/2012

FRANCE

- **EXECUTIVE VICE PRESIDENT AND DIRECTOR** of Guillemot Corporation SA, Guillemot Brothers SA, Gameloft SA

ABROAD

- **CHAIRMAN** of Longtail Studios Halifax Inc (Canada), Longtail Studios PEI Inc (Canada), Studios Longtail Quebec Inc (Canada)
- **DIRECTOR** of Gameloft Inc. (Canada), Gameloft Live Développements Inc. (Canada), Guillemot Inc. (Canada), Gameloft Inc. (United States), Guillemot Inc. (United States), Guillemot Ltd (United Kingdom)
- **DIRECTOR** of Advanced Mobile Applications Ltd (United Kingdom)

EXPIRED POSITIONS WITHIN THE GROUP (last 5 financial years)

ABROAD

- **DIRECTOR** of Shanghaï Ubi Computer Software Co. Ltd (China), Ubisoft SA (Spain), Ubisoft Inc. (United States), Ubisoft Holdings Inc. (United States), Ubisoft KK (Japan)

EXPIRED POSITIONS OUTSIDE THE GROUP (last 5 financial years)

FRANCE

- **EXECUTIVE VICE PRESIDENT** of Gameloft SA
- **DIRECTOR OF** Jeuxvideo.com SA (France)

Michel GUILLEMOT

✓Director since February 28, 1988
✓Expiry of term of office 03/31/2013
✓Main position in the Company: Executive Vice President and Director
✓Main position held outside the Company: Chief Executive Officer of Gameloft SA

OTHER POSITIONS OUTSIDE THE GROUP AS AT 03/31/2012

FRANCE

- **CHAIRMAN** of Ludigames SAS, Gameloft Partnerships SAS, Gameloft Live SAS
- **MANAGER OF** Gameloft Rich Games Production France SARL
- **EXECUTIVE VICE PRESIDENT AND DIRECOR OF** Guillemot Corporation SA, Guillemot Brothers SA

ABROAD

- **CHAIRMAN** of Gameloft Software (Beijing) Company Ltd (China), Gameloft Software (Shanghai) Company Ltd (China), Gameloft Software (Chengdu) Company Ltd (China), Gameloft Software (Shenzhen) Company Ltd (China), Gameloft Srl (Romania)
- **CHAIRMAN AND DIRECTOR** of Gameloft Argentina S.A. (Argentina), Gameloft Inc. (Canada), Gameloft Live Développements Inc. (Canada), Gameloft Co. Ltd. (Korea), Gameloft Iberica SA (Spain), Gameloft Inc. (United States), Gameloft Ltd (United Kingdom), Gameloft Ltd (Hong Kong), Gameloft KK (Japan), Gameloft Philippines Inc. (Philippines), Gameloft Pte Ltd (Singapore), Gameloft Company Ltd (Vietnam), Gameloft Private India Ltd (India), PT Gameloft Indonesia (Indonesia), Gameloft Entertainment Toronto Inc. (Canada)
- **MANAGER** of Gameloft GmbH (Germany), Gameloft S.P.R.L. (Belgium), Gameloft EOOD (Bulgaria), Gameloft Srl (Italy), Gameloft S. de R.L. de C.V. (Mexico), Gameloft S.r.o. (Czech Republic)
- **DIRECTOR** of Gameloft Australia Pty Ltd (Australia), Guillemot SA (Belgium), Guillemot Inc. (Canada), Guillemot Inc. (United States), Guillemot Ltd (United Kingdom), Gameloft de Venezuela SA (Venezuela)
- **DIRECTOR** of Advanced Mobile Applications Ltd (United Kingdom)

EXPIRED POSITIONS WITHIN THE GROUP (last 5 financial years)

FRANCE

- **DIRECTOR** of Shanghaï Ubi Computer Software Co. Ltd (China), Ubisoft SA (Spain), Ubisoft Inc. (United States), Ubisoft Holdings Inc. (United States), Ubisoft KK (Japan), Chengdu Ubi Computer Software Co. Ltd (China)
- **MANAGER** of Ubi Studios SL (Spain), Ubisoft Studios Srl (Italy)

EXPIRED POSITIONS OUTSIDE THE GROUP (last 5 financial years)

FRANCE

- **DIRECTOR** of Jeuxvidéo.com SA
- **MANAGER** of L'Odyssée Interactive Games SARL

ABROAD

DIRECTOR of Gameloft Ltd. (Malta)

Christian GUILLEMOT

- ✓ Director since February 28, 1988
- ✓ Expiry of term of office 3/31/2013
- ✓ Main position in the Company: Executive Vice President and Director
- ✓ Main position held outside the Company: Chief Executive Officer of Guillemot Brothers SA and Chairman and Director of Advanced Mobile Applications Ltd.

OTHER POSITIONS WITHIN THE GROUP AS AT 03/31/2012

ABROAD

- **DIRECTOR** of Ubisoft Nordic A/S (Denmark), Ubisoft Sweden A/B (Sweden)

OTHER POSITIONS OUTSIDE THE GROUP AS AT 03/31/2012

FRANCE

- **MANAGER** of Guillemot Administration et Logistique SARL
- **EXECUTIVE VICE-PRESIDENT AND DIRECTOR OF** Gameloft SA, Guillemot Corporation SA

ABROAD

- **DIRECTOR** of Gameloft Live Developpements Inc. (Canada), Guillemot SA (Belgium), Guillemot Inc. (Canada), Guillemot Recherche et Développement Inc. (Canada), Gameloft Inc. (Canada), Gameloft Iberica SA (Spain), Gameloft Inc. (United States), Guillemot Inc. (United States), Guillemot Ltd (United Kingdom), Gameloft Ltd (United Kingdom), Guillemot Corporation (HK) Ltd (Hong Kong)

EXPIRED POSITIONS WITHIN THE GROUP (last 5 financial years)

ABROAD

- **VICE-PRESIDENT** of Ubisoft Holdings Inc. (United States)
- **DIRECTOR** of Shanghai Ubi Computer Software Co. Ltd (China), Ubisoft Holdings Inc. (United States), Ubisoft Inc. (United States), Ubisoft Ltd (United Kingdom)

EXPIRED POSITIONS OUTSIDE THE GROUP (last 5 financial years)

FRANCE

- **DIRECTOR** of Jeuxvidéo.com SA

Marc FIORENTINO

- ✓ Director since July 10, 2006
- ✓ Expiry of term of office March 31, 2012
- ✓ Main position in the Company: Director
- ✓ Main position held outside the Company: Chief Executive Officer of Euroland Finance SA

OTHER POSITIONS OUTSIDE THE GROUP AS AT 03/31/2012

FRANCE

- **DIRECTOR** of ISFPME SA
- **MANAGER** of Nextvision SARL

EXPIRED POSITIONS OUTSIDE THE GROUP (last 5 financial years)

FRANCE

- **MANAGER** of Allo Finance
- **DIRECTOR** of Allo Finance SA

4.5 MANAGEMENT REMUNERATION

In accordance with Article L 225-102-1, paragraphs 1 and 2 of the French Commercial Code, a breakdown of the total compensation and benefits of any kind paid to corporate officers over the financial year appears below.

This chapter includes all information required by the French Commercial Code, along with the tables recommended by the AFEP-MEDEF Code - or by the AMF on December 22, 2008 - giving the information on compensation of corporate officers that should appear in registration documents.

4.5.1 MANAGEMENT AND CORPORATE OFFICER COMPENSATION

The compensation policy for Company corporate officers aims as far as possible to comply with the AFEP/MEDEF recommendations, including those published on October 6, 2008.

Compensation granted to the Chief Executive Officer, and to the executive vice presidents, is set by the Board of Directors following a proposal by the Compensation Committee, which bases its judgment on comparative studies of large firms and/or companies operating in the same business sector.

Messrs Guillemot are remunerated for their positions as CEO and Executive Vice Presidents. This represents a fixed portion of compensation.

In consideration - albeit very partial - of the responsibilities assumed and also the time spent in preparing Board meetings and actively participating therein, the Shareholders’ Meeting of September 25, 2006 authorized the Company to pay directors' fees amounting to a maximum of €250,000 per annum. The Board of Directors, exercising this authorization, established a fixed portion and a variable portion setting out new requirements.

4.5.2 SUMMARY TABLES OF COMPENSATION

The tables below combine the compensations and benefits of any kind due and/or paid to corporate officers by (i) the company and (ii) the companies controlled by the company in which the position is held, in the meaning of Article L. 233-16 of the French Commercial Code; it being specified that the company is not controlled by any other company in the meaning of Article L. 233-16.

The total gross compensation paid by the Company to corporate officers during the financial year amounted to €720 thousand.

During the 2011/2012 financial year, members of the Board of Directors received €180 thousand in directors' fees.

No commitments have been made by the Company in favor of its corporate officers related to their termination or change in responsibilities.

There are no agreements to compensate Board members if they resign or are dismissed without real cause, or if their employment is terminated due to a public offering.

Table 1	SUMMARY OF COMPENSATION, STOCK OPTIONS AND SHARES FOR EACH MANAGER AND CORPORATE OFFICER								
Name of Director	**Compensation due for the financial year** (see breakdown in Table 2)			Valuation of options granted during the financial year (1) (see breakdown in Table 4)			**Valuation of performance shares granted during the financial year** (2)		
	Ubisoft	**Other companies**	**03/31/11**	**Ubisoft**	**Other companies**	**03/31/11**	**Ubisoft**	**Other companies**	**03/31/11**
Yves Guillemot	500,004		**500,004**	184,500	-	**184,500**	-	-	-
Claude Guillemot	62,496		**62,496**	27,060	-	**27,060**	-	-	-
Michel Guillemot	56,080		**56,080**	27,060	-	**27,060**	-	-	-
Gérard Guillemot	161,373		**161,373**	27,060	-	**27,060**	-	-	-
Christian Guillemot	62,496		**62,496**	27,060	-	**27,060**	-	-	-
TOTAL	**842,449**		**842,449**	**292,740**	-	**292,740**	-	-	-
Name of Director	**Compensation due for the financial year** (see breakdown in Table 2)			Valuation of options granted during the financial year (1) (see breakdown in Table 4)			**Valuation of performance shares granted d during the financial year** (2)		
	Ubisoft	**Other companies**	**03/31/12**	**Ubisoft**	**Other companies**	**03/31/12**	**Ubisoft**	**Other companies**	**03/31/12**
Yves Guillemot	500,004		**500,004**	129,500	-	**129,500**	-	-	-
Claude Guillemot	62,496		**62,496**	18,500	-	**18,500**	-	-	-
Michel Guillemot	24,000		**24,000**	18,500	-	**18,500**	-	-	-
Gérard Guillemot	71,492		**71,492**	18,500	-	**18,500**	-	-	-
Christian Guillemot	62,496		**62,496**	18,500	-	**18,500**	-	-	-
TOTAL	**720,488**		**720,488**	**203,500**	-	**203,500**	-	-	-

(1) This is the IFRS fair value on the grant date, or €2.46 per option for options granted for the year ended March 31, 2011, and €1.85 per option for options granted for the year ended March 31, 2012.

(2) No performance shares were granted to the directors holding corporate office by the Company.

Table 2		**SUMMARY OF THE COMPENSATION OF MANAGERS HOLDING CORPORATE OFFICES PAID BY THE ISSUER AND BY ANY COMPANY** (Article L. 233-16 of the French Commercial Code)			
Yves Guillemot Chief Executive Officer		**03/31/11**		**03/31/12**	
		Amounts paid (in euros) (1)	Amounts due (in euros) (2)	Amounts paid (in euros) (1)	Amounts due (in euros) (2)
Gross fixed compensation before tax		500,004	500,004	500,004	500,004
Variable compensation		-	-	-	-
Extraordinary compensation		-	-	-	-
Ubisoft directors' fees	Fixed portion (3)	15,000	15,000	20,000	20,000
	Variable portion (4)	15,000	15,000	15,000	15,000
Benefits in kind		-	-	-	-
TOTAL		**530,004**	**530,004**	**535,004**	**535,004**
Claude Guillemot Executive Vice President		**31/03/11**		**31/03/12**	
		Amounts paid (in euros) (1)	Amounts due (in euros) (2)	Amounts paid (in euros) (1)	Amounts due (in euros) (2)
Gross fixed compensation before tax		62,496	62,496	62,496	62,496
Variable compensation		-	-	-	-
Extraordinary compensation		-	-	-	-
Ubisoft directors' fees	Fixed portion (3)	15,000	15,000	20,000	20,000
	Variable portion (4)	15,000	15,000	7,500	7,500
Benefits in kind		-	-	-	-
TOTAL		**92,496**	**92,496**	**89,996**	**89,996**

Table 2	SUMMARY OF THE COMPENSATION OF MANAGERS HOLDING CORPORATE OFFICES PAID BY THE ISSUER AND BY ANY COMPANY (Article L. 233-16 of the French Commercial Code)				
Michel Guillemot Executive Vice President		**03/31/11**		**03/31/12**	
		Amounts paid (in euros) (1)	**Amounts due (in euros) (2)**	**Amounts paid (in euros) (1)**	**Amounts due (in euros) (2)**
Gross fixed compensation before tax		56,080	56,080	24,000	24,000
Variable compensation		-	-	-	-
Extraordinary compensation		-	-	-	-
Ubisoft directors' fees	15,000	15,000	15,000	20,000	20,000
	-	-	-	7,500	7,500
Benefits in kind		-	-	-	-
TOTAL		**71,080**	**71,080**	**51,500**	**51,500**
Gérard Guillemot Executive Vice President		**03/31/11**		**03/31/12**	
		Amounts paid (in euros) (1)	Amounts due (in euros) (2)	Amounts paid (in euros) (1)	Amounts due (in euros) (2)
Gross fixed compensation before tax		161,373	161,373	71,492	71,492
Variable compensation		-	-	-	-
Extraordinary compensation		-	-	-	-
Ubisoft directors' fees	15,000	15,000	15,000	20,000	20,000
	-	-	-	-	-
Benefits in kind		-	-	-	-
TOTAL		**176,373**	**176,373**	**91,492**	**91,492**
Christian Guillemot Executive Vice President		**03/31/11**		**03/31/12**	
		Amounts paid (in euros) (1)	Amounts due (in euros) (2)	Amounts paid (in euros) (1)	Amounts due (in euros) (2)
Gross fixed compensation before tax		62,496	62,496	62,496	62,496
Variable compensation		-	-	-	-
Extraordinary compensation		-	-	-	-
Ubisoft directors' fees	Fixed portion (3)	15,000	15,000	20,000	20,000
	Variable portion (4)	15,000	15,000	15,000	15.000
Benefits in kind		-	-	-	-
TOTAL		**92,496**	**92,496**	**97,496**	**97,496**

(1) All compensation paid to managers holding corporate offices for their duties over the year.

(2) Compensation awarded to managers holding corporate offices for their duties over the year, whatever the date of payment.

(3) Half of the fixed portion of directors' fees is paid in January (for the period January to June) and the other half in July (for the period July to December).

(4) The variable portion is paid in July and is contingent on Board members attending meetings held between July 1 and June 30 of the previous year.

Table 3	TABLE OF DIRECTORS' FEES AND OTHER COMPENSATION PAID TO NON-EXECUTIVE CORPORATE DIRECTORS			
	03/31/11		**03/31/12**	
Name of the Director	**Ubisoft directors' fees**	**Other compensation**	**Ubisoft directors' fees**	**Other compensation**
Marc Fiorentino				-
Fixed portion (1)	15,000	-	20,000	-
Variable portion (2)	15,000	-	15,000	-
TOTAL	**30,000**	**-**	**35,000**	**-**

(1) Half of the fixed portion of directors' fees is paid in January (for the period January to June) and the other half in July (for the period July to December).

(2) The variable portion is paid in July and is contingent on Board members attending meetings held between July 1 and June 30 of the previous year.

Pursuant to Article L.225-43 of the French Commercial Code, no loans or advances were made to the Company's directors.

4.5.3 SHARE PURCHASE AND SUBSCRIPTION OPTION PLANS

At its meeting of April 27, 2011, the Board of Directors exercised the authorization from the General Shareholders' Meeting of July 2, 2010, allocating share subscription options to corporate officers in the proportions shown below.

Pursuant to the provisions of French Act No. 2006-1770 of December 30, 2006, the Board of Directors set at 5% the amount of shares that must be kept as registered by corporate officer beneficiaries until such time as they have relinquished their positions.

Furthermore, the share subscription options granted to corporate officers by virtue of this plan and pursuant to the seventeenth resolution decided upon by the Shareholders' Meeting of July 2, 2010, come with performance conditions based on a cumulated objective of sales and profitability.

The options granted are exercisable per 25% tranche over four years from April 27, 2012 but in practice, as performance conditions are to be met over several consecutive years (i.e. 4 years) based on cumulative annual accounts ended March 31, 2012, 2013, 2014 and 2015, the officers may only exercise their options as of March 31, 2015.

Table 4	**SHARE PURCHASE AND SUBSCRIPTION OPTIONS AWARDED TO EACH CORPORATE OFFICER BY THE ISSUER OR ANY COMPANY DURING THE YEAR** (Article L. 233-16 of the French Commercial Code)						
Name of the Director	Company granting the options	Plan number and date	Type of option	Valuation of options according to the method used for the consolidated financial statements [(1)]	Number of options attributed during financial year	Exercise price	Period price
Yves Guillemot	Ubisoft Entertainment SA	Plan 24 04/27/11	Subscription options	1.85 €	70,000	6.841€	25% per year from 04/27/2012 to 04/26/2016
Claude Guillemot	Ubisoft Entertainment SA	Plan 24 04/27/11	Subscription options	1.85 €	10,000	6.841€	25% per year from 04/27/2012 to 04/26/2016
Michel Guillemot	Ubisoft Entertainment SA	Plan 24 04/27/11	Subscription options	1.85 €	10,000	6.841€	25% per year from 04/27/2012 to 04/26/2016
Gérard Guillemot	Ubisoft Entertainment SA	Plan 24 04/27/11	Subscription options	1.85 €	10,000	6.841€	25% per year from 04/27/2012 to 04/26/2016
Christian Guillemot	Ubisoft Entertainment SA	Plan 24 04/27/11	Subscription options	1.85 €	10,000	6.841€	25% per year from 04/27/2012 to 04/26/2016
TOTAL ALLOCATIONS BY UBISOFT ENTERTAINMENT SA					110,000		

(1) This corresponds to the value of options and financial instruments when granted, as per IFRS 2, after taking into account any discount linked to performance criteria and the likelihood of presence at the Company at the end of the vesting period, but before the effect of spreading expenses over the vesting period as permissible under IFRS 2.

Table 5	SHARE PURCHASE OR SUBSCRIPION OPTIONS EXERCISED DURING THE YEAR BY EACH CORPORATE OFFICER		
Name of the Director	**Plan number and date**	**Number of options exercised during the period**	**Strike price**
	N/A		

Past share purchase and subscription option grants, and the status of share purchase and subscription options granted to the 10 leading employees not classed as corporate officers, and the options exercised by these individuals over the year, appear in Section 3.3.2.4.

4.5.4 BONUS SHARE GRANTS

The Company did not grant any bonus shares to corporate officers in the last financial year or in previous years.

4.5.5 COMPENSATION AND BENEFITS OWED DUE TO THE CORPORATE OFFICERS LEAVING THEIR POSITION

Name	Corporate office combined with employment contract		Top-up pension scheme		Compensation or benefits due or likely to be due as a result of individuals leaving or changing positions		Compensation relating to an anti-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Yves Guillemot Chief Executive Officer		X		X		X		X
Claude GUILLEMOT Executive Vice President		X		X		X		X
Michel GUILLEMOT Executive Vice President		X		X		X		X
Gérard GUILLEMOT Executive Vice President		X		X		X		X
Christian GUILLEMOT Executive Vice President		X		X		X		X

4.6 TRANSACTIONS COVERED BY ARTICLE L 621-18-2 OF THE FRENCH MONETARY AND FINANCIAL CODE AND ARTICLE 222-15-3 OF THE AMF'S GENERAL REGULATIONS

TRANSACTIONS INVOLVING SECURITIES AND/OR FINANCIAL INSTRUMENTS					
Name, first name, position at the date of the transaction	**Type of transaction**	**Date of transaction**	**Number of shares**	**Unit price**	**Amount of transaction**
Securities transactions by managers					
Claude GUILLEMOT Executive Vice President	Disposal	05/13/11	40,000	6.8737€	274,948€
Marc FIORENTINO Director	Acquisition	09/09/11	5,000	4.2531€	21,265.50€
Alain MARTINEZ Chief Financial Officer	Disposal	05/16/11	1,355	6.67€	9,033€
	Disposal	02/01/12	4,110	6.10€	25,076€

FINANCIAL STATEMENTS

1 CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2012

1.1 BALANCE SHEET

ASSETS in thousands of euros	Notes	Net 03/31/12	Net 03/31/11
Goodwill	1	147,773	108,125
Other intangible assets	2	520,452	451,701
Property, plant and equipment	3	39,177	34,824
Investments in associates	4	404	393
Non-current financial assets	5	3,342	3,335
Deferred tax assets	25	92,325	82,525
Non-current assets		**803,473**	**680,903**
Inventory	6	20,013	35,218
Trade receivables	7	(13,143)	49,263
Other receivables	8	83,592	59,478
Current financial assets	9	15,287	29,112
Current tax assets	25	13,691	10,574
Cash and cash equivalents	10	175,703	193,354
Current assets		**295,143**	**376,999**
Total assets		**1,098,616**	**1,057,902**

LIABILITIES in thousands of euros	Notes	03/31/12	03/31/11
Share capital		7,369	7,341
Premiums		265,358	527,469
Consolidated reserves		452,659	231,305
Consolidated earnings		37,321	(52,120)
Total equity	11	**762,707**	**713,995**
Provisions	12	3,918	2,295
Employee benefits	13	1,568	1,196
Long-term borrowings	15	1,479	1,895
Deferred tax liabilities	25	37,396	30,990
Non-current liabilities		**44,361**	**36,376**
Short-term borrowings	15	91,072	92,732
Trade payables	17	80,800	110,947
Other debts	18	116,531	96,847
Current tax liabilities	25	3,145	7,005
Current liabilities		**291,548**	**307,531**
Total liabilities		**1,098,616**	**1,057,902**

1.2 CONSOLIDATED INCOME STATEMENT

In thousands of euros	Notes		03/31/12	%		03/31/11	%
Sales	19		**1,061,296**			**1,038,826**	
Cost of sales			(343,162)			(365,208)	
Gross margin			**718,134**	**68%**		**673,618**	**65%**
R&D costs			(355,007)			(369,585)	
Marketing costs			(241,027)			(214,541)	
Administrative and IT costs			(76,477)			(71,248)	
Current operating income			**45,623**			**18,244**	
Current operating income before share-based payments		56,033			29.365		
Share-based payments		(10,410)			(11,121)		
Operating profit (loss) from continuing operations			**45,623**	**4%**		**18,244**	**2%**
Goodwill depreciation			-			(1,354)	
Non-current expenses and income	22		-			(97,376)	
Operating profit (loss)			**45,623**			**(80,486)**	
Interest on borrowings			*(4.347)*			*(6.546)*	
Income from cash			*1.820*			*1.458*	
Net borrowing costs			(2.527)			(5.088)	
Result from foreign exchange operations			(3.404)			(4.310)	
Other financial expenses			(308)			(345)	
Other financial income			8.705			6.064	
Net financial income	23		**2,466**			**(3,679)**	
Share in profit of associates			10			-	
Income tax	25		(10,778)	(22.4%)		32,045	(38.1%)
Profit (loss) for the period*			**37,321**	**4%**		**(52,120)**	**-5%**
Earnings per share - Continuing operations	26						
Basic earnings per share (in euros)			0.40			(0.55)	
Diluted earnings per share (in euros)			0.39			(0.54)	

* The profit (loss) for the period is entirely attributable to equity holders.

1.3 STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	03/31/12	03/31/11
Net profit (loss) for the period	**37,321**	**(52,120)**
Translation adjustment on foreign operations	13.891	(6,531)
Fair value adjustment of financial assets	(9,266)	1,118
Effective part of the change in fair value of cash flow hedges	731	271
Tax on other comprehensive income	(1.860)	(4,639)
Other items	74	(200)
Other comprehensive income	**3,571**	**(9,981)**
Profit (loss) for the period*	**40,892**	**(62,101)**

* The profit (loss) for the period is entirely attributable to shareholders of the parent company.

1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euros	Capital	Premiums	Consolidated reserves	Hedging reserve	Fair value reserve	Treasury stock	Translation adjustments	Income for the period	Total equity
Balance as of March 31, 2010	**7,320**	**512,444**	**294,154**	**(181)**	**22,268**	**(41)**	**(30,820)**	**(43,672)**	**761,472**
Net profit (loss)								(52,120)	(52,120)
Other comprehensive income			(230)	181 [(1)]	(3,401)		(6,531) [(1)]		(9,981)
Profit (loss)			**(230)**	**181**	**(3,401)**		**(6,531)**	**(52,120)**	**(62,101)**
Allocation of consolidated earnings in N-1			(43,672)					43,672	-
Change in the share capital of the parent company	21	1,749	(213)						1,557
Options on ordinary shares issued		13,276							13,276
Sales and purchases of treasury stock						(209)			(209)
Balance as of March 31, 2011	**7,341**	**527,469**	**250,039**	**-**	**18.867**	**(250)**	**(37,351)**	**(52,120)**	**713,995**
Net profit (loss)								37,321	37,321
Other comprehensive income			65	488	(10,873)		13,891		3,571
Profit (loss)			**65**	**488**	**(10,873)**		**13,891**	**37,321**	**40,892**
Allocation of consolidated earnings in N-1		(271,640)	219,520					52,120	-
Reclassification of deferred taxes			(2,982)		2,982				-
Change in the share capital of the parent company	28	439	(1,392)						(925)
Options on ordinary shares issued		9,090							9,090
Sales and purchases of treasury stock						(345)			(345)
Balance as of March 31, 2012	**7,369**	**265,358**	**465,250**	**488**	**10.976**	**(595)**	**(23,460)**	**37,321**	**762,707**

(1) See breakdown in note 11

1.5 CASH FLOW STATEMENT

In thousands of euros	Notes	03/31/12	03/31/11 Adjusted (1)	03/31/11 Published
Cash flows from operating activities				
Consolidated earnings		37,321	(52,120)	(52,120)
Share in profit of associates		(10)	-	-
Net amortization and depreciation on property, plant and equipment and intangible assets*	1/2/3	290,126	405,283	405,283
Net provisions	5/7/6/2/13	(7,295)	6,684	6,684
Cost of share-based payments	14	10,410	12,556	12,556
Gains/losses on disposals		(8,412)	(5,559)	356
Other income and expenses calculated		731	271	271
Tax expense	25	10,778	(32,042)	(32,042)
Cash flows from operating activities		**333,649**	**335,073**	**340,988**
Inventory	6	25,392	4,862	4,862
Trade receivables	7	64,914	19,389	19,389
Other assets (excluding deferred tax assets)	8/9	(33,303)	42,254	46,821
Trade payables	17	(16,663)	(4,559)	(4,559)
Other liabilities (excluding deferred tax liabilities)	15/18	(8,304)	9,023	9,023
Change in WCR linked to operating activities		**32,036**	**70,969**	**75,536**
Current tax		(7,667)	(13,057)	(13,057)
TOTAL CASH FLOW GENERATED BY OPERATING ACTIVITIES**		**358,018**	**392,985**	**403,467**
Cash flows from investment activities				
Payments linked to internal and external developments***	2/3	(349,859)	(338,820)	(338,820)
Payments for other intangible assets and property, plant and equipment	2/3	(26,204)	(22,246)	(22,246)
Proceeds from the disposal of intangible assets and property, plant and equipment	2/3	748	231	231
Payments for the acquisition of financial assets	5	(6,298)	(16,095)	(16,095)
Proceeds from disposal of Gameloft		13,701	10,482	-
Other cash flows from investing activities		1,130	1	1
Refund of loans and other financial assets	5	6,454	17,003	17,003
Changes in scope****		(17,973)	(5,465)	(5,465)
CASH USED IN INVESTING ACTIVITIES		**(378,301)**	**(354,909)**	**(365,391)**
Cash flows from financing activities				
New finance leases contracted	15	47	86	86
New borrowings	15	-	36	36
Refund of finance leases	15	(201)	(192)	(192)
Refund of borrowings	15	(21,791)	(750)	(750)
Loss carryback refund claim	11	-	21,886	21,886
Funds received from shareholders in capital increases		446	1,771	1,771
Sales/purchases of treasury shares		(1,717)	(422)	(422)
CASH GENERATED BY (USED IN) FINANCING ACTIVITIES		**(23,215)**	**22,415**	**22,415**

(1) See 1.6.5.1 Comparability of financial statements

Net change in cash and cash equivalents		**(43,498)**	**60,491**	**60,491**
Cash and cash equivalents at the beginning of the period	10	122,035	64,977	64,977
Foreign exchange losses/gains		7,788	(3,433)	(3,433)
Cash and cash equivalents at the end of the period	**10**	**86,325**	**122,035**	**122,035**

* Excluding allocations related to stock-based compensation	6,601	7,515	7,515
** Including interest paid	(4,348)	(6,546)	(6,546)
*** Including changes linked to unpaid guaranteed commitments	16,001	28,231	28,231
*** Excluding allocations related to stock-based compensation	5,281	8,235	8,235
**** Including cash in companies acquired and disposed of	7,211	(141)	(141)

1.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The notes and tables that follow are presented in thousands of euros, unless expressly stated otherwise.

1.6.1 COMPANY PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

Ubisoft Entertainment is domiciled in France.
The consolidated financial statements for the year ended March 31, 2012 cover Ubisoft Entertainment and its subsidiaries (collectively referred to as "the Group").
The consolidated financial statements were approved by the Board of Directors on May 14, 2012 and will be presented to the General Meeting on Thursday, September 20, 2012.

1.6.2 HIGHLIGHTS OF THE FINANCIAL YEAR

April 2011 – Subscription of a new credit line
Ubisoft Divertissements Inc. purchased a bilateral credit line for a period of 2 years in the amount of €25 million. This line is secured by Ubisoft Entertainment SA and follows the same covenants as other lines.

June 2011 – Extension of Gameloft equity swap contract
The equity swap contract concluded on July 12, 2007 with Credit Agricole Corporate and Investment Bank (formerly Calyon) on Gameloft shares has been extended for 2 years, until July 15, 2013.

September 2011 – Sale of €8.5 million in receivables under the factoring agreement
The factoring agreement relating to the Canadian multimedia titles tax credit concluded between the BNC and Ubisoft Entertainment Inc. allowed for the assignment of receivables of €8.5 million in the first half of the year.

September 2011 – Disposal of research tax credit claim
Ubisoft Entertainment SA disposed of a €3.6 million research tax credit claim for research expenditure incurred during the year ended March 31, 2011 by the companies forming part of the French tax group; it was assigned without recourse by way of a discount to Natexis.

September 2011 – Share buyback
Between September 8 and September 19, 2011, Ubisoft bought back 400,000 Ubisoft shares on the market at an average price of €3.97, a share buyback authorized by the General Meeting of June 30, 2011 and implemented by the Board of Directors on the same date.
This treasury stock has been allocated to cover stock option plan 24, authorized by the Board of Directors on March 9, 2012.

November 2011 to March 2012 – Disposal of Gameloft shares
Sale of 3,171.818 Gameloft shares at an average price of €4.32.

March 2012 – Sale of €22 million in receivables under the factoring agreement
The factoring agreement relating to the Canadian multimedia titles tax credit concluded between the BNC and Ubisoft Entertainment Inc. allowed for the assignment of receivables of €22 million in the second half of the year.

March 2012 – Issue of 9,400,000 share subscription warrants
Under the authorization granted by the General Meeting of June 30, 2011 pursuant to the 11th resolution, it was decided on March 20, 2012 that 9,400,000 share subscription warrants would be

issued, exercisable at the discretion of the Company and purchased by Crédit Agricole Corporate and Investment Bank, with waiving of shareholders' preferential subscription rights.
One share subscription warrant allows for subscription to one new share. Share subscription warrants were issued at a unit value of €0.0001.
The impact on equity at March 31, 2012 was €940.

March 2012 – Issue of share subscription warrants
Under the authorization granted by the General Meeting of June 30, 2011 pursuant to the ninth resolution, it was decided on March 26, 2012 that 95,090,002 share subscription warrants ("warrants") would be issued, granted free of charge to Ubisoft Entertainment shareholders, on the basis of one warrant per existing share and 11 warrants giving entitlement to subscribe to one new share for an exercise price of €7.
These warrants were traded on the NYSE Euronext regulated market in Paris on April 10, 2012.

1.6.3 CHANGES IN CONSOLIDATION SCOPE

July 2011: Acquisition of 100% stake in the French studio Owlient SAS
On July 12, 2011, Ubisoft acquired a 100% stake in the company Owlient SAS, located in France, a developer of free-to-play games and an expert in the management of community web games.
Its accounts were consolidated from September 1, the date of its takeover by the Group.

Over the period of seven months between the date of acquisition and March 31, 2012, Owlient has contributed €7.7 million to Group sales.

Goodwill amounts to €25.7 million and mainly represents work force, which could not be identified separately. The following assets and liabilities were taken into account at the date of entry into the scope:

In thousands of euros	**03/31/12**
Net assets and liabilities acquired	5,307
Goodwill	25,728
Fair value of the consideration transferred	31,035
Cash acquired	5,868

The valuation of goodwill is provisional as of March 31, 2012, mainly because estimates of future earnings have been used when determining the added compensation.
The acquisition costs expensed amounted to €107 thousand.

November 2011: Acquisition of 100% of the Finnish studio RedLynx Oy
On October 31st, 2011, Ubisoft acquired a 100% stake in the company RedLynx Oy, an online game developer based in Finland. RedLynx has developed over 100 high-quality products for all formats, primarily based on digital distribution.

Over the period of five months between the date of acquisition and March 31, 2012, RedLynx has contributed €0.9 million to Group sales.

Goodwill amounts to €11.8 million and mainly represents work force, which could not be identified separately. The following assets and liabilities were taken into account at the date of entry into the scope:

In thousands of euros	**03/31/12**
Capitalized commercial software	2,835
Other net assets and liabilities acquired	701
Goodwill	11,797
Fair value of the consideration transferred	15,333
Cash acquired	1,344

The valuation of goodwill is provisional as of March 31, 2012, mainly because of the estimates of future earnings that have been retained when determining the contingent consideration.

The acquisition costs expensed amounted to €290 thousand.

March 2012: Merger of Ubisoft Holdings Inc. and Ubisoft Inc.
This operation did not have any impact on the consolidated financial statements.

March 2012: Merger of Ubisoft GmbH and Sunflowers Interactive Entertainment GmbH
This operation did not have any impact on the consolidated financial statements.

March 2012: Merger of Ubisoft Digital Arts Inc., Ubisoft Vancouver Inc. and Ubisoft Entertainment Inc.
This operation did not have any impact on the consolidated financial statements.

Financial year 2011/2012: Legal reorganization of the French subsidiaries
The legal reorganization of the Ubisoft Group resulted in mergers and partial contributions of assets to the French companies. Thirty companies have been deconsolidated. These operations did not have any impact on the consolidated financial statements.

Opening of subsidiaries:

- December 2011: Creation of the subsidiary Ubisoft Motion Pictures Rabbids SAS in France.
- December 2011: Creation of the subsidiary Ubisoft Emirates FZ LLC in the United Arab Emirates, in partnership with Twofour54, the Media Zone Authority of Abu Dhabi.
- March 2012: Creation of the subsidiary Ubisoft Motion Pictures Assassin's Creed SAS and Ubisoft Motion Pictures Splinter Cell SAS in France.
- March 2012: Creation of the subsidiary Ubisoft Music Publishing Inc. in Canada.

1.6.4 DECLARATION OF CONFORMITY

The consolidated financial statements for the year ended March 31, 2012 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at March 31, 2012, as adopted by the European Union.

Only those standards approved by the European Commission and published in its official journal prior to March 31, 2012, and which have been mandatory since April 1, 2011, have been applied by the Group to its consolidated financial statements for the year ended March 31, 2012. No standard or interpretation whose application does not become mandatory until after March 31, 2012 has been applied early to the consolidated financial statements for the year ended March 31, 2012.

The IFRS standards as adopted by the European Union differ in certain ways from the IFRS standards published by the IASB. However, the Group has made sure that the financial information presented would not have been substantively different if it had applied the IFRS standards as published by the IASB.

The following IFRS standards, amendments and interpretations applied for the first time had no impact on the financial statements:

- IAS 24 (revised) – Related Party Disclosures;
- IFRS 1 (amended) – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters;
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments;
- IFRIC 14 (amended) – Prepayments of a Minimum Funding Requirement;
- IAS 32 (amended) – Classification of Rights Issues;
- Annual improvements to IFRSs.

Options used when preparing financial information during the transition to IFRS

In accordance with the provisions of IFRS 1, the Group chose to use the following exemptions from the general principle of retrospectively applying the following IFRSs when drawing up its opening balance sheet for 2004 and preparing its first IFRS accounts.

Standards		Option utilized
IFRS 2	Share-based Payment	The Group has chosen to apply IFRS 2 only for equity instruments granted after November 7, 2002 whose rights had not yet vested at December 31, 2004. Similarly, liabilities arising from transactions where payment is based on shares and which had been settled before December 31, 2004 have not been restated.
IFRS 3	Business Combinations	The Group has not made any retrospective adjustments for businesses combined before January 1, 2004.
IAS 19	Pension Commitments and Related Benefits	Total unrecognized actuarial differences linked to the corridor existing on the transition date have been fully recognized under balance sheet liabilities by writing off against equity.
IAS 21	Foreign Currency Translation Adjustments Related to Foreign Operations	Total translation adjustments at January 1, 2004 relating to the conversion of financial statements for foreign operations have been reposted under consolidated reserves in the transitional balance sheet.
IAS 39	Financial Instruments	Certain financial instruments have been classified as "available-for-sale financial assets" or "financial assets at fair value through profit or loss" from the application date of IAS 39 and not from their initial recognition.

Standards published but whose application is not yet mandatory

Ubisoft has not opted for early application of the new standards, amendments or interpretations published at March 31, 2012 (adopted or being adopted by the European Union) and presented below:

Standards		Consequences for the Group
IFRS 7 (amended)	Transfers of Financial Assets (applicable to financial years starting from July 1, 2011)	The changes are meant to provide a better understanding of financial asset transfer operations and the potential effects of any risk that would remain in the company that has transferred the assets. This text will have no effect on the Group's consolidated financial statements.
IAS 1 (amended)	Presentation of OCI (applicable to financial years from July 1, 2012)	The changes are intended to separate the other comprehensive income into two subcategories according to whether or not they can be reclassified in profit or loss.

1.6.5 ACCOUNTING PRINCIPLES AND VALUATION METHODS

1.6.5.1 COMPARABILITY OF FINANCIAL STATEMENTS

Change in consolidation, valuation and presentation methods

N/A

Change in estimation

N/A

Items affecting comparability of financial statements

The Group has reclassified the sale of Gameloft shares in the cash flow statement at March 31, 2012 and March 31, 2011 from cash flow from operating activities to cash flows from investment activities. The impact of the restatement in the cash flow statement at March 31, 2011 is as follows:
- Impact on cash flows from operating activities: €(5,915) thousand
- Impact on change in WCR: €(4,567) thousand
- Impact on cash flows from investment activities: €10,482 thousand

In financial year 2011/2012, provisions for litigation are recognized under provisions for risks. A litigation provision of €700 thousand recognized in March 2011 under "Other debts" has been reclassified under "Provisions" at March 31, 2012.

In financial year 2011/2012, profitability bonuses awarded to studio staff were fully recognized directly in expenses, whereas they were capitalized as development costs in previous years. The impact on operating income is not significant given the pace of depreciation and amortization of internal software. This restatement has no impact on the presentation of the Group's income statement.

In financial year 2011/2012, the calculation of video game tax credit income is limited to 9 months of expenditure given the uncertainty, at the time of preparation of the financial statements, surrounding the renewal of the process by the European Commission beyond December 31, 2011.

1.6.5.2 **PREPARATION BASIS**

Measurement bases

The consolidated financial statements were prepared using the historical cost method, with the exception of the following assets and liabilities, which are measured at fair value: derivative financial instruments, financial instruments held for trading and available-for-sale financial assets.

Operating and presentation currency

The consolidated financial statements are presented in euros, which is the parent company's operating currency. All financial data presented in euros are rounded to the nearest thousand.

Use of estimates

Preparation of the consolidated financial statements in accordance with IFRS requires the Group's management to make estimates and assumptions that affect the application of the accounting methods and the amounts recognized in the financial statements.

These estimates and the underlying assumptions are established and reviewed continuously on the basis of past experience and other factors considered reasonable in light of circumstances. They therefore serve as a basis for calculating the carrying amounts of assets and liabilities that cannot be obtained from other sources. Actual values may differ from estimates.

Both the estimates presenting a significant risk of changes in the subsequent period and the judgments made by the management when applying IFRS, and likely to have a significant impact on the financial statements, are presented in the following notes:

Estimate		Main sources of estimates
1.6.3	Main acquisitions, disposals and changes in consolidation scope	Where appropriate, presentation of the main valuation methods and assumptions used when identifying intangible assets during business combinations.
1.6.5.3	Impairment losses	Main assumptions used to determine the recoverable value of assets.
Note 13	Employee benefits	Discount rate, rate of inflation, rate of return on plan assets and wage growth.
Note 14	Payments in shares	Model and underlying assumptions used to determine fair values.
Note 12	Provisions	Underlying assumptions made to appraise and estimate risks.
Note 19	Sales	The assumptions used for provisions and return on sales are based on expected stocks of 3 to 6 months after closing.
Note 25	Corporation tax	Assumptions used to recognize deferred tax assets and methods of applying tax legislation.

The accounting methods outlined below were applied:
– On a permanent basis to all periods presented in the consolidated financial statements;
– Consistently by all Group entities.

1.6.5.3 **CONSOLIDATION PRINCIPLES**

Subsidiaries

A subsidiary is an entity controlled by Ubisoft Entertainment SA. Control exists where the Company has the power to manage, either directly or indirectly, the entity's financial and operational policies in order to obtain benefits from its activities. In assessing control, the Group takes into account the potential voting rights that are currently exercisable.

The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is obtained to the date when such control ends.

If necessary, the accounting methods of subsidiaries are amended to align them with those adopted by the Group.

Associates

Associates are entities over which Ubisoft Entertainment SA exercises significant influence on the financial and operational policies but no control. The consolidated financial statements include the Group share in the total amount of profits and losses recognized by the associates, using the equity accounting method, starting from the date when significant influence is exercised to the date when such influence ends.

Ubisoft consolidates ad hoc entities in which the Company does not hold a direct or indirect interest but which it controls in substance because it has the right to receive the majority of benefits or it retains the majority of residual risks inherent to the ad hoc entity or its assets.

As at March 31, 2012, all companies controlled by the Group are fully consolidated; only Related Designs Software GmbH, in which the Group has a 30% interest, is accounted for under the equity method.

Transactions eliminated in the consolidated financial statements

Balance sheet amounts, income and expenses resulting from intragroup transactions are eliminated during the preparation of the consolidated financial statements.

Gains resulting from transactions with associates are eliminated up to the Group's percentage interest in the company.

Losses are eliminated in the same way as gains, but only to the extent that they are not indicative of impairment.

Translation of transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated by applying the exchange rate in force on the date of the transaction.

At the end of the financial year, all monetary assets and liabilities denominated in foreign currencies (excluding derivatives) are translated into euros at the closing exchange rate. Any resulting translation adjustments are recorded in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies are recognized at the exchange rate in force on the date of the transaction.

Derivatives are measured and recognized in accordance with the methods described in the note on financial instruments.

Translation into euros of the financial statements of foreign subsidiaries

The operating currency of Ubisoft's foreign subsidiaries is their local currency, in which they record most of their transactions. The assets and liabilities of Group companies whose operating currency is not the euro are translated into euros at the exchange rate in force at the end of the accounting period.

The income and expenses of these companies, along with their cash flows, are translated at the average exchange rate over the year. Differences arising from translation are recognized directly in consolidated equity, as a separate item.

Goodwill and fair value adjustments resulting from the acquisition of a foreign entity are regarded as belonging to the foreign entity and are therefore expressed in the entity's operating currency. They are translated at the closing rate in force at the end of the accounting period.

Upon disposal of a foreign subsidiary, the related translation reserves, recorded in other comprehensive income, are recognized in profit or loss.

The Group does not operate in countries considered to be suffering from hyperinflation.

Goodwill

Business combinations are accounted for under the purchase method on the acquisition date, which is the date when control is transferred to the Group.

Acquisitions since January 1, 2010

For acquisitions completed since January 1, 2010, the Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred, plus
- The amount recognized of non-controlling interests in the acquiree; plus, if the business combination is achieved in stages, the fair value of any equity interest previously held in the acquiree; less
- The recognized net amount (usually at fair value) of the identifiable assets acquired and the liabilities assumed.

When the difference is negative, a bargain purchase gain is immediately recognized in profit or loss.
The consideration transferred excludes amounts relating to the settlement of pre-existing relationships. These amounts are generally recognized in profit or loss.

Acquisition-related costs, other than those related to the issuance of debt or equity securities, that the Group bears on account of a business combination are recognized as expenses when incurred.
Any contingent consideration to be paid is recognized at fair value at the acquisition date. The contingent consideration classified as equity is not remeasured and its settlement is recorded in

equity. However, for a consideration classified as liabilities, subsequent changes in the fair value of the contingent consideration are recorded in profit or loss.

When share-based payment rights (replacement rights) are to be given in exchange for rights held by the acquiree's employees (rights granted by the acquired company) and these are attributable to pre-combination service, either all or a portion of the acquirer's replacement rights is included when measuring the consideration transferred in the business combination. In order to measure this amount, the Group compares, at the acquisition date, the market-based values of the replacement rights and the rights granted by the acquiree, and determines the proportion of services rendered at the combination date in relation to future services still to be rendered.

Acquisitions completed between January 1, 2004 and January 1, 2010

For acquisitions completed between January 1, 2004 and January 1, 2010, goodwill represents the excess of the cost of acquisition in relation to the Group's share in the recognized amounts (usually at fair value) for assets, liabilities and contingent liabilities.
When the difference is negative, a bargain purchase gain is immediately recognized in profit or loss.

Costs relating to the acquisition, other than those relating to the issuance of debt or equity securities, that the Group bears due to a business combination are recognized in the acquisition cost.

If an entity is disposed of, related goodwill will be taken into account when determining the loss or gain resulting from this sale.

Goodwill is not amortized but is subject to impairment tests at least once a year. The methods used in impairment tests are detailed in the note entitled "Impairment tests on non-current assets".

Brands

All brands are recognized at their fair value in accordance with the revised version of IFRS 3 on business combinations or IAS 38 on the acquisition of intangible assets.

Regarding the development policy of the Group's brands, brands operated by the Group have an indefinite life. They are not amortized but are subject to impairment tests at least once a year. The methods used in impairment tests are detailed in the note entitled "Impairment tests on non-current assets".

Other intangible assets

Other intangible assets include:
- Office software;
- Information system development costs;
- Commercial software;
- Engines;
- External developments.

Accounting and later valuation

Other intangible assets acquired by the Group are recognized at cost minus accumulated amortization and impairment losses. In accordance with IAS 38 “Intangible Assets”, items are only recognized as non-current assets where the cost can be determined reliably and it is likely that they will generate future economic benefits.

No borrowing costs are included in the costs of non-current assets.
Development costs relate to the development of commercial software (video games) and are capitalized as described below.

Development costs for commercial software, whether produced commercial or outsourced, are recognized under the item “Commercial software and external developments in progress” as development progresses. Once they are released, these costs are transferred to the “Released commercial software” or “Released external developments” accounts.

Commitments made under license agreements are recognized for the amount specified in the agreement including the portion not yet paid.

Amortization

Type of asset	Amortization method
Office software	Straight-line, 1 year or 3 years
Information system costs	Straight-line, 3 years or 5 years
Commercial software	2 or 3 years, starting on the commercial release date
Engines	Straight-line over the useful life between 3 and 5 years
External developments	Based on quantities sold and royalty rates indicated in contracts or over the duration of the contract

Within the context of IAS 38, the Group is requested to periodically revise its amortization periods based on the observed useful life.

At the end of each financial year or whenever an indication of impairment appears, the Group checks the recoverable value of capitalized amounts and performs an impairment test, as described in the note entitled “Impairment tests on non-current assets”.

Property, plant and equipment

The gross value of property, plant and equipment includes the acquisition cost minus installments made and any investment subsidies granted. The cumulative totals for depreciation and impairment are then deducted (see accounting methods described in the note on goodwill).
Given the types of non-current assets held, no distinct component of the main non-current assets was noted.

No borrowing costs are included in the costs of property, plant and equipment.

The same rates are used throughout the Group to calculate depreciation, employing the following methods and useful lives:

Type of asset	Depreciation method
Buildings	Straight-line, 15 years or 25 years
Equipment	Straight-line, 5 years
Fixtures and fittings	Straight-line, 10 years
Computer hardware	Straight-line, 3 years
Office furniture	Straight-line, 10 years
Transportation equipment	Straight-line, 5 years

Within the context of IAS 16 and IAS 38, the Group is requested to periodically revise its depreciation periods based on the observed useful life.

Non-current assets acquired under finance leases

Leases that transfer practically all risks and rewards inherent in ownership of the asset are classified as finance leases.

Non-current assets financed via finance leases are restated in the consolidated financial statements so as to reflect the position that would have existed if the Company had used borrowed funds to acquire the assets directly.

The amount recognized on the asset side is equal to the fair value of the asset leased or, if this value falls below the present value of the minimum lease payments, the fair value minus accumulated depreciation and impairment.

Deferred tax arising from the restatement of finance leases is recognized in the accounts.

Impairment tests on non-current assets

The Group carries out impairment tests on its assets at least once a year. This covers goodwill, intangible assets and property, plant and equipment.

Non-current assets with an indefinite useful life (goodwill and brands)

For this test, goodwill and brands are grouped together as Cash Generating Units (CGU):

- For brands, the CGU corresponds to games released under the brand name;
- For goodwill on distribution activities, each CGU corresponds to the distribution subsidiary present in the country;
- For goodwill relating to acquisitions of companies whose games are distributed by all of the Group’s distribution subsidiaries, the CGU corresponds to the Group’s consolidated financial statements.

The recoverable value is the higher of fair value minus cost of sale (net fair value) and its value in use. The recoverable amount of brands is defined using the royalty method. Value in use is estimated on the basis of the sum of discounted expected cash flows for the CGU to which the assets being tested are attached, including the final value determined by a perpetuity projection of a future normalized cash flow. When the market value or value in use falls below the carrying amount of assets associated with the respective CGU (including goodwill), impairment is recognized. This is irreversible when it relates to goodwill.

The assumptions used for changes in sales, profitability levels, exchange rates and final values are reasonable and in line with market data available for each of the CGUs subject to impairment tests. The value in use adopted by Ubisoft corresponds to discounted cash flows determined on the basis of the Ubisoft management’s economic assumptions and projected business conditions. Cash flows are based on the last available three-year budgets, then on assumed growth in sales of 10% for the last two years and, lastly, a final value at five years. The perpetuity growth rate was 1.50% at March 31, 2012 (against 1.50% at March 31, 2011).

The recoverable amount of brands is defined using the royalty method (discounted over a period of 5 years of potential future royalties if the use of brands is subject to a concession or licensed to a third party, taking into account a final value resulting from the perpetuity projection of a normalized cash flow from royalties).

Discounts are calculated using a rate based on a valuation of the average cost of capital: 9.62% at March 31, 2012 (against 8.41% at March 31, 2011).

Regarding the current distribution of the Group’s activities, the allocation of goodwill by CGU and the overall risk premium attached to the Group included in the discount rate, the use of a single rate for all CGUs was considered sufficient for the impairment test.

Non-current assets with a fixed useful life

For property, plant and equipment and intangible assets with a fixed useful life, an impairment test is performed whenever indicators suggest impairment.

These tests involve comparing the net carrying amount of assets to their recoverable value – which is the higher of fair value minus costs of sale, and value in use – estimated on the basis of the current net value of future cash flows generated by their use.

When the fair value of property, plant and equipment or an intangible asset (excluding goodwill) increases over a financial year, and the recoverable value exceeds the asset's carrying amount, any impairment recognized during previous years will be written back into profit or loss.

Type of asset	Impairment method
Office software	No impairment test in the absence of any indication of impairment.
Information system costs	No impairment test in the absence of any indication of impairment.
Commercial software	At the end of each year and for each software program, expected cash flows are calculated (over a maximum period of 2 years). When these cash flows are below the net carrying amount of the software, impairment is recognized.
Engines	No impairment test in the absence of any indication of impairment.
External developments	At the end of each year and for each software program, expected discounted cash flows are calculated (for a maximum period of two years). When these cash flows are below the net carrying amount of the software, impairment is recognized.
Property, plant and equipment	No impairment test in the absence of any indication of impairment.

Investments in associates

Investments in associates include the Group's share of the equity held in companies accounted for under the equity method, together with any related goodwill.

Inventory

Inventory is valued at the lower of cost or net realizable value.

Cost includes the purchase price plus incidental expenses and is valued according to the CMP method.

Net realizable value is the estimated sale price in the normal course of business minus estimated completion costs and estimated selling costs, which include marketing and distribution costs.

No borrowing costs are included in the cost of inventory.

A provision for impairment is recorded when the likely net realizable value falls below the carrying amount. Reversals of impairment on inventory are recorded as a reduction in the amount of inventory expensed during the financial year in which the reversal occurs.

Financial assets and liabilities

Financial assets include the non-current investments of non-consolidated companies, short-term and long-term loans and advances, trade receivables, derivatives with a positive market value, investment in securities, and cash.

Financial liabilities include bank borrowings, obligations relating to finance lease contracts, other financing (current account advances), bank overdrafts, derivatives with a negative market value and trade payables.

Financial assets and liabilities are presented as "non-current", except those with a maturity of less than 12 months from the year-end date. These are presented as "current assets", "cash equivalents" or "current liabilities" depending on the circumstances.

Bank overdrafts are included in cash and cash equivalents as they are an integral part of the Company's cash management. They are presented in liabilities, but are also offset against cash in the cash flow statement.

Recognition and measurement of financial assets (excluding derivatives)

In accordance with IAS 39, "Financial Instruments: Recognition and Measurement", financial assets are broken down into four categories:

- Assets held to maturity (securities granting entitlement to fixed or determinable payments on set dates, and which the Group is able and intending to hold to maturity);
- Loans and receivables (non-derivative financial assets subject to fixed or determinable payments, and which are not listed on an active market);
- Assets held for trading (investments or securities bought and held primarily with a view to a short-term resale);
- Available-for-sale assets (all financial assets not recognized in one of the three previous categories).

Classification depends on the nature and objective of each financial asset, and is determined when first recognized.

The Group has no financial assets classified as "held-to-maturity".

- *Loans and advances (loans and receivables category)*

They include security deposits.
When initially recognized, loans and advances are measured at fair value. These financial assets are then recognized at amortized cost using the effective interest rate method. They are tested for recoverable value, carried out whenever there are objective indicators (third party financial position) that the recoverable value of these assets would be lower than the balance sheet value, and at least on each balance sheet date.

- *Grants (loans and receivables category)*

In some countries, video game production operations qualify for public grants.
These grants are presented as a reduction in research and development costs and a reduction of the asset corresponding to the development of commercial software.
Any claims on the public body which awarded the grant are classified as loans and receivables as per IAS 39.

- *Trade receivables (loans and receivables category)*

Trade and other receivables linked to operating activity are recorded at fair value – in most cases the same as nominal value – minus any loss of value recorded in a special impairment account. As receivables are due in under a year, they are not discounted.

If there is any indication that these assets may be impaired, they will be subject to an analysis based primarily on the following criteria: age of the receivable, third party's financial position, negotiation of a payment schedule, guarantees received, credit insurance.

The difference between the carrying amount and recoverable value is recorded as operating income. Impairment may be reversed if the asset regains its value in the future. Reversals are booked in the same item as provisions. Impairment is deemed permanent when the receivable itself is considered to be permanently irrecoverable and written off.

- *Long-term securities (available-for-sale assets category)*

These include the Group's equity in companies that are not consolidated due to a lack of control or significant influence.

Gameloft shares are classed as held-for-sale current assets.
As this involves an interest in a listed company, the shares are recorded in the balance sheet at their fair value, determined on the basis of the share price on the closing date. Changes in fair value are recognized directly in others items of comprehensive income, except when there is a significant or prolonged drop in fair value.

In accordance with IAS 39, "Financial Instruments: Recognition and Measurement", if there is a significant or prolonged decline in the value of the equity security to below its cost that results in an unrealized material loss, permanent impairment is recognized in financial income.

- *Cash and cash equivalents (assets held for trading category)*

Cash and cash equivalents include cash on hand and deposit accounts with maturity generally under three months which can be easily liquidated or sold on very short notice, can be converted into cash and present negligible risks of change in value. Short-term investments are measured at net asset value at each balance sheet date. Changes in this market value are recognized in financial profit or loss.

Bank overdrafts repayable on demand are an integral part of the Group's cash management, and are included in "cash and cash equivalents" for the purposes of the cash flow statement.

Recognition and measurement of financial liabilities (excluding derivatives)

- *Borrowings and other financial liabilities*

This category includes borrowings and bank overdrafts.
Bank borrowings and other financial liabilities are measured at amortized cost calculated using the effective interest rate.
Financial interests accrued on borrowings are included in the "current financial liabilities" in the balance sheet.
Trade payables and other liabilities are recorded at amortized cost.

Cash flows linked to short-term recoverable amounts are not discounted. Long-term flows are discounted whenever the impact is significant.

Recognition and measurement of financial derivatives

The Group holds financial derivatives exclusively to manage its exposure to foreign exchange risks. Ubisoft Entertainment SA hedges these risks with forward sale contracts and currency options.

Derivatives are initially recorded at fair value; associated transaction costs are booked in profit or loss when incurred. After initial recognition, derivatives are measured at fair value while resulting changes are recorded using the principles outlined below.

- *Cash flow hedging*

The Group applies hedge accounting for transactions in US dollars and pounds sterling. Management believes this method better reflects its hedging policy in the financial statements.

Hedge accounting applies if:
- The hedging relationship is clearly defined and documented on the date it is established;
- The effectiveness of the hedging relationship is proven from the outset and for as long as it lasts.

Application of cash flow hedge accounting has the following consequences:

- The effective hedging portion of the change in the fair value of the hedging instrument is recognized in other comprehensive income, as the hedged item does not appear on the balance sheet;
- The ineffective portion of the change in fair value is recognized in financial income.

When the hedging instrument no longer meets the criteria for hedge accounting, reaches maturity, is sold, cancelled or exercised, hedge accounting is no longer applied. The profit or loss accumulated is held in others items of comprehensive income until the completion of the planned transaction. When the hedged item is a non-financial asset, the profit or loss accumulated is removed from other comprehensive income and included in the initial cost. In other cases, related profits and losses that have been recognized directly in other comprehensive income are reclassified under profit or loss for the period in which the hedged item impacts the result.

- *Other derivatives*

Derivatives for which documentation on the hedging relationship does not meet the requirements of IAS 39 are not referred to as accounting hedges. Changes in the fair value of these instruments are recognized on the income statement in accordance with IAS 39. The same goes for certain types of derivatives (options) that are not eligible for hedge accounting. The fair value of assets, liabilities and derivatives is determined on the basis of market prices at the closing date.

Hierarchy and levels of fair value

In accordance with IFRS 7 (revised), financial assets and liabilities measured at fair value have been classified according to the fair value levels specified by the standard:

- Level 1: Fair value corresponds to the market value of instruments listed on an active market;
- Level 2: Fair value is measured on the basis of observable data;
- Level 3: Fair value is measured on the basis of non-observable data.

Note 16 specifies the fair value level for each category of assets and liabilities measured at fair value.
The Group did not carry out any transfers between levels 1 and 2 during the financial year.
The Group does not hold any assets or liabilities measured at fair value under level 3.

Employee benefits

Post-employment obligations

Ubisoft contributes to pension, medical and termination benefit plans in accordance with the laws and practices of each country. These benefits can vary depending on a range of factors, including seniority, salary and payments to compulsory general plans.

These plans may be either defined contribution plans or defined benefit plans:

- In defined contribution plans, the pension supplement is determined by the total capital that the employee and the Company have paid into external funds. The expenses correspond to contributions paid during the period. The Group has no subsequent obligations to its employees. For Ubisoft, this generally involves public retirement plans and specific defined-contribution plans.
- In defined benefit plans, the employee receives a fixed pension benefit from the Group, determined on the basis of several factors, including age, length of service and compensation level. Within the Group, such plans are used in France, Italy and Japan.

The employer’s future obligations are measured on the basis of an actuarial calculation called the “projected unit credit method”, in accordance with each plan’s operating procedures and the information provided by each country. This method involves determining the value of likely discounted future benefits of each employee at the time of his/her retirement. Actuarial differences are recorded in profit or loss.
The discount rate of 4.56% (compared to 4.45% at March 31, 2011) is determined on the basis of market rates for high-quality corporate bonds (iBoxx rate).

Individual training right (DIF)

Full-time employees of French companies are entitled to between 20 and 21 hours of training each year, depending on the collective agreement provisions applicable within each company. The rights acquired each year may be accrued for up to six years. The total training acquired amounts to 79,501 hours and is recognized as off-balance-sheet commitments.

Payments based on equity instruments

Stock option plans provide an additional incentive for employees to improve the Group's performance by allowing them to purchase a stake in the Company (stock options, bonus shares, Group savings scheme).

In accordance with IFRS 2, payments based on equity instruments are recognized as staff expenses in return for equity in the amount of the fair value of the instruments attached. This expense is spread over the vesting period, assuming presence on the vesting date and possibly performance conditions attached.

- Stock option plans: The compensation is recognized in income over the vesting period; however, the straight-line method is not used, given the vesting terms set out in the various Ubisoft plan regulations. Ubisoft uses a binomial model to estimate the value of such instruments. This method is based on assumptions updated on the valuation date, such as estimated volatility of the security concerned, a risk-free discount rate, the estimated dividend rate and the likelihood of staff remaining in the Group until they can exercise their rights.

- Group savings scheme: The accounting expense is equal to the discount granted to employees, i.e. the difference between the share subscription price and the share price at the grant date. This expense is recognized immediately on the plan subscription date.

- Bonus share grants: The cost of this compensation is recognized in profit or loss over the vesting period, allowing for the vesting terms.

The dilutive effect of stock option plans and bonus share grants when the unwinding of the instrument involves the issue of Ubisoft shares and the vesting period is in progress, is reflected in the calculation of diluted earnings per share.

Provisions

A provision is recorded when:
- The Company has a current obligation (legal or implicit) resulting from a past event;
- It is likely that an outflow of resources representing economic benefits will be required to settle the obligation;
- The amount of the obligation can be measured reliably.

If these conditions are not met, no provision is recorded.

Revenues

Sale of games

Revenue from the sale of gaming software is recorded on the date the products are delivered to customers. A provision for estimated returns is recorded for the net amount of the sale as a decrease in revenues. Under the terms of its contracts with customers, the Group does not have to accept returns, but it may exchange products sold to certain customers. Furthermore, the Group may provide a return guarantee or grant discounts on unsold products or other benefits to certain customers. In this case, the Group's management estimates the amount of future credit notes and books a provision as a reduction in sales.

Licenses

The Group may issue licenses in return for a guaranteed minimum royalty. This royalty is recorded in revenue when the significant rewards and risks attached to the goods have been transferred to the buyer.

Additional revenue on sales above the guaranteed minimum royalty is recorded as and when the sales are completed.

Services

Revenue corresponding to development and publishing services on behalf of third parties includes royalties and other remuneration which are regarded as acquired and recognized in sales as and when the service is rendered.

R&D costs

This item includes all research and development costs for production teams including salaries and other compensation (retirement, payments based on equity instruments, etc.), operating costs, and other significant research and development costs (royalties, depreciation on tools). This item includes depreciation on commercial software.

Marketing costs

This item includes all sales and marketing costs, with the exception of editorial marketing costs which are included under research and development costs.

Administrative and IT costs

This item includes all the expenses of the administrative and IT teams.

Current operating income and operating income

Operating income includes all revenues and costs directly linked to Group activities, whether these revenues and costs are recurrent or resulting from one-off decisions or operations. Extraordinary items, defined as revenues and expenses that are unusual in their frequency, nature and/or amount, belong to operating income. Current operating income is equal to operating income before inclusion of items whose amount and/or frequency are unpredictable by nature.

The Group believes that presenting the “current operating income” sub-total separately on the income statement makes it easier to understand the recurrent operating performance and provides readers of the financial statements with useful information in order to analyze this performance.

Financing costs and other financial income and expenses

The cost of net financial debt includes income and expenses linked to cash and cash equivalents, interest expenses on borrowings which include the sale of investment securities, creditor interest and the cost of ineffective currency hedging.

Other financial income and expenses include the sale of non-consolidated securities, capital gains or losses on disposals and impairment of financial assets (other than trade receivables), income and expenses linked to the discounting of assets and liabilities, and foreign exchange gains and losses on unhedged items.

The impact on profit and loss of measuring financial instruments used in the management of foreign exchange risks is recognized in operating income.

Income tax

Income tax (income or expense) includes the current tax expense (or income) and deferred tax expense (income).Tax is recognized in profit or loss, unless it relates to items that are recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

Current tax

Current tax is the estimated amount of tax owed on taxable income for an accounting period. It is determined using the tax rates applicable at the closing date.

Deferred tax

Deferred income tax is measured using the balance sheet liability method for all temporary differences between the carrying amount of the assets and liabilities and their tax basis. The following situations do not lead to recognition of deferred tax: The recognition of an asset or liability in a transaction that is not a business combination and which affects neither book profit nor taxable profit, and temporary differences linked to subsidiaries insofar as these are unlikely to be reversed in the foreseeable future. Measurement of deferred tax assets and liabilities depends on the way in which the Group expects to recover or settle the carrying amount of the assets and liabilities using the tax rates applicable at the balance sheet date.

A deferred tax asset is only recognized where it is likely that the Group will have future taxable income against which the asset may be utilized. Deferred tax assets are reduced to the extent that it is no longer likely that sufficient taxable income will be available.

The impact of possible changes in tax rates on previously recorded deferred tax is recognized in profit or loss except where it relates to an item recognized in other comprehensive income.

Deferred tax is shown in the balance sheet separately from current tax assets and liabilities and is classified as a non-current item.

Deferred tax relating to tax loss carryforwards is capitalized when it is likely that it will be utilized within a reasonable timeframe, assessed on the basis of tax forecasts.

Methods of calculating earnings per share

Earnings per share

Basic earnings per share are equal to earnings divided by the weighted average number of shares in circulation minus treasury shares.

Diluted earnings per share

Diluted earnings per share are equal to:

- Net income before dilution, plus the after-tax amount of any savings in financial expenses resulting from the conversion of the diluting instruments, divided by
- The weighted average number of ordinary shares in circulation, minus treasury shares, plus the number of shares that would be created as a result of the conversion of instruments convertible into shares and the exercise of rights.

Segment reporting

In light of the Group's organizational structure and the commercial relationships between the various subsidiaries, we proceed on the basis that the Group operates in a single market with several geographic regions.

1.6.6 CONSOLIDATION SCOPE

As at March 31, 2012, 57 entities were consolidated or accounted for using the equity method (compared to 85 entities at March 31, 2011), mainly because of mergers completed during the legal reorganization of the French subsidiaries.
Only significant entities are presented in the table below. The significance of entities is assessed according to their contribution to capitalized production costs and their contribution to Group sales. Other subsidiaries and ad hoc entities whose contribution is not significant are not included in this list.

COMPANY	Country	Percentage control	Percentage of capital	Method	Business
UBISOFT ENTERTAINMENT SA	France	Parent company	Parent company	FC	
UBISOFT LTD	United Kingdom	100%	100%	FC	Distribution
UBISOFT INC.	United States	100%	100%	FC	Distribution
UBISOFT GMBH	Germany	100%	100%	FC	Distribution
UBISOFT SRL	Romania	100%	100%	FC	Production
SHANGHAI UBI COMPUTER SOFTWARE CO. LTD.	China	100%	100%	FC	Production
UBISOFT DIVERTISSEMENTS INC.	Canada	100%	100%	FC	Production
UBISOFT FRANCE SAS	France	100%	100%	FC	Distribution
UBISOFT PRODUCTION INTERNATIONALE SAS	France	100%	100%	FC	Production
RED STORM ENTERTAINMENT INC.	United States	100%	100%	FC	Production
UBISOFT CANADA INC.	Canada	100%	100%	FC	Distribution

FC = Full consolidation

The closing date of the annual accounting period for consolidated companies is March 31.Certain companies use December 31 as their closing date, but draw up accounts for the period from April 1 to March 31 for the purposes of the consolidated reports.

Changes in scope

Entries into the consolidation scope are described in paragraph 1.6.3.
The contribution to consolidated sales of entities acquired over the financial year (Owlient SAS and Redlynx Oy) is less than 1%; therefore, no pro forma accounts were prepared.

1.6.7 NOTES TO THE BALANCE SHEET

Note 1. Goodwill

Goodwill	Opening balance	Increase	Decrease	Changes in scope	Translation adjustments	Closing balance
Gross	108,125	147	1,132	37,525	3,108	147,773
Depreciation	-	-	-	-	-	-
Net at 03/31/12	**108,125**	**147**	**1,132**	**37,525**	**3,108**	**147,773**
Net at 03/31/11	**106.498**	**(1,354)**	**-**	**4,679**	**(1,698)**	**108,125**

* Increases and decreases in goodwill related to price adjustments on the Nadeo and Quazal acquisitions for financial year 2011

The increase in goodwill attributable to the entries into the consolidation scope over the financial year is described in paragraph 1.6.3.

Net goodwill broke down as follows as at March 31, 2012:

Company	At 03/31/11 Net	Increase	Decrease	Translation adjustments	At 03/31/12 Net
Ubisoft Inc.	178				178
Ubisoft Ltd	820			5	825
Ubisoft GmbH	12,805	12,753			25,558
Red Storm Entertainment Inc.	38,693			2,464	41,157
Ubisoft Spa	3,215				3,215
Ubisoft Canada Inc.	1,948			60	2,008
Ubisoft Montpellier SAS	760				760
Ubisoft Divertissements Inc.	485			18	503
Blue Byte GmbH	3				3
Ubisoft France SAS	10,103				10,103
Ubisoft BV	2,294				2,294
Ubisoft Warenhandels GmbH	442				442
Ubi Games SA	1,587			126	1,713
Ubisoft Entertainment Ltd	1,484			67	1,551
Ubisoft Nagoya KK	1,176				1,176
Sunflowers Entertainment GmbH	12,753	(12,753)			-
Ubisoft Entertainment India Private Ltd	1,181			(80)	1,101
Hybride Technologies Inc.	5,532			197	5,729
Ubisoft Entertainment Sweden Ltd	2,338			23	2,361
Nadéo SAS	5,552	147			5,699
Quazal Technologies Inc.	4,776		1,132	228	3,872
Owlient SAS	-	25,728			25,728
RedLynx Oy	-	11,797			11,797
TOTAL	**108,125**	**37,672**	**1,132**	**3,108**	**147,773**

Impairment tests on goodwill

The result of impairment tests on goodwill attached to the most significant CGUs is detailed in the table below:

Type of CGU or group of CGUs tested	Measurement method	Discount rate	Perpetuity growth rate	Carrying amount	Recoverable value
Group	DCF	9.62%	1.50%	642	1,016
Switzerland	DCF	9.62%	1.50%	2	2
Germany	DCF	9.62%	1.50%	6	20
France	DCF	9.62%	1.50%	10	14
Netherlands	DCF	9.62%	1.50%	2	4
United States	DCF	9.62%	1.50%	15	244
Canada	DCF	9.62%	1.50%	2	40

As at March 31, 2012, no impairment tests led to the recognition of any impairment.

Sensitivity of recoverable amounts

On the basis of foreseeable events to date, the Group considers that potential changes in the assumptions described in note 1.6.5.3 “Impairment tests on non-current assets” would not lead to a surplus in the carrying amount compared with the recoverable value.

Discount rate that would lead to a depreciation of a goodwill assigned to each CGU "distribution activity present in the country" is

Nature of tested CGU or groupe of CGU	Discount rate 03/31/12	Discount rate that would lead to a depreciation
Germany	9.62%	18.86%
Canada	9 .62%	253%
United States	9 .62%	142.03%
France	9 .62%	17.73%
Netherlands	9 .62%	10.50%
Switzerland	9 .62%	10.02%

Discount rate that would lead to a depreciation of goodwill of companies whose games are distributed by all subsidiaries of distribution of the Group (tested at the level of the UGT "Group") is 13.70%, a higher rate of 400 bp to the rate adopted by the Direction for the implementation of the impairment test as at 03/31/2012 (9.62%).

Note 2. Other intangible assets

Non-current assets	At 03/31/12 Gross	Depreciation and amortization	At 03/31/12 Net	At 03/31/11 Net
Released commercial software	604,575	541,357	63,218	48,856
Released external developments	230,161	222,056	8,105	4,706
Commercial software and external developments in progress	362,465	21,100	341,365	296,662
Office software	41,956	25,322	16,634	9,117
Other intangible assets in progress	1,511	-	1,511	6,454
Brands	86,956	-	86,956	85,587
Movies	2,601	-	2,601	223
Other	331	269	62	96
TOTAL	**1,330,556**	**810,104**	**520,452**	**451,701**

Non-current assets	Opening balance	Increase	Decrease	Reclassification of software in progress	Reclassifications	Changes in scope	Translation adjustments	Closing balance
Released commercial software	601,270	304,665	223,876	(77,811)	-	148	179	604,575
Released external developments	236,094	32,096	73.723	35,695	-	-	(1)	230,161
Commercial software and external developments in progress	317,662	-	-	42,116	-	2,687	-	362,465
Office software	40,611	6,163	11,886		6,009	44	1,015	41,956
Other intangible assets in progress	6,454	3,190	-	-	(8,132)	-	(1)	1,511
Brands*	85,587	10	-	-	-	-	1,359	86,956
Movies	223	2,378	-	-	-	-	-	2,601
Other	331	-	-	-	-	-	-	331
Total at 03/31/12	**1,288,232**	**348,502**	**309,485**	**-**	**(2,123)**	**2,879**	**2,551**	**1,330,556**
Total at 03/31/11	**1,313,634**	**325,228**	**352,394**	**-**	**3,408**	**177**	**(1,822)**	**1,288,232**

* All brands have an indefinite useful life

The increase of €304,665 thousand in released commercial software is due to capitalized production costs of €301,359 thousand, adding acquisitions amounting to €300 thousand, repayments of €2,109 thousand, translation adjustments amounting to €(166) thousand and capitalization for share-based payments costs to R&D staff in the amount of €5,281 thousand.
Reclassifications between accounts result from the transfer of intangible assets in progress.

Depreciation and amortization	Opening balance	Increase	Decrease	Reclassifications	Changes in scope	Translation adjustments	Closing balance
Released commercial software	552,414	191,640	223,876	21,000	-	179	541,357
Released external developments	231,388	64,391	73.723	-	-	-	222,056
Commercial software and external developments in progress	21,000	21,100	-	(21,000)	-	-	21,100
Office software	31,494	7,051	11,871	(2,143)	18	773	25,322
Brands	-	-	-	-	-	-	-
Movies	-	-	-	-	-	-	-
Other	235	34	-	-	-	-	269
Total at 03/31/12	**836,531**	**284,216**	**309,470**	**(2,143)**	**18**	**952**	**810,104**
Total at 03/31/11	**787,251**	**398,969**	**352,378**	**3,229**	**37**	**(579)**	**836,531**

No intangible assets are used to secure any borrowings.

Sensitivity of recoverable amounts of other assets with indefinite useful lives (brands)

On the basis of foreseeable events to date, the Group considers that potential changes in the assumptions described in note 1.6.5.3 “Impairment tests on non-current assets” would not lead to a surplus in the carrying amount compared with the recoverable value.

The recoverable value of brands is three times their book value.

Note 3. Property, plant and equipment

Non-current assets	At 03/31/12	Cumulative depreciation and amortization	At 03/31/12	At 03/31/11
	Gross		Net	Net
Land	293	-	293	290
Buildings	2,797	509	2,288	2,361
Fixtures and fittings	30,164	12,597	17,567	14,110
Computer hardware and furniture	63,338	46,161	17,179	15,074
Development kits	18,322	16,808	1,514	2,350
Transport equipment	409	208	201	188
Non-current assets in progress	137	-	137	451
TOTAL	**115,460**	**76,283**	**39,177**	**34,824**

Non-current assets	Opening balance	Increase	Decrease	Reclassifications	Changes in scope	Translation adjustments	Closing balance
Land	290	-	-	-	-	3	293
Buildings	2,734	-	-	-	-	63	2,797
Fixtures and fittings	25,530	3,951	2,235	2,305	21	592	30,164
Computer hardware and furniture	55,163	10,647	3.781	(1,157)	553	1,913	63,338
Development kits	17,680	760	641	424	-	99	18,322
Transport equipment	505	137	241	-	-	8	409
Non-current assets in progress	451	1,200	-	(1,514)	-	-	137
Total at 03/31/12	**102,353**	**16,695**	**6,898**	**58**	**574**	**2,678**	**115,460**
Total at 03/31/11	**78,852**	**16,105**	**3,354**	**10,829**	**680**	**-759**	**102,353**

Depreciation and amortization	Opening balance	Increase	Decrease	Reclassifications	Changes in scope	Translation adjustments	Closing balance
Buildings	373	127	-	-	-	9	509
Fixtures and fittings	11,420	2,630	1,752	3	3	293	12,597
Computer hardware and furniture	40,089	7,961	3,509	-201	382	1,439	46,161
Development kits	15,330	1,683	595	268	-	122	16,808
Transport equipment	317	110	223	-	-	4	208
Total at 03/31/12	**67,529**	**12,511**	**6,079**	**70**	**385**	**1,867**	**76,283**
Total at 03/31/11	**47,052**	**12,475**	**2.782**	**11,006**	**424**	**(646)**	**67,529**

No property, plant or equipment is used to secure any borrowings.
As at March 31, 2012, no impairment test was performed because there was no indicator of impairment of property, plant and equipment.

Note 4. Investments in associates

	Opening balance Gross	Increase	Decrease	Reclassifications	Closing balance Gross
Goodwill	230	-	-	-	230
Share of equity	163	11	-	-	174
Total investments in associates 03/31/12	**393**	**11**	**-**	**-**	**404**
Total Investments in associates 03/31/11	**393**	**-**	**-**	**-**	**393**

This is Related Designs Software GmbH in which Ubisoft Entertainment SA indirectly holds a 30% stake.

Note 5. Non-current financial assets

Non-current financial assets	At 03/31/12 Gross	Cumulative impairment	At 03/31/12 Net	At 03/31/11 Net
Equity investments in non-consolidated companies	462	253	209	207
Deposits and sureties	3,036	-	3,036	2,982
Other non-current receivables	97	-	97	146
TOTAL	**3,595**	**253**	**3,342**	**3,335**

Non-current financial assets	Opening balance	Increase	Decrease	Reclassifications	Changes in scope	Translation adjustments	Closing balance
Equity investments in non-consolidated companies	460	2	-	-	-	-	462
Deposits and sureties	2,982	907	1,049	39	73	84	3,036
Other non-current receivables	146	5,392	5,406	-37	-	2	97
Total at 03/31/12	**3,588**	**6,301**	**6,455**	**2**	**73**	**86**	**3,595**
Total at 03/31/11	**3,870**	**16,122**	**17,003**	**-**	**564**	**35**	**3,588**

The change in other non-current receivables primarily reflects purchases and sales of treasury shares held under the liquidity agreement.

Write-downs	Opening balance	Increase	Decrease	Reclassifications	Changes in scope	Translation adjustments	Closing balance
Equity investments in non-consolidated companies	253	-	-	-	-	-	253
Total at 03/31/12	**253**	**-**	**-**	**-**	**-**	**-**	**253**
Total at 03/31/11	**257**	**-**	**-**	**-**	**-4**	**-**	**253**

Note 6. Inventory and work in progress

Inventory and work in progress	Opening balance	Changes in inventory	Changes in scope	Translation adjustments	Closing balance
Goods	51,198	(25,392)	-	1,241	27,047
Total at 03/31/12	**51,198**	**(25,392)**	**-**	**1,241**	**27,047**
Total at 03/31/11	**56,827**	**(4,862)**	**7**	**(774)**	**51,198**

Provisions	Opening balance	Provisions/Reversals	Changes in scope	Translation adjustments	Closing balance
Goods	15,980	(9,135)	-	189	7,034
Total at 03/31/12	**15,980**	**(9,135)**	**-**	**189**	**7,034**
Total at 03/31/11	**8,854**	**7,263**	**-**	**(137)**	**15,980**

Note 7. Trade receivables

Trade receivables	Opening balance Gross	Movement	Changes in scope	Translation adjustments	Closing balance Gross
Trade receivables	51,373	(64,914)	1,682	710	(11,149)
Total at 03/31/12	**51,373**	**(64,914)**	**1,682**	**710**	**(11,149)**
Total at 03/31/11	**71,020**	**(19,389)**	**1,215**	**(1,473)**	**51,373**

Provisions	Opening balance	Provisions	Reversals	Changes in scope	Translation adjustments	Closing balance
Trade receivables	2,110	1,542	1,573	(128)	43	1,994
Total at 03/31/12	**2,110**	**1,542**	**1,573**	**(128)**	**43**	**1,994**
Total at 03/31/11	**2,272**	**1,630**	**1.791**	**1**	**(2)**	**2,110**

Trade receivables are due in less than one year.
The analysis of credit risk appears in note 16.

In financial year 2011/2012, the seasonality affected by weaker sales in the last quarter generated a credit balance of accounts receivable due to the recognition of provisions for returns and price protection.

Note 8. Other receivables

Other receivables	03/31/12 Gross	03/31/12 Impairment	03/31/12 Net	03/31/11 Net
Advances and prepayments received	1,962	-	1,962	2,985
VAT	28,153	-	28,153	29,037
Grants receivable	24,394	-	24,394	16,126
Other tax and employee-related receivables	2,133	-	2,133	1,792
Other*	16,007	-	16,007	1,204
Prepaid expenses	10,943	-	10,943	8,334
TOTAL	**83,592**	**-**	**83,592**	**59,478**

* The large increase in other receivables is mainly due to the fact that receivables from the customer Game, which is in a state of insolvency, are presented in this item. These receivables are fully covered by the credit insurer Coface for €6,690 thousand.

All other receivables are due in less than one year.

An amount of receivables under grants receivable in the amount of €30.5 million was deconsolidated following the signing of the factoring contract regarding the Canadian multimedia titles tax credit (€31 million, March 31, 2011). The contractual terms of the factoring agreement signed in March 2012 allow Ubisoft to transfer all the risks and rewards relating to the 80% share of these receivables held, including the risk of default of the assigned debtor. Consequently, 80% of these grants were derecognized as at March 31, 2012.

Note 9. Current financial assets

Current financial assets	03/31/12 Gross	Impairment	Net	03/31/11 Net
Foreign exchange derivatives*	645	-	645	-
Gameloft shares**	14,642	-	14,642	29,112
TOTAL	**15,287**	**-**	**15,287**	**29,112**

<u>* Foreign exchange derivatives:</u>

	03/31/12	03/31/11	Change
Foreign exchange derivatives eligible for hedge accounting	620	-	620
Other foreign exchange derivatives	25	-	25
Foreign exchange derivatives	**645**	**-**	**645**

Foreign exchange derivatives whose market value at the year-end is positive are reported at fair value (level 2, IFRS 7 hierarchy), (see analysis in note 16).

<u>** Fair value of Gameloft shares classified as “held-for-sale financial assets”:</u>

As at March 31, 2012, the price of 3,142,165 Gameloft shares are valued at €4.66 or a balance sheet valuation of €14,642 thousand.

The sale of 3.2 million shares for €13.7 million resulted in a decrease in financial assets of €14,627 thousand with a corresponding capital gain of €8,512 thousand and a decrease in equity of €9,423 thousand.
The change in fair value based on the closing price of the remaining shares led to an increase in financial assets of €157 thousand with a corresponding increase in equity.

Note 10. Cash and cash equivalents

	03/31/12	03/31/11
Cash and bank balances	165,291	189,182
Investments of less than 3 months	10,412	4,172
*Including UCITS**	-	-
*SICAV**	*10,155*	*4,172*
Term certificates of deposit	*257*	-
TOTAL	**175,703**	**193.354**

* Measured at fair value (level 1, IFRS 7 hierarchy)

The amounts presented in cash and cash equivalents are immediately available to the Group and have a negligible risk of changes in value.

The change in net cash breaks down as follows:

	03/31/12	03/31/11
Cash and cash equivalents	175,703	193.354
Bank overdrafts	(89.378)	(71.319)
Cash and cash equivalents on the cash flow statement*	**86,325**	**122,035**

* see 1.5

Note 11. Equity

Capital

As at March 31, 2012, the capital of Ubisoft Entertainment SA was €7,369,475.16 divided into 95,090,002 shares with a nominal value of €0.0775.

Each share gives rights to ownership of the corporate assets and the liquidation dividend equal to the proportion of the share capital that it represents.

Voting rights double those conferred on other shares, based on the proportion of the share capital they represent, are granted to all fully paid-up shares that are shown to have been registered in the name of the same shareholder for at least two years.

In the event of a share capital increase via the capitalization of reserves, earnings or issue premiums, this right is also conferred at the date of issue on registered shares granted free of charge to a shareholder on the basis of old shares that enjoyed this right.

Number of Ubisoft Entertainment SA shares:

At 04/01/11	94,727,890
Option exercises	34,646
Bonus share grants	277,000
Group savings scheme	50,466
At 03/31/12	**95,090,002**

The maximum number of shares to be created is 17,518,199:

- 16,573,169 through the exercising of stock options;
- 945,030 through the granting of bonus shares.

Details are provided in note 14.

Translation reserve

The translation reserve includes all translation adjustments resulting from the translation of the financial statements of foreign subsidiaries since January 1, 2004.

Translation differences in consolidated equity go from €(37) million to €(23) million. This change is due primarily to the rise in the US dollar between the closing rate on March 31, 2011 (€1 = $1.4207) and the closing rate on March 31, 2012 (€1 = $1.3356) or €8,427 thousand, and the rise in the Canadian dollar between the closing rate on March 31, 2011 (€1 = $1.3785) and the closing rate on March 31, 2012 (€1 = $1.3311) or €2,566 thousand.

Hedging reserve

The hedging reserve includes the effective part of the cumulative net change in the fair value of cash flow hedge instruments attributable to hedged transactions that have not yet materialized.

At 03/31/11	-
Gains/losses on cash flow hedging	
Foreign exchange hedges	731
Deferred tax	(244)
Reclassification under profit or loss	-
At 03/31/12	**488**

The portion reclassified under profit or loss is booked under current operating income.

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of financial assets until these have been divested or impaired.

Treasury shares

Occasionally, the Group buys its own shares on the market. The timing of these purchases depends on the share price.

As at March 31, 2012, the Company held 566,584 treasury shares. These are measured at the average quoted price of €4.40 and are recognized as a deduction from equity in the amount of €2,491 thousand (a reduction of €1,371 thousand compared to March 31, 2011, essentially due to the acquisition of 400,000 shares allocated to cover stock option plans).

Dividends

At March 31, 2012, no dividend was paid in respect of 2010/2011 earnings.

Note 12. Provisions

	Opening balance	Provisions	Reversals (used provision)	Reversals (unused provision)	Changes in scope	Translation adjustments	Closing balance
Provision for tax risk	2,176	-	-	-	-	77	2,253
Other provisions for risks	119	1,576	44	-	8	6	1,665
Total at 03/31/12	**2,295**	**1,576**	**44**	**-**	**8**	**83**	**3,918**
Total at 03/31/11	**2,215**	**109**	**13**	**-**	**-**	**(16)**	**2,295**

As part of the tax assessment at Ubisoft Divertissements Inc. (Canada) from 1999 to 2003, and from 2004 to 2008, a bilateral transfer price agreement has been initiated with the tax authorities. Pending the final agreement, the provision of CAD 3 million is maintained unchanged.

Other provisions for risks relate to labor or commercial disputes in progress.

Contingent liabilities

A tax audit is underway at Ubisoft Canada Inc. for the period from April 1 , 2003 to March 31 , 2008. No proposed adjustments have been received to date. Consequently, no provision has been recognized in the accounts.

A tax audit is underway at Ubisoft Holdings Inc. for the financial year 2008/2009. No proposed adjustments have been received to date. Consequently, no provision has been recognized in the accounts.

Note 13. Employee benefit liabilities

	Opening balance	Provisions	Reversals	Translation adjustments	Changes in scope	Closing balance
Provisions for post-employment benefits	1,196	339	-	-	33	1,568
Total at 03/31/12	**1,196**	**339**	**-**	**-**	**33**	**1,568**
Total at 03/31/11	**1,710**	**5**	**519**	**-**	**-**	**1,196**

Assumptions

	Japan		Italy		France	
	03/31/12	03/31/11	03/31/12	03/31/11	03/31/12	03/31/11
Wage growth	2% to 4%	1.50% to 5%	1.50% to 2%	1.50% to 2%	1.50% to 3%	1.50% to 3%
Discount rate	4.56%	4.45%	4.56%	4.45%	4.56%	4.45%
Average remaining working life	25.3 years	25.6 years	26.7 years	24 years	33.6 years	34.4 years

Death rate assumptions are based on published statistics and tables.
The definition of and principles for measurement and recognition of these benefit liabilities are presented in 1.6.5.3 Consolidation principles - Employee benefits.
A 67-point change in the discount rate would result in a change of 17% in the amount of the benefit liability.

Note 14. Payments based on equity instruments

Impact on the financial statements:

Equity at 03/31/11	**68,679**
Employee benefits expenses	**3,809**
Stock options	*3,063*
Bonus share grants	*691*
Group savings scheme	*55*
Equity instruments capitalized	**5,281**
Equity at 03/31/12	**77,769**

The impact of these share-based payments on reserves corresponds to all equity instruments issued by Ubisoft as at March 31, 2012 and can be seen in the statement of changes in equity presented in 1.4

Stock options

The fair value of share subscription or purchase options, subject to satisfaction of presence and performance requirements for corporate officers and a presence requirement for employee beneficiaries, is estimated and fixed at the grant date. The expense is recognized over a four-year vesting period, but is not straight-line given the vesting terms. IFRS 2 has been applied to instruments issued after November 7, 2002 for which the rights had not been acquired as at December 31st, 2004 (of the following plans, only the seventh has not been restated in accordance with IFRS 2):

Subscription options

	7th plan	11th plan	12th plan		13th plan		14th plan	
Total number of shares granted [1]	1,556,260	1,552,600	1,485,000		2,711,784		3,154,800	
Start of exercise period	01/19/05	10/14/05	11/17/05	11/17/05	02/23/07		04/26/08	
End of exercise period	08/15/12	10/13/14	11/16/14	11/16/14	02/22/13 [2]		04/25/12	
Strike price of options [1]	€3.21	€3.88	€3.68 France	€3.87 Italy	€7.91		€17.65	
Maturity (years)	10	10	10		5		5	
Volatility	N/A	30%	30%		30%		30%	
Risk-free interest rate	N/A	4%	3.9%		2.99%		4.03%	
Estimated dividend rate	N/A	0%	0%		0%		0%	
Annual turnover rate	N/A	3%	3%		3%		5%	
Fair value of options after stock split[1] (€/share)	N/A	€1.47	€1.59 France	€1.53 Italy	€2.27 France	€1.70 World	€5.71 France	€4.28 World
Options at April 1, 2011 [1]	28,250	327,889	715,209		1,722,683		2,575,018	
Options granted during the period	-	-	-		-		-	
Options exercised during the period	-	17,836	15,060		-		-	
Options cancelled during the period	-	5,311	280		40,350		108,002	
Options outstanding at March 31, 2012	28,250	304,742	699,869		1,682,333		2,467,016	

	15th plan		16th plan	17th plan	18th plan		19th plan	
Total number of shares granted (1)	24,072		1,804,100	1,362,500	100,160		3,073,400	
Start of exercise period	06/22/08		06/13/09	06/27/09	09/15/09	09/15/09	05/12/10	05/12/10
End of exercise period	06/21/12		06/12/13	06/26/13	09/14/13	09/14/13	05/11/14	05/11/14
Strike price of options (1)	€18.77		€27.75	€27.66	€29.30 France	€28.13 World	€14.92 France	€14.40 World
Maturity (years)	5		5	5	5	5	5	5
Volatility	30%		30%	30%	30%	30 %	30 %	30%
Risk-free interest rate	4.41%		4.38%	4.38%	4.23%	4.23 %	2.42 %	2.42%
Estimated dividend rate	0%		0%	0%	0%	0 %	0 %	0%
Annual turnover rate	5%		5%	5%	5%	5 %	5 %	5%
Fair value of options after stock split(1) (€/share)	€5.92 France	€4.37 World	€6.69	€8.00	€8.54 France	€6.77 World	€3.54 France	€2.68 World
Options at April 1, 2011 (1)	18,898		1,548,100	1,291,400	92,360		2,893,450	
Options granted during the period	-		-	-	-		-	
Options exercised during the period	-		-	-	-		-	
Options cancelled during the period	1,500		106,220	21,600	8,000		133,150	
Options outstanding at March 31, 2012	17,398		1,441,880	1,269,800	84,360		2,760,300	

	20th plan		21st plan	22nd plan	23rd plan		24th plan	TOTAL
Total number of shares granted (1)	119,755		4,500	119,000	3,088,758		3,220,748	
Start of exercise period	06/18/10		12/15/10	04/29/11	06/30/11		04/27/11	
End of exercise period	06/17/14		12/14/14	04/28/15	06/29/15		04/26/16	
Strike price of options (1)	€15.60 France	€16.90 World	€10.04	€10.02	€7.10 France	€6.39 World	€6.841	
Maturity (years)	5	5	5	5	5		5	
Volatility	30%	30%	30%	30%	30%		30%	
Risk-free interest rate	2.61%	2.61%	2.23%	2.01%	1.54%		2.72%	
Estimated dividend rate	0%	0%	0%	0%	0%		0%	
Annual turnover rate	5%	5%	5%	0%	5%		5%	
Fair value of options after stock split(1) (€/share)	€5.22 France	€3.37 World	€2.64	€2.46	€1.29 France	€1.13 World	€1.85	
Options at April 1, 2011 (1)	107,205		4,500	119,000	3,029,258		-	14,473,220
Options granted during the period	-		-	-	-		3,220,748	3,220,748
Options exercised during the period	-		-	-	1,750		-	34,646
Options cancelled during the period	20,600		-	-	138,165		502,975 (3)	1,086,153
Options outstanding at March 31, 2012	86,605		4,500	119,000	2,889,343		2,717,773	16,573,169

(1) Following the two-for-one stock split on December 11, 2006 and November 14, 2008
(2) Extensions of two years following decision of the Board of Directors of January 10, 2011
(3) 417,000 subscription options (of the 3,220,748 options granted) changed into purchase options following a decision made by the Board of Directors on March 9, 2012

The average price of options exercised during the period was €3.80.

Purchase options (1)

	24th plan
Total number of shares granted	417,000
Start of exercise period	04/27/12
End of exercise period	04/26/16
Strike price of options	€6.841
Purchase options at April 1, 2011	-
Purchase options granted during the period	417,000
Number of purchase options exercised during the period	-
Purchase options granted during the period	6,250
Purchase options outstanding at March 31, 2012	410,750

(1) 417,000 subscription options (of the 3,220,748 options granted) changed into purchase options following a decision made by the Board of Directors on March 9, 2012

Bonus share grants

Bonus share grants, which are subject to performance conditions, are locked in for a two or four-year period following the grant date. As the shares granted are ordinary shares in the same category as the old shares that comprise the Company's share capital, employee shareholders receive dividends and voting rights on all their shares at the end of the vesting period.

The employee benefit expense corresponds to the value of instruments received by the beneficiary, which is equal to the value of shares being received, with the discounted value of dividends expected over the vesting period being zero.

	03/31/08		03/31/09		03/31/10		
Grant date	10/02/07	03/17/08	06/13/08	09/15/08	04/09/09	11/17/09	12/15/09
Maturity - Vesting period (in years)	4 years	4 years	4 years	4 years	4 years	4 years	4 years
Fair value of the instrument in € per share	23.86	25.65	28.44	28.80	15.35	11.21	9.92
Annual turnover	3%	3%	3%	3%	3%	3%	3%
Percentage of operating targets reached	100%	100%	100%	100%	100%	100%	100%
Number of instruments as at April 1, 2011	168,500	116,000	28,600	68,000	44,000	15,000	300,000
Number of instruments granted during the period	-	-	-	-	-	-	-
Number of cancelled instruments during the period	7,500	-	-	9,000	-	-	8,000
Number of instruments exercised during the period	161,000	116,000	-	-	-	-	-
Number of instruments at March 31, 2012	-	-	28,600	59,000	44,000	15,000	292,000

	03/31/11			03/31/12		TOTAL
Grant date	06.30.10	06/30/10	11/14/10	06/24/11	06/24/11	
Maturity - Vesting period (in years)	4 years	2 years	4 years	2 years	4 years	
Fair value of the instrument in € per share	6.19	6.19	9.65	6.49	6.49	
Annual turnover	3%	3%	3%	0%	3%	
Percentage of operating targets reached	100%	100%	100%	100%	100%	
Number of instruments as at April 1, 2011	152,000	12,520	213,000	-	-	1,117,620
Number of instruments granted during the period		-	-	12,140	131,770	143,910
Number of cancelled instruments during the period	7,000	-	8,000	-	-	39,500
Number of instruments exercised during the period	-	-	-	-	-	277,000
Number of instruments at March 31, 2012	145,000	12,520	205,000	12,140	131,770	945,030

Group savings scheme

Ubisoft also offers Group savings schemes, which allow workers to acquire Ubisoft shares as part of reserved capital increases. Workers acquire these shares with a maximum discount of 15% versus the average opening price over the 20 trading days prior to the Board of Directors' meeting that approved the capital increase.

The difference between the share subscription price and the share price on the grant date (the same as the plan's announcement date) constitutes the benefit awarded to beneficiaries. This estimated expense is fixed on the grant date and recognized immediately as remuneration for past services.
The lock-in period is five years for French employees.

	03/31/12	03/31/11
Grant date	07/18/11	12/07/10
Subscription price (in euros)	6.12	6.46
Data at date of announcement to employees:		
Share price (in euros)	7.20	9.65
Number of shares subscribed	50,466	105,162
Fair value of the benefit in € per share	**1.08**	**3.19**

Note 15. Current and non-current financial liabilities

	03/31/12	03/31/11
Bank borrowings	932	1,202
Borrowings resulting from the restatement of finance leases	547	693
Long-term borrowings	**1,479**	**1,895**
Bank borrowings	99	20,760
Bank overdrafts and short-term loans	89,209	70,778
Accrued interest	169	542
Borrowings resulting from the restatement of finance leases	174	183
Foreign exchange derivatives*	1,421	469
Short-term borrowings	**91,072**	**92,732**
TOTAL	**92,551**	**94,627**
Fixed-rate debt	2,949	3,308
Variable-rate debt	89,603	91,319

* Measured at fair value (level 2, IFRS 7 hierarchy)

Note 16. Information on the management of financial risks

In the course of its business, the Group may be exposed to varying degrees of interest-rate, foreign exchange, financing, liquidity, counterparty and credit risks. The Group has put in place a policy for managing these risks, which is described below for each of the risks.

Interest-rate risk

Interest-rate risk is mainly incurred through the Group's interest-bearing debt. It is essentially euro-denominated and centrally managed. Interest-rate risk management is primarily designed to minimize the cost of the Group's borrowings and reduced exposure to this risk. For this purpose, the Group uses primarily fixed-rate loans for its long-term financing needs and variable-rate loans to finance specific needs relating to increases in working capital during particularly busy periods.

At March 31, 2012, the Group's debt included bank overdrafts which, given the Group's positive cash position, are used essentially to finance the high year-end working capital requirements relating to the highly seasonal nature of the business.

Analysis of variable-rate net debt's sensitivity to interest-rate risk

The Group's exposure to a change in interest rates on net debt is presented in the following table:

Liabilities	Type of rate	Rate	Nominal	Interest p.a.	Change of 1%	Difference
Net cash from bank overdrafts	Variable	0.98%	75,956	743	1,504	761
Investment securities	Variable	0.39%	10,405	40	144	104
TOTAL			**86,361***	**1,064**	**1,648**	**865**

* Excluding accrued interest and finance lease borrowing

LIQUIDITY RISK

As at March 31, 2012, the Group has financial debt of €91 million and net cash including liquid assets and short-term investment securities of €84.6 million.

	03/31/12	03/31/11
Financial liabilities excluding derivatives	(91,130)	(94,157)
Cash	165,291	189,182
Net investment securities	10,412	4,172
Net cash	**84,573**	**99,197**

In order to finance temporary needs relating to increases in working capital during particularly busy periods, the Group took out a syndicated loan of €180 million, bilateral lines of credit for €95 million and authorized overdraft facilities of €74.3 million on March 31, 2012. The Group has cash agreements allowing centralized management at parent bank level of the bank accounts of the majority of Group companies.

The syndicated loan and confirmed bank loans in place are governed by financial covenants that are based on the ratio of net debt to equity and that of net debt to EBITDA.

<u>Covenants</u>

Under the terms of the syndicated loan and bilateral credit lines, the Company is required to fulfill certain financial ratios (covenants).
The covenants are as follows:

	2011/2012	2010/2011
Net debt restated for assigned receivables/equity restated for goodwill <	0.80	0.80
Net debt restated for assigned receivables/EBITDA <	1.5	1.5

All covenants are calculated on the basis of the consolidated annual financial statements under IFRS.

As at March 31, 2012, the Company was in compliance with all these ratios and expects to remain so during the 2012/2013 financial year.

Other borrowings are not governed by covenants.

Analysis of financial liabilities by maturity

	03/31/12		Schedule			
	Carrying amount	Total contractual cash flows*	< 1 year	1 to 2 years	3 to 5 years	> 5 years
Current and non-current financial liabilities						
Bank borrowings	1,031	1,031	99	151	451	330
Borrowings resulting from the restatement of finance leases	721	721	147	114	294	166
Trade payables	80,800	80,800	80,739	15	46	-
Other operating debts**	116,531	116,531	96,517	9,197	10,537	280
Current tax liabilities	3,145	3,145	3,145	-	-	-
Cash liabilities	89,378	89,378	89,378	-	-	-
Derivative liabilities						
Non-hedge derivatives	1,421	99,627	99,627			
TOTAL	**293,027**	**391,233**	**369,679**	**9,452**	**11,326**	**776**

* Liabilities are presented at the closing exchange rate, while variable-rate interest is calculated based on the closing spot rate.
** Others operating debts at more than one year are mainly related to the deferred payments of consideration transferred as part of business combinations.

FOREIGN EXCHANGE RISK

The Group is exposed to foreign exchange risk on its cash flows from operating activities and on its investments in foreign subsidiaries. The percentage of sales generated outside the euro currency area is 72%.

The Group only hedges its exposures on cash flows from operating activities in the main significant foreign currencies (US dollar, Canadian dollar, pounds sterling and Australian dollar). Its strategy is to hedge only one year at a time, so the hedging horizon never exceeds 18 months.

The Group first uses natural hedges provided by transactions in the other direction (development costs in foreign currency offset by royalties from subsidiaries in the same currency). The parent company uses foreign currency borrowings, forward sales or foreign exchange options to hedge any residual exposures and non-commercial transactions (such as inter-company loans in foreign currencies).

Derivatives for which documentation on the hedging relationship does not meet the requirements of IAS 39 are not referred to as hedging instruments in the accounts.

As at March 31, 2012, foreign exchange transactions denominated in US dollars and pounds sterling meet the cash flow hedging requirements under IAS 39.

Hedging commitments are made by the parent company’s treasury department in France. No hedging is taken out at subsidiaries in France or abroad.

The fair value of foreign exchange derivatives is confirmed by the banking counterparty. It is estimated on the basis of market conditions, using the market price which the Group would have to pay to unwind its positions.

At closing, the fair value of foreign exchange derivatives is as follows:

	03/31/12				03/31/11					
	USD	CAD	GBP	SEK	USD	CAD	GBP	AUD	SEK	JPY
Long-term hedges [1]	620									
Swap								(118)		
Net foreign exchange options										
Qualifying foreign exchange hedging derivatives	**620**	**-**	**-**	**-**	**-**	**-**	**-**	**(118)**	**-**	**-**
Long-term hedges [1]	(1,380)	(30)	(11)	25	(153)	(100)	(37)	-	(3)	(59)
Net foreign exchange options										
Non-hedge foreign exchange derivatives	**(1,380)**	**(30)**	**(11)**	**25**	**(153)**	**(100)**	**(37)**	**-**	**(3)**	**(59)**

[1] Mark-to-market, level 2 in the hierarchy of fair value under IFRS 7

- The amount of ineffective derivative instruments qualifying for hedge accounting under IAS 39 is accounted for as financial income.

Exposure to foreign exchange risk

In thousands of currency units	USD	GBP	CAD	AUD
Net position before hedging*	186,917	66,901	(145,242)	36,109
Futures contracts	(10,400)	(1,000)	14,000	-
Net position after hedging	176,517	65,901	(131,242)	36,109

* Transaction position brought about by any operation triggering a payment or future earnings.

Credit and counterparty risk

Exposure to credit risk

Credit risk reflects the risk of financial loss to the Group in the event that a customer or counterparty to a financial instrument may fail to meet its contractual obligations. This risk is mainly incurred on trade receivables and investment securities.

The Group’s exposure to credit risk is mainly influenced by customer-specific factors. The statistical profile of customers, notably including the risk of bankruptcy for each sector of activity and country in which customers operate, has no real influence on credit risk.

Given the large number of customers in many different countries, and their presence in the mass retail sector, the Company believes the counterparty risk on trade accounts is limited.

Ubisoft’s largest customer, the North America distribution zone, accounts for 10% of Group sales excluding tax. The top five account for 39% and the top 10 for 50%.

Moreover, in order to protect itself against the risk of arrears, the Group’s main subsidiaries, which generate approximately 85% of Group sales, are all covered by credit insurance.

At year-end, the maximum credit risk exposure, represented by the carrying amount of financial assets, was as follows:

		03/31/12			03/31/11
	Notes	Carrying amount	Provisions	Net carrying amount	Net carrying amount
Available-for-sale financial assets	9	14,642	-	14,642	29,112
Trade receivables	7	(11,149)	1,994	(13,143)	49,263
Other current trade receivables	8	83,592	-	83,592	59,477
Foreign exchange derivatives	9	645	-	645	-
Current tax assets		13,691	-	13,691	10,574
Cash and cash equivalents	10	175,703	-	175,703	193,354

Other receivables from the customer Game, which is in a state of insolvency, are fully covered by the credit insurer Coface for €6,690 thousand with the balance depreciated.

Exposure to counterparty risk

All cash must remain highly liquid by limiting capital risk exposure as much as possible. This should therefore be invested in products with a high degree of security, very low volatility and a negligible risk of changes in value. All instruments in which the Group invests meet the requirements of IAS 7. For instance, some prudential rules must be respected for the Group's cash investments:

- Never hold more than 5% of a fund's assets;
- Never invest more than 20% of total cash in the same vehicle.

The Group diversifies its investments with top tier counterparties and monetary instruments with less than three months' maturity.

As at March 31, 2012, the Group's investments consisted of cash UCITS and certificates of deposit.

Securities risk

Risk to the Company's shares

Treasury shares are held under a market-making and liquidity agreement signed with Exane BNP. These purchases are made under the terms of a market-making agreement that complies with all applicable regulations, and are designed to ensure the liquidity of purchases and sales of shares.
The Company allocated €1.7 million for the implementation of this agreement over the last financial year.

400,000 shares were purchased on the market (assigned to employee shareholdings) under the 6th resolution of the General Meeting of 30 June, 2011.

As at March 31, 2012, the Company held 566,584 treasury shares with a value of €2,491 thousand. Own shares are deducted from equity at cost of sale.

Risk to other securities

At March 31, 2012, financial assets included €14.6 million in shares in the listed company Gameloft.
On July 12, 2007, Ubisoft Entertainment SA signed two contracts with CACIB. The first concerns the sale of all Gameloft shares held by Ubisoft Entertainment SA, or 13,367,923 shares at a price of €6.08 per share. The second is the opportunity for Ubisoft to continue to benefit from upward and downward fluctuations in the share price in relation to the price of €6.08 per share until July 15, 2013.
Under IAS 39, all the risks and benefits have not been transferred; the Gameloft shares have been classified as available-for-sale current financial assets.
The sale of Gameloft shares on the market by Calyon is recorded in the income statement.
The Gameloft shares not yet sold by Calyon are measured at fair value. The change in fair value of shares not yet sold by Calyon is recognized in other comprehensive income.

Information on the valuation of these shares is presented in note 9.

A 10% change in the closing price would have an impact of €1.5 million on consolidated equity and comprehensive income (excluding effect of deferred taxation).

Reconciliation by accounting class and category

	Notes	Hierarchy IFRS 7	03/31/12 Carrying amount	Fair value	03/31/11 Carrying amount	Fair value
Assets recognized at fair value						
Foreign exchange derivatives	9	2		645		-
Gameloft shares	9	1		14,642		29,112
Equity investments in non-consolidated companies	5	2		209		207
Assets recognized at amortized cost						
Trade receivables	7		(13,143)		49,263	
Other trade receivables	8		83,592		59,477	
Current tax assets			13,691		10,574	
Deposits and sureties	5		3,036		2,982	
Other non-current receivables	5		97		146	
Cash and cash equivalents	10		175,703		193,354	
Liabilities recognized at fair value						
Foreign exchange derivatives	15	2		(1,421)		(469)
Liabilities recognized at amortized cost						
Borrowings	15		(91,130)		(94,157)	
Trade payables	17		(80,800)		(110,947)	
Other operating debts	18		(116,531)		(96,847)	
Current tax liabilities			(3,145)		(7,005)	

No changes in the fair value hierarchy have been carried out in the valuation of assets and liabilities at fair value over the past year.

Note 17. Trade payables

Trade payables	At 03/31/11 Gross	Cash flows from operating activities	Reclassifications	Changes in scope	Translation adjustments	At 03/31/12 Gross
Trade payables	109,167	(32,289)	-	448	2,069	79,395
Amounts due to suppliers of non-current assets	1,780	(375)	-	-	-	1,405
At 03/31/12	**110,947**	**(32,664)**	**-**	**448**	**2,069**	**80,800**
Total at 03/31/11	**144,499**	**(32,789)**	**-**	**308**	**(1,071)**	**110,947**

Trade payables include commitments made under license agreements for the amount specified in the agreement including the portion not yet paid.

As at March 31, 2012, these unpaid commitments amounted to €14,882 thousand. These stood at €30,883 thousand in the previous year.

As these debts are short-term and do not bear interest, a change in interest rates does not represent a significant interest-rate risk.

Note 18. Other liabilities

	03/31/12	03/31/11
Advances and prepayments received	49	26
Employee-related liabilities	66,796	59,276
Other tax liabilities	15,494	23,070
Other debts	29,560	10,870
Deferred income*	4,632	3,604
TOTAL	**116,531**	**96,846**

Other liabilities mainly include additional sums to be paid for the following acquisitions: €4 million for Nadeo, €5.1 million for RedLynx and €16.1 million for Owlient.

1.6.8 NOTES TO THE INCOME STATEMENT

Note 19. Sales

	03/31/12	03/31/11
Sales of goods	992,898	993,232
Licenses	52,930	27,168
Services	15,468	18,426
TOTAL	**1,061,296**	**1,038,826**

At current exchange rates, sales have risen by 2.1%; at constant exchange rates, there has been an increase of 3.9%.

Note 20. Operating expenses by destination

The decrease of €14.6 million in research and development costs, which represent 33.5% of sales (€355 million) compared to 35.6% in 2010/11 (€369.6 million), is primarily due to the lower number of games released on high-definition consoles during the period, partially offset by higher royalties and a rise in certain non-capitalized online costs.

During the year, released commercial software was amortized in the amount of €206 million (€200 million in 2010/11) and external developments in the amount of €64 million (€61 million in 2010/11).

The increase of €31.7 million in SG&A expenses, which represent 29.9% of sales (€317.5 million) compared to 27.5% in 2010/2011 (€285.8 million), relates to:

- Variable marketing expenses, up at €177 million (16.7% of sales) compared to €160 million (15.4%) in 2010/11. This increase is primarily related to growth in online and dance activities.
- Structuring costs, also up at €140 million (13.2% of sales) compared to €125.8 million (12.1%) in 2010/11. This increase is primarily explained by higher expenses relating to online activity.

Note 21. Operating expenses by type

Employee benefits expenses

	03/31/12	03/31/11
Salaries and payroll taxes	403,515	356,907
Wage subsidies	(62,021)	(54,585)
Share-based payments*	9,090	13,276
Portion of share-based payments capitalized	(5,281)	(8,235)
TOTAL	**345,303**	**307,363**

* See breakdown in note 14

In financial year 2011/2012, €5.3 million in share-based compensation was capitalized and €6.6 million amortized for the year.
The Group has total expenses of €10,133 thousand resulting from its defined contribution plans.

Grants and tax credits presented as a reduction in personnel costs are as follows:

Country	Type	03/31/12	03/31/11
Canada			
	Multimedia credit	38,425	35,160
	Research tax credit*	8,632	5,015
	Other*	8,745	5,065
France			
	Research tax credit	1,969	3,497
	Video game tax credit	1,164	1,976
	Video game tax credit refund	(1,842)	-
Singapore			
	Economic Development Board tax credit	4,070	2,955
Other		858	917
TOTAL		**62,021**	**54,585**

* The payment of certain grants and tax credits is contingent upon the generation of taxable income

Amortization and provisions

	03/31/12				
	TOTAL	Cost of sales	R&D costs	Marketing costs	Administrative and IT costs
Amortization of intangible assets	284,216	12	277,782	141	6,282
Released commercial software	*212,740*	-	*212,740*	-	-
External developments	*64,391*	-	*64,391*	-	-
Office software	*7,051*	*12*	*626*	*138*	*6,276*
Movies	-	-	-	-	-
Other	*34*	-	*25*	*3*	*6*
Depreciation of property, plant and equipment	12,511	158	9,619	844	1,890
Buildings	*127*	*2*	*93*	*10*	*22*
Fixtures and fittings	*2,630*	*38*	*1,928*	*205*	*459*
Computer hardware and furniture	*7,961*	*116*	*5,835*	*620*	*1,390*
Development kits	*1,683*	-	*1,683*	-	-
Transport equipment	*110*	*2*	*80*	*9*	*19*
TOTAL depreciation and amortization 03/31/12	**296,727**	**170**	**287,401**	**985**	**8,172**
TOTAL depreciation and amortization 03/31/11	**411,444**	**141**	**401,754**	**976**	**8,573**

	03/31/12				
	TOTAL	Cost of sales	R&D costs	Marketing costs	Administrative and IT costs
Provisions for trade receivables	(31)	-	-	(26)	(5)
Provisions for other current assets	-	-	-	-	-
Provisions for risks and charges	1,532	22	1,123	119	267
Provisions for post-employment liabilities	339	5	248	26	59
Other provisions	-	-	-	-	-
TOTAL provisions and reversals of provisions 03/31/12	**1,840**	**27**	**1,371**	**119**	**321**
TOTAL provisions and reversals of provisions 03/31/11	**(579)**	**(5)**	**(309)**	**(164)**	**(101)**

Note 22. Non-current expenses and income

	03/31/12	03/31/11
Profit on disposal of fixed assets	-	(364)
Other operating income	-	62
Other operating expenses*	-	(97,074)
TOTAL	**-**	**(97,376)**

* As at March 31, 2011, reorganization costs consist primarily of the withdrawal of games in the amount of €82.2 million and the costs of ceasing merchandising activity of €9.5 million.

Note 23. Net financial income

	03/31/12	03/31/11
Income from cash	1,820	1,458
Interest on borrowings	(4,347)	(6,546)
Cost of net financial debt	**(2,527)**	**(5,088)**
Foreign exchange gains	38,104	27,268
Foreign exchange losses	(41,508)	(31,578)
Result from foreign exchange operations*	**(3,404)**	**(4,310)**
Other financial income	193	65
Disposal of the equity swap on Gameloft shares	8,512	5,999
Financial income	**8,705**	**6,064**
Other financial expenses	(308)	(345)
Financial expenses	**(308)**	**(345)**
TOTAL	**2,466**	**(3,679)**

* The foreign exchange income is mainly linked to changes in the Canadian dollar (€(0.5) million), pound sterling (€(0.7) million) and US dollar (€(1.3) million).

Note 24. Share in profit of associates

The share of profit of associates is attributable to the Related Designs Software GmbH associate.

	03/31/2012	03/31/2011
Assets	773	829
Liabilities excluding income	716	743
Sales	2,802	3,506
Net profit	57	86

Note *25.* Income tax and deferred taxes

<u>Analysis of tax liabilities (savings):</u>

	03/31/12	03/31/11
Current tax	(7,667)	12,599
Deferred tax	(3,112)	19,446
TOTAL	**(10,778)**	**32,045**

There are three tax consolidation groups:

- In France, the tax group includes all French companies, with the exception of those created and acquired during the financial year. On March 31, 2012, the tax group's loss carryforwards totaled €357,219 thousand, including €330,720 thousand in accelerated depreciation relating to the application of Article 236 of the CGI (General Tax Code) for software development expenses.
- In the US, the tax group included two companies: Red Storm Entertainment Inc. and Ubisoft Inc. As at March 31, 2012, the tax group generated tax expense of €3,197 thousand.
- In the UK, the tax group included two companies: Ubisoft Limited and Ubisoft Reflections Limited. As at March 31, 2012, the tax group generated tax expense of €277 thousand.

Deferred tax relating to the operations of the French tax group is recognized at the tax rate applicable to the parent company (33.33%).
Deferred tax relating to the operations of the groups abroad is recognized at the tax rate applicable in each country.

Reconciliation between the theoretical tax liability and the recognized tax liability:

	03/31/12
Consolidated income excluding goodwill, tax and profit of associates	48,099
Theoretical tax (33.33%)	16,031
Payments of tax deferred from previous years:	
Impact of supplementary tax	-304
Impact of changes in the rate on the tax basis	-102
Impact of previously unrecognized tax loss carryforwards	-665
Impact of permanent differences between corporate income and consolidated earnings:	
Net cost of share-based payments	3,470
Tax depreciation of goodwilll	(267)
Cancellation of studio margin	(1,442)
Other permanent differences	(314)
Impact of permanent differences between corporate income and taxable income:	
Disposal of Gameloft shares	(4,694)
Other permanent differences	825
Taxation of foreign companies at different tax rates	(669)
Other adjustments	
Other local taxes	(617)
Tax credits presented in profit/loss before tax	(474)
Total income tax	**10,778**
Real tax rate	**22.41%**

Deferred tax

Breakdown by nature of tax on the balance sheet and income statement:

	03/31/11	Change in income	Change in other comprehensive income	Carried over from business combinations	Other reclassifications	03/31/12
Intangible assets						
Elimination of margin on intangible assets	5,874	491				6.365
Available-for-sale financial assets	3,094	-	(1,607)			1,487
Capitalized losses and tax credits						
Losses	10,405	162				10,567
Investment tax credit	36,663	227			9,873	46,763
Hedging derivatives	157	561	(244)			474
Other						
Temporary tax differences	24,496	1.237	(9)		(812)	24,912
Other consolidation adjustments	1,836	(79)				1,757
Total deferred tax assets	**82,525**	**2,599**	**(1,860)**	**-**	**9,061**	**92,325**
Intangible assets						
Brands	(5,611)	(1,017)		-		(6,628)
Other intangible assets	(488)	10		(695)		(1,173)
Tax credit	(21,907)	(3.768)				(25,675)
Other	(2,984)	(936)				(3,920)
Total deferred tax liabilities	**(30,990)**	**(5,711)**	**-**	**(695)**	**-**	**(37,396)**
Total net deferred taxes	**51,535**	**(3,112)**	**(1,860)**	**(695)**	**9,061**	**54,929**

Deferred tax assets

Expiry of deferred tax assets as at March 31, 2012:
- Short-term: €20,455 thousand
- Long-term: €71,870 thousand

Transfer price policy of the Group

Because of a transfer price policy implemented by the Group, the distribution companies and companies fulfilling support functions systematically report operating profits; similarly, the studios invoice salaries with a margin that includes their overheads.

Taxes on capitalized/non-capitalized losses:

In thousands of euros	03/31/12 Capitalized losses	03/31/12 Non-capitalized losses	03/31/12 TOTAL	03/31/11 Capitalized losses	03/31/11 Non-capitalized losses	03/31/11 TOTAL
Tax group France [1]	8,537	629	9,166	8.712	804	9,516
Ubi Workshop Inc.	35		35	14		14
Hybride Technologies Inc.	230		230	-		-
Quazal Technologies Inc.	-		-	27		27
Shanghai Bi Han	249		249	-		-
Ubisoft Nordic A/S	60		60	47		47
Ubisoft Motion Pictures SARL	73		73	73		73
Ubisoft Singapore Pte Ltd	-		-	11		11
Ubisoft Limited (Hong Kong)	-		-	19		19
Ubisoft SA (Spain)	170		170	-		-
Ubisoft GmbH	1,214		1.214	1,521		1,521
TOTAL	**10,568**	**629**	**11,197**	**10,424**	**804**	**11,228**

[1] Deferred tax on accelerated depreciation has been reclassified under loss carryforwards.

Deferred income tax assets are recognized if their recovery is likely, particularly when taxable profit is expected during the period of validity of the deferred tax assets.
The forecast period used to determine taxes on capitalized losses is 5 to 8 years, a period which is considered reasonable by management. The entire loss carryforwards of the French tax group over the past year were therefore capitalized on March 31, 2012.

The expiry of tax loss carryforwards breaks down as follows:
- 5 to 20 years: €574 thousand
- No expiry: €9,994 thousand

Investment tax credit:

	03/31/12	03/31/11
Capitalized tax credit	46,763	36,663
TOTAL	**46,763**	**36,663**

Ubisoft Divertissements Inc. benefits from tax credits contingent upon the generation of taxable income. These recoverable tax credits on future income tax payable have a life of 20 years (except prior to 2006: 10 years). Future use of these tax credits is subject to tax planning both at local level and at group level. They are recognized on the assets side of the group balance sheet if their horizon of recovery is considered reasonable.

Deferred tax liabilities

Expiry of deferred tax liabilities:
- Short-term: €2,459 thousand
- Long-term: €34,977 thousand

Grants and tax credits

Ubisoft Entertainment Inc. benefits from multimedia credits and investment tax credits. These credits are taxable during the year of their receipt or use, but are recognized on a financial year basis. The Company recognizes a future tax liability for this item.

Accelerated depreciation (Article 236 of the CGI)

As permitted under the provisions of Article 236 of the French General Tax Code (CGI), Ubisoft Entertainment SA opted to immediately expense software development costs where design commenced during the financial year. Provisions for the financial year amounted to €102.5 million for commercial software, while reversal amounted to €(13.2) million for external software. In accordance with IAS 12, the cancellation of the accelerated tax depreciation generates a deferred tax liability, which is then classified under loss carryforwards.

Note 26. Earnings per share

<u>Earnings from continuing operations at March 31, 2012</u>		€37,321 thousand
Weighted average number of shares in circulation:		94,333,625
Dilutive shares:		1,298,621
Stock options	353,591	
Bonus share grants	945,030	
Weighted average number of shares after exercise of the rights on dilutive instruments:		95,632,246

Diluted earnings per share from continuing operations as at March 31, 2012 = €0.39

1.6.9 OTHER NOTES

1.6.9.1 SEGMENT REPORTING

In accordance with IFRS 8, the Group produces segment reports.
The Group provides segment reports based on geographic sectors for distribution. The breakdown by geographic region is given for three segments, according to the distribution of the Group's assets:

- EMEA distribution zone (corresponding to APAC zone)
- North America distribution zone
- Parent company and rest of world (sales mainly relating to license contracts)

The Group's operating activities are organized and managed separately, according to the type of market.

	03/31/12				03/31/11			
	Parent company and rest of world	EMEA distribution zone	North America distribution zone	GROUP	Parent company and rest of world	EMEA distribution zone	North America distribution zone	GROUP
Sales	**31,469**	**495,524**	**534,303**	**1,061,296**	**12,397**	**480,982**	**545,447**	**1,038,826**
Cost of sales	(1,850)	(187,004)	(154,308)	(343,162)	(562)	(200,735)	(163,910)	(365,207)
Gross margin	**29,619**	**308,520**	**379,995**	**718,134**	**11,835**	**280,247**	**381,537**	**673,619**
R&D costs	(348,859)	476	(24)	(348,407)	(361,296)	(933)	(1,276)	(363,505)
Marketing costs	(19,078)	(109,912)	(109,402)	(238,392)	(8,744)	(110,170)	(93,954)	(212,868)
Administrative and IT costs	(35,622)	(23,723)	(15,958)	(75,303)	(27,853)	(21,978)	(18,050)	(67,881)
Intersegment*	407,588	(166,492)	(241,096)	-	382,615	(127,784)	(254,831)	-
Current operating income before share-based payments	**33,648**	**8,869**	**13,515**	**56,032**	**(3,443)**	**19,382**	**13,426**	**29,365**
Share-based payments**	(10,410)	-	-	(10,410)	(11,121)	-	-	(11,121)
Operating profit (loss) from continuing operations	**23,238**	**8,869**	**13,515**	**45,622**	**(14,564)**	**19,382**	**13,426**	**18,244**

* Invoicing of products purchased on behalf of subsidiaries and re-invoiced at their purchase price. The parent company and Ubisoft EMEA SAS invoice subsidiaries for a contribution in the form of royalties that serve to bear development costs (amortization of games, commercial and external development, royalties, etc.) and headquarters costs.
** Expenses linked to share-based payments are recognized by the parent company but relate to employees in all geographic regions

Other items in the income statement, particularly other operating income and expenses, financial income and expenses and taxes are not monitored segment by segment and are considered to relate to the Group as a whole and in a general way.

1.6.9.2 RELATED PARTY TRANSACTIONS

COMPENSATION OF MANAGERS OF THE COMPANY AND OF THE CONTROLLING AND/OR CONTROLLED COMPANIES

Senior management essentially comprises the corporate officers.

Messrs. Guillemot are remunerated for their positions as CEO and Executive Vice Presidents. This is fixed compensation and they do not have employment contracts.

The amount of the total gross compensation paid to executives during the year by the Company, companies controlled by the Company and the companies controlling those in which they perform their duties, according to IAS 24.16, was €729 thousand.

During the 2011/2012 financial year, members of the Board of Directors received €180 thousand in directors' fees.

No commitments have been made by the Company in favor of its corporate officers relating to their termination or change in responsibilities.

There are no agreements to compensate Board members if they resign or are dismissed without real cause, or if their employment is terminated due to a public offering.

	03/31/12	03/31/11
Short-term benefits (1)	904	998
Post-employment benefits	N/A	N/A
Other long-term benefits	N/A	N/A
Compensation for termination of employment contract	N/A	N/A
Share-based payments (2)	346	524
TOTAL	**1,250**	**1,522**

N/A: not applicable
Includes fixed compensation, benefits in kind and directors' fees recognized for the financial year
This is the expense for the financial year for share-based payments calculated in accordance with IFRS2. No performance shares were granted to the corporate officers of the Company

Section 4.5 of the Management Report contains a detailed description of the pay and benefits granted to the corporate officers of the Group.

In accordance with Article L.225-43 of the French Commercial Code, no loans or advances were made to the Company's directors.

RELATED PARTY TRANSACTIONS

The main relationships of the parent company with its subsidiaries relate to:
- Production subsidiaries billing the parent company for development costs based on the progress of their projects;
- The parent company invoicing distribution subsidiaries for a contribution to development costs;
- The implementation of cash agreements allowing for centralized management at parent company level of the bank accounts of the majority of the Group companies.

The other significant related party transactions are:
- Licenses invoiced to Gameloft SA for €1,504 thousand over the financial year. The receivable balance at year-end is €75 thousand;
- The amounts paid in respect of development contracts with AMA Studios SA and Longtail Studios Inc. totaling €3,125 thousand. The payable balance at year-end is €1,695 thousand. The amount of the assets on the balance sheet is €8,722 thousand at year-end.

Ubisoft Entertainment SA has not bought back treasury shares from related parties.

No transactions exist with the corporate officers, with the exception of their remuneration for their duties as CEO and Executive Vice President.

Transactions carried out by the Company with related parties are concluded under standard market conditions.

There are no other significant transactions with related parties.

1.6.9.3 OFF-BALANCE SHEET COMMITMENTS

COMMITMENTS RELATED TO COMPANY FINANCING

Type	Description	Expiry at	03/31/12	03/31/11
Commitments given [(1)]			**69,754**	**60,244**
Financial guarantees given by the parent company to:				
Ubisoft Divertissement Inc.	Lease payment guarantee	01/31/23	751	638
Ubisoft Inc.	Guarantee of commercial commitments	End of commercial relationship	7,487	7,039
Ubisoft Ltd	Loan guarantee	12/29/11	-	20,000
Ubisoft Ltd	Lease payment guarantee	06/15/16	1,597	1,867
Ubisoft Ltd	Lease payment guarantee	06/15/16	698	795
Ubisoft Reflections Ltd	Lease payment guarantee	12/21/15	853	1,304
Ubisoft Paris SAS	Lease payment guarantee	04/30/18	-	4,483
Ubisoft Paris SAS	Lease payment guarantee	02/28/21	6,281	-
Ubisoft Production Internationale SAS	Payment guarantee for RedLynx Oy additional price	10/31/14	5,000	-
Ubisoft Entertainment Sweden AB	Lease payment guarantee	12/31/14	565	560
Red Storm Entertainment Inc.	Lease payment guarantee	04/30/19	4,227	4,450
Ubisoft Divertissement Inc.	Lease payment guarantee	07/31/16	631	-
Ubisoft Toronto	Lease payment guarantee	04/30/13	876	1,631
Ubisoft Inc.	Stand-by letter	09/01/12	7,487	7,039
Ubisoft EMEA SAS	Stand-by letter	10/31/12	8,000	10,000
Ubisoft Divertissement Inc.	Loan guarantee	03/31/13	25,000	-
Commitments received [(1)]				
Received and unused credit lines				
Syndicated loans		05/18/13	180,000	180,000
Confirmed credit lines		11/20/11	-	10,000
Confirmed credit lines		02/12/12	-	20,000
Confirmed credit lines		05/17/13	50,000	50,000
Confirmed credit lines		05/17/13	20,000	20,000
Confirmed credit lines		04/13/13	25,000	-
Bank credit facilities			74,300	74,500
Foreign exchange hedges			**117,089**	**56,696**
Canadian dollar	Forward sale		-	15,823
	Forward purchase	April 2012	10,518	7,312
US dollar	Forward purchase	April 2012	71,129	-
	Forward purchase	June 2012	7,188	19,597
	Forward sale	March 2013	14,975	-
Japanese yen	Forward purchase		-	4,314
Pound sterling	Forward sale	April 2012	1,199	-
	Forward purchase	April 2012	9,593	9,091
Swedish krona	Forward purchase	June 2012	2,487	559

([1]) Only commitments of over €500 thousand are detailed

LEASES

- Finance leases:

Initial value	Amortization	Net amount	Lease payments made	Remaining lease payments		Residual value
				-1 year	+ 1 year	
1,329	288	1,041	230	166	630	-

The finance leases relate to one building and transport equipment.

- Operating leases:

These primarily include €19,108 thousand in property leases, none of which exceed 10 years.

OTHER COMMITMENTS

The Group has no other material off-balance sheet commitments.

1.6.9.4 STAFF

Permanent staff broke down as follows at March 31, 2012:

	03/31/12	03/31/11
North America	3,114	2,939
Europe and North Africa	2,846	2,515
Asia Pacific	967	877
TOTAL	**6,927**	**6,331**

The average headcount in 2011/2012 was 6,688.
The Group has no employee profit-sharing programs.

1.6.9.5 EVENTS AFTER THE BALANCE SHEET DATE

N/A

1.6.9.6 PROFESSIONAL FEES OF THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

(Document prepared in accordance with Article L. 222-8 of the General Regulations of the AMF)

In thousands of euros	MB Audit			
	Amount (excluding tax)		%	
	2011/2012	2010/2011	2011/2012	2010/2011
Audit				
- Statutory audit, certification, review of the single-entity and consolidated financial statements				
◦ Issuer	106	105	89%	100%
◦ Fully consolidated subsidiaries	13	-	11%	-
- Other verifications and services directly related to the auditor's work	2			
◦ Issuer	-	-	-	-
◦ Fully consolidated subsidiaries	-	-	-	-
Subtotal	**121**	**105**	**100%**	**100%**
Other services rendered by the networks of the fully consolidated subsidiaries				
- Legal, tax, social	-	-	-	-
- Other (> 10% of audit fees)	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**
Total	**121**	**105**	**100%**	**100%**

In thousands of euros	KPMG			
	Amount (excluding tax)		%	
	2011/2012	2010/2011	2011/2012	2010/2011
Audit				
- Statutory audit, certification, review of the single-entity and consolidated financial statements				
◦ Issuer	174	198	28%	32%
◦ Fully consolidated subsidiaries	439	426	72%	68%
- Other verifications and services directly related to the auditor's work	2			
◦ Issuer	-	-	-	-
◦ Fully consolidated subsidiaries	-	-	-	-
Subtotal	**615**	**624**	**100%**	**100%**
Other services rendered by the networks of the fully consolidated subsidiaries				
- Legal, tax, social	-	-	-	-
- Other (> 10% of audit fees)	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**
Total	**615**	**624**	**100%**	**100%**

2 REPORT FOR THE CONSOLIDATED ACCOUNT STATEMENTS FOR THE FISCAL YEAR ENDING MARCH 31, 2012

This is a free translation into English of the statutory Auditors' report on the consolidated account statements issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Dear Shareholders,

Pursuant to the assignment entrusted to us by your General Meeting, we hereby present our report for the fiscal year ended March 31, 2012 with regard to the following:

- the audit of consolidated financial statements of Ubisoft Entertainment S.A, as attached to this report;
- the basis for our assessment ;
- the specific verification required by law.

The consolidated financial statements were approved by the Board of Directors. It is our task to express an opinion on these financial statements on the basis of our audit.

1- Opinion regarding the consolidated financial statements

We have conducted our audit in accordance with accepted professional standards in France. These standards require due diligence in order to ascertain with reasonable certainty that the consolidated financial statements contain no material anomalies. An audit consists in verifying, on a test basis or by means of other methods of selection, elements to the amounts and information contained in the financial statements. It also involves assessing the accounting principles applied, the significant estimates reserves and the global presentation of the financial statements. It is our view that the elements that we collected are sufficient and adapted to base our opinion.

We hereby certify that, from the standpoint of IFRS standards as adopted in the European Union, the consolidated financial statements give a true and fair view of the assets, financial position and results of the group comprising the consolidated persons and entities.

2- Basis for assessment

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code regarding the basis for assessment, we call your attention to the following items:

The Company carries out systematically, at the end of each fiscal year, impairment tests on goodwill and indefinite useful life assets and also estimates if there is an indication of loss in value of the other intangible assets, according to the methods described in the explained note "Non-current-assets impairment tests". We have examined the procedures for conducting these impairment tests, as well as the assumptions used, and verified that the note mentioned above provide an appropriate information.

Our assessments were made within the context of our audit of the consolidated financial statements as a whole, and therefore provided a basis for the opinion expressed in the first part of this report.

3- Specific verification

We have also carried out the specific verification required by law of the information provided in the Management report of the Group.

We have no comments regarding the accuracy of this information and its consistency with the consolidated financial statements.

By the statutory auditors

Nantes, June 18th, 2012	Rennes, June 18th, 2012
KPMG Audit *A division of KPMG S.A.*	MB Audit
Franck Noël Partner	Roland Travers Partner

3 CORPORATE FINANCIAL STATEMENTS OF UBISOFT ENTERTAINMENT SA FOR THE YEAR ENDED MARCH 31, 2012

3.1 UBISOFT ENTERTAINMENT SA BALANCE SHEET

ASSETS		03/31/12	03/31/12	03/31/12	03/31/11
In thousands of euros	Notes	Gross	Dep./amort.	Net	Net
Intangible assets	1	1,158,360	729,576	428,784	347,421
Property, plant and equipment	2	8,551	5,196	3,355	3,617
Non-current financial assets	3	344,049	1,126	342,923	297,880
Non-current assets		**1,510,960**	**735,898**	**775,062**	**648,918**
Advances and prepayments made	4	5,575		5,575	22,277
Trade receivables	5	38,561		38,561	53,708
Other receivables	6	50,344		50,344	67,597
Investment securities	9	11,743		11,743	4,171
Cash	9	41,924		41,924	78,349
Current assets		**148,147**		**148,147**	**226,102**
Prepaid expenses and deferred charges	10	5,071		5,071	3,872
Total assets		**1,664,178**	**735,898**	**928,280**	**878,892**

LIABILITIES		03/31/12	03/31/11
In thousands of euros	Notes		
Capital		7,369	7,341
Premiums		184,699	455,899
Reserves		84,742	84,764
Profit carried forward		-	(119,524)
Earnings for the period		(63,817)	(152,117)
Regulated provisions		331,224	241,766
Equity	**14**	**544,217**	**518,129**
Provisions for risks and charges	13	3,895	874
Borrowings (1) (2)	15	71,743	58,478
Miscellaneous financial liabilities (3)	15	164,983	149,320
Trade payables		95,441	119,893
Fiscal and social debts	7	2,339	2,309
Liabilities on non-current assets		1,713	3,220
Other debts	16	43,621	26,336
Liabilities		**383,735**	**359,556**
Accrued expenses and deferred income	17	328	333
Total liabilities and equity		**928,280**	**878,892**
(1) Including current portion of borrowings		71,743	58,478
(2) Including current bank credit facilities and bank credit balances		71,743	58,478
(3) Current accounts			

3.2 UBISOFT ENTERTAINMENT SA INCOME STATEMENT

In thousands of euros	Notes	For the 12 months ended 03/31/12	For the 12 months ended 03/31/11
Production for the period	18	782,547	729,169
Other operating income and reinvoiced costs	19	271,025	208,550
Total operating income		**1,053,572**	**937,719**
Other purchases and external expenses	20	526,587	481,723
Taxes and duties		1,394	995
Employee benefits expenses		892	920
Other expenses	20	237	407
Depreciation, amortization and provisions	21	517,842	570,603
Total operating expenses		**1,046,952**	**1,054,648**
Operating profit (loss)		**6,620**	**(116,929)**
Financial income from shareholdings		-	410
Other interest received [(1)]		1,059	1,495
Reversal of provisions		1,985	720
Foreign exchange gains		30,331	19,742
Net proceeds on sale of investment securities		37	41
Total financial income		**33,412**	**22,408**
Provisions		3,253	2,642
Other interest paid [(2)]		4,946	6,815
Foreign exchange losses		32,137	24,028
Total financial expenses		**40,336**	**33,485**
Net financial income	22	**(6,924)**	**(11,077)**
Profit (loss) before tax from continuing operations		**(304)**	**(128,006)**
Non-recurring items	23	**(65,784)**	**(54,550)**
Profit (loss) before tax		**(66,088)**	**(182,556)**
Income tax	24	(2,271)	(30,439)
Profit (loss) for the period		**(63,817)**	**(152,117)**

[(1)] Including income relating to associated companies	1,023	1,464
[(2)] Including expenses relating to associated companies	2,762	1,169

3.3 STATEMENT OF CHANGES IN EQUITY

In thousands of euros	Balance at 03/31/11	Allocation of 2010/2011 earnings	Capital increase: cash contribution	Capital increase by deduction from reserves	Earnings 2011/2012	Provision for regulated provisions	Reversal of regulated provisions	Balance at 03/31/12
Capital	7,341	-	7	21	-	-	-	7,369
Premiums	455,899	(271,640)	440	-	-	-	-	184,699
Legal reserve	728	-	-	-	-	-	-	728
Other reserves	84,036	-	-	(21)	-	-	-	84,014
Profit carried forward	(119,524)	119,524	-	-	-	-	-	-
Earnings for the period	(152,117)	152,117	-	-	(63,817)	-	-	(63,817)
Regulated provisions	241,766	-	-	-	-	203,212	(113,754)	331,224
TOTAL	**518,129**	**-**	**447**	**-**	**(63,817)**	**203,212**	**(113,754)**	**544,217**

3.4 CASH FLOW STATEMENT

In thousands of euros	Notes	03/31/12	03/31/11 Adjusted [(1)]	03/31/11 published
Cash flows from operating activities				
Earnings		(63,817)	(152,117)	(152,117)
Net depreciation and amortization of property, plant and equipment and intangible assets	19-21	270,651	379,288	379,288
Changes in provisions	22-23	90,726	60,862	60,862
(Gains) losses on disposal of non-current assets		(30,867)	(10,086)	(5,299)
Net cash generated by operating activities		**266,693**	**277,947**	**282,734**
Trade receivables	5	15,148	23,721	23,721
Advances and prepayments made *		7,735	3,139	3,139
Other assets		11,024	56,163	59,538
Trade payables *		(9,956)	30,706	30,706
Other liabilities		16,333	(33,733)	(31,413)
Total changes in working capital		**40,284**	**79,996**	**85,691**
Net cash from operating activities		**306,977**	**357,943**	**368,425**
Cash flows from investment activities				
Acquisitions of intangible assets *	1	(358,137)	(342,081)	(342,081)
Acquisitions of property, plant and equipment	2	(380)	(1,385)	(1,385)
Acquisitions of equity investments	3	(46,470)	(48)	(48)
Acquisitions of other non-current financial assets	3	(9,505)	(28,035)	(28,035)
Disposals of non-current assets		25,845	5,449	5,449
Disposal of Gameloft shares		13,701	10,482	-
Repayment of loans and other non-current financial assets	3	9,843	28,041	28,041
Net cash used by investment activities		**(365,103)**	**(327,577)**	**(338,059)**
Cash flows from financing activities				
Capital increase	14	7	22	22
Increase in issue premium	14	440	1,750	1,750
Deferred expenses		(100)	(280)	(280)
Change in current accounts		15,662	12,111	12,111
Net cash generated by financing activities		**16,008**	**13,603**	**13,603**
Change in cash and cash equivalents		**42,118**	**43,969**	**43,969**
Net cash position at beginning of fiscal year	9	24,042	(19,927)	(19,927)
Net cash position at end of fiscal year	9	(18,076)	24,042	24,042

* Including a change of €(16,001) thousand linked to commitments guaranteed but not paid under trade payables, €7,035 thousand in intangible assets and €8,966 thousand in advances and prepayments made
[(1)] See 3.5.2 Comparability of financial statements

3.5 NOTES TO THE CORPORATE FINANCIAL STATEMENTS

The notes and tables that follow, presented in thousands of euros, are an integral part of the annual financial statements for the financial year ended March 31, 2012 and constitute the notes to the balance sheet. The financial statements are prepared in accordance with French accounting standards.

The financial year is a 12-month period from April 1, 2011 to March 31, 2012.

3.5.1 HIGHLIGHTS OF THE FINANCIAL YEAR

3.5.1.1 ACQUISITION/CREATION OF SUBSIDIARIES

Opening of subsidiaries:
December 2011: Creation of the studio Ubisoft Emirates FZ LLC in Abu Dhabi, in partnership with Twofour54, the Media Zone Authority of Abu Dhabi.

March 2012: Creation of the subsidiary Ubisoft Music Publishing Inc. in Canada.

Acquisition of subsidiaries:
On July 12, 2011, Ubisoft acquired a 100% stake in the company Owlient SAS, located in France, a developer of free-to-play games and an expert in the management of community web games.

3.5.1.2 CLOSURE OF SUBSIDIARIES

On November 16, 2011, the Ubisoft Norway AS subsidiary was liquidated.

3.5.1.3 DISPOSALS AND CONTRIBUTION OF SHARES

The legal reorganization of the French subsidiaries of the Group at Ubisoft Entertainment SA led to:
1) Sales of shares on May 3, 2011. Ubisoft Entertainment sold:

- All Ubisoft Marketing France SARL shares to Ubisoft France SAS for a value of €172,096;
- All Ubisoft Editorial SAS, Ubisoft Marketing International SAS, Ubisoft Production Internationale SARL, Ubisoft Innovation SARL, Ludi Factory SAS and Ubisoft Support Studios SAS shares to Ubisoft Production Internationale SAS for a value of €3,817,723;
- All Ubisoft Design SAS, Ubisoft Graphics SAS, Ubisoft Computing SAS, Ubisoft Paris Studios SARL, Ubisoft Gameplay SARL, Ubisoft Art SARL and Ubisoft Créa SARL shares to Ubisoft Paris SAS for a value of €3,957,056;
- All Ubisoft World SAS, Ubisoft Talent Management SARL, Ubisoft Market Research SARL, Ubisoft Books and Records SAS, Ubisoft Services SARL and Ubisoft Organisation SAS shares to Ubisoft Counsel & Acquisitions SAS for a value of €6,026,260;
- All Ubisoft Development SAS, Ubisoft Operational Marketing SAS, Ubisoft IT Project Management SARL and Ubisoft Manufacturing & Administration SAS shares to Ubisoft EMEA SAS for a value of €1,490,518.

2) Contributions of shares on May 12, 2011. Ubisoft Entertainment SA contributed:

- All the shares that it held in Tiwak SAS, Ubisoft Castelnau SARL, Ubisoft Production Montpellier SARL, Ubisoft Studios Montpellier SARL and Ubisoft Design Montpellier SARL to Ubisoft Montpellier SAS for a value of €2,839,148. In consideration for the contribution, 983 new Ubisoft Montpellier SAS shares were awarded;
- All the shares that it held in Ubisoft Production Annecy SARL to Ubisoft Annecy SAS for a value of €243,822. In consideration for the contribution, 50 new Ubisoft Annecy SAS shares were awarded.

As part of this legal reorganization, the Company generated a capital gain and intake of €16.4 million recorded as a non-recurring item.

In March 2012, Ubisoft Entertainment SA sold its 100% stake in its subsidiary Ubisoft Vancouver Inc. to its subsidiary Ubisoft Divertissements Inc.

3.5.1.4 SUBSCRIPTION TO CAPITAL INCREASES

Ubisoft Entertainment SA increased its stake in Ubisoft Production Internationale SAS by €11,434,500 by offsetting against receivables.

As part of share contributions, Ubisoft Entertainment SA increased its stake in Ubisoft Montpellier SAS by €2,839,148 and in Ubisoft Annecy SAS capital by €243,822.

3.5.1.5 OTHER

April 2011 – Subscription of a bilateral credit line for a period of 2 years in the amount of €25 million.
Granted to the Canadian studio Ubisoft Divertissements Inc., this line is secured by Ubisoft Entertainment SA and follows the same covenants as other lines.

June 2011 – Extension of Gameloft equity swap contract
The equity swap contract concluded on July 12, 2007 with Credit Agricole Corporate and Investment Bank (formerly Calyon) on Gameloft shares has been extended for 2 years, until July 15, 2013.

September 2011 – Disposal of research tax credit claim
Ubisoft Entertainment SA disposed of a €3.6 million research tax credit claim for research expenditure incurred during the year ended March 31, 2011 by the companies forming part of the French tax group; it was assigned without recourse by way of a discount to Natexis.

September 2011 – Share buyback
Between September 8 and September 19, 2011, Ubisoft bought back 400,000 Ubisoft shares on the market at an average price of €3.97, a share buyback authorized by the General Meeting of June 30, 2011 and implemented by the Board of Directors on the same date.
This treasury stock has been allocated to cover stock option plan 24, authorized by the Board of Directors on March 9, 2012.

November to March 2012: Disposal of Gameloft shares
The disposal of 3.2 million Gameloft shares in the form of an equity swap generated a gain of €7.2 million for the fiscal year.

March 2012 – Issue of 9,400,000 share subscription warrants
Under the authorization granted by the General Meeting of June 30, 2011 pursuant to the 11th resolution, it was decided on March 20, 2012 that 9,400,000 share subscription warrants would be issued, exercisable at the discretion of the Company and purchased by Crédit Agricole Corporate and Investment Bank, with waiving of shareholders' preferential subscription rights.
One share subscription warrant allows for the purchase of one new share. Share subscription warrants were issued at a unit value of €0.0001.
The impact on equity at March 31, 2012 was €940.

March 2012 – Issue of share subscription warrants
Under the authorization granted by the General Meeting of June 30, 2011 pursuant to the ninth resolution, it was decided on March 26, 2012 that 95,090,002 share subscription warrants ("warrants") would be issued, granted free of charge to Ubisoft Entertainment shareholders, on the basis of one warrant per existing share and 11 warrants giving entitlement to subscribe to one new share for an exercise price of €7.
These warrants were traded on the NYSE Euronext regulated market in Paris on April 10, 2012.

3.5.2 COMPARABILITY OF FINANCIAL STATEMENTS

Change in consolidation, valuation and presentation methods

N/A

Change in estimation

N/A

Items affecting comparability

The Group has reclassified the sale of Gameloft shares in the cash flow statement at March 31, 2012 and March 31, 2011 from cash flow from operating activities to cash flow from investing activities.
The impact of the restatement at March 31, 2011 relates to the following aggregates:
- Net cash generated by operating activities: €(4,787) thousand
- Change in WCR: €(5,695) thousand
- Cash flows from investment activities: €+10.482 thousand

In financial year 2011/2012, provisions for litigation are recognized under provisions for risks. A litigation provision of €700 thousand recognized in March 2011 under “Other debts” has been reclassified under “Provisions” at March 31, 2012.

In financial year 2011/2012, profitability bonuses awarded to studio staff were fully recognized directly in expenses, whereas they were capitalized as development costs in previous years. The impact on operating income is not significant given the pace of depreciation and amortization of internal software.

3.5.3 ACCOUNTING PRINCIPLES

General accounting conventions were applied in accordance with the principle of financial prudence and the following basic rules:
- Going-concern assumption;
- Matching principle;
- Fair presentation, consistency and accuracy;
- Conservatism;

and in accordance with the general rules governing the preparation and presentation of annual financial statements.
The basic method used to measure items in the financial statements was historical cost.
The accounting methods applied are consistent with industry practice. Ubisoft Entertainment SA’s annual financial statements comply with the provisions relating to separate financial statements in Regulation CRC no. 99-03, as ratified by the Decree of June 22, 1999.

3.5.4 ACCOUNTING RULES AND METHODS

Intangible assets

Intangible assets include:
- Commercial software;
- Engines;
- External developments;
- Information system costs;
- Office software;
- Acquired brands;
- Logo.

Subsequent accounting and valuation:

Brands:
Any brands acquired are recognized at cost.

Commercial software and external developments:
Commercial software is developed by the Group's own studios, while external software developments are those of studios from outside the Group.
Commercial software and external developments are capitalized when they meet the definition of an asset as per CRC regulation 2004-06 and are valued at production cost.
Development costs subcontracted to Group subsidiaries are recognized as subcontracting expenses and transferred to "intangible assets in progress" via a capitalized production costs account. The same accounting method is applied to external developments.
On their release date, the development costs of Commercial software and external developments, recognized as "intangible assets in progress" as development progresses, are transferred to "released Commercial software" or "released external developments".

Depreciation, amortization and value impairment methods

	Amortization method	Value impairment method
Acquired brands	No amortization due to indefinite useful life	Impairment tests are carried out on brands at the end of each fiscal year or more often if there are indications of loss in value. The recoverable value of brands is defined using the royalty method to forecast sales associated with the brand tested (taking a final value into account). Impairment is recognized when this value is below the net accounting value.
Office software	1 year, straight-line	No impairment test in the absence of any index of loss in value.
Information system costs	5 years, straight-line	No impairment test in the absence of any index of loss in value.
Commercial software	2 or 3 years, straight-line, starting on the commercial release date	At the end of each year and for each software program, expected cash flows are calculated (over a maximum period of 2 years). When these flows are below the net accounting value of the software, impairment is recognized.
Engines	Straight-line over the useful life between 3 and 5 years	No impairment test in the absence of any indication of impairment
External developments	According to the sold quantities and the royalty rates specified in the contracts.	At the end of each year and for each software program, expected cash flows are calculated (over a maximum period of 2 years). When these flows are below the net accounting value of the software, impairment is recognized.

According to the regulations on depreciation and impairment of assets, the Group is requested to periodically revise its depreciation periods based on the observed useful life.

Provisional data are updated using a rate based on a valuation of the average cost of capital which stood at 9.62% at March 31, 2012, against 8.41% at March 31, 2011.

Property, plant and equipment

These are recognized at their historical cost. They are depreciated over their useful life. The following depreciation rates are used:

Type of asset	Depreciation method
Equipment	5 years, straight-line
Fixtures and fittings	10 years, straight-line
Computer hardware	3 years, straight-line
Office furniture	10 years, straight-line

Non-current financial assets

Equity investments are valued at their historical cost, plus all related acquisition costs and any additional payments. If the value of the securities exceeds their value of use, a provision for depreciation is recognized for the difference.

The value of use is assessed at the end of each financial year based on the net assets of the subsidiary in question at that date, the market capitalization at the balance sheet date if the company is listed and/or its medium-term earnings prospects.
If applicable, the provisional data utilized are updated using a rate based on a valuation of the average cost of capital: 9.62% at March 31, 2012.

Treasury shares are valued at the lower of cost or market value (average of the last 20 trading sessions).
Deposits and sureties are recognized on the basis of the amounts paid.

Advances and prepayments made

Advances and prepayments primarily involve distribution and reproduction rights (licenses) acquired from other software publishers. License agreements commit Ubisoft to an amount of guaranteed royalties. This guaranteed amount is registered in the balance sheet under the heading “advances and prepayments made”, whether or not it has been paid at the year-end date. These guaranteed amounts are recognized in the income statement on the basis of the agreements signed with software publishers (either by the unit or based on gross profit or on sales) or amortized on a straight-line basis for agreements with fixed royalty payments (flat fees).

At the end of the financial year, the net accounting value is compared with sales projections on the basis of the terms and conditions of the agreement. If they are insufficient, depreciation is recognized.
Provisional data are updated using a rate based on a valuation of the average cost of capital: 9.62% at March 31, 2012.

Trade receivables

Trade receivables are carried at their nominal amount. Where applicable, a provision for depreciation is recorded based on the likelihood of their collection at the year-end date.

Investment securities

Investment securities consist of interests in mutual funds and short-term investments and are measured at the lower of cost or market value.

Conversion of liabilities and receivables denominated in foreign currencies

Liabilities and receivables denominated in foreign currencies are converted at rates prevailing on March 31, 2012. Any resulting conversion gains or losses are recognized in the balance sheet under a specific heading. A provision for foreign-exchange risk is booked if conversion reveals the existence of unrealized losses.

Foreign currency transactions

Foreign exchange income and expenses are booked using daily exchange rates.

Receivables, liabilities and cash in foreign currencies are converted at the prevailing exchange rates at the end of the financial year, except for those subject to hedging, which are converted at the hedging rate.

Unrealized gains and losses on receivables and long-term debt are booked on the balance sheet under conversion rate adjustments. Unrealized losses that have not been hedged are subject to a provision for foreign exchange losses.

Conversion rate adjustments on cash and current accounts in foreign currencies are immediately recognized as foreign exchange income/loss.

Foreign exchange hedges

Ubisoft uses financial derivatives to reduce its exposure to market risks linked to movements in exchange rates.

For purposes of the hedging thus established, income and expenses on financial derivatives are recognized as financial income and are offset against the income and expenses arising on the hedged items.

The transactions attached to hedging derivatives (mostly USD) are recognized in operating income at the hedging rate. The difference between the historical rate of the hedged transaction and the relevant hedging rate is recognized in financial income.

Provisions for risks and charges

Provisions for risks and charges are recognized where risks and charges have a clearly defined purpose but are not certain to arise, made likely by events that have occurred or are in progress.
A provision for exchange losses is recognized, if applicable, up to the negative fair value of the non-hedge foreign exchange derivatives.

Regulated provisions

Regulated provisions relate only to the accelerated depreciation on:

- Acquisition costs incorporated in the cost price of participating interests. These costs are deducted in tax terms over 5 years by means of accelerated tax depreciation.
- Development expenditure of software. The Company decided to adopt immediate deductibility of expenditure for the development of software according to Article 236 of the CGI (French General Tax Code).

3.5.5 NOTES TO THE BALANCE SHEET

Note 1. Intangible assets

	At 03/31/12			At 03/31/11
	Gross	Cumulative depreciation and amortization	Net	Net
Released commercial software	645,779	570,632	75,147	59,444
Released external developments	140,407	135,927	4,480	2,726
commercial software and external developments in progress	356,681	21,100	335,581	274,986
Brands and operating licenses	10,486	328	10,158	10,148
Other	5,007	1,589	3,418	117
TOTAL	**1,158,360**	**729,576**	**428,784**	**347,421**

Non-current assets	Opening balance	Increase	Decrease	Reclassification of software in progress	Reclassifications	Closing balance
Released commercial software	662,909	322,348	261,409	(78,069)	-	645,779
Released external developments	132,099	24,238	33,304	17,374	-	140,407
Commercial software and external developments in progress	295,986	-	-	60,695	-	356,681
Brands and operating licenses[1]	10,476	10	-	-	-	10,486
Other	501	4,506	-	-	-	5,007
TOTAL at 03/31/12	**1,101,971**	**351,102**	**294,713**	**-**	**-**	**1,158,360**
TOTAL at 03/31/11	**1,080,979**	**324,108**	**303,092**	**-**	**(24)**	**1,101,971**

(1) Essentially the Far Cry® brand.

The increase in commercial software of €322,348 thousand is substantiated by capitalized production of €324,139 thousand, acquisitions of €300 thousand, refunds of €(2,109) thousand and exchange differences of €18 thousand.

Depreciation and amortization	Opening balance	Increase	Decrease	Reclassifications	Closing balance
Released commercial software	603,465	207,576	261,409	21,000	570,632
Released external developments	129,373	39,858	33,304	-	135,927
Commercial software and external developments in progress	21,000	21,100	-	(21,000)	21,100
Brands and operating licenses	328	-	-	-	328
Other	384	1,205	-	-	1,589
TOTAL at 03/31/12	**754,550**	**269,739**	**294,713**	**-**	**729,576**
TOTAL at 03/31/11	**678,844**	**378,656**	**302,950**	**-**	**754,550**

The decrease in commercial software and external developments is explained by the removal from assets of software for which the net accounting value is zero at the year-end.

Note 2. Property, plant and equipment

	At 03/31/12			At 03/31/11
	Gross	Cumulative depreciation	Net	Net
Fixtures and fittings	7,226	4,085	3,141	3,538
Transport equipment	20	1	19	-
Computer hardware and furniture	1,177	1,110	67	79
Non-current assets in progress	128	-	128	-
TOTAL	**8,551**	**5,196**	**3,355**	**3,617**

Non-current assets	Opening balance	Increase	Decrease	Reclassifications	Closing balance
Fixtures and fittings	7,006	83	-	137	7,226
Transport equipment	11	20	11	-	20
Computer hardware and furniture	1,174	12	9	-	1,177
Non-current assets in progress	-	265	-	(137)	128
TOTAL at 03/31/12	**8,191**	**380**	**20**	**-**	**8,551**
TOTAL at 03/31/11	**6,806**	**1,385**	**-**	**-**	**8,191**

Depreciation	Opening balance	Increase	Decrease	Reclassifications	Closing balance
Fixtures and fittings	3,468	617	-	-	4,085
Transport equipment	11	1	11	-	1
Computer hardware and furniture	1,095	24	9	-	1,110
TOTAL at 03/31/12	**4,574**	**642**	**20**	**-**	**5,196**
TOTAL at 03/31/11	**3,942**	**632**	**-**	**-**	**4,574**

Note 3. Non-current financial assets

	At 03/31/12			At 03/31/11
	Gross	Provisions	Net	Net
Equity investments	342,618	1,126	341,492	296,198
Other non-current investments	905	-	905	1,034
Deposits and sureties	526	-	526	648
TOTAL	**344,049**	**1,126**	**342,923**	**297,880**

Non-current assets	Opening balance	Increase	Decrease	Closing balance
Equity investments	298,338	46,470	2,190	342,618
Other non-current investments	1,121	9,499	9,715	905
Deposits and sureties	648	6	128	526
TOTAL at 03/31/12	**300,107**	**55,975**	**12,033**	**344,049**
TOTAL at 03/31/11	**300,573**	**28,288**	**28,754**	**300,107**

The change in equity investments is essentially due to:
- The acquisition of Owlient SAS for €31,755 thousand;
- The capital increase at Ubisoft Production Internationale SAS of €11,435 thousand;
- The capital increase at Ubisoft Montpellier SAS of €3,083 thousand;
- The sale of shares in connection with the legal reorganization of the French subsidiaries for €2,128 thousand (see 3.5.1.3 Disposals and contribution of shares).

The change in other non-current investments reflects purchases and sales of treasury shares held under the liquidity agreement.

Provisions	Opening balance	Increase	Decrease	Closing balance
Equity investments	2,140	10	1,024	1,126
Other non-current investments	87	-	87	-
TOTAL at 03/31/12	**2,227**	**10**	**1,111**	**1,126**
TOTAL at 03/31/11	**1,272**	**1,529**	**574**	**2,227**

The decrease in the provision for impairment of equity investments is mainly due to the increase in useful value of shares in companies.

Note 4. Advances and prepayments made

These consist primarily of guaranteed advances on license agreements.

	03/31/12	03/31/11
Net at opening	**22,238**	**35,270**
New guarantees	7,858	10,817
Reclassifications	-	24
Depreciation and amortization	24,534	23,873
Net at year-end	**5,562**	**22,238**

Note 5. Trade receivables

	At 03/31/12			At 03/31/11
	Gross	Provision	Net	Net
Trade receivables	38,561	-	38,561	53,708
TOTAL	**38,561**	**-**	**38,561**	**53,708**

Trade receivables basically consist of intra-group receivables.
In financial year 2011/2012, the seasonality marked by weaker sales in the last quarter caused a reduction in the accounts receivable balance.

Note 6. Other receivables

	At 03/31/12			At 03/31/11
	Gross	Provision	Net	Net
Suppliers - credit notes receivable	9,514	-	9,514	10,322
Government (VAT credit, tax)	10,474	-	10,474	10,292
Associated current account advances	6,038	-	6,038	17,848
Receivable relating to the equity swap (1)	14,643	-	14,643	29,112
Other miscellaneous debtors	9,675	-	9,675	23
TOTAL	**50,344**	**-**	**50,344**	**67,597**

(1) Receivable on CACIB valued at the closing share price of the Gameloft shares for remaining shares at March 31, 2012 as part of the equity swap. The unrealized gain on the sale of Gameloft shares is “stored” in the balance sheet in other liabilities.

Note 7. Statement of receivables and liabilities by maturity

STATEMENT OF RECEIVABLES	Gross amount	< 1 year	>1 year
Receivables on non-current assets			
Other non-current financial assets	528		528
Receivables on current assets			
Advances and prepayments made	5,575	5,575	
Trade receivables	38,561	38,561	
Government (VAT credit, sundry)	10,474	10,474	
Group and associates	6,038	6,038	
Other miscellaneous debtors [(1)]	33,832	33,832	
Prepaid expenses	4,568	4,568	
TOTAL	99,576	99,048	528

STATEMENT OF LIABILITIES	Gross amount	< 1 year	>1 year
Bank borrowings and debts	71,743	71,743	
Other borrowings and financial liabilities	164,983	164,983	
Trade payables	95,441	95,441	
Fiscal and social debts	2,339	2,339	
Other debts	43,621	24,854	18,767
Liabilities on non-current assets	1,713	1,713	
Deferred income	240	240	
TOTAL	380,080	361,313	18,767

[(1)] This item includes the receivable concerning the equity swap agreement on Gameloft shares for €14,643 thousand, credit notes receivable from associated companies for €10,345 thousand and accrued income of €9,659 thousand.

Note 8. Accrued income

	03/31/12	03/31/11
Associated company credit notes receivable	9,514	10,322
Income not yet invoiced	12,624	11,870
Interest receivable on current accounts	70	83
Interest receivable from banks	9	56
Miscellaneous debtors	9,659	-
TOTAL	31,876	22,331

Note 9. Investment securities and cash

Type	Gross value	Fair value	Provision	Net amount
UCITS	10,155	10,155	-	10,155
Treasury shares*	1,588	1,588	-	1,588
TOTAL	11,743	11,743	-	11,743

* 400,000 shares acquired on the market and allocated to cover the stock option plan (see 1.5.1.5 Other highlights)

The cash breakdown is as follows:

	03/31/12	03/31/11
Investment securities	11,743	4,171
Cash	41,924	78,349
Bank overdrafts and short-term loans	(71,743)	(58,478)
TOTAL	(18,076)	24,042

Note 10. Prepaid expenses and deferred charges

	Opening balance	Increase	Decrease	Closing balance
Prepaid expenses	2,707	4,568	2,707	4,568
Syndicated loan issuance costs	574	100	319	355
Conversion rate adjustment (assets)	591	148	591	148
TOTAL at 03/31/12	**3,872**	**4,816**	**3,617**	**5,071**
TOTAL at 03/31/11	**2,374**	**3,578**	**2,080**	**3,872**

Note 11. Accrued expenses

	03/31/12	03/31/11
Bank charges payable	142	509
Interest accrued on current accounts	56	45
Trade payables, invoices pending	53,585	73,296
Credit notes to be issued	14,114	4,598
Fiscal and social debts	920	737
TOTAL	**68,817**	**79,185**

Note 12. Related party transactions

The main relationships of the parent company with its subsidiaries relate to:

- Production subsidiaries billing the parent company for development costs based on the progress of their projects;
- The parent company invoicing distribution subsidiaries for a contribution to development costs;
- The implementation of cash agreements allowing for centralized management at parent company level of the bank accounts of the majority of the Group companies.

The five corporate officers of the Company are described as related parties. The only transactions with officers concern their pay, the granting of stock options and directors' fees. Information relating to these transactions with officers is detailed in note 3.6.3.

The other significant related party transactions are:

- Licenses invoiced to Gameloft SA for €1,504 thousand over the financial year. The receivable balance at year-end is €75 thousand;
- The amounts paid in respect of development contracts with AMA Studios SA and Longtail Studios Inc. totaling €3,125 thousand. The payable balance at the year-end is €1,695 thousand. The amount of the assets in the balance sheet is €8,722 thousand.

Note 13. Provisions in the balance sheet

	At 03/31/11	Provisions for the period	Reversals for the period	Reclassifications	At 03/31/12
Provisions for risks					
Foreign exchange risks	874	1,518	874	-	1,518
For subsidiary risks	-	1,407	-	-	1,407
For lawsuits	-	270	-	700 *	970
Provisions for impairment					
Equity investments	2,140	10	1,024	-	1,126
Other non-current investments	87		87	-	-
TOTAL at 03/31/12	**3,101**	**3,205**	**1,985**	**700**	**5,021**
TOTAL at 03/31/11	**1,419**	**2,316**	**721**	**-**	**3,014**

* See 1.5.2 Comparability of financial statements

Details of the changes in provisions on equity investments are provided in note 3. Non-current financial assets.

Note 14. Equity

Capital

At March 31, 2012, Ubisoft Entertainment SA had equity of €7,369,475.16 divided into 95,090,002 shares.

Number of Ubisoft Entertainment SA shares

At 04/01/11	94,727,890
Option exercises	34,646
Bonus share grants	277,000
Group savings scheme	50,466
At 03/31/12	**95,090,002**

The maximum number of shares to be created is 17,518,199:

- 16,573,169 through the exercising of stock options;
- 945,030 through the allocation of bonus shares.

Stock options

The increase in capital and premiums over the past financial year was partly driven by the exercise of stock options. For the record, the conditions of exercise, subject to satisfaction of presence and performance requirements for corporate officers and to the satisfaction of attendance requirements for employee beneficiaries of stock option plans, are as follows:

Subscription options:

	7th plan	11th plan	12th plan		13th plan	14th plan	15th plan
Total number of shares granted (1)	1,556,260	1,552,600	1,485,000		2,711,784	3,154,800	24,072
Start of exercise period	01/19/05	10/14/05	11/17/05		02/23/07	04/26/08	06/22/08
End of exercise period	08/15/12	10/13/14	11/16/14		02/22/13(2)	04/25/12	06/21/12
Strike price of options (1)	€3.21	€3.88	€3.68 (France)	€3.87 (Italy)	€7.91	€17.65	€18.77
Options at April 1, 2011 (1)	28,250	327,889	715,209		1,722,683	2,575,018	18,898
Options granted during the period	-	-	-		-	-	-
Options exercised during the period	-	17,836	15,060		-	-	-
Options cancelled during the period	-	5,311	280		40,350	108,002	1,500
Options outstanding at March 31, 2012	28,250	304,742	699,869		1,682,333	2,467,016	17,398

	16th plan	17th plan	18th plan		19th plan		20th plan	
Total number of shares granted (1)	1,804,100	1,362,500	100,160		3,073,400		119,755	
Start of exercise period	06/13/09	06/27/09	09/15/09		05/12/10		06/18/10	
End of exercise period	06/12/13	06/26/13	09/14/13		05/11/14		06/17/14	
Strike price of options (1)	€27.75	€27.66	€29.30 (France)	€28.13 (world)	€14.92 (France)	€14.40 (world)	€15.60 (France)	€16.90 (world)
Options at April 1, 2011 (1)	1,548,100	1,291,400	92,360		2,893,450		107,205	
Options granted during the period	-	-	-		-		-	
Options exercised during the period	-	-	-		-		-	
Options cancelled during the period	106,220	21,600	8,000		133,150		20,600	
Options outstanding at March 31, 2012	1,441,880	1,269,800	84,360		2,760,300		86,605	

	21st plan	22nd plan	23rd plan		24th plan	TOTAL
Total number of shares granted (1)	4,500	119,000	3,088,758		3,220,748	
Start of exercise period	12/15/10	04/29/11	06/30/11		04/27/12	
End of exercise period	12/14/14	04/28/15	06/29/15		04/26/16	
Strike price of options (1)	€10.04	€10.02	€7.10 (France)	€6.386 (world)	€6.841	
Options at April 1, 2011 (1)	4,500	119,000	3,029,258		-	14,473,220
Options granted during the period	-	-	-		3,220,748	3,220,748
Options exercised during the period	-	-	1,750		-	34,646
Options cancelled during the period	-	-	138,165		502,975(3)	1,086,153
Options outstanding at March 31, 2012	4,500	119,000	2,889,343		2,717,773	16,573,169

(1) Following the two-for-one stock split on December 11, 2006 and November 14, 2008.
(2) Two-year extension following a decision by the Board of Directors on January 10, 2011.
(3) 417,000 subscription options (of the 3,220,748 options granted) changed into purchase options following a decision made by the Board of Directors on March 9, 2012.

The Company has not recognized a liability as the exercise of stock options involves the creation of new shares.

Purchase options:

	24th plan
Total number of shares granted (1)	417,000
Start of exercise period	04/27/12
End of exercise period	04/26/16
Strike price of options (1)	€6.841
Purchase options at April 1, 2011 (1)	-
Purchase options granted during the period	417,000
Number of purchase options exercised during the period	-
Purchase options granted during the period	6,250
Purchase options outstanding at March 31, 2012	410,750

The Company has not recorded a liability because the exercise price exceeds the cost of shares allocated to plan coverage.

Bonus share grants

Bonus share grants, which are subject to performance conditions, are locked in for a two or four-year period following the grant date. As the shares granted are ordinary shares in the same category as the old shares that comprise the Company's share capital, employee shareholders receive dividends and voting rights on all their shares at the end of the vesting period.

	03/31/08		03/31/09		03/31/10		
Grant date	10/02/07	03/17/08	06/13/08	09/15/08	04/09/09	11/17/09	12/15/09
Maturity - Vesting period (in years)	4 years	4 years	4 years	4 years	4 years	4 years	4 years
Number of instruments granted (1)	168,500	116,000	28,600	68,000	44,000	15,000	300,000
Number of instruments granted during the period	-	-	-	-	-	-	-
Number of cancelled instruments during the period	7,500	-	-	9,000	-	-	8,000
Number of instruments exercised during the period	161,000	116,000	-	-	-	-	-
Number of instruments at March 31, 2012	-	-	28,600	59,000	44,000	15,000	292,000

	03/31/11			03/31/12		TOTAL
Grant date	06/30/10	06/30/10	11/15/10	06/24/11	06/24/11	
Maturity - Vesting period (in years)	2 years	4 years	4 years	2 years	4 years	
Number of instruments at April 1, 2011	12,520	152,000	213,000	-	-	1,117,620
Number of instruments granted during the period	-	-	-	12,140	131,770	143,910
Number of cancelled instruments during the period	-	7,000	8,000	-	-	39,500
Number of instruments exercised during the period	-	-	-	-	-	277,000
Number of instruments at March 31, 2012	12,520	145,000	205,000	12,140	131,770	945,030

(1) Following the two-for-one stock split effective on November 14, 2008.

Group savings scheme

Ubisoft also offers Group savings schemes, which allow workers in France and abroad to acquire Ubisoft shares as part of reserved capital increases. Workers acquire these shares with a maximum discount of 15% versus the average opening price over the 20 trading days prior to the Board of Directors' meeting that approved the capital increase.
The lock-in period is five years for French employees.

	03/31/12	03/31/11
Grant date	07/18/11	12/07/10
Subscription price (in euros)	6.12	6.46
Number of shares subscribed	50,466	105,162

Treasury shares

At March 31, 2012, the Company held 566,584 treasury shares.

Regulated provisions

Details of regulated provisions are given in note 1.3 Statement of changes in equity.

Note 15. Borrowings

	03/31/12	03/31/11	
Accrued interest	142	509	
Bank overdrafts	71,601	57,969	
Borrowings	**71,743**	**58,478**	
Fixed-rate debt	-	-	
Variable-rate debt	71,743	58,478	
	< 1 year	**from 1 to 5 years**	**> 5 years**
Amounts payable at March 31, 2012	71,743	**-**	-

The breakdown of borrowings by currency was as follows:

	03/31/12	03/31/11
Euro	71,736	58,471
Pound sterling	6	6
Japanese yen	1	1
Borrowings	**71,743**	**58,478**

The €164,983 thousand in "miscellaneous financial liabilities" in the balance sheet consists of current account advances by subsidiaries to the parent company. These advances all mature in under a year.

Note 16. Other liabilities

	03/31/12	03/31/11
Trade receivables – credit notes to be issued [1]	14,114	4,598
Unrealized gains on Calyon receivable relative to Gameloft equity swap	8,210	16,191
Other liabilities [2]	21,297	5,547
TOTAL	**43,621**	**26,336**

(1) Credit notes to be issued relate to associated companies

(2) Other liabilities relate mainly to additional sums to be paid on acquisitions of the following companies:
- €4.2 million for Nadeo;
- €16.6 million for Owlient.

Note 17. Prepaid expenses and deferred charges

	Opening balance	Increase	Decrease	Closing balance
Deferred income	-	240	-	240
Conversion rate adjustment (liability)	333	88	333	88
TOTAL at 03/31/12	**333**	**328**	**333**	**328**
TOTAL at 03/31/11	**41**	**333**	**41**	**333**

3.5.6 NOTES TO THE INCOME STATEMENT

Note 18. Production for the period

Production for the period comprises:
- Sales, essentially made up of intra-group invoicing of royalties;
- Capitalized production reflecting development costs outsourced to subsidiaries and external developers.

	03/31/12	03/31/11
Sales	427,134	387,580
Capitalized production costs for commercial software	324,140	311,150
Capitalized production costs for external developments	31,273	30,439
Production for the period	**782,547**	**729,169**

The breakdown of sales by geographic region was as follows:

	03/31/12		03/31/11	
	€ thousand	Percentage	€ thousand	Percentage
Europe	176,482	41%	114,455	34%
North America	244,882	58%	256,959	66%
Rest of the world	5,770	1%	16,166	-
Sales	**427,134**	**100%**	**387,580**	**100%**

Note 19. Other operating income and reinvoiced costs

	03/31/12	03/31/11
Reversals of provisions on commercial software developments*	247,191	191,314
Reinvoiced costs	14,151	17,177
Income from other ordinary revenue transactions	9,683	59
TOTAL	**271,025**	**208,550**

* See details in note 21

Reinvoiced costs essentially include overheads, travel, trade show and similar costs reinvoiced to Group companies.

Note 20. Other purchases and external expenses

	03/31/12	03/31/11
Production services subcontracted to subsidiaries	324,140	311,150
Production services subcontracted to external developers	31,273	30,439
Other purchases and external expenses	171,174	140,134
TOTAL	**526,587**	**481,723**

Other purchases and external expenses consist mainly of advertising expenses, royalties and property and equipment lease payments.

Note 21. Depreciation, amortization and provisions

	03/31/12	03/31/11
Amortization of intangible assets	**516,930**	**569,970**
*Released commercial software **	*454,767*	*444,817*
Released external developments	*39,858*	*40,062*
*Commercial software and external developments in progress **	*21,100*	*85,036*
Other	*1,205*	*55*
Amortization & depreciation of property, plant and equipment	**642**	**632**
Fixtures and fittings	*618*	*596*
Computer hardware and furniture	*24*	*36*
Provisions for risks	**270**	-
TOTAL	**517,842**	**570,603**

* Net reversals (see note 19) on commercial software therefore amount to €228,676 thousand.

Note 22. Net financial income

	03/31/12	03/31/11
Financial income:		
Financial income from shareholdings	-	410
Other interest received	1,059	1,495
Reversal of provisions	1,985	720
Foreign exchange gains [(1)]	30,331	19,742
Net proceeds on sale of investment securities	37	41
	33,412	**22,408**
Financial expenses:		
Amortization and provisions	3,253	2,642
Other interest paid [(2)]	4,946	6,815
Foreign exchange losses [(1)]	32,137	24,028
	40,336	**33,485**
Net financial income	**(6,924)**	**(11,077)**

[(1)] The foreign exchange loss of €(1.8) million is mainly related to price fluctuations in the Yen (€(0.8) million), the Australian dollar (€(0.4) million), and the Canadian dollar (€(0.5) million).

<u>Foreign exchange risk</u>

The Company's exposure to foreign exchange risk stems from operating cash flows and its investments in foreign subsidiaries.

The Company only hedges its exposures on cash flows from operating activities in the main significant foreign currencies (US dollar, Canadian dollar, pounds sterling and Australian dollar). Its strategy is to hedge only one year at a time, so the hedging horizon never exceeds 18 months.

The Company first uses natural hedges provided by transactions in other directions (development costs in a foreign currency offset by royalties from subsidiaries in the same currency). The parent company uses foreign currency borrowings, forward sales or foreign exchange options to hedge any residual exposures and non-commercial transactions (such as inter-company loans in foreign currencies).

At March 31, 2012, the amounts hedged giving rise to purchases and sales of foreign currencies amounted to €117,089 thousand (see note 3.6.2 Off-balance sheet commitments).

Note 23. Non-recurring items

Article 14 of the Decree of November 29, 1983 defines non-recurring items as those that are not related to the normal operations of a company.

	03/31/12	03/31/11
Non-recurring income:		
Non-recurring income from management transactions	370	-
Non-recurring income from capital transactions	26,039	6,038
Non-recurring reversals	113,754	118,772
Non-recurring expenses:		
Non-recurring expenses on management transactions	5	700
Non-recurring expenses on capital transactions	2,730	948
Non-recurring provisions	203,212	177,712
Non-recurring items	**(65,784)**	**(54,550)**

At March 31, 2012, non-recurring items mainly comprised:
- Net gain on sales and contributions of shares of the French subsidiaries for €16,418 thousand;
- Gain on disposal of Gameloft SA shares for €7,227 thousand;
  - €203,212 thousand in allocations for accelerated tax depreciation on development expenditure for software;
  - €113,754 thousand in reversals for accelerated tax depreciation on development expenditure for software.

Note 24. Income tax

At March 31, 2012, the tax group incorporates Ubisoft Entertainment SA (holding company) and all subsidiaries whose head office is in France, with the exception of those created or acquired during the fiscal year.
Any tax savings arising from the use of losses at the tax group's member companies will only be temporary, since the company in question may use them at any time for its own purposes.

On a standalone basis (disregarding the tax consolidation group), Ubisoft Entertainment SA's figures were as follows:

	03/31/12	03/31/11
Profit (loss) before tax from continuing operations	(304)	(128,006)
Non-recurring items	(65,784)	(54,550)
Profit (loss) before tax	(66,088)	(182,556)
Income tax (credit)	(2,271)	(30,439)
Net accounting profit (loss)	(63,817)	(152,117)
Taxable income	(96,148)	(185,814)

	Profit (loss) before tax	Theoretical		Net profit (loss)
		tax (tax credit)	Due	
Current	(304)	(1,011)	57	(247)
Non-recurring	(65,784)	(31,038)	0	(65,784)
Tax consolidation			*2,214*	*2,214*
TOTAL	**(66,088)**	**32,049**	**2,271**	**(63,817)**

Tax income comprises:
- Cancellation of tax expense recorded by the subsidiaries of the tax consolidation group in the amount of €2,214 thousand;
- Holding company tax credits of €57 thousand.

The carryforward deficit of the tax group at March 31, 2012 amounted to €357,219 thousand, including €330,720 thousand of accelerated tax depreciation related to the application of Article 236 of the CGI (General Tax Code).

3.6 OTHER INFORMATION

3.6.1 STAFF

At March 31, 2012, the staff consisted of 5 corporate officers.

3.6.2 FINANCIAL COMMITMENTS AND OTHER INFORMATION

3.6.2.1 OFF-BALANCE SHEET COMMITMENTS RELATED TO COMPANY FINANCING

Type	Description	Expiry at	03/31/12	03/31/11
Commitments given by Ubisoft Entertainment SA				
Financial guarantees [(1)]:			**69,753**	**60,284**
Ubisoft Divertissements Inc.	Lease payment guarantee	01/31/23	751	638
Ubisoft Inc.	Guarantee of commercial commitments	End of commercial relationship	7,487	7,039
Ubisoft Ltd	Loan guarantee	12/29/11	-	20,000
Ubisoft Ltd	Lease payment guarantee	06/15/16	1,597	1,866
Ubisoft Ltd	Lease payment guarantee	06/15/16	698	795
Ubisoft Reflections Ltd	Lease payment guarantee	12/21/15	854	1,034
Ubisoft Paris SAS	Lease payment guarantee	02/28/21	6,281	4,483
Ubisoft Entertainment Sweden AB	Lease payment guarantee	12/31/14	565	560
Red Storm Entertainment Inc.	Lease payment guarantee	04/30/19	4,227	4,450
Ubisoft Divertissements Inc.	Lease payment guarantee	07/31/16	631	89
Ubisoft Toronto Inc.	Lease payment guarantee	04/30/13	876	1,631
Ubisoft Production Internationale SAS	Payment guarantee for RedLynx Oy additional price	10/31/14	5,000	-
Ubisoft Divertissements Inc.	Loan guarantee	03/31/13	25,000	-
Ubisoft Inc.	Stand-by letter	09/01/12	7,487	7,039
Ubisoft EMEA SAS	Stand-by letter	10/30/12	8,000	10,000
Commitments received by Ubisoft Entertainment SA				
Received and unused credit lines				
Syndicated loans		05/18/13	180,000	180,000
Confirmed credit lines		11/20/11	-	10,000
Confirmed credit lines		02/22/12	-	20,000
Confirmed credit lines		05/17/13	50,000	50,000
Confirmed credit lines		05/17/13	20,000	20,000
Bank credit facilities			74,300	74,500
Foreign exchange hedges [(2)]			**117,089**	**56,696**
Canadian dollar	Forward sale		-	15,823
	Forward purchase	April 2012	10,518	7,312
US dollar	Forward purchase	April 2012	71,129	-
	Forward purchase	June 2012	7,188	19,597
	Forward sale	March 2013	14,975	-
Japanese yen	Forward purchase		-	4,314
Pound sterling	Forward sale	April 2012	1,199	-
	Forward purchase	April 2012	9,593	9,091

Swedish krona	Forward purchase	June 2012	2,487	559

(1) Only commitments of over €500 thousand are detailed
(2) Fair value in euros valued by Mark-to-Market at year-end

The syndicated loan and confirmed bank loans in place are governed by financial covenants that are based on the ratio of net debt to equity and that of net debt to EBITDA.

Within the context of the syndicated loan and bilateral lines of credit, the following covenants are to be complied with:

	2010/2012	2010/2011
Net debt restated for assigned receivables/equity restated for goodwill <	0.80	0.80
Net debt restated for assigned receivables/EBITDA <	1.5	1.5

All covenants are calculated on the basis of the consolidated annual financial statements under IFRS.

At March 31, 2012, the Company is in compliance with all these ratios and expects to remain so during the 2012/2013 financial year.

Other borrowings are not governed by covenants.

3.6.2.2 EQUITY SWAP ON GAMELOFT SHARES

On July 12, 2007, Ubisoft Entertainment SA signed two agreements with CAICIB, an investment bank.

The first agreement relates to the disposal of all 13,367,923 Gameloft shares held by Ubisoft Entertainment SA (representing 18.73% of Gameloft's capital on the date the agreement was concluded) at €6.08 per share.

The second relates to Ubisoft Entertainment SA's ability to continue participating in upward or downward movements in the Gameloft share price in relation to the €6.08 per share price set in the first agreement, until such time as CAICIB disposes of the shares to a third party.

3.6.2.3 OTHER COMMITMENTS

Since all members of staff are corporate officers, no retirement benefits are owed.

Ubisoft Entertainment SA has committed to provide financial support to its subsidiaries in order to meet their cash flow requirements.

There are no finance leases.

3.6.3 MANAGEMENT REMUNERATION

Ubisoft Entertainment SA paid €720 thousand in compensation to its corporate officers during the 2011/2012 fiscal year.

In - very partial - compensation for their work and the time spent in preparing and participating in Board Meetings, the General Meeting of September 25, 2006 authorized the Company to pay directors' fees totaling a maximum of €250 thousand per annum. The Board of Directors, exercising this authorization, established a fixed portion and a variable portion setting out new requirements.

During the 2011/2012 financial year, members of the Board of Directors received €180 thousand in directors' fees.

No obligation has been undertaken by the Company in favor of its corporate officers related to their termination or change in responsibilities.

Pursuant to Article L.225-43 of the French Commercial Code, no loans or advances were made to the Company's directors.

There are no agreements to compensate Board members if they resign or are dismissed without real cause, or if their employment is terminated due to a public offering.
At its meeting on April 27, 2011, the Board of Directors exercised the authorization from the General Meeting of July 2, 2010, allocating 110,000 share subscription options to corporate officers.

Pursuant to the provisions of French Act No. 2006-1770 of December 30, 2006, the Board of Directors set at 5% the amount of shares that must be kept as registered by corporate officer beneficiaries until such time as they have relinquished their positions.

Furthermore, the share subscription options granted to corporate officers by virtue of this plan and pursuant to the seventeenth resolution decided upon by the Shareholders' Meeting of July 2, 2010, come with performance conditions based on a cumulated objective of sales and profitability.
The options granted are exercisable per 25% tranche over four years from April 27, 2012, but in practice, as the performance conditions to be met are spread over several consecutive years (4 years in this case) on the cumulative basis of the annual financial statements for the years ended March 31, 2012, 2013, 2014 and 2015, the officers may only exercise their options as of March 31, 2015.

3.6.4 CONTINGENT ASSETS AND LIABILITIES

To the best of our knowledge, there are no contingent assets or liabilities at March 31, 2012.

3.6.5 EVENTS AFTER THE BALANCE SHEET DATE

N/A

3.6.6 SUBSIDIARIES AND SHAREHOLDINGS (MARCH 31, 2012)

	Country	Currency	Capital	Reserves and retained earnings (losses), before allocation of earnings	Percentage if capital held	Accounting value of shares held in thousands of euros		Loans and advances granted by the Company and not yet paid	Sales excluding VAT	Earnings for the last fiscal year	Dividends received
			In thousands of currency units	In thousands of currency units		Gross	Net	In thousands of euros	In thousands of currency units	In thousands of currency units	
SUBSIDIARIES											
AT LEAST 50% OF CAPITAL HELD											
UBISOFT INC.	United States	US dollar	90,405	65,373	100 %	96,991	96,991	-	682,456	10,559	N/A
UBISOFT EMEA SARL	France	Euro	11,960	30,601	100 %	55,158	55,158	-	227,706	1,358	N/A
UBISOFT COUNSEL & ACQUISITIONS SARL	France	Euro	50,008	1,761	100 %	50,008	50,008	-	25,149	2,887	N/A
UBISOFT FRANCE SAS	France	Euro	20,623	4,751	100 %	22,872	22,872	-	76,881	476	N/A
UBISOFT GMBH	Germany	Euro	11,950	12,075	100 %	27,101	27,101	-	85,253	2,251	N/A
UBISOFT DIVERTISSEMENTS INC.	Canada	Canadian dollar	1,000	57,034	100 %	641	641	-	184,651	13,388	N/A
OWLIENT SAS	France	Euro	80	4,580	100 %	31,755	31,755	-	9,827	219	N/A
Other French subsidiaries						25,491	25,446	-			N/A
Other foreign subsidiaries *						32,601	31,520	2,151			N/A
Total						**342,618**	**341,492**				
SHAREHOLDINGS BETWEEN 10% AND 50% OF CAPITAL HELD						-	-	-			

* Information on significant subsidiaries is detailed. The other foreign subsidiaries comprises a significant number of subsidiaries, but the value of the shares is not significant.

4 AUDITOR'S GENERAL REPORT ON THE FISCAL YEAR ENDING MARCH 31, 2012

This is a free translation into English of the statutory Auditors' general report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Dear Shareholders,

Pursuant to the assignment entrusted to us by your General Meeting, we hereby present our report for the fiscal year ended March 31, 2012, with regard to the following:

- ✓ the audit of the annual financial statements of Ubisoft Entertainment S.A., as attached to this report;
- ✓ the basis for our assessment;
- ✓ the specific verifications and information required by law.

The annual financial statements have been prepared by the Board of Directors. It is our task to express an opinion on these financial statements on the basis of our audit.

1- Opinion regarding the annual financial statements

We have conducted our audit in accordance with accepted professional standards in France. These standards require due diligence in order to ascertain with reasonable certainty that the annual financial statements contain no material anomalies. An audit consists in verifying, on a test basis or by means of other methods of selection, elements to the amounts and information contained in the financial statements. It also involves assessing the accounting principles applied, the significant estimates reserves and the global presentation of the financial statements. It is our view that the elements that we collected are sufficient and adapted to base our opinion.

We hereby certify that, from the standpoint of French accounting rules and principles, the annual financial statements give a true and fair view of the results obtained for the fiscal year in question and of the company's financial position and assets at the end of this year.

2- Basis for assessment

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code regarding the basis for an assessment, we call your attention to the following items:

Commercial software and external developments.

The note relating to « intangible assets » in the section entitled "Accounting rules and methods" describes the accounting principles for the valuation and the depreciation of commercial software and external developments.

Our work consisted to assess the information and assumptions on which are based these estimates, to check the calculations made by the company, to compare the accounting estimates of the last periods with the reality. As part of our assessment, we have ensured the appropriateness of these estimates and reviewed the procedures for approval of these assumptions by the management.

Equity investments

The note relating to "Financial assets" in the section entitled "Accounting rules and methods" describes the accounting principles for the valuation and depreciation of securities.

As part of our assessment of the accounting rules and principles applied by your company, we have verified the appropriateness of the accounting methods indicated above and of the information provided in the notes, and have ensured their correct application.

Our assessments were made within the context of our audit of the annual financial statements as a whole, and therefore provided a basis for the opinion expressed in the first part of this report.

3- Specific verifications and information

We have also carried out the specific verifications required by law, pursuant to professional standards applicable in France.

We have no comments regarding the accuracy of the information provided in the management report prepared by the Board of Directors or in the documents sent to shareholders concerning the financial position and annual financial statements, or regarding the consistency of this information with the annual financial statements.

Concerning the information provided pursuant to the provisions of article L. 225-102-1 of the French Commercial Code on the compensation and benefits paid to corporate officers and on the commitments made in their favor, we verified their concordance with accounts or with the data used for the establishment of these accounts and, where appropriate, with items collected by your company of the companies controlling your company, or controlled by it. Based on this work, we attest the accuracy and truthfulness of such information.

As required by law, we have ensured that the various information relating to equity and control investments and to the identity of the holders of share capital or voting rights was provided to you in the management report.

Nantes, June 18th, 2012
KPMG Audit
A division of KPMG S.A.

Franck Noël
Partner

Rennes, June 18th, 2012
MB Audit

Roland Travers
Partner

5 STATUTORY AUDITOR'S SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS FOR THE YEAR ENDED MARCH 31, 2012

This is a free translation into English of the statutory Auditors' special report on regulated agreements and commitments issued in the French language and is provided solely for the convenience of English speaking readers.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Dear Shareholders,

In our capacity as statutory auditors of your company, we hereby report to you on regulated agreements and commitments.

We are required to inform you, based on the information provided to us, of the principal terms and conditions of the agreements and commitments brought to our attention or which we may have discovered during the course of our mission, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and commitments if any. It is your responsibility, under the terms of article R.225-31 of the French Commercial Code, to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Furthermore, we are required to provide you with the information stipulated in article R.225-31 of the French Commercial Code relating to the execution, during the past fiscal year, of agreements and commitments previously approved by the Shareholders' Meeting, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux* Comptes) relating to this engagement. These procedures consisted in verifying the information provided to us is in agreement with the relevant source of documents.

Regulated agreements and commitments submitted to the approval of the Shareholders' Meeting

Regulated agreements and commitments authorized during the past financial year

In accordance with article R.225-40 of the French Commercial Code, we were informed of the following agreements and commitments, which were previously authorized by your Board of Directors.

<u>Contract of order and transfer of rights</u>

- Agreement entered into with :

NextVision SARL

- Person concerned :

  Marc Fiorentino as director of your Company and general manager sole shareholder of the company NextVision SARL

- Nature and purpose :

  On June 30th, 2011, your Board of Directors authorized your company to enter into a contract of order and transfer of rights, pursuant to which your company grants to the company NextVision SARL the conception and development of a free-to-play online game relating to finance field, accompanied with the transfer in favor of your company all of the IP and material rights attached thereto.

- Conditions :

  The contract came into effect on October 18th, 2011 and will remain into effect till its completion.

  No amount was booked for the financial year ended 31st March, 2012.

Regulated agreements and commitments previously approved by the Shareholders' Meeting

Agreements and commitments entered into in prior years remained in force during the past financial year

Pursuant to article R.225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, previously approved by Shareholders' Meetings of prior years, have remained in force during the year:

1. <u>Intellectual Property License granted by the company's Luxembourg subsidiary (Ubisoft Entertainment Sàrl)</u>

- Nature and purpose :

  On March 14th, 2011, your Board of Directors authorized your company to conclude retroactively as of 1st April, 2010, an intellectual property license agreement relating to some intellectual properties including trademarks (the "IP") owned by Ubisoft Entertainment Sàrl, subject to the payment by your company of a 3.5% royalty calculated on Ubisoft Group's turnover in connection with the due use of such IP. In consideration of the marketing costs related to the IP, your company will invoice to Ubisoft Entertainment Sàrl a marketing fee corresponding to 11% of the royalties relating to the use of the IP thereto.

- Conditions :

  The amount of the royalties booked for the year ended March 31, 2012 totaled € 697,582 excluding tax.

  The amount of marketing fee reinvoiced for the year ended March 31, 2012 totaled €76,735 excluding tax.

2. <u>Licensing agreement with Gameloft SA</u>

- Nature and purpose :

  On November 18th, 2008, your Board of Directors authorized your company to grant to Gameloft SA an exclusive and nontransferable license for the use and reproduction of video games for iPhone and iPod Touch formats as well as a nonexclusive and nontransferable license authorizing the reproduction of the trademarks and logos relating to the video games subject to the exclusive use of the license.

- Conditions :

  The license agreement concerns a period from January 28th, 2009 to April 1, 2012. The amount of the royalties booked as turnover by your company as of March 31, 2012 totaled €866,522 excluding tax.

3. <u>Brand licensing agreement with Gameloft SA</u>

- Nature and purpose :

  On August 18th, 2003, your Board of Directors authorized your company to sign an exclusive licensing agreement for current and future brands with Gameloft S.A. for the development of interactive video games for telephone, fax and telecommunications devices, personal digital assistants (PDAs) and interactive television.

- Conditions :

  The term of the agreement is 10 years starting on April 1, 2002. This agreement was denounced on September 21st, 2011 with effect as of April 1, 2012.
  The amount of the royalties booked as turnover by your company as of March 31, 2012 totaled €637,644 excluding tax.

4. <u>Regulated agreement of guarantee granted</u>

- Nature and purpose :

  On November 17th, 2009, your Board of Directors authorized your company to invoice financial interests of 0.5 % per year to some subsidiaries companies as remuneration of the guarantees granted by the company within the framework of commitments taken by those subsidiaries face to face third parties (rents, banks, commercial partners…)

- Conditions :

  The term of the remuneration achieves to each guarantee due date. The financial revenue as of March 31, 2012 totaled €177,939 excluding tax.

Agreements and commitments approved during the past the financial year

Furthermore, we have been informed of the execution during the past financial year of the following agreements and commitments approved by the General Meeting held on June 30th, 2011 deliberating on the statutory auditors' special report dated June 6th, 2011.

Contributions in kind of shares

- Nature and purpose :

  On March 14th, 2011, your Board of Directors authorized your company to complete contributions in kind:

  - in favor of Ubisoft Annecy (priorly called Ubisoft Simulations SAS, a wholly-owned subsidiary of your company) of all the shares it owned and making of the whole share capital of Ubisoft Production Annecy SARL
  - in favor of Ubisoft Montpellier SAS (priorly called Ubisoft Pictures SAS, a wholly-owned subsidiary of your company) of all the shares it owned and making of the whole share capital of Tiwak SAS, Ubisoft Castelnau SARL, Ubisoft Production Montpellier SARL, Ubisoft Studios Montpellier SARL and Ubisoft Design Montpellier SARL.

- Conditions :

  These contributions in kind were completed on May 12th, 2011.

  The remuneration of the contributions amounted to :

  - 243,822.42€ for the contribution in kind of the shares in favor of Ubisoft Annecy SAS
  - 2,839,147.79€ for the contributions in kind of the shares in favor of Ubisoft Montpellier SAS;

Nantes, June 18th, 2012	Rennes, June 18th, 2012
KPMG Audit	MB Audit
A division of KPMG S.A.	
Franck Noël	Roland Travers
Partner	Partner

GOVERNANCE AND INTERNAL CONTROL

1 REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE AND INTERNAL CONTROL

This report prepared in accordance with the provisions of Article L. 225-37 of the French Commercial Code was approved by the Board at its meeting held on May 14, 2012.

It was also the subject of a report prepared by the statutory auditors, in accordance with Article L. 225-235 of the French Commercial Code, on internal control procedures relating to the preparation and processing of accounting and financial information and of a declaration regarding the preparation of other necessary information.

The main parties involved in preparing and drawing up the report are the Chairman and Chief Executive Officer, the members of the Board of Directors and of the committees, working in close collaboration with the administrative department in charge of its preparation.

This report is a descriptive approach of the works started, completed and planned by the Company; in no way it intended to demonstrate that the Company has complete control over all of the risks it may encounter.

1.1 CORPORATE GOVERNANCE CODE

As regards corporate governance, the Company refers to the corporate governance code for listed companies, published by AFEP-MEDEF (Association of French Private-Sector Companies/French Business Confederation) (consolidated code of December 2008 updated in April 2010 and available at www.code-afep-medef.fr) (the "AFEP-MEDEF Code").

The Company considers that it complies with the corporate governance principles of the AFEP-MEDEF Code insofar as these principles are consistent with the organization, size, capacity and ownership structure of the Company and/or the Ubisoft Group.

In accordance with the provisions of Article L. 225-37 of the French Commercial Code, this report lists the provisions of the AFEP/MEDEF Code passed aside by the Company and the reasons related thereto.

In addition, the Board of Directors continues to reflect on the application and, if applicable, the adaptation of the rules of the AFEP-MEDEF Code which have not yet been implemented, by taking into account the specific characteristics of the Company.

1.2 COMPOSITION OF THE BOARD

The Board of Directors comprises six members, four of whom are also Executive Vice Presidents and assist the Chief Executive Officer.

The composition of the Board is expected to change in the very short term insofar as Marc Fiorentino expressed the wish that his directorship expiring at the end of the next Annual General Meeting is not subject to renewal, for the reasons set out under 1.2.1 below.
As a result, the Company intends to proceed, in consideration of the studies conducted within the context of ensuring a balanced representation of women and men within the Board (1.2.3 below), with the appointment at the next Annual General Meeting of at least one woman as candidate for the aforesaid directorship.

The composition of the Board of Directors is contained in section 4.2.1 of the management report.

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The by-laws of the Board of Directors set all the principles, which, without being set up as strict rules, should guide the composition of the Board of Directors.

1.2.1 INDEPENDENT DIRECTOR

The Board of Directors comprises at the present time five members from the Guillemot family and one independent director as defined by the AFEP/MEDEF Code, namely an independent director who (i) must not have any relationship of any kind whatsoever with the Company, its Group or the management that is such to compromise his or her judgment and (ii) must meet the following criteria:

- must not be an employee or corporate officer of the Company, or an employee or director of its parent or a company that it consolidates, and must not have been in such a position for the previous five years;
- must not be a corporate officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or a corporate officer of the Company (currently in office or having held such office going back five years) is a director;
- must not be a customer, supplier, investment banker or commercial banker that is material for the Company or its Group or for which the Company or its Group accounts for a significant part of its business;
- must not be related by close family ties to a corporate officer;
- must not have been an auditor of the Company within the previous five years;
- must not have been a director of the Company for more than twelve years.

It should be noted that the contract of order and transfer of rights entered into between the Company and NextVision (where Marc Fiorentino is sole manager) on October 18, 2011, pursuant to which NextVision must provide the Company with services relating to the development of an online game, cannot at this time, due to the commitment required and the absence of remuneration for the past financial year, be considered significant and therefore brings into question the independence criteria of Marc Fiorentino.

However, as Marc Fiorentino having expressed the wish to focus more actively on operations in connection with the Ubisoft Group's actual business in the short or medium term and as these new activities may be likely to bring into question the independence criteria described above, he informed the Company of his desire not to be reappointed as director at the end of the next Annual General Meeting to be held to approve the renewal of his directorship.

Further to this announcement, the Company carried out concomitantly the study of the appointment of a new independent director on the Board of Directors (to replace Marc Fiorentino) (see 1.2.1 above) and the improvement of the representation of women within the Board.

The Board of Directors - aware that in this context such an appointment - will not allow the Company to comply with the recommendations of the AFE-MEDEF Code stating that the proportion of independent directors shall make up at least a third in the companies controlled by a principal shareholder will continue its reflection related thereto while taking into account the principle of a balanced representation of women and men within the Board

1.2.2 BALANCED REPRESENTATION OF WOMEN AND MEN WITHIN THE BOARD OF DIRECTORS

Although the Company does not comply at the present time with the recommendation of the AFEP-MEDEF Code as regards this matter, it will intend to comply in a timely manner with the provisions of Act no. 2011-103 of January 27, 2011 regarding the balanced representation of men and women within boards of directors and supervisory boards, and professional equality, namely by promoting the selection of women as candidates for the next vacant directorships.

In this perspective, the appointment of a woman as Director who moreover complies with the independence criteria described above will be put at the agenda of the next General Meeting in replacement of Marc Fiorentino [cf. 1.2.1].

1.2.3 DIRECTOR ELECTED BY EMPLOYEE SHAREHOLDERS

The Board of Directors does not include a director representing the employees, it being specified that the threshold of at least 3% of share capital held by the employees (as provided in Article L. 225-23 of the French Commercial Code) has not been reached to date.

1.2.4 NUMBER OF SHARES TO BE HELD BY THE DIRECTORS

Pursuant to Article 9 of the Articles of Association of the Company, each director must own at least one share in the Company. The number of shares held by directors is variable as the Company currently believes that the number of shares held by the directors is not a corollary of their involvement in executing their duties.

1.2.5 DIRECTORS' TERM OF OFFICE

Article 9 of the Articles of Association as amended by the General Meeting of July 10, 2009 complies with the recommendation of the AFEP-MEDEF Code relating to this matter, namely: (i) a term of office for directors of four years (compared to six previously) and (ii) staggered renewals.
In order to phase in the establishment of staggered renewals referred to above, it was decided to reduce the term of office expiring originally at the Annual General Meeting approving the financial statements for the financial year ended March 31, 2013 to ensure the regular renewal of Board members, namely:

- renewal during the General Meeting approving the financial statements for the year ended March 31, 2012: Yves Guillemot, Gérard Guillemot and Marc Fiorentino;
- renewal during the General Meeting approving the financial statements for the year ended March 31, 2013: Claude Guillemot, Michel Guillemot and Christian Guillemot.

Further to the wish expressed by Marc Fiorentino not to be reappointed as director at the General Meeting approving the financial statements for the year ended March 31, 2012, the appointment of a woman as candidate shall be proposed at the next Annual General Meeting for a period of four years expiring at the end of the Annual General Meeting approving the financial statements for the year ended March 31, 2016.
Directors may not be over eighty years of age.

1.3 PREPARATION AND ORGANIZATION OF THE BOARD'S PROCEEDINGS

The preparation and organization of the Board come within the scope defined by the statutory and regulatory provisions applicable to "*societies anonymes*" (corporations) and of the Company's Articles of Association and the provisions of the by-laws of the Board of Directors and its committees updated on April 27, 2011 in compliance with the French Commercial Code and the AFEP-MEDEF Code.

Shareholders may consult the by-laws at the business address or at the registered office.

Over and above the expertise and powers of the Board, the by-laws provide the operational rules of the specialized committees set up within it, prescribe the principle of confidentiality for information known by members and that of the office of director in respect of rules of independence, ethics and integrity. Moreover, the by-laws stipulate the requirement that each of the directors inform the Board in the event of a real or potential conflict of interests in which he/she may be directly or indirectly involved.

It also mentions the applicable rules regarding transactions of Company shares, as defined by Article L. 621-18-2 of the French Monetary and Financial Code and Article 222-14 of the General Regulations of the AMF (Financial Market Authority).

Finally, the by-laws provide the opportunity for directors to participate in the Board's deliberations via videoconference or telecommunications which enable them to be identified and guarantee their effective participation, under the conditions determined by the regulations in force. Directors who participate in the Board's deliberations in this way are deemed to be present for quorum purposes, except for Board of Directors' meetings relating to the establishment of the corporate financial statements, consolidated financial statements and the management report.

The by-laws provide the operating rules for the permanent committees set up within the Board of Directors.

1.3.1 THE BOARD'S POWERS AND RESPONSIBILITIES

In accordance with the provisions of Article L. 225-35 of the French Commercial Code and the provisions of its by-laws, the Board of Directors lays down the Company's policies and ensures their implementation.

It meets as often as required by the Company's business, at the registered office or at any other place chosen by the Chairman; no special form is required for meeting notices. As a collegial body, its decisions are binding on all its members.

In particular, the Board of Directors gives its opinion on all decisions relating to major strategic, economic, corporate, financial and technological policies of the Company and ensures their implementation by senior management.

Subject to the powers expressly bestowed on Shareholders' Meetings and within the limit of the corporate purpose, the Board of Directors may discuss any issue affecting the proper functioning of the Company. It also carries out the verifications and controls it deems appropriate.

Consequently, the Board of Directors:

- sets the Group's targets and defines its strategy in line with its culture and values;
- chooses the organizational arrangements for senior management (separation of the position of Chairman from that of Chief Executive Officer, or both these positions held by the same person);
- implements, where it sees fit, the authorizations granted to it by the General Shareholders'

Meeting;
- examines and approves the financial statements;
- monitors the quality of the information provided to shareholders and to the markets in the financial statements or when major transactions are carried out.

1.3.2 MAIN ISSUES ADDRESSED DURING THE FINANCIAL YEAR/PROCEEDINGS OF THE BOARD OF DIRECTORS

During the financial year, the Board of Directors mainly focused on:

- examining Ubisoft's strategic considerations;
- examining and approving the corporate and consolidated financial statements for the year ended March 31, 2011 and the interim consolidated financial statements of September 30, 2011;
- establishing forecast management statements;
- financial information/financial reports;
- examining regulated agreements in accordance with Article L. 225-38 of the French Commercial Code;
- preparing the Combined General Meeting of June 30, 2011 (agenda, draft resolutions, reports for this meeting, response to a written question from a shareholder);
- implementing the authorizations granted by the Shareholders' Meeting, in particular as regards employee shareholding and financial" authorizations;
- renewing the authorization granted to the Chief Executive Officer to provide deposits, endorsements and guarantees on behalf of the Company;
- establishing corporate governance policies: reviewing the self-evaluation questionnaires of the Board of Directors and its committees from March 2011, fixing and allocating directors' fees and associated updating of by-laws of the Board and its committees;
- implementing the share buyback program;
- reading the reports of its committees (the Strategy and Development Committee and the Compensation Committee).

In accordance with Article L. 823-17 of the French Commercial Code, the auditors were invited to attend the Board meetings approving or examining the financial statements.

The Board of Directors met 10 times during the financial year 2011/2012, with an attendance rate of 75%.

1.3.3 INFORMATION TO DIRECTORS

The Chairman and Chief Executive Officer provides the directors with the information and documentation necessary for them to carry out their duties and to prepare meetings in accordance with Article L. 225-35 of the French Commercial Code.
Each director may independently obtain additional information from the Chairman and Chief Executive Officer, who is at all times available to provide relevant information and explanations to the Board of Directors.

Directors are bound by a duty of confidentiality as regards confidential information that is provided as such by the Chairman of the Board of Directors.

1.3.4 ASSESSMENT OF THE WORK OF THE BOARD OF DIRECTORS

The Board conducted a formal evaluation of the functioning of the Board and its committees through a questionnaire sent to each director in March 2011 and the results of these questionnaires have been the subject of discussions by the Board of Directors for the year 2011/2012.

The evaluation focuses mainly on Board composition, its functioning, the frequency and duration of meetings, the topics covered, the quality of debate, information from directors and the work of its specialized committees.

It was found that there was a generally positive assessment of the Board's ability to fulfill its mission.

Areas for improvement included:

- the appointment of a woman as independent director with expertise in financial communications, HR or distribution and knowledge in the world of video games and the Internet, and
- the contribution of non-Board individuals as regards certain items on the agenda such as the CFO or the Managers.

These two elements will guide the future thinkings of the Board of Directors in order to improve corporate governance.

1.3.5 BOARD COMMITTEES

The Board of Directors is assisted by two specialized committees: the Strategy and Development Committee and the Compensation Committee.

Both these committees are comprised exclusively of directors. Committee members are appointed by the Board of Directors, which also designates each committee's Chairman.

The responsibilities and specific operating procedures of each committee were specified by the Board when they were established and were added to the by-laws.

1.3.5.1 STRATEGY AND DEVELOPMENT COMMITTEE

COMPOSITION

The committee has five members: Yves Guillemot, Claude Guillemot, Michel Guillemot, Gérard Guillemot and Christian Guillemot. Yves Guillemot is the Chairman of the committee.

RESPONSIBILITIES

The committee is responsible for examining and reflecting upon all decisions concerning the major strategic, economic, corporate, financial and technological policies of both the Company and the Group.

It may also be asked to study in detail and to provide the Board with an opinion on matters referred to it, concerning major investments, acquisitions or divestments and disposals.
The committee's task is to reflect upon the positioning of the Company vis-à-vis the market and, in particular, to carry out prospective and strategic analyses of the Ubisoft Group's activities.

WORK DURING THE FINANCIAL YEAR 2011/2012

The Strategy and Development Committee met once during the last financial year, mainly to discuss the development of the technology market and various forms of product distribution.
The attendance rate at this committee meeting was 100%.

1.3.5.2 COMPENSATION COMMITTEE

COMPOSITION

The committee has three members: Yves Guillemot, Christian Guillemot and Marc Fiorentino. Yves Guillemot is the Chairman of the committee.

The AFEP/MEDEF corporate governance code states that the Compensation Committee should predominantly comprise independent directors, with no corporate officers. The Company's Compensation Committee is made up of one independent director and two corporate officers. The Board of Directors feels that, given the nature of the Company, in particular the structure of its capital ownership with the Guillemot family as a principal shareholder, and the current composition of its Board of Directors, the committee as defined suits at the best to the Company's operating methods. Moreover, open and varied discussions between the independent director and the persons responsible for preparing the documentation (benchmarking, studies, etc.) used at committee meetings suggest that the interests of the Company's shareholders are well represented.

The Board did not besides consider relevant to grant this committee with the attributions of a nominating and/or selection committee.

RESPONSIBILITIES

The Compensation Committee is responsible for examining the compensation and benefits granted to directors and corporate officers and for providing the Board with comparisons and measurements with regard to market practices, in particular:

- examining and making recommendations as regards the compensation of corporate officers, concerning both (i) the variable and fixed portions of said compensation, and (ii) any benefits in kind, share subscription or purchase options received from any Group company, provisions regarding their pensions and any other benefits of any kind; verifying application of the relevant rules;
- making recommendations to the Board as regards the rules for distributing the directors' fees and the individual payments to be made to the directors in this respect, taking account of the directors' attendance at Board meetings;
- making recommendations to the Board as regards the overall amount of directors' fees proposed to the Company's General Meeting;
- providing the Board of Directors with an opinion on the general policy for granting share subscription and/or purchase options, which should be reasonable or appropriate, and on the option plan(s) established by the Group's senior management, advising the Board of its recommendation as regards the allocation of subscription or purchase options by explaining the reasoning behind its choice as well as the consequences thereof; predetermining the frequency of such allocations;
- examining any matter referred to it by the Chairman concerning the aforementioned issues and, where applicable, the proposals relating to employee shareholding.

WORK DURING THE FINANCIAL YEAR 2011/2012

The Compensation Committee met twice during the last financial year, mainly to discuss the composition of the Ubisoft teams as at the end of 2011, possibilities of retaining key people and ensuring their loyalty in a market under pressure, and competitor practices.
The attendance rate was 100%.

1.3.5.3 **AUDIT COMMITTEE**

At the present time, the Company has not yet set up the Audit Committee recommended by the AFEP-MEDEF Code, largely owing to the difficulty in doing so given the recommended composition of such a committee. In accordance with the provisions of Article L. 823-19 of the French Commercial Code, introduced by Directive no. 2008-1278 of December 8, 2008 (having transposed into French law the eighth directive on statutory audits (Directive 2006/43/EC), the Company shall intend to establish an Audit Committee within the deadlines prescribed by in Article 21 of the aforementioned Directive, on the expiry of Board members' terms of office as a reference.

1.4 POSSIBLE LIMITS PLACED ON THE POWERS OF THE CHIEF EXECUTIVE OFFICER

The Board of Directors chose not to separate the position of Chairman of the Board of Directors from that of Chief Executive Officer. In a constantly changing and particularly competitive environment, this arrangement ensures the alignment of operating activities with the strategy, thus supporting and streamlining the decision-making process.

Yves Guillemot holds the positions of Chairman and Chief Executive Officer without any limits on his powers other than those provided for under applicable legislation concerning the special powers of the Board of Directors or of the General Shareholders' Meeting.

At its meeting of June 30, 2010, the Board of Directors set out the scope of the Chief Executive Officer's powers as regards granting deposits, endorsements and guarantees by setting the overall authorized amount at €150 million for a legal term of one year in accordance with Article R. 225-28 of the French Commercial Code.

1.5 RULES AND PRINCIPLES APPLIED BY THE BOARD OF DIRECTORS TO DETERMINE THE COMPENSATION AND BENEFITS OF ALL KINDS GRANTED TO CORPORATE OFFICERS

Compensation granted to the Chief Executive Officer and to the Executive Vice Presidents, is set by the Board of Directors further to the Compensation Committee's proposal, which bases its judgment on comparative studies of large firms and/or companies operating in the same business sector.

In consideration - albeit very partial - of the responsibilities assumed and also the time spent in preparing Board meetings and actively participating therein, the General Meeting of September 25, 2006 authorized the Company to pay directors' fees amounting to a maximum of €250 thousand per annum.

The Board decided at its meeting on April 27, 2011 to raise directors' fees to €40 thousand for each director, on or after July 1, 2011, compared to €30 thousand previously (Board meeting of December 5, 2006) on the basis of the same prior conditions, namely:

- half comprises a fixed sum,
- the other half forms a variable portion proportionate to the directors' participation at Board meetings held between July 1 of year n and June 30 of year n +1.

The Board by-laws have been amended accordingly.

Corporate officers are not entitled to any indemnity or benefits payable in the event that they leave the Company.

The resolution submitted to the next General Assembly for the purpose of authorizing the Board of Directors:

- to grant options to subscribe to and/or purchase shares stipulates. firstly, that the number of options granted to corporate officers may not represent more than 5% of the total number allocated by the Board throughout the duration of the authorization and, secondly, that the exercise of said options by corporate officers must be tied in with performance conditions to be met which are set out by the Board of Directors;

- to grant shares of the Company free-of-charge, excludes all corporate officers as beneficiaries.

Pursuant to the AFEP-MEDEF Code and the AMF recommendations of December 22, 2008, information on management compensation is provided in the tables contained in section 4.5 of the management report.

1.6 SHAREHOLDERS' ACCESS, ATTENDANCE AND VOTING AT GENERAL MEETINGS

All shareholders have the right to attend General Meetings under legally prescribed conditions. Information on access, attendance and voting at General Meetings appears in Articles 8 and 14 of the Company's Articles of Association, with details in section 3.2 of the management report. This information is provided again in the notice of meeting that serves as a convening notice published by the Company before any General Meeting.

1.7 PUBLICATION OF THE CAPITAL STRUCTURE AND MATTERS LIKELY TO HAVE AN INFLUENCE IN THE EVENT OF A PUBLIC OFFERING

This report refers to section 3.3 of the management report for the year ended March 31, 2012 as regards the publication of information referred to in Article L. 225-100-3 of the French Commercial Code, relating to the Company's capital structure and matters that could have an impact in the event of a public offering.

1.8 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES IMPLEMENTED BY THE UBISOFT GROUP

The preparation of this report is based on the information and control methods reported by the various parties involved in internal control within Ubisoft and its subsidiaries, as well as the internal audit work performed at the request of senior management.

1.8.1 DEFINITION AND OBJECTIVES OF INTERNAL CONTROL AND RISK MANAGEMENT

1.8.1.1 DEFINITION OF INTERNAL CONTROL

Ubisoft has drawn up this report in accordance with the reference framework of the AMF, initially published in January 2007, and updated and revised in July 2010, and the principles of the application guide. The Group also uses this reference framework to improve its internal control procedures.

Under this framework, internal control is defined as a system designed to ensure:

- ✓ Compliance with laws and regulations;
- ✓ Application of the instructions and policies fixed by senior management;
- ✓ That the Company's internal processes are functioning correctly, in particular, those involving the security of its assets;
- ✓ The reliability of the financial information published.

This system must also contribute to the control over its activities, the efficiency of its operations and efficient use of its resources, while enabling the Company to adequately take into account significant operational, financial or compliance risks. Therefore, the internal control system plays a key role in conducting and monitoring its activities.
Since 2007, Ubisoft has used a proactive approach in order to continuously assess the adequacy and effectiveness of its internal control system. Consequently, the internal control system will continue to adapt to the constraints and specific features of the Group and its subsidiaries, and to changes in its external environment.

Since 2010, it has been decided to more specifically target the audits carried out in the Group's production studios (4 French companies and 24 foreign companies) and in support-level companies (3 French companies). Audits are still carried out within distribution companies but are more comprehensive and less detailed.

However, the Group is aware that the internal control system cannot provide an absolute guarantee that the Company's objectives will be met and that all the potential risks it may face will be controlled.

1.8.1.2 DEFINITION OF RISK MANAGEMENT

Risk management is a tool for company management that contributes to:

- Creating and preserving the value, assets and reputation of the Company;
- Securing the decision-making organization and processes of the Company to help achieve its objectives;
- Promoting consistency of actions with company values;
- Involving Company employees in a common vision of the principal risks.

The risk management system is a component of internal control. It allows the Company to anticipate and identify the key internal or external risks which could pose a threat and prevent the Company from achieving its objectives.

1.8.2 COMPONENTS OF THE INTERNAL CONTROL SYSTEM

1.8.2.1 ORGANIZATION OF INTERNAL CONTROL AND OPERATING PROCEDURES

Since the internal audit department was closed in 2010, in the interests of proximity and effectiveness, and in order to strengthen team-working, the regional managers will be in charge of keeping this internal control process going and improving it from now on.

The internal control system relies on a solid foundation of autonomy and collaboration within the Group's teams, encouraging the alignment of goals, resources and the mechanisms deployed. It is based on the clear identification of goals and responsibilities, a human resources policy ensuring that resources and skill levels are sufficient, and that information systems and tools are adapted to each team and/or subsidiary.

Each subsidiary is responsible for implementing the relevant strategies to achieve these objectives, although the monitoring of the internal control system and risk management is highly centralized by the operational departments.

<u>Organization</u>

The key parties involved in the internal control system are as follows:

❖ **<u>The CEO of Ubisoft Entertainment SA:</u>** He defines and directs Group strategy. He is responsible for establishing the procedures and mechanisms employed to ensure both the functioning and monitoring of the internal control system. He takes charge of the internal control system, more specifically as part of his duties as Chief Executive Officer with the Board of Directors and the assistance of the auditors.

❖ **<u>The Board of Directors</u>:** Its operations are described in section 1.3. It primarily defines the policies governing the Company's business activities and ensures their application. It strives in particular to examine the accounting and financial documents and to determine the risks in relation with the Company's internal control. It ensures the efficiency of the mechanisms and procedures applied as part of internal control. To this end, it has access to all documents and reports required to perform this task. Each director may independently require additional information from the CEO, who is at all times available to provide relevant information and explanations to the Board of Directors.

❖ **<u>The Group's managers and employees:</u>** The major policies and goals are decided upon by senior management of each area in consultation with Group senior management and are passed on to the subsidiaries. Each subsidiary has its own senior management and management team and is responsible for implementing the strategies designed to ensure that these goals are achieved.

❖ **<u>Operational management</u>:** In collaboration with senior management, they are collectively involved in setting the key accounting, finance, legal, tax, IT and human resources policies, and supporting the subsidiaries with their implementation. Specific visits are made to the subsidiaries in order to carry out audits and training and to make recommendations so as to ensure that the internal control system is sufficient.
These procedures are presented in detail in the paragraph "Control activities".

❖ **<u>Finance and accounting teams</u>**: Present in all subsidiaries, they are responsible for performing analysis and control functions, including budgeting and the preparation of the financial statements.

Clear goals and responsibilities

The division of powers and responsibilities is clearly defined by the organization charts.

In order to enable the various operational teams to achieve their goals, temporary and permanent operational and banking authorizations are granted. These are frequently reviewed by the treasury department and updated to reflect any changes in roles and responsibilities. Senior management defines the rules for delegating power to subsidiaries.

Consequently, at an individual level, each major subsidiary has local internal control procedures (delegation of bank signing authority, verification of day-to-day transactions, segregation of duties between the signatory and the person preparing the payment in order to provide effective fraud prevention, etc.).

Similarly, budgetary goals are defined annually by senior management and monitored in each subsidiary by the accounting and finance teams. Management audit teams monitor business performance: At subsidiaries, these teams provide relevant costs analyses to operational managers so that they can reach suitable management decisions. This information is periodically reported in a standard format and is consolidated by head office teams, which analyze the differences between objectives and actual performance.

Human resources policy

HR policy is key to the internal control system and its effectiveness. HR teams at subsidiaries establish and implement the policy, programs and systems required to meet recruitment goals set at Group level, whilst ensuring the development of employees' skills and potential.
These teams also ensure compliance with local regulations and apply the Group's policies on improving collective and individual performance, through regular appraisals, growth plans, appropriate training, stock options, employee share subscription plans, etc.

Appropriate systems and operating methods

Reporting to the information systems department, IT teams provide teams with resources adapted to individual business activities. Together with operational and functional teams, they decide on the information systems required to produce information and to ensure that transactions are securely managed. The range of solutions used within the Group is varied and includes purchased software as well as tools developed commercial. These solutions will evolve to take into account growing needs in managing and analyzing information.

To meet an increasing need for flexibility, security specialists are now systematically involved in the research on structures and solutions carried out by the ISD and development teams. These studies have helped to reduce the risks associated with the development of applications and internal and online infrastructure.

Similarly, each subsidiary and team strives to continuously improve processes and documentation, notably through the establishment of internal procedures suited to activities and organizational schemes. In particular, management departments frequently review and update Group procedures at all levels to ensure uniform local application. These procedures are made available to the relevant teams through collaborative tools developed by the Group: Mapping systems, wikis and other systems for the exchange of internal documents.

Procedures relating to the production of accounting and financial information are described in section 1.8.3.

1.8.2.2 INTERNAL PUBLICATION OF INFORMATION

To effectively communicate strategic goals and provide the resources needed by teams to fulfill their duties, the Company encourages ongoing information-sharing through numerous initiatives developing collaborative tools.

In addition to local briefings and an organized internal communications network, a portal accessible to all Group employees since 2007 has provided a permanent and up-to-date information portal on the Group, the market and its developments, and the many internal sites.

These frequently updated internal sites facilitate knowledge sharing and discussions in all business activities, for example:

- Operational: Workspaces for sharing and providing inter-site information on projects, developments, technologies, studies and analyses;
- IT: A shared database to retrieve functional and technical documentation on applications and projects led by IT departments;
- Accounting, finance and management control: A shared database, accessible to all relevant employees, providing procedures manuals, Group contacts and information on the financial reporting cycle.

The various departments regularly organize training and briefing sessions to ensure the dissemination of information. In light of past success, the Group will continue to invest in these collaborative tools.

1.8.2.3 RISK IDENTIFICATION AND MANAGEMENT

In the course of its business, the Group is exposed to a series of risks that could affect its performance and the achievement of its strategic and financial goals.

In order to implement mechanisms to manage its risks, mainly in the production and support companies, the Company has identified the risks through a proactive approach: Upstream with management teams and downstream with the operational and functional teams.

The main risks were identified by senior management in conjunction with functional and Group management.

The nature of the main risk factors and means of prevention or action are outlined in the chapter of the management report entitled “Risk factors”.

They were classed in five categories:

- Risks linked to the business and the video games market;
- Legal risks (lawsuits, regulatory environment, intellectual property, licensing agreement);
- Operational risks (associated with dependence on customers and suppliers, security information, financial information);
- Market or financial risks;
- Industrial or environment-related risks.

At the management’s request, these risks, for which the level of control is insufficient or could be improved, can then be analyzed by those involved in the control system. Internal control procedures are then designed or reviewed in collaboration with operational teams to improve efficiency.

The procedures implemented represent an internal operating framework for the Company and are constantly changing so as to ultimately provide effective risk management tools, for use at all levels of the organization and, in particular, for analyzing IT and extra-financial risks.

1.8.2.4 CONTROL ACTIVITIES

In addition to the risk management system, the Group has many control processes at all levels of the Company. Functional departments at head office play a critical role by ensuring that subsidiaries' initiatives comply with Group guidelines, and by providing support for risk management, especially when local teams lack sufficient expertise.
The centralized organization of these support functions enables consistent dissemination of the major policies and goals of the senior management:

- The management control department monitors the Company's performance, using operational monitoring based on monthly reports from all Group subsidiaries. It also coordinates meetings between senior management and the operational and finance departments at which the various reporting indicators are reviewed, the differences between actual performance and initial forecasts are analyzed, and the interim and annual forecasts can be fine-tuned on the basis of actual figures and market outlook as received from local and operational teams. The financial controllers monitor the whole financial reporting cycle and constantly query subsidiaries on their performance levels, earnings and business activity.

- The consolidation department draws up the Group's monthly consolidated accounts, centralizing all advice on their preparation and analysis. It publishes the accounting procedures applicable within the Group, particularly via the Group's accounting policies manual. It ensures compliance with applicable standards and regulations so as to provide a true picture of the Group's business activities and position.

- The treasury department arranges foreign exchange derivative contracts and coordinates cash flow management at French and foreign subsidiaries, in particular by overseeing the dissemination of cash pooling solutions and cash flow forecasting. It checks the suitability and smooth interaction of exchange rate and liquidity risk management policies, as well as the publication of financial information, and also manages off-balance sheet commitments (bank guarantees relating to purchase financing or L/Cs, comfort letters, share price guarantees, deposits, etc.).It centralizes and verifies the authorizations granted to a limited number of employees, who are exclusively authorized by senior management to handle certain financial transactions - subject to predefined thresholds and authorization procedures - and helps implement tools to ensure effective control (double signature procedure, secure payment mechanisms, frequently updated authorization and signature system, controlled IT access, etc.).

- Acquisitions are managed by the acquisitions department, which reports to the finance department, examines and assesses the strategic interest of the planned total or partial takeover of a company and submits the relevant proposal to senior management, which makes the final decision. No Group subsidiary can make this decision on its own.

- Legal departments, which are specialized in company law, contract law, litigation and intellectual property, assist and advise the subsidiaries on legal matters (acquisitions, contracts, leases, stock market regulations, corporate governance, etc.).They coordinate joint studies or those of interest for the Group, and support local entities on legislative issues so as to control risks in the various fields.

- The tax department assists and advises the Group's French and foreign companies with the analysis of the tax aspects of their projects. In coordination with the various internal departments, it ensures the Group's tax security by organizing risk prevention, identification and management. It implements the Group's transfer price policy and ensures that this is applied correctly.

- The information systems department is involved in selecting IT solutions, and ensures their technical and functional compatibility. One of its principal aims is integrating those solutions and, in particular, it oversees changes to the ERP applications (PeopleSoft - Oracle) deployed in many subsidiaries. It also regularly monitors IT projects and ensures that they are in line with the requirements identified by the functional teams and the budgets approved by management. As a result, medium-term project visibility has been introduced, with budgets set for a 2-year period,

reviewed periodically to take into account the changes in the Company's priorities and constraints, especially for security matters.
The risk security and management team is responsible for ensuring and organizing the protection of Ubisoft activities, whether in security applications, information systems, online games, local and material resources, etc.
The team has established rules and control measures with the aim of preventing and managing the risks associated with the various business activities of the Company. These internal procedures are subject to constant checks and improvements.

1.8.2.5 **ONGOING SUPERVISION OF THE INTERNAL CONTROL SYSTEM**

To provide ongoing supervision of the internal control system and its operation, the Group has introduced a biannual process for monitoring subsidiaries and key controls, together with the financial control teams. The responses to the self-evaluation questionnaires updated during the first quarter of the financial year 2010 served as a basis for work in 2010/2011.

Their goal is both to contribute to establishing and updating procedures and, above all, to help managers to pinpoint the fundamental issues regarding the effectiveness of the processes and controls in question. The introduction of an overall formalized approach to internal control thus allows:

- The quality of controls in subsidiaries to be understood, particularly by means of:
  - ✓ Evaluating the efficient utilization of resources (human, material or financial),
  - ✓ Justifying investments and expenditure,
  - ✓ Ensuring that activities carried out locally are in line with the strategy and guidelines of the Group;
- Operational and financial practices to be improved by means of corrective and optimization initiatives to remedy shortcomings;
- Effective monitoring of compliance with these procedures and controls.

Financial year 2010/2011 was marked by more targeted and significant actions bearing on the heart of the Group's activity:

- ✓ Audit of procedures implemented in subsidiaries;
- ✓ Support for subsidiaries by implementing tool training.

The objective is to make sure of the correct application of recommendations and guidelines established during first half of the fiscal year 2010/2011 in line with the Group's constraints.

1.8.3 INTERNAL CONTROL OF THE PRODUCTION OF FINANCIAL AND ACCOUNTING INFORMATION

The internal control procedures relating to the production and processing of financial and accounting information are mainly implemented by the various accounting and finance departments.

1.8.3.1 FINANCIAL STATEMENT PRODUCTION AND CONSOLIDATION PROCESSES

The financial statements of each subsidiary are drawn up, under the responsibility of their manager, by the local accounting departments, which ensure compliance with local tax and regulatory constraints. These financial statements are subject to a limited review for the interim financial statements of the key subsidiaries and a complete audit carried out by the auditors for the majority of the subsidiaries for the year-end financial statements.

Reporting of accounting information, in standardized monthly reports, is carried out on the basis of a schedule established by the consolidation department and approved by the administration department. Each subsidiary must apply Group procedures for the recording of accounting data to monthly reporting, interim and annual financial statements and quarterly forecasts.

The reporting of subsidiaries is established according to the accounting policies of the Group, which are formalized in a Group policies manual distributed to all the subsidiaries. The consolidation statements are subject to an audit or a limited review with regard to this accounting policies manual of the Group.

The subsidiaries' accounting information is uploaded, reconciled and then consolidated in a central software solution, HFM from Hyperion, under the responsibility of the consolidation department. This software supports automatic verification and consistency checking of flows, the balance sheet, specific line items in the income statement, etc. It also allows fast, reliable data reporting and is designed to make the consolidated financial statements secure.

The Company has taken measures to shorten the process of producing the consolidated financial statements and make it more reliable. For example, the consolidation department has drawn up procedures, which are updated periodically, enabling subsidiaries to optimize understanding and effectiveness of the solutions, and to guarantee the standardization of published accounting and financial data:

- Drawing up a Group chart of accounts;
- Implementing automatic mapping between the corporate financial statements and the consolidated financial statements;
- Drawing up a user manual for the consolidation statement;
- Drawing up a consolidation manual;
- Drawing up an accounting policies manual.

The consolidation department also carries out ongoing monitoring so as to track and anticipate changes to the regulatory framework applicable to Group companies.

1.8.3.2 ORGANIZATION AND SECURITY OF INFORMATION SYSTEMS

With a view to continually improving its information system and in order to ensure the integrity of accounting and financial data, the Company continues to invest in standardized solutions and procedures, to meet the requirements and the constraints both of the local teams and of the Group.
More and more major subsidiaries are integrated in PeopleSoft - Oracle, for the accounting and management of operational flows (procurement, manufacturing, logistics, etc.). This centralized application, which uses a single database for all subsidiaries, allows the sharing of frameworks and transaction formats (product database, customer and supplier files, etc.). This ERP is installed in US production, support and distribution subsidiaries and in the EMEA distribution subsidiaries in order to meet the issues relating to growth of activity.

With a view to integrating and automating accounting and financial solutions, the Group continues to implement PeopleSoft - Oracle in the other foreign subsidiaries. The computerization of data exchange (interfaces between accounting systems and the consolidation system, daily integration of banking entries, automated payment issuing, etc.), has been proven to optimize and improve processing and guarantees greater reliability of accounting processes.

The Hyperion consolidation and management forecasting applications are used by all Group companies, providing an exhaustive and standardized view of business activities and accounting and financial data. They help improve the effectiveness of information processing.

Similarly, special attention is paid to the security of IT data and processing. The risk security and management team therefore ensures constantly improving levels of control that must ensure:

- ✓ Data security and recovery, if necessary;
- ✓ Monitoring of the network against external threats;
- ✓ The protection of online services from unauthorized access;
- ✓ Data confidentiality, integrity, availability and traceability;
- ✓ Availability of online services and systems.

The most important systems are housed in dedicated specialist IT centers that comply with Group needs. Safety audits are conducted before the start of production in order to significantly improve application security.

The IT teams are also focusing much of their efforts on documentation and training in order to improve the relevance of accounting and financial information. The Company has acquired a modeling tool with the specific objective of mapping the existing information system in accordance with a methodology set as standard for all users of the tool in order to allow for improved management of documentation and training.

1.8.3.3 ACCOUNTING AND FINANCIAL INFORMATION VALIDATION PROCEDURES

Ubisoft's accounting and financial information is produced by the administration department, under the supervision of the CEO, with the Board of Directors responsible for final approval.

The consolidated financial statements are subject to a limited review as at September 30 and an audit as at March 31 by the Group's auditors. The administration department works with the statutory auditors to coordinate the timing and main accounting processes to allow for in the annual year-end process.

One-off assignments during the financial year such as pre-closing reviews prior to each closing date make it possible to forecast and examine specific accounting issues in advance. This systematic review eases finalization at the balance sheet date and reduces the time needed to prepare the consolidated financial statements.

At international level, the audit of the accounts in certain subsidiaries is carried out by the KPMG network, co-auditor for the holding company. Their local representative does everything required of him in the respective country as regards statutory auditors. This organization contributes to the standardization of audit procedures.

The Group announces its sales on a quarterly basis and its earnings every six months.

The consolidation department also collects and verifies the accounting information to be included in the Group's financial releases when related to the consolidated financial statements.

1.8.3.4 EXTERNAL FINANCIAL INFORMATION MANAGEMENT PROCESS

The financial communications department distributes the financial information required for the Group's strategy to be understood to the shareholders, financial analysts and investors.
All financial and strategic releases are reviewed and approved by senior management. Financial information is published in strict compliance with market regulations and upholding the principle of equality of treatment of shareholders.

1.8.4 PROSPECTS

The Group intends to continue strengthening its internal control system on its production and support activities, by specifically focusing on increasing awareness among its teams and managers, systematically reviewing risks and developing effective solutions adapted to the teams' requirements.

2 AUDITOR'S REPORT PREPARED PURSUANT TO ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE, ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF UBISOFT ENTERTAINMENT SA

This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with Article L.225-235 of French company law on the report prepared by the Chairman of the Board of Directors on the internal control procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.
This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

Dear Shareholders,

In our capacity as auditors of Ubisoft Entertainment SA and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we hereby present our report on the report prepared by the Chairman of your company in accordance with the provisions of Article L. 225-37 of the French Commercial Code for the fiscal year ended March 31, 2011.
The chairman is required to draw up and submit to the approval of the Board of Directors a report describing internal audit procedures and risk management implemented at the company and giving the other information required by the Article L.225-37 of the French Commercial Code relating in particular to the device as regards of corporate governance.

Our task is:

- to offer our observations in response to the information provided in the Chairman's report regarding the internal audit procedures and risks management used to prepare and process accounting and financial information, and

- to attest that the report comprises the other information required by the Article L.225-37 of the French Commercial Code, being specified that our task is not to verify the sincerity of this other information.

We have carried out our work in accordance with accepted professional standards in France.

Information concerning internal audit procedures and risk management used to prepare and process accounting and financial information

The professional standards require due diligence in order to assess the accuracy of the information concerning internal audit procedures and risk management used to prepare and process accounting and financial information included in the Chairman's report. Specifically, this due diligence includes:

- Acquiring an understanding of internal control procedures and risk management used to prepare and process accounting and financial information underlying the information presented in the Chairman's report as well as existing documentation.

- Acquiring an understanding of the work which allowed to draw up these information and existing documentation.

- Determine if, in the case we would find during our mission important deficiencies of internal control used to prepare and process accounting and financial, were appropriateness mentioned in the Chairman's report.

On the basis of this work, we have no comments regarding the information provided about company's internal control procedures and risk management used to prepare and process accounting and financial information, as contained in the report of the Chairman of the Board of Directors, prepared pursuant to the provisions of Article L. 225-37 of the French Commercial Code.

Other information

We attest that the report of the Chairman of the Board of Directors comprises the other information required by the article L.225-37 of the French Commercial Code.

By the statutory auditors

Nantes, June 18th, 2012	Rennes, June 18th, 2012
KPMG Audit	MB Audit
A division of KPMG S.A.	
Franck Noël	Roland Travers
Partner	Partner

INFORMATION ABOUT THE COMPANY

1 PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT

1.1 PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

Yves GUILLEMOT,
Chief Executive Officer

1.2 NAMES, ADDRESSES AND PROFESSIONAL FEES OF THE AUDITORS

Name	Date of 1st appointment	Expiration of current term
Primary auditor **KPMG SA** **représented by Monsieur Franck Noël** 7, Boulevard Albert Einstein - BP 41125 44311 Nantes Cedex 3	2003	2013
Alternate auditor : **Monsieur Prashant Shah** 7, Boulevard Albert Einstein - BP 41125 44311 Nantes Cedex 3	2003	2013
Primary auditor : **MB AUDIT** **represented by Monsieur Roland Travers** 23, rue Bernard Palissy 35000 RENNES	2010	2016
Alternate auditor: **Monsieur Sébastien Legeai** Rocade de l'Aumaillerie - BP 70255 35302 Fougères Cedex	2010	2016

Professional fees of the statutory auditors and members of their networks

(Document prepared in accordance with Article L. 222-8 of the internal regulations of the *Autorité des marchés financiers* - AMF)
The professional fees for the fiscal year are detailed in part **Financial Statements** 1.6.9.6

2 FINANCIAL COMMUNICATIONS INFORMATIONS

2.1 DOCUMENTS AVAILABLE TO THE PUBLIC

During the validity period of this reference document, the company's Articles of Association, minutes of general meetings, auditors' reports, valuations and declarations drawn up, where applicable, at the company's request, some of which are included or referred to in this reference document, historical financial information of the company and its subsidiaries for each of the two fiscal years preceding the publication of this reference document and, more generally, all documents that must be sent or made available to shareholders as provided by the laws in effect may be consulted at the company's registered office or business address (28, rue Armand Carrel – 93100 Montreuil-sous-Bois, France). In addition, some of these documents are available on the company's website (www.ubisoftgroup.com), which also contains the group's press releases and financial information.

This reference document may also be consulted on the AMF website (www.amf-france.org).

Regulatory information is available on the company's website (www.ubisoftgroup.com).

Person responsible for information:

Yves Guillemot
Chief Executive Officer
28 rue Armand Carrel
93108 Montreuil-sous-Bois Cedex, France
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www.ubisoftgroup.com

2.2 SCHEDULE OF FINANCIAL COMMUNICATIONS FOR FISCAL YEAR 2012/2013

	Date
First quarter sales	Week of July 16, 2012
Half-yearly results	Week of November 5, 2012
Third quarter sales	Week of February 11, 2013
Year-end results	Week of May 13, 2013

These dates are provided for information purposes only and will be confirmed during the year.

This statement may contain financial data evaluated, information on future projects and transactions and on 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.

Copies of this Company Report are available from Ubisoft's commercial offices :

28, rue Armand Carrel - 93108 Montreuil-sous-Bois cedex - France

Games mentioned in the Annual Report

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Ubisoft Entertainment
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