



## Ubisoft Entertainment reports third quarter revenue and updates 2005-2006 fiscal year outlook

- **Record sales for the third quarter: €250m (up 35%), in line with guidance**
- **Continuous market share gains: Ubisoft ranks 4<sup>th</sup> independent publisher worldwide<sup>1</sup> in 2005, excluding Japan**
- **Outlook for fiscal year 2005-2006 revised downward**

**Paris – January 26, 2006** –Ubisoft Entertainment, one of the world's largest video game publishers, today reported sales for the third quarter ended December 31, 2005.

### **Record sales for the third quarter: €250m (up 35%)**

In line with the Group's target, sales for the third quarter of 2005-2006 totaled a record 250 million euros<sup>2</sup>, up 35% year-on-year.

This outstanding level of sales mainly reflects the successful launch of titles in December 2005, such as Peter Jackson's King Kong The Official Game of the Movie and Prince of Persia® The Two Thrones™.

Overall, including the other titles in the catalogue, nine-month sales<sup>3</sup> increased 29%, reaching 403 million euros.

This strong growth also reflects the positive market response to the new titles for next-generation portable consoles, which accounted for 15% of sales year-to-date.

"2005 was another successful year. We gained additional market share and further strengthened the Ubisoft brand: Prince of Persia® is increasingly recognized as the reference for action/adventure games, and Peter Jackson's King Kong The Official Game of the Movie set new standards of quality, making Ubisoft a must-have partner for license holders. With years of continuous progress behind us, we ranked third independent publisher in Europe in 2005 and fifth in North America<sup>4</sup>. Ubisoft is now established as one of the major players in our industry with highly valuable assets" said Yves Guillemot, Chief Executive Officer of Ubisoft Entertainment.

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<sup>1</sup> United States, Canada, United Kingdom, Germany, France, Spain, Italy and Australia

<sup>2</sup> Financial statements of Ubisoft Group are prepared in accordance with the international financial reporting standard (IFRS) as of April 1<sup>st</sup>, 2005.

<sup>3</sup> Nine months period elapsed from April 1, 2005, to December 31, 2005.

<sup>4</sup> Ubisoft estimates, based on sell-through panels from NPD, GFK and ChartTrach data for 2005

## New gains in key world markets

The Group continued to gain market shares in key regions thanks to the success of titles launched throughout calendar year 2005.

Those gains are particularly substantial in North America where, all platforms combined, Ubisoft's 2005 ranking improved as follows:

- 5<sup>th</sup> independent publisher in the United States<sup>5</sup>, with the second-strongest growth among the top 10 independent publishers: sell-through rose 23%, compared with an overall industry software revenue decline of 4%. As a result, Ubisoft's market share improved to 4.5% in 2005, compared with 3.5% in 2004.
- 4<sup>th</sup> independent publisher in Canada<sup>6</sup>.

In other Western countries where Ubisoft's sell-through grew 15%<sup>7</sup>, 2005 rankings<sup>8</sup> also improved substantially as follows:

- 2<sup>nd</sup> independent publisher in France<sup>9</sup> and Germany<sup>10</sup>.
- 3<sup>rd</sup> independent publisher in Italy<sup>11</sup>.
- 4<sup>th</sup> independent publisher in the UK<sup>12</sup> and Australia<sup>13</sup>.

By combining sell-through in these regions, the Group ranks 4<sup>th</sup> largest independent publisher worldwide in 2005, excluding Japan, reaching its target stated in 2000.

The comparable rankings for 2004 were: 2<sup>nd</sup> independent publisher in Germany, 3<sup>rd</sup> in France and in Italy, 4<sup>th</sup> in Canada, 6<sup>th</sup> in the UK, and 7<sup>th</sup> in the US and Australia.

## Outlook for fiscal year 2005-2006 revised downward

For the fourth quarter ending March 31, 2006, the Group now anticipates revenues of around 130 million euros. Therefore, for the fiscal year 2005-2006, the Company expects net revenues close to 530 million euros<sup>14</sup> and positive current operating income, before stock-based compensation. This compares with the guidance previously provided of, respectively, 600 million euros and 52.5 million euros.

This update can be attributed to the following factors:

- The weakness of the video game software market in the US and in Europe. While the Company had anticipated this evolution and clearly outperformed its competitors, the negative market trend accelerated since the end of December 2005.
- With 4 million units already in place, lower than initially anticipated reorders of Peter Jackson's King Kong The Official Game of the Movie are expected for the fourth quarter ending March 31, 2006;
- The rescheduling from the fourth quarter of fiscal year 2005-2006 to the first-half of 2006-2007 of the launch of Tom Clancy's Splinter Cell<sup>®</sup>: Double Agent.

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<sup>5</sup> Source: NPD, all platforms combined, in value, during the calendar year 2005.

<sup>6</sup> Source: AC Nielsen Canada – Computer Product Index - all platforms combined, in value, during the calendar year 2005.

<sup>7</sup> Estimate based on NPD, GFK and ChartTrach data for 2005 in the following countries: United-Kingdom, Germany, France, Spain, Italy and Australia

<sup>8</sup> All platforms combined

<sup>9</sup> Source: GFK, all platforms combined, in value, during the calendar year 2005.

<sup>10</sup> Source: GFK, all platforms combined, in value, during the calendar year 2005.

<sup>11</sup> Source: ACNielsen Italia, all platforms combined, in value, during the calendar year 2005.

<sup>12</sup> Source: Chart Track, all platforms combined, in value, during the calendar year 2005.

<sup>13</sup> Source: GFK, all platforms combined, in value, during the calendar year 2005

<sup>14</sup> At current exchange rates

Yves Guillemot, added "With close to 8,000 units sold per million euro box office<sup>15</sup>, the game Peter Jackson's King Kong The Official Game of the Movie largely exceeded sell-through of the two other Hollywood license-based games released during the quarter, demonstrating Ubisoft's superior marketing and distribution capabilities. However, with the softness in the market recorded over the past few weeks, we now expect a lower level of reorders for the end of the fiscal year.

In addition, the rescheduling to September 2006 of the launch of Tom Clancy's Splinter Cell Double Agent™ is meant to release the title on all platforms simultaneously, including the Microsoft Xbox® 360 that should have a much larger installed base by that time. This will also enable to maintain the highest quality for which Tom Clancy's Splinter Cell® is recognized. This rescheduling will ensure the best return from the coming release as well as from future sequels of this brand over time.

We are disappointed that our full year results should come below our initial guidance. Nevertheless, we are very proud that Ubisoft has clearly gained ground in 2005, in a challenging environment due to the arrival of next-generation home consoles. These gains were achieved while making major investments in these new platforms in order to leverage the Group's strengths for future profitable growth. The market transition will continue in the short term. However, with its portfolio of stellar brands and widely recognized development talents, Ubisoft is uniquely positioned to take advantage of the long term positive prospects of the video game industry."

## Quarterly sales

Sales (in million euros)	2005-2006	2004-2005	2005-2006 vs. 2004-2005	Currency adjusted change (%)
First quarter	43	61	-29%	-29%
Second quarter	110	67	+64%	+62%
Third quarter	250	185	+35%	+31%
Nine months	403	313	+29%	+28%

*NB: the fiscal year ends on March 31.*

## 2005-2006 financial calendar

Event	Date
Fourth quarter sales	Week of April 24, 2006
Annual results	Week of June 12, 2006

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

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

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<sup>15</sup> United States, United Kingdom, France, Germany, Spain and Italy, assuming exchange rate 1€ = 1,2US\$

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### **About Ubisoft**

Ubisoft is a leading producer, publisher and distributor of interactive entertainment products worldwide and has grown considerably through its strong and diversified lineup of products and partnerships. Ubisoft has offices in 21 countries and sales in more than 50 countries around the globe. It is committed to delivering high-quality, cutting-edge video game titles to consumers. Ubisoft generated revenue of 538 million Euros for the 2004–2005 fiscal year, an increase of 8 percent over the previous fiscal year at constant exchange rates. To learn more, please visit [www.ubisoftgroup.com](http://www.ubisoftgroup.com).

## **APPENDICES**

### Geographic distribution of sales

	<b>% sales</b>	<b>% sales</b>	<b>% sales</b>	<b>% sales</b>
	<b>Q3 2005/2006</b>	<b>Q3 2004/2005</b>	<b>9 month 2005/2006</b>	<b>9 month 2004/2005</b>
Europe	53%	51%	52%	53%
North America	43%	45%	42%	41%
ROW	4%	4%	6%	6%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### Distribution of sales by platform

	<b>Q3 2005/2006</b>	<b>Q3 2004/2005</b>	<b>9 month 2005/2006</b>	<b>9 month 2004/2005</b>
PS2	41%	39%	32%	39%
XBOX	16%	27%	20%	22%
G-CUBE	5%	4%	4%	6%
CD-ROM PC	13%	24%	17%	26%
XBOX 360	5%	0%	3%	0%
GBA	7%	2%	8%	4%
PSP	8%	0%	7%	0%
DS	5%	3%	8%	2%
PSX	0%	1%	0%	1%
Divers	0%	0%	1%	0%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### Distribution of sales by activity

	<b>Q3 2005/2006</b>	<b>Q3 2004/2005</b>	<b>9 month 2005/2006</b>	<b>9 month 2004/2005</b>
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Development <sup>16</sup>	92%	90%	86%	85%
Publishing	5%	7%	9%	11%
Distribution	3%	3%	5%	4%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### Release schedule (January – March 2006)

And 1® Streetball	PS2, Xbox
Blazing Angels™	Xbox 360, Xbox, PC
CSI: 3 Dimensions of Murder™	PC
Drakengard® 2	PS2
Exit	PSP
Far Cry Instincts Predator™	Xbox 360
Far Cry Instincts™ Evolution	Xbox
Tom Clancy's Ghost Recon Advanced Warfighter™	Xbox 360, Xbox, PS2, PC
Tom Clancy's Rainbow Six Lockdown™	PC
Tom Clancy's Splinter Cell® Essentials	PSP
America's Army®: Rise of a Soldier™ (Europe only)	Xbox
Everquest 2 Kingdom of sky (Europe only)	PC
Rugby Challenge 2006 (Europe only)	PS2, Xbox, PC
Street Riders™ (Europe only)	PSP
Tales of Eternia™ (Europe only)	PSP
Trollz™: hair affair™ (Europe only)	GBA
Astonishia Story (US only)	PSP
Monster 4x4 World Circuit (US only)	Xbox
Tom Clancy's Rainbow Six Critical Hour™ (US only)	Xbox
Catz (US only)	GBA

<sup>16</sup> Development activity refers to income from titles developed, produced and commercialized by Ubisoft's internal studios as well as games developed by Third Parties supervised and co-produced by Ubisoft and for which it is responsible for the quality of the final product.