

UBISOFT®



2005



UBISOFT®



ANNUAL REPORT

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THE GROUP

- 1986 UBISOFT FOUNDED
- 1989 INTERNATIONAL EXPANSION
- 1994 FIRST STUDIOS
- 1996 IPO
- 2000 GROWTH THROUGH ACQUISITIONS
- 2004 SUCCESSFUL BRANDS

PROFILE

Two decades of growth

Ubisoft is a leading developer, publisher and distributor of videogames in the world today.

Established in 1986, the company has grown considerably as a result of its strategy centered on the creation of strong brands, in-house development (the second largest in the industry), and a vast global distribution network.

This has allowed Ubisoft to not only produce innovative, high-quality games but also acquire an in-depth knowledge of its consumers that enables the company to meet market expectations.

For the 2004/2005 fiscal year, sales came to €538 million. In 2004, Ubisoft thus became the 3rd independent publisher in both France and Germany, 5th in the United Kingdom, and 7th in the United States¹, all formats combined.

With 3,000 employees worldwide, three-quarters of them in its production studios, Ubisoft's internal development strategy will make it one of the best-prepared publishers for the arrival of next-generation consoles.

1 - Source: GfK for France and Germany, NPD for the United States, Chart-Track for the United Kingdom. Data from January - December 2004, in value for France, the United States and Germany, and in units for the United Kingdom.

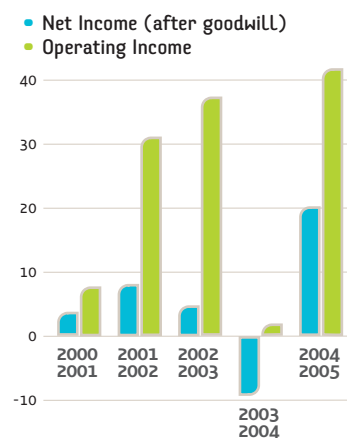




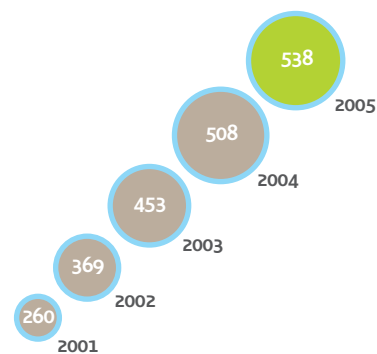
Ubisoft had another successful year in 2004/2005 – sales growth substantially higher than that of the videogame industry as a whole, and a remarkable increase in operating and net income as a result of efficient cost control.

2004/2005 KEY FIGURES

Proven performance



EVOLUTION OF NET INCOME AND
OPERATING INCOME (€ million)



EVOLUTION OF SALES
(€ million)



AN EXCEPTIONAL FIRST QUARTER IN 2005

Having maintained its high ranking in 2004, Ubisoft managed to increase its market share in early 2005. Over the first quarter of the calendar year, the company (2nd independent publisher in France¹) moved into the Top 5 independent publishers in the United States on consoles, rose to 2nd place in the United Kingdom, and 3rd place in Germany, all platforms combined².

SOLID PRESENCE ON HIGH-POTENTIAL SEGMENTS

While maintaining a strong presence on the key 128-bit console segment, Ubisoft has capitalized on the commercial success of the new generation of portable consoles. **Asphalt: Urban GT™** and **Rayman® DS** have secured the company's place as the 1st independent developer for Nintendo DS™ in France and the United Kingdom¹, while **Lumines™ PSP** has won the company sixth place among independent publishers³ for the latter machine in the United States.

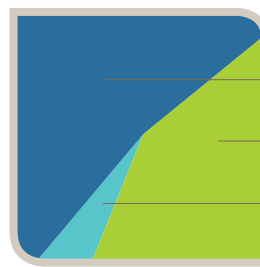
INTERNAL GROWTH - A WINNING STRATEGY

Development accounted for 87% of Ubisoft's sales in 2004/2005 and thus made up an increasingly greater proportion of company income. This trend confirms the relevancy of Ubisoft's in-house development strategy, with studio headcount expanding by 39% during the year, and which will continue to grow significantly in the coming years.

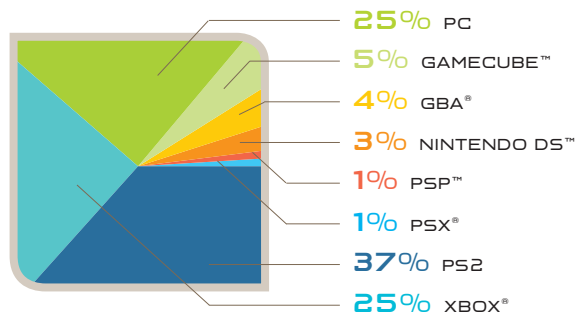
1 - Source: GfK (France) and Chart Track (United Kingdom). Data in value for March 2005 (machine launch).

2 - Source: NPD for the United States, Chart Track for the United Kingdom and GfK for Germany, data in value from January to March 2005.

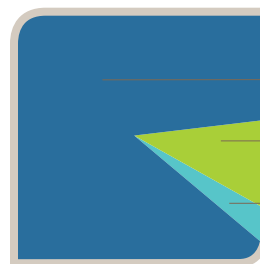
3 - Source: NPD. Data in value from November 2004 to March 2005.



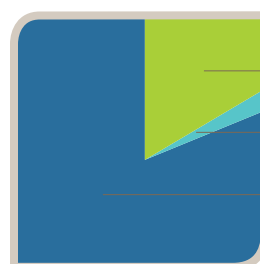
GEOGRAPHIC BREAKDOWN OF SALES



BREAKDOWN OF SALES BY PLATFORM



BREAKDOWN OF SALES BY ACTIVITY



DISTRIBUTION OF CAPITAL AS OF JUNE 30, 2005



Yves Guillemot, President and CEO, looks back on the past year and shares his thoughts on the company's prospects for the years to come.

INTERVIEW WITH YVES GUILLEMOT, CEO



“**Create high quality products that will become strong entertainment brands”**



Ubisoft certainly finished off this past year in force.

YG > Yes, 2004/2005 was an extraordinary year! Not only did we increase overall sales by 8% (at constant exchange rates) to an all-time high of €538 million, but we had a spectacular fourth quarter that surpassed any other in Ubisoft's history. Our last quarter saw the company rise to the 5th rank among independent publishers on consoles in the United States, and place as the 2nd independent publisher in both the United Kingdom and France. Titles from eight of our major brands generated 17 million units in sales for the year, representing 65% of our business, with **Tom Clancy's Splinter Cell Chaos Theory™**

selling over 2.5 million units despite a launch date only a few days before the end of the fiscal year.



I am confident in Ubisoft's capacity to be an industry groundbreaker"

Looking back, what are you particularly proud of?

This year solidified recognition of the quality of our games. **Tom Clancy's Splinter Cell Chaos Theory™** received an unprecedented record-setting 9.9/10 from the Official Xbox® Magazine (US). The **Prince of Persia®** brand has more than 30 awards to its credit. In addition, Ubisoft was selected as the Best Developer of 2004 by the United Kingdom's Official Xbox® Magazine, and the 2nd worldwide publisher by Game Informer, the top videogame magazine in the United States.

We also managed to generate a positive cash flow of €50 million while increasing investments in our studios by €20 million to create new brands and prepare ourselves for the arrival of next-generation consoles. This remarkable achievement goes to show that Ubisoft can continue to both grow and generate a significant positive cash flow.

What contributed to the success of this year, and do you think it can be repeated?

Our strategy has always been and continues to be the creation of high quality products – in our studios or with partners that share the same philosophy – that will become strong entertainment brands. A high quality product is a title that provides consumers with an unforgettable gaming experience in a compelling environment. This is the guiding principle behind titles such as the latest installments of

Tom Clancy's Splinter Cell®, Tom Clancy's Ghost Recon®, Silent Hunter®, and so on. With just one episode, **Brothers in Arms Road to Hill 30™** has already established itself as the ultimate reference among World War II games. These brands have contributed to our success this year and will continue to do so in the years to come.

With eight established brands to your credit, has your brand creation strategy changed?

We have succeeded in giving rise to universally recognized, strong brands. Keen creative minds work continuously on tuning these outstanding brands so that they reflect new consumer expectations. For example, I am certain that the incredible work being done on the Xbox 360™ version of **Tom Clancy's Ghost Recon Advanced Warfighter™** will certainly please both fans of the series and new players. Of course, we still plan to create three new brands every two years. This year will see us conquering new segments of the market, with the release of **And 1® Streetball** marking our entry into the sports arena, and the resurrection of the **Might & Magic®** brand allowing us to enter the RPG segment. And we can't forget Hollywood with the much-anticipated **Peter Jackson's King Kong** only the beginning of our ambition to become a leader in license-based titles, eventually generating 15-20% of our sales in a few years. Our goal is to increase the number of multi-million unit-selling brands to 15 within the next four years.

Next-generation console titles apparently require even larger production teams. How is Ubisoft preparing itself to meet that challenge and pursue its strategy of internal development?

We increased our internal production capacity by 39% over the last year, and intend to recruit 600 talents annually over the years to come. 80% of these recruitments will be in Canada, China and Romania. The new machines undeniably

require leading creative minds, so our investments in training have been reinforced, as can be seen by the creation of the Ubisoft Campus in Montreal. We intend to establish partnerships with schools across the globe to teach tomorrow's developers cutting-edge production methods and tools.



We plan to double worldwide revenue and triple profits by 2010”

teams' very high level of expertise to keep our reputation as one of the best creators in the world. I am confident in Ubisoft's capacity to be an industry groundbreaker. When you take a look at the company's incredible assets – its excellent teams, brands, in-house development strategy, and far-reaching global distribution network – there is no doubt we will succeed.

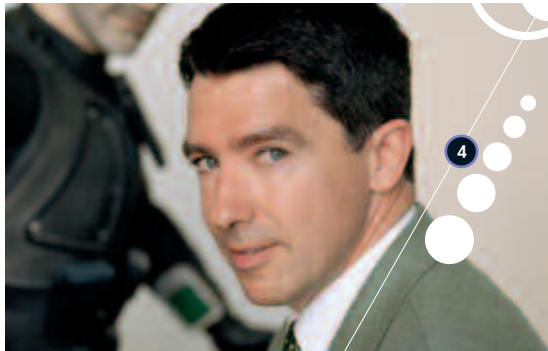
YVES GUILLEMOT

Will the company's financial health be able to sustain this expansion?

I am confident in our ability to repeat last year's achievement: rapid growth while generating a significant positive cash flow. For the 2005/2006 fiscal year, we project growth of 12% at constant exchange rates, and a positive cash flow in excess of €40 million, which will build on the over €50 million in cash flow that we managed to achieve this past year. This will allow us to invest an additional €25 million in our studios, while continuing to improve our financial ratios. Furthermore, operating income is expected to be over €55 million, and net income above €38 million.

So would you say you are optimistic about the company's future?

I am enthusiastic about Ubisoft's future. Our winning strategy has allowed Ubisoft to achieve growth of 150% from 2001 to 2004, the second highest rate among independent publishers and distributors in the United States. We plan to double worldwide revenue and triple profits by 2010, and our production force should exceed 4,000 talents in the next four years as well. These objectives can be achieved while maintaining our



Talent and experience, imagination and drive: Ubisoft's management team has proven itself capable of anticipating what the future holds for the company and the industry, taking the necessary steps to stay ahead of the game.

TOP MANAGEMENT

Inspired minds forging the path ahead

1 > Yves Guillemot
PRESIDENT & CEO

Yves co-founded the company in 1986 and his strategic vision has led Ubisoft to become one of the foremost international publishers.

2 > Christine Burgess-Quemard
EXECUTIVE DIRECTOR,
WORLDWIDE STUDIOS

Her past experience building up subsidiaries on both sides of the Atlantic is invaluable to running the company's studios smoothly.

3 > Serge Hascoët
CHIEF
CREATIVE OFFICER

Responsible for the company's strong editorial strategy, Serge is recognized as one of the most creative minds in today's industry.

4 > Alain Corre
EXECUTIVE DIRECTOR,
EMEA TERRITORIES

Having built up the European and Asian business structure, Alain can rely on his profound knowledge of the global market.

5 > Laurent Detoc
EXECUTIVE DIRECTOR,
NORTH AMERICA

Since he took charge of the San Francisco office, Laurent has established Ubisoft as a major force in the US market.

6 > Alain Martinez
CHIEF FINANCIAL
OFFICER

Alain joined Ubisoft in 2000, when the company entered the Premier Marché, bringing with him experience as CFO for technology companies in Europe.



Major licensing deal wins, record-breaking sales, and recognition for both Ubisoft as a whole and its games in particular... These are some of the highlights of this past year.

HIGHLIGHTS

The past year at a glance



LICENSES

September 23/04 > Agreement with Disney Interactive to launch **Disney's Winnie the Pooh Rumbly Tumbly Adventure** in conjunction with Disney Pictures' Pooh's Heffalump Movie.

October 12/04 > Announcement of deal signed with Universal Studios Consumer Products Group to produce an interactive game based on three-time Academy Award® winning director Peter Jackson's remake of "King Kong".

October 28/04 > Licensing deal with LucasArts to develop videogames for handheld consoles based on the upcoming movie **Star Wars®: Episode III Revenge of the Sith™**.

January 26/05 > Licensing deal announced with Sony Pictures Consumer Products to develop and publish videogames based on Sony Pictures Animation's first CGI motion pictures.

February 8/05 > Licensing deal with DIC Entertainment to create videogames based on the new tween property **Trollz™**.

March 16/05 > Licensing deal signed with And 1® will result in Ubisoft's first sports videogame title.

FINANCE

December 20/04 > Electronic Arts purchases 19.8% of Ubisoft's capital, attracting international attention to the company and its high potential.

December 23/04 > 1.8 million units of **Prince of Persia Warrior Within™** sold in 2 weeks.

February 7/05 > Extension of tax credits given by the Quebec and Canadian governments; announce creation of 1,000 new jobs in the province including project to establish an annex studio in Quebec City.

March 11/05 > With 2 titles ready for both the American and European launch of the Nintendo DS™, Ubisoft nabs the top spot among independent publishers on the platform in multiple territories.

March 17/05 > The successful launch of **Brothers in Arms Road to Hill 30™** adds another strong brand to the company portfolio, with sales reaching 1.7 million units for the last quarter of the 2004/2005 fiscal year.

AWARDS

June 9/04 > **Tom Clancy's Splinter Cell Chaos Theory™** receives three official Game Critics' Best of E3 2004 awards: Best PC game, Best Action/Adventure game and Special Commendation for Graphics.

January 05 > The editors of OXM, the United Kingdom's Official Xbox® Magazine, declare Ubisoft Best Developer of 2004 at their annual awards.

February 1/05 > Game Informer names Ubisoft 2nd worldwide publisher.

March 16/05 > **Tom Clancy's Splinter Cell Chaos Theory™** is given an unprecedented 9.9/10 by Official Xbox® Magazine¹, and goes on to sell 2.5 million units in the first week of its release.

OTHER SIGNIFICANT EVENTS

May 3/04 > Deal signed with Square Enix for European distribution of **Star Ocean™ Till the End of Time...**. The relationship is reinforced with the announcement in July of a similar agreement for **Final Fantasy® XI**.

January 3/05 > The first book in a series inspired by Ubisoft's game franchise **Tom Clancy's Splinter Cell®** hit the New York Times' Top 10 bestseller list for paperback fiction.

February 1/05 > Creation of Ubisoft Campus a continuing education program for Ubisoft teams, and training program for students wishing to break into the videogame industry.

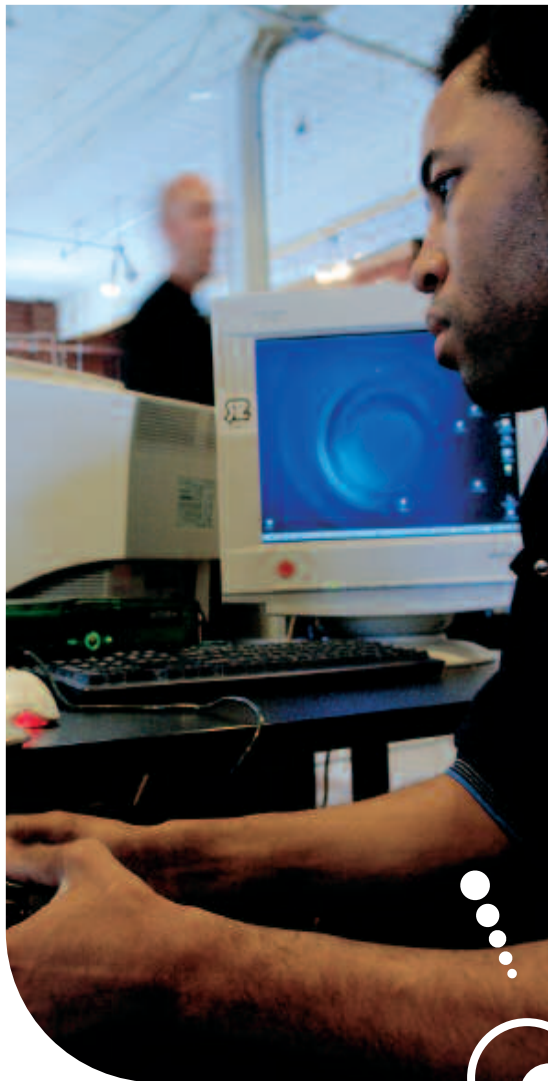
March 30/05 > The resurrection of the **Might & Magic®** brand is confirmed with **Heroes of Might & Magic® V**.

1 - (US).

Conquering Hollywood

On October 12, 2004, Ubisoft announced an agreement with Universal Studios Consumer Products Group to release an interactive game based on Universal Pictures' upcoming motion picture adventure, "King Kong". Thus began a close collaboration between three-time Academy Award® winning director Peter Jackson and the development team of Michel Ancel, the creative genius behind Rayman® and Beyond Good & Evil™. The first preview was unveiled at E3 2005 where Peter Jackson's King Kong blew spectators away, plunging them into an unprecedented interactive and emotional adventure. Peter Jackson's King Kong represents a revolution in the world of licensed games and is one of the most highly-anticipated releases for the 2005 holiday season.





THE ACTIVITIES

THE VIDEOGAME MARKET

Continuous growth

Between 1998 and 2003, the videogame industry's software sales grew by more than 40%, to \$13.1 billion. Ubisoft anticipates similar growth over the next four years, with an increase of almost 20% in 2007 and 2008 following two years of stability as a result of the transition from 128-bit consoles to next-generation hardware.



25.4

billion euros in overall
industry sales in 2004

● Booming entertainment sector

Initially a niche market in the entertainment industry, videogames have grown rapidly. In 2004, the videogame industry brought in \$25 billion¹, as much as the film industry²; it even overtook the latter in the United States, where it is also closing in on the music industry. Nevertheless, its success is closely linked to that of the movie industry: between 2001 and 2003, 57% of the sales in the USA of major videogame publishers came from licenses, particularly those from films.

● A changing consumer base

Videogames are as much a form of mass entertainment today as the cinema, no longer the exclusive domain of hardcore gamers or children. The average age of videogame players has been rising around the world: according to the Entertainment Software Association³, American players are on average 30 years of age and are faithful to the pastime, as they have been playing for some 9.5 years. Women are also a key target group: though up to now rather neglected by publishers, they currently represent 25% of videogame players in Europe. Today's players have larger incomes and are more demanding, which translates into new opportunities for publishers.

● Next-generation consoles

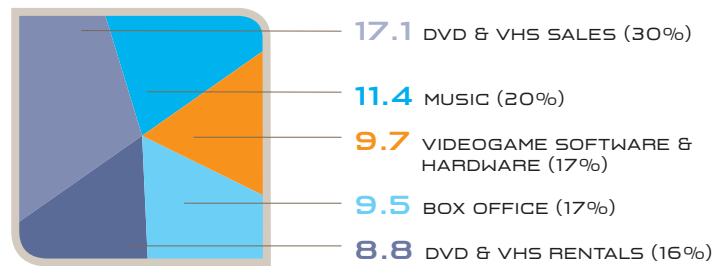
The next-generation of home consoles, expected for the end of 2005 and during 2006, will take videogames to a higher level. With their exceptional technology, the Xbox 360™ from Microsoft, Sony's PS3™ and Nintendo's Revolution⁴ will reinvent gaming as we know it, plunging players into an unprecedented world of highly-charged emotions and graphic beauty. As for portable platforms, the impressive launch of the new consoles (over 5 million Nintendo DS™ units have been sold and more than 5 million PlayStation®Portable units shipped by Sony worldwide) points to the extraordinary sales potential for games. Furthermore, these portable consoles arrive at the perfect time for publishers and developers, as they will boost growth during the transition period for home consoles.

1 - PricewaterhouseCoopers' "Global Entertainment and Media Outlook" report.

2 - According to MPA's Worldwide Market research "2004 International Theatrical Market" the cinema box office brought in \$25.2 billion worldwide in 2004.

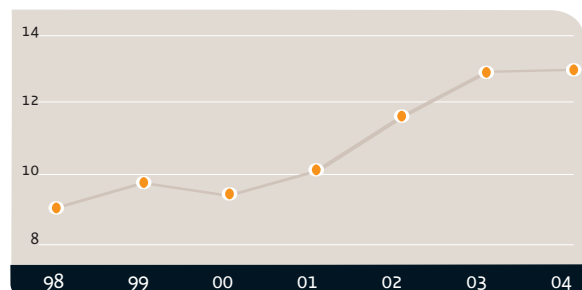
3 - Source: ESA's 2005 Essential facts about the computer and videogame industry.

4 - Working title.



2004 ENTERTAINMENT INDUSTRY
TURNOVER IN THE USA
(in billions of dollars)

Sources: RIAA, MPAA, NPD.



GROWTH OF SOFTWARE SALES IN THE USA AND EUROPE
(in billions of dollars)

Source: ELSPA (Entertainment & Leisure Software Publishers Association in the United Kingdom).



Tom Clancy's Ghost Recon Advanced Warfighter™



- ✓ CREATIVE TALENTS
- ✓ SOLID FINANCES
- ✓ STRONG BRANDS
- ✓ MULTI-PLATFORM SUPPORT
- ✓ CUSTOMER-CENTRIC
- ✓ GLOBAL PRESENCE

UBISOFT'S POSITION IN THE MARKET

On its **virtual balance sheet**, Ubisoft has everything to succeed



Ubisoft has all the elements necessary to succeed in today's global market. With subsidiaries in 21 countries, it distributes its products directly in 55 countries – a powerful, wide-reaching business network, rare among even the largest publishers on any continent. In parallel, the company enjoys the benefits of both a major publisher and a renowned developer. Not only does it have an impressive in-house production force, it also maintains and nurtures positive working relationships with independent developers in order to bring a wide variety of titles to consumers around the world.

In an industry where strong brands play a pivotal role in ensuring recurrent revenue and long-term financial health, Ubisoft is fortunate enough to have a portfolio of eight multi-million unit-selling brands that today represent approximately two-thirds of its annual turnover, and a strategy to continue expanding that portfolio by entering new market segments. As the profile of the typical gamer has evolved, so has

Ubisoft's catalogue of titles. Originally youth-oriented, then focused on hardcore gamers, it is expanding to reflect the tastes of the increasingly wider public of videogame players, becoming more mass-market in its nature and more diverse in its offering. With a rich palette of action/adventure, shooter and simulation games, Ubisoft is both reinforcing its presence on the strategy and massively multi-player on-line (MMO) segments, and is actively developing sports, role-playing games (RPG), and family-oriented license titles.

As the installed machine base of today's market shows flourishing co-existence of multiple platforms, Ubisoft makes sure it can draw on the abilities of its own teams and partners to provide products for all major supports. The company develops and commercializes games for the PlayStation®2, Xbox®, GameCube™, GameBoyAdvance®, Nintendo DS™, PSP™ and the PC/Mac, and is working on a number of titles for the next-generation home consoles of the three principal manufacturers.

Through selective acquisitions and careful management of financial and human resources, Ubisoft has firmly established itself as a major publisher and strengthened its position. It is handling the challenges of the transition to resource-intensive development smoothly and successfully. The group's workforce has been thoughtfully increased by 50% over the past three years, during which profits quadrupled and significant free cash flow generated. The company has thus shown that profit creation and debt reduction are not incompatible with investments in R&D.

The indispensable elements to succeed in the videogame industry are clearly present, and in particular a highly motivated and talented workforce, the backbone of any actor in the field. All of the 3,000 collaborators work with one overarching goal – to excel in their respective fields in order to contribute to the success of their company.



And 1st Streetball

Anticipating trends

In less than 20 years of existence, Ubisoft has risen to the forefront of the industry, thanks to a strategy that reflects the ever-evolving sector. The company does much more than adapt to the changing needs and expectations of the market, it anticipates them. Innovation in both business and production have allowed Ubisoft to reach where it is today – present in the hearts and homes of consumers – and to secure its path to an even brighter future.



Ubisoft came from 'ubiquitous', a quality that describes the company's game catalogue well. With titles covering an increasingly diverse range of genres for every major platform, including new ones, the company is present on all high-potential market segments.

DEVELOPMENT STRATEGY

Investing in brands, taking on new challenges

● Openly Ambitious

In line with Ubisoft's ambition to reach an increasingly wider demographic of gamers, its portfolio of games and brands continues to expand each year. Its goal is to become a leader in every high-potential segment, so the decision to bring out a title in a new genre is not one taken lightly. Already the undisputed leader in military/tactical shooters as well as stealth action, it has proven itself time and again as a trailblazer on the adventure forefront, through the **Myst®** and **Prince of Persia®** franchises. This year it successfully entered the World War II historical segment with **Brothers in Arms Road to Hill 30™**. Not only did the title establish a strong, new brand in just one instalment, it was quickly recognized as being the ultimate reference for the segment. Ubisoft also reinforced its position in the Simulation category with the critically-acclaimed

3

new brands every 2 years



Silent Hunter® III and the flight simulation **Pacific Fighters™**, and in the Strategy category with the fifth opus of **The Settlers®**.

● Reaching the general public

As the mass appeal of videogames continues to spread, so do Ubisoft's product offerings, tapping into the trends and preferences of casual gamers. In the upcoming year it will be entering the sports segment with **And 1® Streetball**, the RPG segment with titles from the **Might & Magic®** brand, and expanding its family-friendly offering with games ranging from **Trollz™: Hair Affair** to **Open Season™**, based on Sony Pictures' upcoming CGI film. The opportunities offered by major Hollywood licenses such as the videogame adaptation of "King Kong" are also seized, expanding the reach and recognition of its products. With **Peter Jackson's King Kong**, Ubisoft will prove that high-quality and innovative gameplay can go hand in hand with a licensed franchise in the hands of the right people.

● Multi-platform games

Console manufacturers are pushing the frontiers of gaming with cutting-edge machines, both for the home and on the go, and Ubisoft's teams work closely with them to make sure that titles can be available for promising new consoles as soon as possible after the machine's launch. By bringing out a title onto multiple platforms (home consoles, portable consoles and PC), while ensuring that each version respects the specificities of the support and offers novel features, the company reaches an ever-increasing number of consumers without a proportional increase in production costs.



CREATORS OF BRANDS

Brand creation is central to Ubisoft's ambition to provide innovative and immersive gaming experiences. Whether revitalizing classics such as **Prince of Persia®**, or creating new franchises such as **Brothers in Arms™**, the continual development of original IPs is at the forefront of its editorial strategy. The number of brands that have sold more than a million units has grown from three to eight in just four years, and currently represent two-thirds of company revenue. Ubisoft aims to create three new brands every two years, expanding its catalogue to new market segments.



Ubisoft constantly seeks to offer gamers more, and thus has put the consumer at the heart of its strategy. Development, promotion, after-sales service – this customer-centric philosophy is visible at every stage, from the creation of games to marketing.

A CUSTOMER-CENTRIC APPROACH

Providing optimal products and services to consumers

- **Consumer studies constantly on the increase**

In order to better anticipate gamers' expectations, Ubisoft is multiplying consumer studies in its main markets. In this way the consumer viewpoint can be taken into account during every major step in the development and marketing of a new game. In addition, Ubisoft analyzes the way its brands are perceived to successfully channel their growth. In order to become increasingly responsive in this area, Ubisoft has cultivated an expertise in on-line studies. This survey method draws on representative panels of gamers and has become a mainstay of Ubisoft's customer-centric approach. Direct contact with consumers also continues to be important: face-to-face interviews as well as the collection of on-the-spot reactions from gamers in forums and at trade shows are a rich source of information for Ubisoft.



5

million unique internet visitors monthly

● Leader in on-line marketing

Ubisoft is sensitive to the unique potential of the Internet for communicating with players, and has multiplied its investments in on-line marketing in recent years. Community managers are now the main contact point between Ubisoft and its fans on the net. Ubisoft uses competitions, forums, beta tests and surveys to allow its customers to express their expectations, reactions and suggestions. This information provides the company with a better understanding of gamers, an understanding that is integrated by the company's various departments in order to provide products that meet consumer expectations as closely as possible.

● Greater in-store visibility

Stores remain a key point of contact between Ubisoft and its customers, and the company's relationships with its distributors are of the utmost importance. Ubisoft works with them to provide useful information to the consumer on the floor in an optimal fashion that respects each distributor's strategy. Ubisoft uses tools like POS displays, multi-product promotional campaigns and in-store events to maximize the communication impact and help players make informed choices. The sale of collector and special editions as well as pre-orders help to create ever-closer relationships with players.

● Self-service and multi-channel customer support

Ubisoft has enhanced the efficiency and availability of its customer service in recent years. Technical support is now offered 24/7 thanks to its FAQ system. This proactive strategy to anticipate player needs has helped to cut costs while maintaining a free, high-quality service. In addition, as a result of the company's multi-channel strategy, gamers who prefer direct contact with Ubisoft can ask their questions by telephone, mail and now webmail, an individualized electronic message system hosted on a Ubisoft site. The use of webmail has proven particularly profitable, with 70% of consumers currently turning to this form of assistance.



Key figures

- Consumer studies tripled in two years
- Products localized into more than 25 languages
- Up to five million unique visitors per month on the product websites
- FAQs published in five languages
- Responses by telephone, mail and webmail, localized in eight languages for North America and EMEA
- Customer service commitment to respond within 48 hours
- 2004 Award for Best Technical Support Service in French in the Entertainment Software Industry



THE STRATEGY

THE STUDIOS

The means to fulfil
its ambitions

Ubisoft's in-house development studios not only represent the second largest videogame production force in the world, they represent one of the best, repeatedly recognized for producing games of outstanding quality. At the same time, the growth in human resources has been carefully planned, with the result that Ubisoft boasts production costs significantly lower than the industry average.



13

studios in 9 countries

13 studios, 9 countries. The strategic location of Ubisoft's in-house studios around the world allows it to attract the best and brightest people from four continents. This structure also ensures that its studios remain profitable overall despite the rising costs for next-generation game development. Intensive recruitment is focused in countries such as Canada and China that offer competent, trained people as well as tax benefits or a lower cost structure, enabling Ubisoft to benefit from a considerable competitive cost advantage. Games currently in development, particularly for next-generation consoles, require more data, more time and larger and larger development teams. With plans to recruit 600 people each year, Ubisoft will continue to expand its pool of talents so that it has the means to fulfil its ambitions.

Growth is key to ensuring Ubisoft's continued ability to develop major titles internally, titles whose critical and commercial success have reinforced the company's reputation as an exceptional developer. Always open to new opportunities, the company has ongoing feasibility studies to help identify potential new sites, and its Montreal studio recently announced the opening of an annex site in Quebec City to attract local talent. Overseeing it all is a team of studio managing directors whose average experience of eight years with Ubisoft ensures they are capable of successfully carrying through complex projects under optimal conditions.

Ultimately, what counts is the final result: today Ubisoft has a balance of experience-intensive and resource-intensive studios whose combined talent allows the company to take on multiple ambitious, innovative projects.

GOVERNMENT SUPPORT FOR CONTINUED GROWTH

In February 2005, Ubisoft's Montreal studio announced the signing of new agreements with the governments of Canada and Quebec, extending until 2010 the tax credits granted to the company as part of a program to support the multimedia sector. These measures will help promote the growth of Ubisoft in Canada, where the group expects to hire up to 1,000 more employees by 2010, thus doubling the studio workforce. Ubisoft also received a \$5.3 million CDN grant package from the Quebec government for recruiting young professionals. This sum was used to establish the Ubisoft Campus, a first for both the company and for Canada. Over the next 5 years, 500 students and 1,000 employees will benefit from the training it provides.





Mastering today's technology while developing that of tomorrow... Ubisoft's creative teams are both ready and able to push the technical limits of current tools, and create those that will push the limits of our consumers' imaginations.

CREATIVITY & INNOVATION

Enhancing the global game experience



Creativity, growth and the freedom to innovate: this is what epitomizes the working environment of our development teams. Great ideas are necessary, but in this rapidly changing industry it is essential to channel those ideas and provide the knowledge and tools that can turn them into reality.

● R&D - the key to tomorrow's success

The R&D department is instrumental in developing essential middleware and programming tools, as well as creating and customizing game engines whose design can be optimized for the needs of specific titles. By creating its own tools, Ubisoft is less dependent on the capacity of external companies to keep up with the constantly evolving console and computer technology. By anticipating where systems and methods are headed, it can line up the necessary resources to be one of the

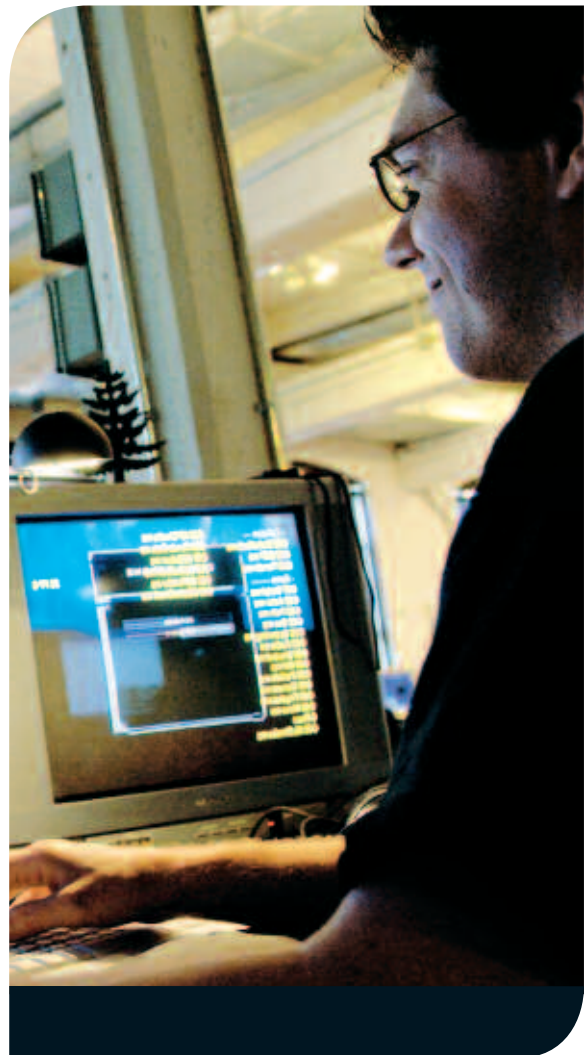
first to master and exploit new technology. With the future generation of consoles, strong in-house R&D will play a pivotal role in ensuring titles come to market within the first few months of a platform's release.

● Academy of Experts

Established a few years ago, the Academy of Experts is an internal think tank to share knowledge between studios and to resolve complex technical issues faced by teams. The Academy's members represent the best technical minds in the company across all countries, and have collaborated on issues ranging from lighting effects to on-line gameplay.

● Training - a priority

Ubisoft places special emphasis on continuing education and training for its teams. By honing their skills, staying abreast of the latest technologies, and developing new techniques for videogame development – on both current and future consoles – they can determine and apply the optimal solutions to enhance the overall gaming experience. The Ubisoft Campus in Montreal is a unique initiative providing ongoing training year-round to people from all the company's studios around the world. It has a two-fold mission: provide the necessary educational foundation for future professionals of the videogame industry, and guarantee that Ubisoft's production teams are equipped with the necessary skills to succeed in their chosen careers. It is through the Campus, and other company initiatives to build and expand the abilities of its talents, that Ubisoft is able to not only fully exploit today's technologies, but also anticipate those of the future.



SERVING CREATIVE NEEDS

Engines, tools and software...Game technology is constantly evolving, and mastering these changes is essential for success. Ubisoft pushes the limits of the best middleware on the market, transforms them and creates new tools when those available no longer fulfil developers' needs. As a result of their extensive knowledge sharing and their willingness to take on challenges, the engineers provide the artistic teams with the means to give form to their vision and express the full range of their creativity. Beyond technological innovation, at Ubisoft it is the people that make the difference. Their dedication and drive empower the company to release games skilfully exploiting the power of next-generation consoles onto the market.



In a talent-based industry, a company is only as strong as the people who make it up. Ubisoft is certainly no exception, and is itself a testament to the outstanding work its teams have consistently provided over the years.

THE PEOPLE

The heart of the company



The intrinsic value of Ubisoft – like any other actor in the industry – lies squarely with its talents. Sound engineers, graphic artists, product managers, level designers, programmers, animators, producers, creative directors... These are just some of the experts the company draws on to make its games what they are today.

With several titles under their belts and solid experience in a relatively young industry, the teams are both knowledgeable and have a sixth sense about what can make a “good” game a “great” one, or a “classic” marketing campaign an “exceptional” one, as only people with a true passion can. At the same time, their

23%

women

77%

men

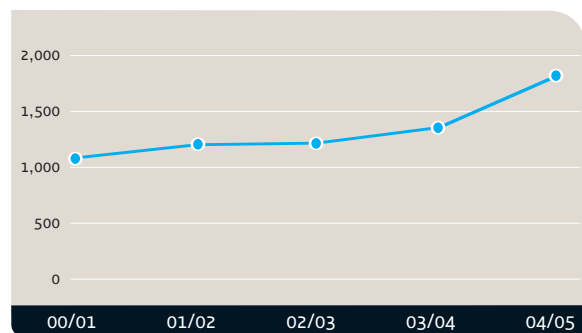
professionalism and desire to excel pushes them to always keep the end consumers in mind, be they hardcore gamers or casual ones, and strive to make sure that the final product is adapted to their playing habits, skill level and expectations.

Ubisoft strives to cultivate an atmosphere where new ideas and initiatives thrive. The company's respect for the creative nature of the profession and its commitment to create the best games available on the market, combined with the freedom to innovate, serve as the teams' primary source of motivation. The company also readily draws on experts from other fields in the entertainment industry whose skills and perspectives can complement and enhance its projects. Whether it be a novel way to instil an emotional reaction, a different storytelling technique to engage players, or a new sales promotion, its teams are open to constructive ideas from all fields, providing them with external sources from which they can learn and continue to perfect their skills.

One of the specificities of the videogame industry is that the people who work in it love what they do, and know that they can never take the status quo for granted. As a result, developers at Ubisoft display a personal investment in each and every project they undertake, always ready and eager to experiment, move forward and create an outstanding final product. They have the talent and the willingness to be the best in the industry, and Ubisoft is there to offer a supportive and nurturing environment in which they can grow, develop and shine.



Far Cry Instincts™



PRODUCTION HEADCOUNT (AVERAGE)

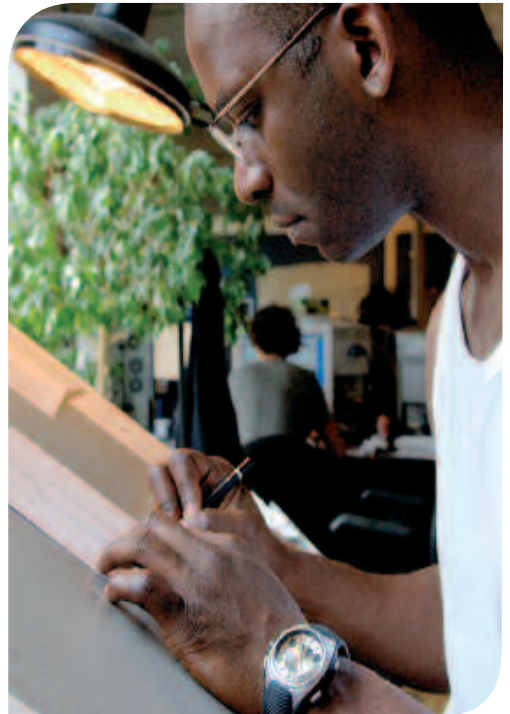
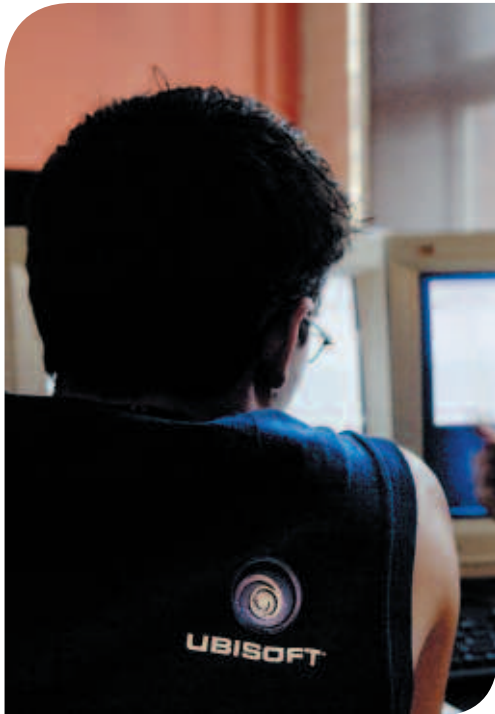
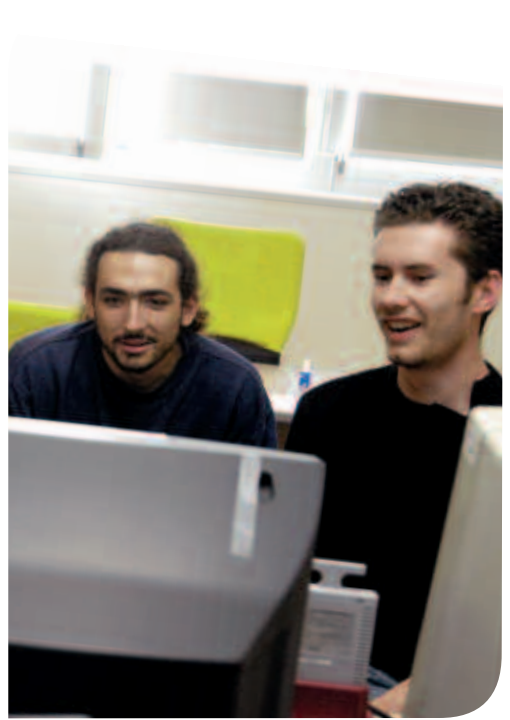
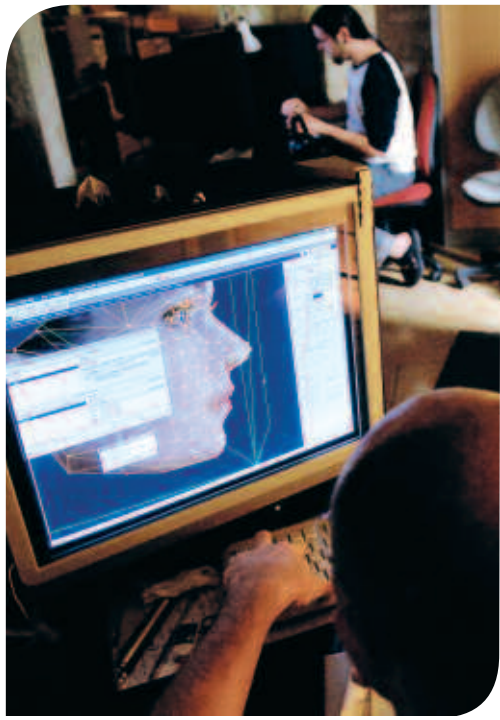
3,000 employees as of March 31, 2005, of which:

● BY COUNTRY

- 1,110 Canada
- 660 France
- 350 China
- 320 USA
- 220 Romania
- 340 Rest of the world

● BY ACTIVITY

- 2,300 production
- 700 business



UBISOFT®



2005 Financial Report

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Introduction

Ubisoft is one of the leading developers and publishers of interactive game software worldwide. In 2004, Ubisoft was the seventh largest independent publisher in the United States and was ranked between third and fifth place in the major European countries.

Founded in 1986, Ubisoft has experienced strong and continued growth by implementing a strategy of both internal growth and carefully targeted acquisitions with high potential. Since its listing on the stock exchange in 1996, the group has increased its sales fourteen-fold and its operating income by a factor of 21. It currently has an extensive catalogue of strong brands, recognized by both industry professionals and consumers.

The group's business is organized into three major fields of activity: development (i.e. the creation of game software), publishing (i.e. the acquisition of game rights and external licenses, as well as product marketing) and distribution (i.e. the physical delivery of the final product to all types of retailers). Over time, Ubisoft has successfully implemented these three activities at 13 production sites around the world, where the talent and creativity of Ubisoft's workforce have yielded numerous strong brands.

This workforce comprises 2,972 individuals, all working toward a common goal: the creation of extremely high-quality games for a growing and increasingly demanding audience of gamers.

1.1 Highlights of fiscal year 2004/2005

April 2004

- Strategic ownership interest in the capital of Gameloft SA increased to 29.47%, compared with 19.47% previously;
- A long-term publishing agreement is signed with Gearbox Software developer for **Brothers in Arms™**, a new military license game for consoles and PCs;
- Exclusive publishing agreement concluded with the US Army to develop and distribute the games of the America's Army® franchise for consoles;
- **Tom Clancy's Splinter Cell Pandora Tomorrow™** is rated the top-selling game for consoles and **Far Cry®** the top-selling game for PCs in Germany, France, Great Britain and the United States (source: GfK, Media control, Chart Track, UBS Warburg).

May 2004

- Ubisoft games presented at E3, the international video game trade show, received recognition from industry professionals:
 - Seven awards for **Tom Clancy's Splinter Cell Chaos Theory™** including Best of Show, Best PC Game, Best Action Game and Best Graphics for PC;
 - 2 awards for **Prince of Persia Warrior Within™**: Best Action Game for PlayStation®2 and Best Action Game for Xbox®;
 - **Brothers in Arms™** dubbed Best Action Game by IGN.

July 2004

- Ubisoft ranked among the top five independent publishers in Europe and seventh in the United States during the second quarter of 2004 (source: GfK, Media control, Chart Track, NPD).

August 2004

- **The Settlers Heritage of the Kings™** voted Best PC Game, **Brothers in Arms™** voted Best Xbox® Game and **Prince of Persia Warrior Within™** voted Best PlayStation®2 Game at the 2004 Games Convention in Leipzig, Germany.

October 2004

- Ubisoft enters the Action/Horror genre by announcing the debut of **Cold Fear™**, developed by the Darkworks studio;
- Ubisoft announces the launch of a video game adapted from the Universal Pictures film: **Peter Jackson's King Kong** by the end of 2005;
- A licensing agreement is signed with LucasArts to develop video games for handheld consoles based on the film **Star Wars®: Episode III Revenge of the Sith™**.

November 2004

- Three titles are released to mark the introduction of the Nintendo DS™ in the United States: **Rayman® DS**, **Sprung™** and **Asphalt: Urban GT™**.

December 2004

- **Prince of Persia Warrior Within™** released for PlayStation®2, Xbox®, Gamecube™ and PC, selling 1.8 million copies;
- Operating result for the first six months of the 2004/05 fiscal year: -€ 45 million, an improvement of € 5 million.

January 2005

- The equity swap contract with Calyon involving 918,137 shares purchased by Calyon for sale at a later date is extended from February 28, 2005, to February 28, 2006;
- The latest episode in the **Myst®** saga is announced for release in Fall 2005;
- **Tom Clancy's Ghost Recon® 2** posts sales of 1.4 million copies;
- Ubisoft is ranked third among independent publishers in France, fourth in the UK, fifth in Canada and seventh in the US for the year 2004 as a whole (source: GfK, Media control, Chart Track, NPD);
- A video game development and publishing agreement is signed with Sony Pictures Consumer Products based on **Open Season™** and **Surf's Up**, the first two animated feature films from Sony Picture Animation.

February 2005

- Ubisoft announces the creation of Ubisoft campus in Montreal, designed to train new talent in key areas of video game development, and its plan to recruit 1,000 new employees over five years so as to

double the workforce in its Montreal studio by the year 2010;

- Ubisoft acquires the technology, tools and source codes for Microsoft Game Studios team sports games.

March 2005

- Ubisoft acquires the development operations of Canada's MC2-Microids along with its workforce of about 50 employees;
- **Tom Clancy's Splinter Cell Chaos Theory™** receives the best grade ever awarded by Official Xbox® Magazine, the world's Number 1 selling Xbox® Magazine;
- A licensing agreement is signed with And 1®, the basketball footwear and apparel company, to develop a streetball video game inspired by the And 1 Mix Tape Tour: **And 1® Streetball**;
- The launch of **Tom Clancy's Rainbow Six Lockdown™** is postponed, with no impact on the financial objectives for the 2004/2005 fiscal year;
- Ubisoft announces the return of the **Heroes of Might and Magic®** brand and its entry into the field of role-playing games.

1.2 Analysis of activity and comments on results for fiscal year 2004/2005

1.2.1 Quarterly and annual consolidated sales

Sales (€M)	2004/2005	2003/2004	Change at constant exchange rates	Change at current exchange rates
First quarter	62	66	-6%	-6%
Second quarter	68	62	+9%	+8%
Third quarter	186	228	-16%	-18%
Fourth quarter	222	152	+50%	+45%
Total	538	508	+8%	+6%

At the current rate, turnover increased 6% over the 2004/2005 fiscal year. At a constant rate, growth is at 8%.

1.2.2 Breakdown of sales by core activity

Ubisoft's sales are distributed over the three core activities of the video games industry: development, publishing and distribution.

Development covers revenues from titles developed, produced and marketed by Ubisoft's in-house studios. Development also includes sales by third-party developers, for whom Ubisoft provides supervisory and co-production services and acts as guarantor of the final product's quality.

Publishing covers revenues from titles designed and produced by third-party developers, for whom Ubisoft finances and supervises production in exchange for acquiring the license. Ubisoft then handles localization and manufacturing, and of course marketing and sales

distribution. The company receives revenue from product sales and pays royalties to the brand's developers and/or owners.

Distribution sales correspond to revenue from the sale of products from publishers with which Ubisoft has concluded distribution agreements and for which it handles marketing and sales. Such agreements may be local, covering a limited geographic area, or may cover several regions.

The group has continued to focus its attention on development, which has expanded to 87% owing to the success of titles developed internally or co-produced with third parties.

Breakdown of sales by activity is as follows:

Breakdown of sales by core activity (%)	2004/2005	2003/2004	Change in volume
Development	87%	86%	7%
Publishing	10%	11%	-4%
Distribution	3%	3%	6%
Total	100%	100%	100%

1.2.3 Change in production volumes

Number of titles produced by the company itself, titles co-produced with third parties and titles distributed by the company:

Number of titles ¹	2004/2005	2003/2004
In-house production	14	10
Co-production	13	9
Publishing	9	16
Distribution	1	2
Total	37	37

1- A title is a single game on one or more platforms. For example, **Prince of Persia Warrior Within™** on PlayStation® 2, Xbox®, GameCube™, PC and GameBoy® Advance™ constitutes five products but just one title.

The stability in the number of titles overall reflects the priority given to major titles with significant potential. The group has focused its strategy on the creation of strong, perennial brands. The number of these brands increased from three to eight between the 2000/2001 and 2004/2005 fiscal years, while their share of sales rose from 26% to 65%.

In addition, the company has continued its efforts to develop more products internally or jointly with third parties. This demonstrates the strategic importance that Ubisoft attaches to its in-house development business to ensure:

- better game quality and more rigorous control of schedules and budgets;
- the creation and development of tools and technology that can be reused from one game to another;
- enhanced profitability through product development for several formats and as a result of the group's competitive advantage in terms of labour costs.

This trend is likely to accelerate with the new generations of game consoles to be introduced over the next two years, which will require significantly greater labour resources than the current consoles.

1.2.4 Sales by platform

	2004/2005	2003/2004
PC CD-ROM	25%	24%
PS2	37%	36%
XBOX®	25%	27%
G-CUBE™	5%	5%
PSX®	1%	2%
DS™	3%	0%
PSP™	1%	0%
Game Boy® Advance™	3%	5%
Miscellaneous	0%	1%
Total	100%	100%

The share represented by 128-bit consoles (PlayStation®2, Xbox® and Gamecube™) held steady at 67% of sales, versus 68% in the previous fiscal year. Sales for portable consoles increased from 5% to 8% thanks to the launch of new consoles (Nintendo DS™ and Sony PlayStation® Portable (PSP™)).

1.2.5 Sales by destination

Fiscal year (€M)	2004/2005		2003/2004	
	Sales	% Sales	Sales	% Sales
France	53.7	10.0%	52.8	10.3%
Germany	52.0	9.7%	38.4	7.5%
UK	74.6	13.8%	69.4	13.7%
Rest of Europe	108.8	20.2%	89.5	17.6%
Total Europe	289.1	53.7%	250.1	49.2%
United States/Canada	221.3	41.1%	236.6	46.5%
Asia/Pacific	23.6	4.4%	19.7	3.8%
Rest of World	4.0	0.8%	2.1	0.4%
Total	538.0	100%	508.4	100%

The 2004/2005 fiscal year saw a shift in sales from North America to Europe, resulting from two factors:

- the stronger euro posed a disadvantage for North America, where business remained steady if the impact of the exchange rate is excluded;
- an unfavorable basis for comparison: in 2003/2004 North America region benefited from the release in April of **Tom Clancy's Splinter Cell Pandora Tomorrow™** for PlayStation®2, while it had been launched in the previous fiscal year in Europe.

In Europe, sales increased significantly in every major country, notably Germany where sales rose by 36%.

1.2.6 Change in income statement

The group's gross margin increased by 1.5 points to 66.5% of sales (versus 65% for the 2003/2004 fiscal year). This improvement results from the group's policy of focusing on products with strong potential that generate a higher margin. It is also a result of finer calibration of sales projections, which has led to a reduction in returns as well as inventories.

Gross operating surplus stood at €160.8 million (an increase of +24%). This higher figure can be attributed to the increase in sales activity and an improved margin, while sales costs have remained stable.

Operating income stood at €41.4 million, a €39.9 million increase. This reflects both the improvement in gross operating surplus, accounting for €30.8 million, and a reduction in allocations to amortizations (€9.1 million).

Using the pro forma standard, operating profit totalled €41.1 million, versus €20.1 million in 2003/2004 (see Section 1.2.9, Pro forma accounting).

The net financial results break down as follows:

- €8.9 million in financial charges;
- €0.5 million in exchange losses;
- €2.3 million in depreciation of redemption premiums and expenses relating to bond issues.

Corporate tax represents a €2.8 million charge corresponding to a 9.5% facial tax rate.

This includes:

- €4.2 million savings from previously unused tax credits;
- €1.7 million savings from tax credits on research expenses;
- €1.4 million savings due to permanent differences between consolidated and social results.

If these non-recurring items were excluded, the tax rate would be approximately 34%.

Before amortization of goodwill and business assets (€7.2 million), net income was €27.2 million under French accounting standards and €27 million according to pro forma standards (see Section 1.2.9, Pro forma accounting).

1.2.7 Change in working capital requirement (WCR) and indebtedness

While increasing its investment in internal development by €20 million, Ubisoft generated cash flow of €25.1 million and continued to improve its working capital requirement by €33.4 million. WCR now represents 18% of sales, versus 26% the previous year. Available net cash flow before acquisitions stood at €50.6 million, versus €58 million in 2003/2004.

Lastly, net indebtedness after application of bond redemption premiums fell by €38 million. As of March 31, 2005, net debt represented 25% of equity capital under French accounting standards, compared with 41% a year earlier.

1.2.8 Asset financing policy

The company does not use lease contracts, securitization, transfers of receivables pursuant to France's Dailly Law, sales with the option to repurchase or the like; it prefers to obtain financing directly on the market, specifically by means of bond issues.

It occasionally makes use of factoring and discounts, primarily in Germany and the UK.

1.2.9 Pro forma accounting

In addition to presenting its consolidated accounts according to French accounting standards, Ubisoft also presents pro forma accounts in which in-house development costs are stated as expenses, as is the practice of certain American video-game publishers.

Differences between the standards:

- French standards (French GAAP):
 - In-house research and development expenses are reported as fixed assets and then amortized.
- Pro forma data:
 - In-house research and development costs are entered in the accounts as charges.

According to this pro forma presentation, the main impact on the 2004/2005 accounts can be stated as follows:

(€M)	2004/2005	2003/2004
Operating income (before amortization of goodwill)	41.1	20.1
Net income (before amortization of goodwill)	27.0	8.8
Net income (after amortization of goodwill)	19.8	2.8
(In euros per share)		
Net earnings per share (before amortization of goodwill)	1.52	0.50
Net earnings per share (after amortization of goodwill)	1.12	0.16

Unaudited pro forma presentation.

Impact of pro forma presentation on operating income over the last five fiscal years:

(€M)	2004/2005	2003/2004	2002/2003	2001/2002	2000/2001
Published operating income	41.4	1.5	31.6	31.0	7.9
- Capitalized R&D expenses	-99.9	-79.8	-72.1	-77.0	-60.7
+ Amortization of intangible fixed assets	99.6	98.4	67.6	54.7	33.7
Pro forma operating income	41.1	20.1	27.1	8.7	-19.1

Unaudited pro forma presentation.

1.2.10 Table of results for the last five fiscal years, Ubisoft Entertainment SA

(Article 135 of the decree of March 23, 1967)

Fiscal year	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005
Corporate capital (€)	5,155,558	5,384,307	5,437,425	5,450,514	5,593,900
No. of common shares	16,909,122	17,368,732	17,540,082	17,582,304	18,044,840
No. of preferred shares	-	-	-	-	-
Max. no. of shares to be created	2,870,262	5,646,664	4,310,780	6,385,287	7,172,031
▪ Through bond conversion	964,120	3,905,470	2,704,771	2,598,318	2,598,297
▪ Through exercise of stock options	992,477	827,594	1,552,743	1,207,577	2,041,714
▪ Through exercise of subscription warrants	913,665	913,600	53,266	2,579,392	2,532,020
Sales (K€)	161,470	226,134	128,696	165,872	294,529
Result before taxes, investments and allocations (€K)	26,651	33,101	108,604	91,796	125,292
Taxes on profits (€K)	-	-	48	-96	-1,260
Employee stake	-	-	-	-	-
Result after taxes, investments and allocations (€K)	-8,409	-24,390	5,900	1,305	20,085
Distributed result	-	-	-	-	-
Per share, result after taxes and before allocations (€)	1.58	1.91	6.19	5.22	6.87
Per share, result after taxes and allocations (€)	-0.50	-1.40	0.34	0.07	1.11
Dividend attributed to each share	-	-	-	-	-
Average no. of personnel	5	5	5	5	5
Payroll total (€K)	66	275	495	525	546
Social security contributions and employee benefits (€K)	21	119	174	186	195

1.3 Human resources and environmental data

1.3.1 Workforce as of March 31, 2005

Worldwide, Ubisoft has 2,972 employees (77% men and 23% women). The average employee age is 30.4 and average seniority is 2.92 years. The average number of staff during the fiscal year was 2,705 persons.

Breakdown of employees by sector of activity:

- 75% in production studios;
- 25% in distribution (marketing and sales) and support functions.

Distribution of staff by activity:

Activity	As of March 31, 2005	As of March 31, 2004	As of March 31, 2003
Production	2,221	1,564	1,268
Sales, marketing and administration	751	788	722
Total	2,972	2,352	1,990

Distribution of Ubisoft personnel by country as of March 31, 2005:

Country	Workforce	
	as of March 31, 2005	as of March 31, 2004
Australia	13	15
Austria	6	9
Belgium	8	10
Brazil	-	-
Canada	1,110	719
China	329	209
France	656	630
Germany	66	66
Hong-Kong	5	5
Italy	49	58
Japan	17	17
Morocco	42	52
Netherlands	10	10
Romania	218	114
Scandinavia	22	21
South Korea	2	3
Spain	48	51
Switzerland	6	8
UK	44	48
United States	321	307
Total	2,972	2,352

In France, Ubisoft has 656 employees (69% men and 31% women).

Eighty-four percent of all employment contracts are on a permanent basis.

The average number of staff during the fiscal year was 635 persons.

Sixty-nine percent of employees hold professional positions.

The average employee age is 31.5 and average seniority is 4.7 years.

Breakdown of employees by sector of activity:

- 58% in production studios;
- 42% in distribution (marketing and sales) and support functions.

In an effort to promote the training and integration of young people into the workforce, Ubisoft offered positions to a number of student trainees and apprentices during the fiscal year.

Turnover is primarily attributable to the completion of occasional projects.

1.3.2 Recruiting

The majority of group employees have permanent work contracts.

In order to meet certain needs imposed by the nature of its business, Ubisoft has at times had to resort to fixed-term or temporary work contracts.

At the international level, Ubisoft's objective was to hire 450 production personnel during 2004/2005. The group surpassed this goal, hiring approximately 600 new employees in its studios. The acceleration in business activity and the policy of expanding the group's production studios were the main factors driving this trend.

The quick pace of recruiting is attributable to various resources that were mobilized to meet this objective and that are explained below.

Three subsidiaries recruited a particularly high number of new employees: Canada, which went from 719 to 1,110 employees (+391); China, which increased its workforce from 209 to 329 (+120); and Romania, which grew from 114 to 218 employees (+104).

The group received approximately 50,000 CVs between April 2004 and March 2005.

To promote the hiring of young talent, the group canvassed schools and conducted practical exercises with students. More than 60 such programs were conducted in 2004/2005 – an average of five per month for the group as a whole. These school-based activities provide capable students with information about professional opportunities in the world of video games and help the group identify future employees.

The goal for the 2005/2006 fiscal year is to enhance in-house creative expertise by hiring 600 new employees by March 31, 2006.

Ubisoft recruits both experienced experts in game creation and junior staff who have benefited from the very best training. The junior staffers learn and make progress alongside senior personnel. Every employee plays an active role in the company's development, at his or her own level. Shared corporate values encourage employees to maintain a sense of curiosity, an open mind, a commitment to the free exchange of views, a sense of initiative, and a warm, friendly working environment. Special emphasis is placed on enhancing and pooling knowledge, a goal facilitated by the group's multicultural diversity. Ubisoft offers a wealth of opportunities for mobility and career development thanks to its international presence and wide range of in-house operations. The company is committed to fostering individual initiative and enables all its employees to pursue professional projects in a stimulating environment.

1.3.3 Work-time organization

Ubisoft complies with local regulations governing limitations on working hours.

In France, work time for full-time employees is 35 hours weekly. Work schedules vary depending on each division's requirements and employees' preference for a five-day working week or for accumulating time off.

3.08% of employees work part time.

Overtime hours were worked in accordance with current legal and union provisions.

Absenteeism accounts for 3.1% of total days worked:

- 53.76% of these absences were related to illness and workplace accidents;
- 38.78% were for maternity or paternity leave;
- 7.46% were for exceptional leave.

1.3.4 Compensation

The total international payroll in fiscal year 2004/2005 was €105 million.

For the 2004/2005 fiscal year, Ubisoft renewed and expanded its policy of contributing to the Company Savings Plan set up in February 2001 for employees of the French companies.

1.3.5 Gender equality in the workplace

Ubisoft respects the principle of professional equality between men and women with regard to compensation.

In the group as a whole, 29% of managers and 40% of top executives are women.

1.3.6 Outside labor costs

In France, Ubisoft worked with both freelancers and consultants over the course of the fiscal year and intermittently relied on temporary workers.

Security and cleaning services were provided by outside companies.

1.3.7 Ongoing training

1.3.7.1 Qualitative information

Ubisoft's Knowledge Management center offers a resource for managing, enhancing and circulating knowledge within the company.

A directory of expertise is currently being compiled to help employees identify the range of skills and knowledge available within the group.

Experts within Ubisoft meet on a regular basis to share their know-how and address the challenges that the company will face in the future.

Annual evaluations designed to enhance skills management and individual plans for career development are administered on a wide scale within Ubisoft. As of March 31, 2005, 82% of employees had had an annual evaluation interview, while 70% had a development plan adapted to their goals and skills.

1.3.7.2 Training

During 2004/2005, Ubisoft employees received over 91,000 hours of training valued at more than €2.3 million – equivalent to just over 1.7% of the total payroll.

Eighty percent of this training was in the area of production, while 20% was provided to employees in the areas of distribution and support.

Approximately 70% of all training was technical training in the various activities, while 24% was designed to enhance language skills and 6% involved management skills.

Outside training accounted for 54% of all training provided, while internal training accounted for 46%.

1.3.8 Health and safety conditions

Ubisoft complies with all statutory requirements with regard to health and safety conditions.

Employees are subject to limited occupational hazards.

1.3.9 Disabled persons

In France, Ubisoft contributed €41,094 for the vocational integration of the disabled.

1.3.10 Social service activities

Ubisoft organizes activities around special events on a regular basis and provides a number of employee benefits, particularly in the area of sports and leisure.

The group takes part in a range of philanthropic activities on a regular basis. These include charitable campaigns in China or to combat cancer in the UK, events organized for hospitalized children in France, contributions collected groupwide on behalf of tsunami victims and children's organizations in Romania and Canada, donations to food banks in the United States, and various other activities.

1.3.11 Environmental data

The company publishes and distributes video games, but does not manufacture them. It has a very low impact on the environment, whether it be in the area of air, water, soil, noise or odor pollution.

The principal manufacturing facilities of Ubisoft suppliers and assemblers are ISO 9001 certified and therefore comply with ISO 9001 norms regarding safety and the environment. One facility is even certified compliant with the 14001 standard on the environment.

Ubisoft actively recycles used computer equipment and electrical and electronics equipment as well as waste paper.

Recycling

The group is sensitive to the need for recycling.

In order to recycle its computer hardware in France, Ubisoft contracted with a company that specializes in the handling of electrical and electronic waste and the recovery of computer monitors to recover, disassemble and recycle used equipment. To ensure compliance with current laws regarding waste reduction and materials recovery, the company demanufactures equipment in order to sort, separate and isolate its components and extract their value. This process can be used to isolate toxic materials so they can be packaged and routed to appropriate treatment facilities.

Ubisoft's French subsidiaries have recycled 8.6 tons of equipment in just six months.

At the same time, subsidiaries in Germany, the US, Japan and Australia have undertaken efforts to recycle their computer hardware.

In general, the Ubisoft group is working to combat waste by donating computer equipment to charitable organizations or selling it to wholesalers or employees in lieu of discarding it.

With regard to the recycling of paper products, subsidiaries in Germany, Spain, Italy, Belgium, Switzerland, Britain,

Scandinavia and elsewhere work with municipal or government programs to recycle their paper through selective sorting or collection areas, while those in Canada, Australia and the US rely on outside firms to recycle cartons, boxes and other paper products.

In Germany, Ubisoft holds a Green Licence in connection with the European directive on packing supplies.

A program will be launched in France in May 2005 to recycle paper products. In addition, a workgroup was established in 2004 with the goal of promoting recycling efforts at Ubisoft's French subsidiaries, such as paper recycling, the purchase of recycled paper for printers and copiers, the distribution of non-disposable plastic cups and the inclusion of recycled office supplies in the standard catalog provided to group subsidiaries in France.

Destruction of non-marketable products

Each subsidiary is directly responsible for disposing of distribution platform inventories.

During the fiscal year, Ubisoft destroyed 170 tons of non-marketable products. CD-ROMs are destroyed by means of crushing or compacting, in a process subject to monitoring by official bodies, and then delivered to outside firms to be burned (in Switzerland and Japan), buried (in Italy) or recycled (in the US, Britain, Germany and France).

Electrical consumption

The group consumed approximately 9,650 million Kwh of electricity during fiscal year 2004/2005.

The countries with the greatest consumption levels were as follows:

	Canada	France	United States	China
Kwh (in thousands)	4,093	2,660	1,100	508
Workforce as of March 31, 2005	1,110	656	321	329

Water consumption

Ubisoft's water consumption is insignificant.

Environmental risks

The group has no knowledge to date of any environmental risks.

Ubisoft has not set up any reserve or taken out any specific coverage to cover potential environmental risks. Moreover, the group did not pay any indemnity in this regard during the fiscal period.

1.4 Investments

1.4.1 Organizational structure as of March 31, 2005

Ubisoft Entertainment SA

Production

Ubisoft World Studios SAS	(France)	99.76%
Ludi Factory SARL	(France)	99.80%
Ubisoft Design SARL	(France)	99.00%
TIWAK SAS	(France)	100.00%
Ubisoft Computing SARL	(France)	99.80%
Ubisoft Simulations SARL	(France)	99.80%
Ubisoft Pictures SARL	(France)	99.00%
Ubisoft Graphics SARL	(France)	99.80%
Ubisoft Divertissements Inc.	(Canada)	100.00%
Shanghai Ubi Computer Software Co.Ltd	(China)	100.00%
Ubisoft SARL	(Morocco)	99.86%
Ubisoft Productions France SARL	(France)	99.80%
Blue Byte GmbH	(Germany)	100.00%
Ubisoft Studios SRL	(Italy)	97.50%
Ubi Studios SL	(Spain)	99.95%
Ubisoft SRL	(Romania)	99.35%
Ubisoft Music Inc.	(Canada)	100.00%
Ubisoft Music Publishing Inc.	(Canada)	100.00%
Red Storm Entertainment Inc. ¹	(USA)	100.00%

Mobile telephony

Gameloft SA	(France)	28.69 %
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Support

Ubisoft Books and Records SARL	(France)	99.00%
Socoma Inc. ¹	(Canada)	100.00%
Ubisoft Holdings Inc.	(USA)	100.00%
Ubisoft Networks SARL	(France)	99.98%
Ubisoft World SAS	(France)	99.88%
Ubisoft Manufacturing & Administration SARL	(France)	99.86%

1- These companies are indirectly held by Ubisoft Entertainment SA Acquisitions.

Commercialisation

Ubisoft France SAS	(France)	99.99%
Ubisoft Ltd	(UK)	100.00%
Ubi Soft Entertainment GmbH	(Germany)	100.00%
Ubisoft SA	(Spain)	99.97%
Ubisoft SpA	(Italy)	99.99%
Ubisoft Inc. ¹	(USA)	100.00%
Ubisoft KK	(Japan)	100.00%
Ubisoft PTY Ltd	(Australia)	100.00%
Ubisoft Nordic AS	(Denmark)	99.50%
Ubisoft SprL	(Belgium)	99.84%
Ubi Soft Entertainment Ltd	(Hong-Kong)	99.50%
Ubi Soft Entertainment BV	(Netherlands)	99.98%
Ubisoft Sweden AB	(Sweden)	98.00%
Ubisoft Warenhandels GmbH	(Austria)	100.00%
Ubisoft EMEA SARL	(France)	99.99%
Ubisoft Canada Inc.	(Canada)	100.00%
Ubisoft Finland OY	(Finland)	100.00%
Ubisoft Norway AS	(Norway)	98.00%
Ubisoft Entertainment SA	(South Korea)	(succursale)
Ubi Games SA	(Switzerland)	99.80%
Ubi Computer Software Beijing Co.Ltd	(China)	100.00%
Ubi Soft Entertainment Ltda	(Brazil)	99.00%

1.4.2 Equity investments

1.4.2.1 Disposal of shares

On April 26, 2004, the shares held in Ubisoft World Studios SARL were transferred to Ludimédia SAS for €200,000. Following this transaction, Ludimedia SAS was renamed Ubisoft World Studios SAS.

On July 29, 2004, the shares held in Ubisoft Marketing et Communication SAS were transferred to Ubisoft France SAS for €350,000.

On January 3, 2005, the shares held in Ubi.com SA were transferred to Ubisoft EMEA SARL for €300,500.

On March 24, 2005, Red Storm Entertainment Inc. created a subsidiary, Blue Byte GmbH, to which it contributed the assets of its branch, Blue Byte Software Inc., for their net accounting value as of March 31, 2005. The shares of Blue Byte GmbH were then transferred to Ubisoft Entertainment SA on March 31, 2005, for €413,000.

1.4.2.2 Liquidations

On June 30, 2004, shares in Teamchman SA valued at €3,349,000 were written off following the company's liquidation.

On August 31, 2004, shares in Cybersearch SA valued at €149,000 were written off following the company's liquidation.

1.4.2.3 Share acquisitions

On April 16, 2004, Ubisoft Entertainment SA acquired 6,284,876 shares of Gameloft SA in an off-market transaction at the price of €2.99, representing 10% of the capital.

On November 17, 2004, Ubisoft Entertainment SA did not subscribe to the capital increase in Gameloft SA and its percentage of the voting rights was accordingly reduced from 27.90% to 27.34%.

1.4.2.4 Asset purchases

On October 25, 2004, Ubisoft Entertainment SA purchased assets of the Microsoft Corporation for the amount of US\$4,000,000.

On March 2, 2005, Ubisoft Divertissements Inc. purchased the assets of Microïds Canada Inc. for the amount of CAN\$1,069,048.

1.4.2.5 Increases in capital

In September 2004, Ubisoft Entertainment SA increased its capital holdings in Ubisoft GmbH through a cash contribution of €2,000,000.

In September 2004, Ubisoft Entertainment SA increased its capital holdings in Ubisoft Warenhandels GmbH through incorporation of the current account of €920,000.

In March 2005, Ubisoft Entertainment SA increased its capital holdings in Shanghai Ubi Computer Software Co.Ltd through incorporation of the current account of €1,571,000.

1.4.3 Activity of the subsidiaries

Production subsidiaries

They are responsible for software design and development. Their business has expanded substantially as a result of the increasing number of projects conducted internally and a larger workforce.

Marketing subsidiaries

With responsibility for distributing Ubisoft products throughout the world, these subsidiaries have experienced significant growth in Europe and particularly in Germany. The North American subsidiary, Ubisoft Inc., consolidated its standing with sales that were stable in dollar terms but subject to the impact of currency fluctuations.

Main Subsidiaries

Subsidiaries (€K)	(3.31.05)		(3.31.04)		(3.31.03)	
	Sales	Earnings	Sales	Earnings	Sales	Earnings
Ubisoft Inc. (USA)	207,959	2,724	220,701	7,847	167,182	10,991
Ubisoft Ltd (UK)	83,709	699	73,498	890	57,387	2,470
Ubisoft GmbH (Germany)	53,601	625	39,574	-893	45,342	-1,974
Ubisoft France SAS	51,809	885	48,511	480	59,139	-7,106

1.5 General information

1.5.1 Investment policy

Two years ago, Ubisoft decided to focus its investments on major products that are developed in-house, i.e. top-quality video games and the time-to-market for each game. During 2004/2005, the company reaffirmed its desire to consolidate its position by acquiring the resources to enhance its internal production. Internal production costs increased by 25% from €80 million to €100 million.

Investment related to production

(in millions of euros)

2004/2005	2003/2004	2002/2003
100	80	72

Forecast for fiscal year 2005/2006: approximately €125 million.

Percentage of total pre-tax sales

2004/2005	2003/2004	2002/2003
18.6 %	15.7%	15.9%

Forecast for fiscal year 2005/2006: approximately 20%.

Amount per production employee

2004/2005	2003/2004	2002/2003
52,840€	56,338€	57,090€

Forecast for fiscal year 2005/2006: approx. €49,000.

1.5.2 Research and development policy

In its ongoing effort to develop top-quality video games, Ubisoft has developed a policy of researching and developing tools for each project, incorporating the latest technological developments. The selection of tools takes place at a very early stage in a project, because the decisions made then directly affect the investment required in terms of time, human resources and the overall funding of the game.

Thanks to its in-house team of engineers, who have a solid grasp of the best technology currently available, Ubisoft now has a highly pragmatic approach to its projects. Depending on the problems involved in a game and the desired results, the tools selected will either be tools developed in-house specifically for the purpose, or commercial software, or a mixture of the two. Research is therefore focused on innovation and functionality through the use of technologies suited to products of the highest quality. Development is focused on creative games that offer gamers a total entertainment experience.

Research and development expenses represent tool development costs; they are therefore capitalized and amortized over a three-year period. During the fiscal year, these expenses totaled €99,976,000.

There is no basic research.

1.5.3 Litigation

So far as the company is aware, there are no particular events or disputes that are likely to have or have recently had any significant impact on the business, results, financial situation, or assets of Ubisoft Entertainment SA or its subsidiaries.

1.6 Risk factors

In order of importance, risks are as follows:

1.6.1 Risk relating to the rapid growth in new-generation consoles

Like all publishers, Ubisoft must remain abreast of advances in technology.

2005 will be a year of transition in the international video game market.

When a new console is introduced on the market, sales of previous-generation consoles perceptibly slow until the new console is made available and gradually begins to drive additional sales. At the same time, publishers must allocate significant investment in research and development in order to develop titles for new-generation consoles. These companies must anticipate future trends in order to develop games featuring the latest technology.

As new consoles are introduced in 2005 and 2006, increasing the cost of developing a game, studios must have adequate financial resources to respond to the latest technology and survive temporary slowdowns in business.

All of these new consoles promise to offer top-ranked performance and high-definition graphics.

The increase in costs is attributable to the number of personnel needed to master the new technology for use in games being developed. The goal for a publisher is to anticipate and select the proper format in which to develop a game. This strategic decision is highly important, given the level of investment required. An inappropriate choice, or a delay in the release of a console for which a game was developed, could have a negative impact on projected sales.

Similarly, marketing and promotional expenses for games are constantly increasing.

Ubisoft views this as a period of opportunity in which to expand its market share by entering market segments in which the group has not yet developed a presence.

Ubisoft has a first-rate creative staff operating in development studios in Canada, China and Romania, where production costs are lower. As a result, and thanks to the performance of its teams, the group can enhance its standing in the face of competitive pressures that are constantly increasing.

Ubisoft is gaining a firm command of the necessary technology and boasts the resources to adapt to future advances in technology. Thanks to its mastery of technology, the group's initial sizable investment yields profits over the medium term.

1.6.2 Risk related to delays or a poor launch when releasing a top game

In an intensely competitive and highly seasonal industry that is increasingly driven by the need to release "hit" products, any announcement of a delay in the launch of an anticipated product can have a negative impact on the group's share price, revenue and future earnings.

The difficulty of anticipating precisely how much time will be needed to develop a game may delay its release.

In a market made cyclical by the emergence of new technologies and penalized by a short product lifespan, it is essential that games be given a proper launch. The term "target" is appropriate in many senses.

Some games may not immediately achieve their anticipated success. Some may make only a minor impact upon their release, and then find success later on. By the same token, once a title has gained recognition, the company can release follow-up products whose success can be predicted.

By revising the focus of its product catalog, Ubisoft can continue its success in producing innovative, captivating games. The company pays particular attention to the quality of its own brands and maintains control over the design/development/duplication/manufacturing/delivery chain in order to guard against inaccurate projections regarding a product's release date.

Like all publisher-distributors, Ubisoft is prey to any slowdown in economic growth. However, the company has acquired the marketing and sales resources it needs to boost the profile of its products.

1.6.3 Risk related to recruiting problems

The group's success is based on the performance and training of its technical teams.

The development of new technology and the desire to produce more effective and innovative games require increasingly specific expertise.

Each phase of production may call for several hundred persons over the course of several years.

Ubisoft may then face genuine difficulties in recruiting to its studios experienced personnel with specialized technical expertise who can ensure the company's growth.

This could lead to delays in the release of games.

Given its presence in countries where few industry firms are located, Ubisoft is largely free to hire qualified applicants without concern for competitors. Moreover, thanks to the reputation of its studios and active recruiting efforts at colleges and universities, Ubisoft has consistently managed to attract the best talent to enhance its development teams.

The group has just established a Campus in Montreal designed to offer a series of vocational and university-level training programs in key aspects of video game development. Through this commitment to training tomorrow's industry leaders, Ubisoft will meet its objective of doubling its Montreal workforce over the next five years.

1.6.4 Risk related to the departure of key personnel

The company is organized today in such a way as to minimize risk related to the departure or extended unavailability of key employees or managers. For example, a program for safeguarding and sharing know-how is currently being implemented at the company with a view to spreading and circulating knowledge within the organization. Moreover, the human resources policy, which is applicable to the entire group, is grounded in the ability to attract, train, retain and motivate employees with strong technical and managerial skills. Various programs have been implemented for this purpose (stock option plans, group savings plans, wage policies, business plans and more).

1.6.5 Risk arising from the termination of a licensing partnership

Each year, Ubisoft signs various partnership contracts, often with prestigious partners such as Disney, Sony Pictures Consumer Products, LucasArts and Universal Studios Consumer Products Group.

This has enabled the company to increase its sales significantly and, at the same time, to broaden the scope of its sales catalog. In this way, Ubisoft can use the high profile it has already achieved to ensure that each game has excellent sales potential.

The termination of several of these partnerships for a variety of reasons – either at Ubisoft's initiative or that of its partners – could have a negative impact on the company's future revenue and operating income, insofar as this impact may not be offset by new licenses with other partners.

Since licenses accounted for just 10% of the company's sales as of March 31, 2005, this risk is much reduced.

1.6.6 Risk related to intellectual property

Ubisoft Entertainment games are covered by intellectual property rights both in Europe and internationally (for France: the "Institut National de la Propriété Industrielle" (French Patent Office) in Paris; for Europe: the Office for Harmonization in the Internal Market; internationally: the World Intellectual Property Organization; and finally, for North America: the Patent and Trademark Office in Washington, D.C.).

In addition, games designed by Ubisoft are covered by international copyright laws.

Ubisoft Entertainment has not filed any patents and does not depend on any particular patent.

Like all game publishers, Ubisoft faces the problem of piracy. The company is a member of the "Syndicat des Éditeurs de Logiciels de Loisirs" (the French trade association of entertainment software publishers) and pursues all known cases of software piracy both in France and abroad (through criminal prosecution, if applicable, or by means of any other existing penal or civil remedy).

Moreover, with regard to piracy over the Internet, the company systematically takes legal action against hackers in order to force the withdrawal of games that have been illegally placed online.

1.6.7 Risk related to computer security

In spite of the numerous integrated security systems deployed, Ubisoft is not totally protected from malicious intent, intrusion, problems with network user identification, and so on.

Changes in legislation, the deployment of new mobility technology, the spread of virus attacks and increased use of the Internet have all been factors in the adoption of comprehensive security solutions.

Information is a strategic resource of considerable value, and must therefore be protected in an appropriate manner.

Security measures for information systems protect information from a wide array of threats to ensure business continuity.

Security measures are aimed at guaranteeing the confidentiality, integrity and availability of information.

1.6.8 Risk related to customer dependence

The company has no significant dependence on customers that could affect its development plan.

Ubisoft's distribution network is increasingly centralized.

In fact, in most European countries as well as in the United States and Japan, distribution is centralized, and Ubisoft delivers its products directly to local retail chains, which in turn redistribute products to their stores. Only the smallest independent retailers are supplied through distributors or wholesalers, mainly in France and Britain.

Most sales are made to so-called "major accounts". The risk of non-payment by these clients is relatively low. Moreover, the main subsidiaries, who represent more than 89% of group sales, are covered by credit insurance.

Ubisoft's 10 largest customers account for 46% of the group's pre-tax sales.

1.6.9 Risk related to dependence on suppliers and subcontractors

The company has no significant financial dependence on suppliers or subcontractors that could affect its development plan.

Ubisoft and its subsidiaries primarily use the services and products of such suppliers as integrators (printers who produce the manuals and package the products; diskette and CD-ROM suppliers who provide these media and subcontract their duplication; and assemblers) as well as firms that supply technology and provide licensing or maintenance services within the relevant business context.

The company is, however, dependent on manufacturers to some extent. Like all publishers of console games, Ubisoft purchases game cartridges and media from console manufacturers. Procurement is therefore dependent on production of the media. For PC games, there is no specific dependence.

1.6.10 Market risks

The group limits its market operations to the management of positions arising from its commercial activity and does not engage in any speculative transactions. Management of these operations is centralized and handled exclusively by the staff of the Corporate Financial department on the basis of guidelines approved by the CEO.

To control interest rate risk and foreign exchange risk resulting from business financing needs and from its international activities, the group uses certain financial instruments, as described below.

Interest rate risks

The management of interest rate risk is aimed mainly at minimizing the cost of the group's financial borrowings and

at reducing exposure to this risk. In this regard, the group gives priority to fixed-rate loans for long-term financing needs and variable rate loans for temporary needs related to an increase in working capital requirements during particularly active periods.

As of March 31, 2005, the group's net debt basically comprised bond liability and fixed-rate loans. The group would therefore not be greatly affected by a rise in interest rates but is exposed to opportunity cost risk if rates should decrease.

The average interest rate on Ubisoft debt is 4.5%. Since most of this debt is at a fixed rate, any fluctuation in interest rates of $\pm 1\%$ would have an impact on operating income equal to €105,000.

Structure of Ubisoft debt

(€K)

Fixed-rate debt	Rate type	Rate	Nominal	Annual interest	Change of 1%	Difference
Convertible Bond, 2005	Fixed	3.80%	24,876	945.3	1,194	248.8
Convertible Bond, 2006	Fixed	4.50%	92,188	4,148.5	5,070	921.9
Convertible Bond reimbursement, 2005	Fixed	3.80%	-24,876	-945.3	-1,194	-248.8
Total opportunity cost			92,188	4,148.5	5,070	921.9

Variable-rate debt	Rate type	Rate	Nominal	Annual interest	Change of 1%	Difference
Advances in foreign currencies	Variable	3.27%	39,287	1,284.6	1,677	392.9
Cash	Variable	2.80%	-68,730	-1,927.7	-2,615	-687.3
Bonds with redeemable share subscription warrants	Variable	2.14%	54,974	1,173.7	1,723	549.7
Investments	Variable	2.12%	-60,859	-1,290.2	-1,899	-608.6
New debt arising from Convertible Bond reimbursement, 2005	Variable	2.62%	24,876	651.8	901	248.8
Total			-10,452	-107.9		-104.5

Currency risk

The group is exposed to foreign exchange risk on its cash flows arising from operating activities as well as on its investments in its foreign subsidiaries.

The group only protects its positions with regard to operating cash flows in the main significant currencies (i.e. the US dollar, Canadian dollar, Pound sterling and the Australian dollar). The strategy is to hedge one fiscal year at time, and as a result, the hedge period does not exceed 15 months.

The group uses natural hedges stemming from transactions in the opposite direction (i.e. purchase of goods in foreign currencies offset by royalties originating from subsidiaries in the same currency). For non-hedged balances as well as for non-commercial transactions (i.e. internal loans in foreign currencies), the parent establishment borrows in these currencies or sets up forward sale contracts or options.

As of March 31, 2005, the company had hedged US\$55,000,000, £12,000,000, CDN\$13,500,000 and AUS\$4,000,000 through forward-sale contracts and foreign currency loans.

Impact of a change of $\pm 1\%$ in the principal currencies on sales and operating income in millions of euros for the 2004/2005 fiscal year:

Currency	Impact on sales	Impact on operating income
US dollar	2,783	662
Pound sterling	895	727
Canadian dollar	305	49
Australian dollar	172	140
Danish krone	176	136
Japanese yen	58	24

1.6.11 Risk related to future acquisitions and integration of companies acquired

The company may undertake transactions for the purpose of external growth in the medium and/or long term. The company's strong balance sheet and the level of available capital (resulting from convertible bond issues in the amount of €172 million and a syndicated loan for €97.5 million) should minimize the risk related to these transactions.

There are some possible risks nonetheless:

- a dilution of the current share ownership;
- the creation of significant long-term debt;
- potential losses;
- the establishment of provisions for goodwill and other intangible assets;
- a negative impact on profitability.

Moreover, the possible loss of key staff of the target company must be considered among the risks related to mergers and acquisitions. Such a loss could have a negative effect on the acquired company's sales, earnings and/or financial situation. Nonetheless, Ubisoft has always demonstrated a high level of proficiency in integrating its acquisitions.

1.6.12 Risk related to Liquid assets

As of March 31, 2005, the group's financial indebtedness stood at €286,000,000, while net indebtedness (reflecting liquid assets, redemption premiums and short-term investment securities) totaled €81,200,000. Net indebtedness primarily serves to finance the group's working capital requirements, and thus short-term assets. Theoretically, therefore, the group is only slightly exposed to any liquidity risk related to short-term financing of a long-term asset.

As of March 31, 2005, financial debt consisted primarily of bond liabilities, of which 85.5% have a maturity of at least one year.

In order to finance temporary needs related to the increase in working capital during especially active periods, the group has also established lines of credit with banking institutions totaling €76.5 million as of March 31, 2005.

The convertible bond of €25 million (maturing in July 2005) and the OCEANE bond (convertible and/or exchangeable into new or existing shares) of €92 million are not subject to financial covenants.

The lines of credit provided by banking institutions, as well as the €55 million bond with redeemable share subscription warrants established in November 2003, are governed by financial covenants that are based on the ratio of net debt to equity capital and that of net debt to total cash flow from operating activities. These covenants are described in Note 14 of Section 2.1.6.4.

1.7 Commitments

The group's management has made no firm commitments on future investments.

1.8 Insurance

The group holds international coverage with regard to professional civil liability.

Each subsidiary is covered for risks relating to property damage, vehicles, apartments rented to employees on temporary assignments and inventory in addition to holding medical coverage, etc.

Each subsidiary outside France modifies and manages its local coverage in accordance with its business operations and specific needs in each country.

The professional indemnity and third party liability insurance held by Ubisoft Entertainment covers the entire world except the United States, Canada and Japan.

The following table summarizes the coverage limits for each type of insurance carried by the primary entities:

Coverage limits	France	United States	Canada	China
	in K€	in K US \$	in K CDN \$	in K CNY
Professional indemnity insurance	9,485	3,600	18,050	1,000
Property insurance	4,270	5,046	24,515	7,804
Inventory insurance	7,865	7,000	1,250	-

Ubisoft has signed a personal services contract for employees on professional assignment both in France and abroad. This contract covers all employees at French sites who require assistance and foreign repatriation.

The group's business operations do not in themselves pose an exceptional risk with regard to workplace accidents.

Certain companies, notably those in the United States, are insured against operating loss.

1.9 Recent events, outlook and strategy

1.9.1 Recent developments

April 2005

- A new development studio was opened in Quebec that is eventually expected to house 200 designers, animators and programmers. This project is part of Ubisoft's initiative to create 1,000 new jobs in Quebec between now and 2010;
- An exclusive agreement was signed with Pegasus Infinite Digital Culture & Media Co. Ltd to develop a massively multiplayer online game based on the Chinese fantasy movie "The Promise" ("Wu Ji");
- Ubisoft ascended into the top five independent publishers in the US for the first quarter of 2005. The group also boosted its standing in Europe, ranking second in the UK and France and third in Germany (source: GfK, Media control, Chart Track, NPD).

May 2005

- Syndicated loan was signed for €100 million, replacing the syndicated loan for €130 million that was signed on August 13, 2001, and reduced to €97.5 million on April 22, 2002. This line of credit can be used for the company's general needs and the refinancing of existing loans as well as for acquisitions.

July 2005

- €12.2 million of capital gain before tax on sale of 5,155,000 Gameloft shares, for a total of €22.7 million in cash. Ubisoft crossed downward the 20% threshold in the capital of Gameloft, now holding 19.9% of the shares. Following this capital gain, the group revises upward its net profit target for the 2005/2006 fiscal year to €38 million in IFRS.

1.9.2

Outlook and strategy for 2005/2006

An increasingly competitive environment

In 2004 the video game market saw growth of 5% in the United States, in line with the company's expectations, although retail shortages of PlayStation®2 beginning in the summer months and Xbox® in December had a negative impact on software sales. In this context, the Xbox® was the industry's big winner, with 47% growth in game sales.

In addition, the launch of several extremely high-quality products, including a number of mega hits such as Halo®2 (Microsoft Corporation) and Grand Theft Auto San Andreas™ (Take 2), fuelled added competition among publisher/developers.

Ubisoft anticipates a stable market for game software in 2005 and 2006 in both Europe and the United States, followed by growth of 18-20% in 2007 and 2008, when installed bases for new consoles yield full impact. Over the short term, the portable console sector should prove the most dynamic, as Nintendo DS™ and Sony's PlayStation® Portable (PSP™) gain in installed basis.

Among industry firms, the trend toward consolidation is continuing. Akkclaim and Titus Interactive are among those that have vanished from the scene. Similarly, SCI's pending acquisition of Britain's Eidos illustrates the problems encountered by the company behind Tomb Raider®.

The number of studio acquisitions has multiplied as companies anticipate the impact of new consoles: examples includes Take 2's purchase of Indie; the acquisition of Toys for Bob, Vicarious Vision and Beenox by Activision; and the purchase of Digital Illusion and Criterion Software by Electronic Arts.

Many firms in the video game industry, including THQ and Electronic Arts, are showing greater interest in the fast-growing segment of games for mobile telephones. With its holdings in Gameloft SA, Ubisoft is in a prime position to benefit from growth in this market, which is expected to exceed 40% annually over the next five years.

There is also keen competition to acquire multiyear licensing rights in the sporting world, for organizations such as the US Football Federation and Major League Baseball, and in the film industry, including contracts with Pixar and Nickelodeon.

Finally, media conglomerates such as the Disney Corporation and Time Warner are beginning to show greater interest in the industry, which could lead to more significant investment.

Middle-term outlook and objectives, 2005/2006

Ubisoft is anticipating double-digit organic growth over the next few years, thanks to the following:

- added creative resources with the hiring of 600 new employees, designed to bring the company's total production workforce to 2,900 by March 31, 2006;
- a strong debut in a number of new segments, including, during 2005/2006:
 - film licences, with two of the most anticipated films of the year: **Star Wars® Episode III: Revenge of the Sith™** and **Peter Jackson's King Kong**;
 - sports, with **AND 1® Streetball**;
 - strategy games, with **Heroes of Might & Magic® V**;
- the strong growth in games for new consoles: seven titles will be introduced for Nintendo DS™, five for Sony's PlayStation® Portable (PSP™) and four for Microsoft's new console.

Objectives for the 2005/2006 fiscal year

- First six months of the 2005/2006 fiscal year: sales of approximately €155 million (representing growth of over 20% in constant terms), including €42 million in the first three months;
- Annual growth in sales of 12% at a constant exchange rate;
- Operating income of over €55 million under French accounting standards (CRC 99-02);
- Net income excluding exceptional items (before amortization of goodwill and business assets) of over €38 million under French accounting standards (CRC 99-02);
- Net available cash flow before acquisitions of at least €40 million.

2

FINANCIAL REPORT FOR THE FISCAL YEAR ENDING MARCH 31, 2005

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2.1 Consolidated accounts as of March 31, 2005

2.1.1 Consolidated balance sheet

ASSETS	Notes	Gross K€	Depreciation K€	Net K€	Net K€	Net K€
		3.31.05	3.31.05	3.31.05	3.31.04	3.31.03
Goodwill	1	143,086	25,690	117,396	105,515	97,670
Intangible assets	2	471,379	298,547	172,832	164,552	186,357
Tangible assets ¹	3	37,361	21,559	15,802	12,866	14,099
Financial assets	4	2,254	277	1,977	2,020	10,022
Equity in subsidiaries	5	2,026	-	2,026	325	-
Fixed assets		656,106	346,073	310,033	285,278	308,148
Inventory and work-in-progress	6	24,272	2,423	21,849	35,128	38,148
Advances and installments paid	7	24,693	-	24,693	31,776	48,303
Trade receivables	8	142,350	1,374	140,976	96,214	153,304
Other receivables, and adjustment accounts ²	9	102,191	-	102,191	88,434	105,457
Investment securities	10	60,970	111	60,859	43,132	24,211
Cash	11	141,131	-	141,131	76,915	97,905
Current assets		495,607	3,908	491,699	371,599	467,328
Total assets		1,151,713	349,981	801,732	656,877	775,476

LIABILITIES	Notes	K€	K€	K€
		3.31.05	3.31.04	3.31.03
Capital		5,594	5,450	5,437
Premiums		276,006	269,588	268,954
Consolidated reserves		17,517	27,602	25,490
Consolidated earnings		20,022	-9,023	4,854
Investment subsidy		-	33	93
Equity (group share)	12	319,139	293,650	304,828
Minority interests		-	-	-
Provisions for risk and charges	13	777	1,932	702
Borrowings*	14	285,965	243,592	299,394
Advances and installments received		655	251	237
Trade creditors and related accounts payable		100,543	63,251	81,032
Sundry creditors and accrued expenses	15	94,653	54,201	89,283
Total debts		481,816	361,295	469,946
Total liabilities		801,732	656,877	775,476
*Payable at less than one year		138,351	70,920	105,673
Payable at more than one year		147,614	172,672	193,721

1- Including net tangible assets financed through leasing: €272 thousand.

2- Including advances to affiliated companies not fully or proportionately consolidated on March 31, 2005: €34 thousand.

2.1.2 Consolidated income statement

€K	Notes	K €	K €	K €
		3.31.05	3.31.04	3.31.03
Sales	16	538,048	508,444	452,952
Other operating income	17	127,767	100,111	86,955
Cost of sales		-180,015	-178,515	-175,637
Wages and social security costs		-135,702	-115,730	-99,221
Other operating expenses	18	-177,496	-176,648	-143,331
Tax and duty		-5,559	-4,769	-3,561
Depreciation and provisions	19	-125,693	-131,365	-81,100
Operating result		41,350	1,528	37,057
Financial result	20	-11,672	-12,082	-12,540
Current result of consolidated companies		29,678	-10,554	24,517
Extraordinary result	21	151	8,938	-6,853
Income tax	22	-2,827	-1,420	-7,298
Net income of consolidated companies (before goodwill amortization)		27,002	-3,036	10,366
Share in results of companies using the equity method of accounting		202	34	-
Goodwill amortization		-7,182	-6,021	-5,512
Total net income of consolidated companies		20,022	-9,023	4,854
Minority interests		-	-	-
Net earnings (group share)		20,022	-9,023	4,854
Net earnings per share		1.13	-0.51	0.28
Diluted net earnings per share (calculated according to Notice 27 of the OEC)		1.02	-0.51	0.38

2.1.3 Reconciliation of movement in equity

€K	Capital	Premiums	Consolidated reserves and translation reserves	Fiscal year earnings	Grants received	Total equity
Situation as of March 31, 2003	5,437	268,954	25,490	4,854	94	304,829
Allocation of consolidated earnings N-1			4,854	-4,854		-
Change in capital of mother company	13	634				647
Fiscal year earnings (group share)				-9,023		-9,023
Change in exchange gains & losses ¹			-2,737			-2,737
Impact of revaluations			-5			-5
Grants					-61	-61
Situation as of March 31, 2004	5,450	269,588	27,602	-9,023	33	293,650
Allocation of consolidated earnings N-1			-9,023	9,023		-
Change in capital of mother company	144	6,418				6,562
Fiscal year earnings (group share)				20,022		20,022
Change in exchange gains & losses ¹			-2,315			-2,315
Grants					-33	-33
Increase in capital for companies using the equity method of accounting (not subscribed)			1,220			1,220
Other			33			33
Situation as of March 31, 2005	5,594	276,006	17,517	20,022	-	319,139

1- The gains and losses impacts primarily reflect the fall in the dollar from historical rates to the closing rate on March 31, 2005, totaling €2,132 thousand.

2.1.4 Consolidated cash flow statement

Statement of changes in cash flow (according to OEC Notice 30)

€K	3.31.05	3.31.04
Operating activities		
Net income	20,022	-9,023
Share in results of companies using the equity method of accounting	-202	-34
Depreciation of tangible and intangible fixed assets	121,892	124,559
Depreciation of deferred charges	2,500	3,018
Amortization of goodwill write-backs	7,180	6,019
Changes in provisions	-6,839	-17,581
Grants	-33	-61
Flows from the disposal of fixed assets	3,507	385
Total cash flow from operating activities	148,027	107,282
Inventory	13,936	-851
Trade receivables	-48,941	17,102
Advances	4,905	14,223
Sundry assets	-16,075	10,332
Trade payables	38,792	-11,328
Sundry liabilities	40,768	1,639
Total change in working capital requirement	33,385	31,117
Investing activities		
Acquisition of intangible assets	-122,185	-95,071
Acquisition of tangible assets	-9,085	-5,608
Acquisition of subsidiary	-	-6,448
Acquisition of other financial fixed assets	-642	-645
Charges to be spread over several years	-3	-1,099
Disposal of fixed assets	176	153
Proceeds from long-term loans and other financial assets	665	519
Changes in scope of consolidation ¹	-19,513	-1,678
Total cash flow from investments	-150,587	-109,877
Financing activities		
New long- and medium-term loans	405	56,694
Repayment of loans	-972	-11,857
Increase in capital	144	13
Increase in issue premium	417	633
Increase in conversion premium	-	1
Increase in issue premium on shares with warrants	1,263	-
Increase in issue premium on group savings plan	4,738	-
Other flows	-	- 5
Total cash flow from financing activities	5,995	45,479
Effect of exchange rate fluctuations	1,835	503
Net change in cash flow	38,655	74,504
Net cash position at the beginning of the fiscal year	52,212	-22,292
Net cash position at the end of the fiscal year	90,867	52,212
1- Including cash position of companies acquired and sold	1	-297

The cash position is calculated using the gross value of cash and investment securities (note 11), unlike net financial debt (Note 14), which is calculated on a net basis.

Statement of changes in cash flow for comparison with other industry firms

€K	3.31.05	3.31.04
Operating activities		
Net income	20,022	-9,023
Share in results of companies using the equity method of accounting	-202	-34
Depreciation of game software (internal and external production)	112,323	114,937
Depreciation of other tangible and intangible fixed assets	9,569	9,622
Depreciation of deferred charges	2,500	3,018
Amortization of goodwill write-backs	7,180	6,019
Changes in provisions	-6,561	5,139
Grants	-33	-61
Internal development and brand and license development expenses	-119,739	-89,797
Total cash flow from operating activities	25,059	39,820
Inventory	13,936	-851
Trade receivables	-48,941	17,102
Advances and installments	4,905	14,223
Sundry assets	-16,075	10,332
Trade payables	38,792	-11,328
Sundry liabilities	40,768	1,639
Total change in working capital requirement	33,385	31,117
Total cash flow from operations	58,444	70,937
Investing activities		
Acquisition of tangible and other intangible fixed assets	-11,531	-10,882
Acquisition of equity holdings and other financial assets	-642	-7,093
Charges to be spread over several fiscal years	-3	-1,099
Disposal of fixed assets	176	153
Flows from the disposal of fixed assets	3,507	385
Disposal of financial assets	665	519
Provisions on securities	-278	-22,720
Changes in scope of consolidation ¹	-19,513	-1,678
Total cash flow from investments	- 27,619	-42,415
Financing activities		
Long- and medium-term loans	-567	44,837
Increase in capital	6,562	647
Other flows	-	-5
Total cash flow from financing activities	5,995	45,479
Effect of exchange rate fluctuations	1,835	503
Net change in cash flow	38,655	74,504
Net cash position at the beginning of the fiscal year	52,212	-22,292
Net cash position at the end of the fiscal year	90,867	52,212

2.1.5 Transition to IAS/IFRS standards

PRELIMINARY REMARKS

Circumstances regarding the preparation of 2004 IFRS financial data

In application of EU regulation 1606/2002 dated July 19, 2002, concerning international standards, the consolidated financial statements of Ubisoft for the fiscal year ending March 31, 2006, will be prepared in accordance with the IAS (International Accounting Standards)/IFRS (International Financial Reporting Standards) applicable as of March 31, 2006, as approved by the European Union. The first consolidated financial statements published in accordance with the IAS/IFRS will be those for the 2005/2006 fiscal year, with comparative figures for the 2004/2005 fiscal year prepared using the same primary basis of accounting.

To provide comparative information for the 2005 fiscal year and in accordance with the recommendation of the French securities regulator, the "Autorité des Marchés Financiers" (AMF), regarding the disclosure of financial information during the transition period, Ubisoft has prepared financial information for the fiscal year on the transition to the IAS/IFRS with preliminary data on the projected quantifiable impact of IFRS adoption on the balance statement as of the transition date of April 1, 2004; this is when the confirmed impact of the transition will be recorded in share capital in the publication of the 2005/2006 consolidated financial statements.

This financial information as of April 1, 2004, on the projected quantifiable impact of IFRS adoption has been prepared by applying to the 2004 data the IFRS standards and interpretations that the Ubisoft group deems applicable for the preparation of its comparative consolidated accounts as of March 31, 2005. The basis on which this financial information was prepared, described in the notes, therefore derives from the IFRS standards and interpretations that must be followed as of March 31, 2006, as they are currently known.

This information was presented to the Board of Directors on June 10, 2005.

Given the remaining uncertainties regarding certain standards and interpretations that will be applicable on March 31, 2006, Ubisoft reserves the right to modify certain accounting options and methods used in the preparation of this IFRS financial information for 2004/2005 upon final publication of the initial IFRS financial data.

2.1.5.1 Description of the standards and interpretations used to prepare the IFRS financial information as of April 1, 2004

2.1.5.1.1 Description of the standards used

The IFRS financial information is prepared on the basis of the standards and interpretations published as of March 31, 2005, and adopted by the European Union, and on the basis

of options adopted by Ubisoft's management in anticipation of certain standards and interpretations that have not yet been published or adopted but will be applicable on March 31, 2006.

Thus, Ubisoft has applied the following to the IFRS financial information as of April 1, 2004 presented in this report:

1. all mandatory IFRS/IFRIC standards and interpretations in force as of April 1, 2004. All of these standards and interpretations have been adopted by the European Union.
2. the following standards, by way of anticipation:
 - the IAS 32 and IAS 39 standards concerning financial instruments;
 - the IFRS 2 standard relating to transactions involving share-based payment, including incentive plans (i.e., options for share purchase or subscription) and share purchase plans (group savings plans) granted to employees.

2.1.5.1.2. Description of accounting options related to the initial adoption of IFRS standards

The IFRS financial information as of April 1, 2004, has been prepared in accordance with the provisions of the IFRS 1 standard, "First-Time Adoption of International Financial Reporting Standards". The general restatement principle is that the accounting principles used to prepare the provisional IFRS financial information be applied retrospectively to the opening balance sheet. The impact of these adjustments is recorded directly through equity.

The group has adopted certain optional exceptions set forth in IFRS 1 to the general principle of retrospectively restating assets and liabilities:

a) Business combinations

Ubisoft has chosen not to apply business combinations that occurred prior to April 1, 2004, in accordance with standard IFRS 3.

b) Share-based payment

Ubisoft has decided to apply the provisions of IFRS 2 solely to equity-based compensation granted after November 7, 2002, for which the rights acquisitions date falls after March 31, 2004.

For all other IFRS standards, the opening values for assets and liabilities as of April 1, 2004, have been retrospectively restated as if these standards had always been applied.

2.1.5.2 Transition from financial statements prepared under French accounting principles to financial statements prepared according to the IAS/IFRS principles

2.1.5.2.1. Summary of restatements equity and earnings as of April 1, 2004

Summary of restated equity as of April 1, 2004:

€K	3.31.04
Equity under French accounting principles	293,649
IAS/IFRS adjustments	
a) Restated goodwill (IFRS 3)	37
b) Effects of changes in foreign exchange rates (IAS 21)	-14,632
c) Share-based payments (IFRS 2)	0
d) Equity swap (IAS 32-39)	993
e) Convertible bonds, convertible exchangeable bonds (OCEANE), bonds with redeemable share subscription warrants (OBSARs)	4,548
f) Other restatements under IAS 32-39	-1,583
g) Other restatements	1,697
Total restatements after tax	-8,940
Equity under IFRS	284,709

2.1.5.2.2. Description of the principal IAS/IFRS restatements

a) Restated goodwill amortization (IFRS 3)

- Positive goodwill (IFRS 3)

Business combinations are accounted for by applying the purchase method. Under this method, acquired assets and liabilities and assumed contingent liabilities are recorded at their fair value.

Goodwill is measured at its cost as of the acquisition date, i.e., the excess of the cost of the business combination over the purchaser's interests in the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is subsequently measured at cost less accumulated impairment losses. It should be tested for impairment each year or more frequently where indications of impairment loss exist. In the event of a loss in value, an impairment loss is recorded under "Other operating income and expenses".

As of the acquisition date, goodwill is allocated to each cash-generating unit likely to benefit from the business combination.

In the event of acquisition of an additional interest in a subsidiary, the excess of the acquisition cost over the carrying amount of minority interests acquired is recognized as goodwill.

Since Ubisoft has elected to use the option provided in IFRS 1 not to restate business combinations occurring prior to April 1, 2004, that would not comply with the requirements of IFRS 3, the first-time adoption of the IFRS standards does not compromise the accounting methods used in the past.

Pursuant to IFRS 3, goodwill is no longer amortized as of April 1, 2004 but be submitted to annual impairment tests.

- Negative goodwill (IFRS 3)

Under French accounting principles, negative goodwill must be reported as a provision for risk and charges. Under IFRS, all negative goodwill is recognized in profit

and loss for the fiscal year in which the acquisition occurred. Therefore it does not appear on the balance sheet and consequently is not spread out over several years, contrary to French accounting principles under which it may be staggered in this fashion.

The positive impact on opening equity is €37 thousand.

b) Effect of changes in foreign exchange rates (IAS 21)

French standards offer a choice between conversion at the historical rate or at the closing rate. The historical cost principle was applied as the basic method for the valuation of items shown in the accounts.

IAS 21 requires that new acquisitions of assets be converted at the closing rate, but allows companies to choose between either option for earlier assets. Ubisoft has elected to apply the option set forth in IAS 21, in which all intangible assets are converted at the closing rate.

The impact of this standard is felt primarily in the conversion of goodwill and brands. Under French accounting standards, goodwill and brands could be converted at either the closing rate or the historic rate (i.e., the exchange rate as of the date on which the goodwill or brands were acquired). Ubisoft has chosen to convert them at the historic rate. Under IAS 21, new goodwill and new brands must be converted at the closing date as of the 2005/2006 fiscal year. For any goodwill and brands acquired previously, IAS 21 provides the option of choosing between conversion at the closing rate and conversion at the historic rate. In the interests of a uniform methodology, Ubisoft has chosen to convert goodwill and brands at the closing rate as of the opening balance sheet.

This impact has been related on the dollar rate fall since 2000 and 2001, acquisition years of the Red Storm Entertainment Inc. and Blue byte Software Inc. firms.

c) Share-based payments (IFRS 2)

All compensation paid in shares or share options or indexed to the price of an entity's shares falls under the provisions of IFRS 2. IFRS 2 is universally applicable; there are no exceptions for employee shareholder plans or unlisted companies.

The adoption of IFRS 2 governing share-based payment entails a change in the methods used to report stock option plans (share subscription or purchase options that Ubisoft grants to its employees and those of its subsidiaries) and group savings plans (equity issues reserved for employees). Ubisoft decided to adopt this standard beginning in 2004. Only plans issued after November 7, 2002, that were not yet vested as of January 1, 2005, have been restated. This applies to:

- the four stock option plans awarded between January 29, 2003, and November 17, 2004;
- the group savings plans opened to subscription in 2004 and 2005.

Pursuant to IFRS 2, the benefits awarded to employees on the granting of stock options (based on the value of the option at the grant date) and subscription of the group savings plan (maximum discount of 20%) constitute additional compensation. This additional compensation is

recognized as an employee expense spread over the benefit vesting period, in counterpart of the reserves increase of the group; so there is no impact on the opening balance sheet:

- group savings plan: the accounting expense is equal to the discount granted to current and retired employees, i.e., the difference between the share subscription price and the share price on the grant date. Ubisoft applies a discount of 20%, the maximum allowed by law. This charge is recognized immediately as of the plan subscription date;
- stock option plans: the accounting charge reflects the value of the options on the grant date for each plan. Therefore, the fair value of the options depends on the vesting date. Ubisoft uses a binomial model to measure the employee expense. This deferred compensation is amortized to earnings over the vesting period but not using the straight-line method, in accordance with the vesting procedures defined in the rules governing the various Ubisoft plans.

d) Equity swaps (IAS 39)

IAS 39 requires that equity swaps be recorded as "Financial assets or financial liabilities through profit or loss". An equity swap is a derivative, since its value varies in accordance with an underlying value (the Ubisoft share); it requires no initial investment and will be paid at a future date. It will be posted to assets at its fair value, and any variations in the fair value are included in earnings.

- Impact on the balance sheet

The treatment of derivatives in accordance with IAS 32-39 had a positive impact on equity as of April 1, 2004, of €993 thousand, after deferred tax.

e) Convertible bonds, convertible exchangeable bonds (OCEANE), bonds with redeemable share subscription warrants (OBSAR) (IAS 32-39)

The convertible bonds issued by Ubisoft in July 1998, the convertible bonds exchangeable for new or existing shares (OCEANE) issued in November 2001 and the bonds with redeemable share subscription warrants (OBSAR) issued in November 2003 are compound financial instruments pursuant to IAS 32 and include a liability component and a equity component.

- Impact on the transitional IFRS balance sheet as of April 1, 2004:

Convertible bonds

In the balance sheet prepared according to French standards, convertible bonds were recorded as "financial debts" based on their face value when issued. Under IFRS, the convertible bond's equity component (€2.8 million) is reclassified under "equity capital components" in reserves, while the liability component is shown as a debt.

Taking into account the differential between interest charges under French accounting standards and IFRS after application of the effective rate, the after-tax impact on opening equity is €938 thousand.

Bonds exchangeable or convertible to new or existing shares (OCEANE)

In the balance sheet prepared according to French

standards, OCEANE were recorded as "financial debts" based on their face value when issued. Under IFRS, the OCEANE's equity component (€5.8 million) is reclassified under "equity capital components" in reserves, while the liability component is shown as a debt.

Taking into account the differential between interest charges under French accounting standards and IFRS after application of the effective rate, the after-tax impact on opening equity is €4,363 thousand.

Bonds with redeemable share subscription warrants (OBSAR)

In the balance sheet prepared according to French standards, OBSAR were recorded as "financial debts" based on their face value when issued. Under IFRS, OBSAR are broken down into a liability instrument and the sale by the issuer of an option on its own shares. The issuer (Ubisoft) may offer early redemption of redeemable share warrants via cash payment, in which case these redeemable share warrants are reported as derivatives. The amount is recorded on the line "Proceeds from liability derivative" as €4.5 million as of March 31, 2004.

Taking into account the change in fair value of the redeemable share warrants, the after-tax impact on opening equity is -€753 thousand.

f) Other restatements under IAS 32-39

Deposits and guarantees

In accordance with IAS 39, financial assets acquired by the company that are not intended for short-term resale as defined by IAS 39 are recorded on the balance sheet (under "other non-current financial assets") at their market value. Deposits and guarantees are restated by remeasuring them at the fair value of the consideration received, discounted if the impact is significant. This consideration is charged to equity on the line "Valuation reserves". Since these assets are discounted under IFRS, the impact on equity is negative.

Thus, as of January 1, 2004, the impact on equity from the revaluation of deposits and guarantees stood at -€149 thousand.

Own shares

Own shares must be deducted from equity. No profit or loss may be reported on the income statement following the purchase, sale, issue or cancellation of own equity instruments.

The impact on opening equity is -€793 thousand.

Foreign exchange hedge transactions

Under French accounting standards, gains and losses resulting from the remeasurement of derivatives classified for accounting purchase as hedging instruments were deferred until the gains and losses generated by the hedged items in question were realized. Consequently, derivatives were reported at their fair value or historical cost, whichever was lower.

Under IAS 39, derivative instruments are recognized at their fair value against the income statement. The standard offers two special hedge accounting methods (cash flow hedge and fair value hedge). In order to be eligible for the more restrictive fair value hedge accounting method in IFRS, financial instruments must

have the following characteristics:

1. there must be a formal, documented hedging relationship when the financial instrument is created, and
2. the hedge must be expected to be effective, and it must be possible to measure this effectiveness reliably and conclusively for as long as the hedging relationship initially defined remains in place.

Ubisoft has chosen not to apply the foreign exchange hedge accounting method, and therefore its instruments are considered speculative and measured at their fair value against income.

In accordance with the rules governing financial instruments set forth in IAS 39, derivatives are posted to the balance sheet at their fair value. Losses and gains reflecting a change in the market value of non-hedge derivatives at the closing date are reported on the income statement on the line "Other financial charges".

The after-tax impact on opening equity is -€641 thousand.

g) Other restatements

Under French standards, deferred charges to be distributed include marketing expenses arising from the release of games in the subsequent fiscal year. According to IFRS, these marketing costs must be posted to the income statement (as charges) on the date on which the service is provided or the good is delivered.

The after-tax impact on opening equity is -€356 thousand.

Pursuant to IAS 20, the amount of any investment subsidies received must be subtracted from the net value of assets acquired by means of these subsidies. As a result, under IFRS the amount of equity is reduced by the value of the subsidies, which is deducted from the gross value of purchase assets.

Equity as of March 31, 2004, is reduced by -€33 thousand.

A positive impact on opening shareholder's equity, due to deferred tax, had been recognized for an amount of €2.086 thousand.

The impact results, in particular, from the application of IAS12 standard related to deferred tax on intangible fixed assets acquisition within the framework of a business combination.

2.1.5.2.3. Impact of restatements on the statement of changes in cash flow

Most of the restatements made pursuant to adoption of the International Financial Reporting Standards have no impact on the consolidated cash flow statement (incorporation of the fair value of securities held for sale, posting of compensation based on shares and of derivatives at market value, etc.).

In addition, the cash flow statement defined in IAS 7 is very close to the one currently used by the group. Consequently, the consolidated cash flow statements prepared according to IFRS are not expected to differ substantially from the 2004/2005 consolidated statements prepared according to the French accounting standards.

2.1.6 Explanatory notes on the consolidated accounts

The figures in the notes and tables that follow are shown in thousands of euros unless otherwise indicated.

2.1.6.1 Highlights of the fiscal year

- Mergers/takeovers

On April 6, 2004, Red Storm Entertainment Inc. proceeded with the merger/takeover of Blue Byte Software Inc.;

On June 1, 2004, Ludimédia SAS proceeded with the merger/takeover of Ubisoft World Studios SARL, which was made retroactive to April 1, 2004. Following this transaction, Ludimédia SAS was renamed Ubisoft World Studios SAS;

On October 8, 2004, Ubisoft Inc. proceeded with the merger/takeover of Ubi.com Inc.;

On December 31, 2004, Red Storm Entertainment Inc. proceeded with the merger/takeover of Wolfpack Studios Inc.;

On January 1, 2005, Ubisoft France SAS proceeded with the merger/takeover of Ubisoft Marketing & Communication SA.

On February 1, 2005, Ubisoft EMEA SARL proceeded with the merger/takeover of Ubi.com SA, which was made retroactive to April 1, 2004.

- New companies founded

On March 24, 2005, Red Storm Entertainment Inc. created a subsidiary, Blue Byte GmbH, to which it contributed the assets of its branch, Blue Byte Software Inc., for their net accounting value as of March 31, 2005. The shares of Blue Byte GmbH were then sold to Ubisoft Entertainment SA on March 31, 2005, for €413 thousand.

- Acquisition of Gameloft SA shares

On April 16, 2004, Ubisoft Entertainment SA acquired 6,284,876 shares in Gameloft SA in an off-market transaction at the price of €2.99, representing 10% of the capital.

On November 17, 2004, Ubisoft Entertainment SA did not subscribe to the capital increase in Gameloft SA and its percentage of the voting rights was accordingly reduced from 27.90% to 27.34%

- Asset purchases

On October 25, 2004, Ubisoft Entertainment SA acquired the technology, tools and source codes for team sports games of the Microsoft Corporation for the amount of US\$4,000,000.

On March 2, 2005, Ubisoft Divertissements Inc. purchased the assets of Microïds Canada Inc. for the amount of CDN\$1,069,048.

- Liquidation

Teamchman SA and Cybersearch SA were liquidated on June 30, 2004, and August 31, 2004, respectively. These companies had at no time been included within the scope of consolidation.

- Own shares

On January 5, 2005, Ubisoft Entertainment SA extended the equity swap contract with Crédit Lyonnais by one year. This contract involved 918,137 Ubisoft Entertainment SA shares, sold at €18.66 each (see § 2.1.9, Off-balance-sheet commitments).

As of March 31, 2005, Ubisoft Entertainment SA held 8,473 of its own shares, acquired for an aggregate value of €374 thousand and recorded as investment securities.

- Research tax credit

During the fiscal year, Ubisoft Entertainment SA, Ubisoft World Studios SAS, Ubisoft Design SARL, Ubisoft Productions France SARL and Ubisoft Divertissements Inc. elected to apply the optional research tax credit and reported tax income of €1,747 thousand on the income statement.

2.1.6.2 Accounting principles

The consolidated accounts were prepared in accordance with Rule 99-02 of France's accounting regulatory committee, the "Comité de la Réglementation Comptable" (CRC).

Consolidation methods

Full consolidation

Companies are fully consolidated when they are exclusively controlled due to Ubisoft Entertainment SA's holding 50% of their voting rights, directly or indirectly, or at least 40% if no other shareholder holds a larger percentage.

Equity affiliates

Companies on which Ubisoft Entertainment SA exerts considerable influence because it holds, directly or indirectly, 20 to 50% of the voting rights are accounted for using the equity method.

Methods applied to the group

As of March 31, 2005, group companies are controlled exclusively by Ubisoft Entertainment SA.

The accounts of these companies are therefore fully consolidated; only Gameloft SA, in which Ubisoft Entertainment SA holds a controlling percentage of 27.34%, is consolidated by the equity method.

Intra-group transactions are eliminated for all the companies in the group according to the applicable consolidation rules.

Significant transactions between consolidated companies and unrealized internal results included in the fixed assets have been eliminated.

The results of companies falling under the scope of consolidation are consolidated beginning with the date the companies are taken under control or the date of their incorporation. Companies that have been liquidated, are in the process of liquidation, or fall below significance thresholds are not included in the scope of consolidation.

The following criteria were used:

- €76 thousand on the "Balance sheet total" in the case of production companies and support companies;
- €100 thousand in sales in the case of distribution companies.

Goodwill

In accordance with the regulations on consolidated accounts, goodwill is the difference between the acquisition price and the fair value of the total assets and liabilities identified on the acquisition date.

Goodwill is entered:

- where appropriate, to the various balance sheet items of the companies acquired;
- as "Goodwill" on the asset side of the consolidated balance sheet for any sum remaining.

This latter sum is amortized over a period of 20 years using the straight-line method; goodwill relating to Tiwak SAS and Microïds Canada Inc. is amortized over a 10-year period.

Impairment tests are conducted on significant amounts of goodwill or goodwill that may appear to have fallen in value. The recoverable amount of goodwill is then estimated on the basis of the change in sales for the subsidiary or business division in question, its contribution to the group's consolidated income and its updated cash flow. When this value is less than the accounting value, exceptional amortization is applied.

Badwill is spread over a 20-year period.

Intangible assets

Intangible assets break down as follows:

- Office software: amortized over 1 year via the straight-line method;
- ERP-related expenditures: amortized over 5 years via the straight-line method;
- Commercial software: amortized over 3 years via the straight-line method;
- Logo-related expenses: amortized over 10 years via the straight-line method;
- Brands.

Commercial software

The production costs for commercial software, whether produced internally or outsourced, are entered in the accounts under "Intangible assets in progress" (Account 232) as software development advances. Upon the software's first commercial release, it is transferred to the "Released parent software programs" or "External developments" accounts (208 accounts).

Commercial software is amortized over three years using the straight-line method, beginning on the date of its commercial release.

The production costs for outsourced software are posted to Account 232 or advances and installments in accordance with the rules defined by France's "Conseil d'État" (CE 62547 dated February 12, 1988, and CE 65009 dated November 25, 1989).

However, if sales are below projections and anticipated operating profitability, a supplementary amortization is performed. Operating profitability is determined on the basis of operating income restated to reflect any operating appropriations for amortization.

Brands

Any brands acquired are entered at their acquisition cost; for brands that are created, the cost of registering them is immobilized.

Brands are not amortized. Impairment tests are conducted on significant brands or brands that may appear to have fallen in value. The recoverable value of the brands is then estimated on the basis of the change in sales for the business division in question, its contribution to the group's consolidated income and its updated cash flow. When this value is less than the accounting value, exceptional amortization is applied.

Tangible assets

Fixed assets are shown in the balance sheet at their acquisition cost.

Depreciation, which is calculated using rates standardized throughout the group, is determined on the basis of the methods and periods of use set out below:

- equipment: five years (straight-line);
- fixtures and fittings: five and ten years (straight-line);
- computer equipment: three years (diminishing balance);
- office furniture: 10 years (straight-line).

Financial assets

Financial assets consist of subsidiary investments, fixed investments, and deposits and guarantees.

The gross value of participating interests corresponds to the acquisition cost for shares of non-consolidated companies.

A provision for depreciation is made where the intrinsic value of the shares is less than the net accounting value.

Deposits and guarantees are recorded on the basis of the amounts paid.

Fixed assets acquired through leasing arrangements

Significant capital assets that are financed by leasing agreements are restated in the consolidated accounts as if the company had acquired the assets directly using loan financing.

Inventory and work-in-progress

Inventory is valued using the FIFO method. The gross value of goods and supplies includes purchase price and related expenses. Financial costs are excluded from inventory valuation in all cases.

A provision for depreciation is made where the probable net realizable value is less than the book value.

Advances and installments paid

Advances and installments primarily involve distribution and reproduction rights (licenses) acquired from other publishers. The signing of licensing contracts gives rise to the payment of guaranteed amounts. These amounts are posted to Account 409 at their net value (under the rules of the "Conseil d'État": CE 62547 dated February 12, 1988, and CE 65009 dated November 25, 1989).

These advances and installments are posted to the income statement as set forth in the contracts signed with the publishers (either by the unit or based on the gross margin or sales) or, in the case of flat fees, amortized using the straight-line method.

At year-end, the net accounting value is compared with sales projections in light of the contract conditions. If projected sales are insufficient, an additional amortization is made on the income statement.

Trade receivables

Trade receivables are entered at their face value. Where applicable, a provision for depreciation may be entered according to the degree of certainty, as of the account closing date, that collection will ultimately be made.

Investment securities

Investment securities consist of directly held shares, interests in investment funds and short-term investments, which are booked at their purchase price or at their market value when it is lower than the purchase price.

Cash

Cash consists of the balances of cash and bank accounts.

Deferred tax

Deferred tax is recorded pursuant to Rule 99-02 regarding consolidated accounts. It results from any restatements and eliminations made with regard to the accounts and temporary differences between the accounting and tax bases used. Deferred tax is assessed on the basis of the corporate tax rates and tax rules in force at the close of the fiscal year. Any deficits carried forward are entered as soon as it seems likely that they will be recovered.

In accordance with the liability method of tax allocation, the effect of any changes in tax rates on deferred taxes recorded earlier is entered in the income statement for the fiscal year in which the changes in rates are adopted.

Conversion of items expressed in foreign currencies

Conversion into euros of items expressed in foreign currencies for French companies

Charges and revenue for foreign currency transactions are entered at their equivalent value on the transaction date.

Assets and liabilities are converted at the closing rate. Any exchange rate conversion differences that result from this conversion are recorded in the income statement, minus any impact from hedges.

Conversion of foreign subsidiaries' financial statements into euros

The conversion of the accounts of foreign subsidiaries from their operating currency to the currency of the consolidating company is carried out in accordance with the closing rate method. This involves converting the assets and liabilities of foreign subsidiaries at the exchange rate in force at the close of the fiscal year, while the income statement is converted at the average annual rate. Share equity is kept at the historical rate. Conversion rate adjustments are entered in share equity.

Specific circumstances surrounding Ubisoft Srl (Romania):

As of April 2004, Romania is no longer considered a high-inflation country based on the following criteria:

- Interest rates and wages are no longer tied to a price index;
- The cumulative three-year inflation rate no longer exceeds 100%;
- The central bank no longer intervenes to control the price of the national currency.

Accounts are now converted at the closing rate rather than the historical rate. The impact on the financial statements as of March 31 is not significant.

Provisions for risk and charges

Provisions for risk and charges are made when risk and charges that relate to a clearly determined objective, but which are not certain to arise, are made more likely by events that have occurred or are in progress.

As of March 31, 2005, provisions for risk and charges involve:

- retirement;
- litigation;
- goodwill.

Earnings per share

Earnings per share

This figure is the ratio of net income to the weighted average number of shares in circulation.

Diluted earnings per share

This figure is obtained by dividing:

- net earnings before dilution, plus the after-tax amount of any savings in financial costs resulting from the conversion of the diluting instruments;
- by the weighted average number of ordinary shares in circulation plus the number of shares that would be created as a result of the conversion of convertible instruments into shares and the exercising of rights.

Net earnings as of March 31, 2005	K€ 20,022
After tax savings Financial costs relating to bond debentures	K€ 2,781
After tax savings on amortization of redemption premium	K€ 1,693
After tax savings on amortization of cost related to issuing debt securities	K€ 396
Restated net income	K€ 24,892
Weighted average number of shares in circulation as of March 31, 2005	17,778,855
Potential conversions:	
- Share subscription warrants	2,532,020
- Convertible bond	784,272
- Bonds exchangeable or convertible to new or existing shares (OCEANE)	1,814,025
- Stock options	1,516,939
Weighted average number of shares after exercise of rights relating to diluting instruments	24,426,111
Diluted earnings per share on March 31, 2005 = €1.02	

2.1.6.3 Scope of consolidation

Companies included in the Ubisoft group consolidated accounts as of March 31, 2005

COMPANY	Country	Controlling percentage	Percentage interest	Method	Activity	Founded or acquired
UBISOFT ENTERTAINMENT SA	France	Parent company	Parent company	FC		1986
UBISOFT Inc.	United States	100%	100%	FC	Marketing	1991
UBISOFT PICTURES SARL	France	100%	99%	FC	Graphics and computer graphics	1995
UBISOFT Ltd	UK	100%	100%	FC	Marketing	1989
UBISOFT GmbH	Germany	100%	100%	FC	Marketing	1991
UBISOFT SRL	Romania	100%	99.35%	FC	Development and marketing	1993
UBISOFT SA	Spain	100%	99.97%	FC	Marketing	1994
UBISOFT KK	Japan	100%	100%	FC	Marketing	1994
UBISOFT SpA	Italy	100%	99.99%	FC	Marketing	1995
UBISOFT DESIGN SARL	France	100%	99%	FC	Interactivity and ergonomics	1995
UBISOFT BOOKS AND RECORDS SARL	France	100%	99%	FC	Management and administration	1995
UBISOFT COMPUTING SARL	France	100%	99.80%	FC	Development	1996
UBISOFT SIMULATIONS SARL	France	100%	99.80%	FC	Development	1996
UBISOFT PTY Ltd	Australia	100%	100%	FC	Marketing	1996
UBISOFT GRAPHICS SARL	France	100%	99.80%	FC	Graphics and modeling	1996
UBISOFT NETWORKS SARL	France	100%	99.98%	FC	Computing services	1998
UBISOFT WORLD SAS	France	100%	99.88%	FC	Global marketing	1998
UBISOFT DIVERTISSEMENTS Inc.	Canada	100%	100%	FC	Development	1997
SHANGHAI UBI COMPUTER SOFTWARE Co. Ltd	China	100%	100%	FC	Marketing and development	1996
UBISOFT SARL	Morocco	100%	99.86%	FC	Development	1998
UBISOFT NORDIC A/S	Denmark	100%	99.50%	FC	Marketing	1998
UBISOFT LIMITED	Hong-Kong	100%	99.50%	FC	Marketing	1998
UBISOFT BV	Netherlands	100%	99.98%	FC	Marketing	1998
UBISOFT SPRL	Belgium	100%	99.84%	FC	Marketing	1998
UBI STUDIOS SL	Spain	100%	99.95%	FC	Development	1998
UBISOFT STUDIOS SRL	Italy	100%	97.50%	FC	Development	1998
UBISOFT France SAS	France	100%	99.99%	FC	Marketing	1998
UBISOFT PRODUCTIONS France SARL	France	100%	99.80%	FC	Development	1999
UBI COMPUTER SOFTWARE BEIJING COMPANY Co. Ltd	China	100%	100%	FC	Marketing	1999
UBISOFT SWEDEN AB	Sweden	100%	98%	FC	Marketing	1999
UBISOFT MUSIC Inc.	Canada	100%	100%	FC	Creation of music	1999
UBISOFT WARENHANDELS GmbH	Austria	100%	100%	FC	Marketing	2000
UBISOFT WORLD STUDIOS SARL	France	100%	99.76%	FC	Design and storyline	2000
LUDI FACTORY SARL	France	100%	99.80%	FC	Graphics and localization studio	2000
UBISOFT EMEA SARL	France	100%	99.99%	FC	Marketing	2000
UBISOFT HOLDINGS Inc.	United States	100%	100%	FC	Management and administration	2000
RED STORM ENTERTAINMENT Inc.	United States	100%	100%	FC	Creation and animation	2000
UBISOFT Canada Inc.	Canada	100%	100%	FC	Marketing	2000
UBISOFT NORWAY AS	Norway	100%	98%	FC	Marketing	2001
UBISOFT MANUFACTURING & ADMINISTRATION SARL	France	100%	99.86%	FC	Manufacturing workflow	2001
UBI GAMES SA	Switzerland	100%	99.80%	FC	Marketing	2002
UBISOFT FINLAND OY	Finland	100%	100%	FC	Marketing	2002
UBISOFT ENTERTAINMENT SA	South Korea	100%	(branch)	FC	Marketing	2003
GAMELOFT SA	France	27.34%	28.69%	EA	Mobile telephony	2003
TIWAK SAS	France	100%	100%	FC	Development	2003
BLUE BYTE GmbH	Germany	100%	100%	FC	Development	2005

FC = Full consolidation

EA = Equity affiliate

The fiscal year of all consolidated companies ends on March 31 of each year, except Ubisoft SRL (Romania) and Gameloft SA, which close their accounts on December 31.

Change in consolidation structure

New companies added to the consolidation structure as of March 31, 2005

WOLFPACK STUDIOS INC.

- Date consolidated: April 1, 2004.

On February 25, 2004, Ubi.com Inc. acquired 100% of the shares in Wolfpack Studios Inc. for US\$188 thousand.

On September 3, 2004, Ubi.com Inc. sold the shares in Wolfpack Studios Inc. to Red Storm Entertainment Inc. for the same amount.

- Impact of Wolfpack Studios Inc.'s consolidation: goodwill amortization between the date of acquisition and March 31, 2005: -€7 thousand.

BLUE BYTE GmbH

- Date consolidated: March 31, 2005

Company founded on March 24, 2005, wholly held by Red Storm Entertainment Inc.

On March 31, 2005, the assets of the branch company Blue Byte Software Inc. were transferred to Blue Byte GmbH and its shares sold to Ubisoft Entertainment SA for the amount of €413 thousand.

- Impact of Blue Byte GmbH's consolidation: goodwill amortization between the date of acquisition and March 31, 2005: -€3 thousand.

Mergers realized during the fiscal year

The mergers realized during the fiscal year had no impact on the consolidated accounts (see § 2.1.6.1, Highlights of the fiscal year).

Change in percentage of holdings in Gameloft SA

On April 16, 2004, the acquisition of 6,284,876 Gameloft SA shares for the amount of €18,792 thousand generated additional goodwill of €18,625 thousand.

On November 17, 2004, the percentage holdings were diluted following a capital increase to which Ubisoft Entertainment SA did not subscribe.

Ubisoft Entertainment SA now holds 27.34% of the voting rights and 28.69% of the capital.

- Impact of the change in the percentage of holdings in Gameloft SA:
 - additional goodwill amortization between the acquisition date and March 31, 2005: -€895 thousand;
 - impact from the dilution as of March 31, 2005: reduction in goodwill of €112 thousand and transfer of percentage of share capital valued at €57 thousand.

Non-consolidated companies

Percentage of holdings in non-consolidated companies

Companies	Share acquisition value €K	Net accounting value €K	Controlling percentage	Percentage interest	Equity as of 3.31.05 €K	Earnings as of 3.31.05 €K
Ubisoft Music Publishing Inc.	27	20	100%	100%	21	-1
Ubi Soft Entertainment Ltda	665	395	100%	99%	380	8
Socoma Inc.	32	32	100%	100%	29	1
Total	724	447			430	8

The companies listed above were excluded from the scope of consolidation for the following reasons:

- the balance sheet total and sales were below the thresholds defined by the group (Ubisoft Music Publishing Inc.);
- under termination (Ubi Soft Entertainment Ltda, Socoma Inc.).

2.1.6.4 Explanatory notes on the balance sheet

Note 1 Goodwill

Goodwill breaks down as follows as of March 31, 2005:

Existing company	Acquired company	Date holdings were acquired	As of 3.31.04 Gross	Increase	Decrease	As of 3.31.05 Gross
Ubisoft Computing SARL	Ubi Studios SAS	2.2.96	16	-	-	16
Ubisoft Pictures SARL	Ubisoft Pictures SARL	2.2.96	77	-	-	77
Ubisoft Inc.	Ubisoft Inc.	2.2.96	302	-	-	302
Ubisoft Ltd	Ubisoft Ltd	12.31.94	236	-	-	236
	Blue Byte Software Ltd	2.6.01	1,137	-	-	1,137
Ubisoft GmbH	Ubisoft GmbH	8.1.95	153	-	-	153
	Blue Byte Software GmbH Co.KG	2.6.01	8,171	-	-	8,171
	Distribution in Germany	May 2000	6,810	-	-	6,810
Ubisoft Holdings Inc.	Ubisoft Holdings Inc.	9.28.00	95	-	-	95
Red Storm Entertainment Inc.	Sinister Games Inc.	3.31.00	5,967	-	-	5,967
	Blue Byte Software Inc.	2.6.01	14,006	-	-	14,006
	Red Storm Entertainment Inc.	9.28.00	34,652	-	-	34,652
	Wolfpack Studios Inc.	2.25.04	-	121	-	121
	Distribution in the US	March 2001	15,766	-	-	15,766
Ubisoft SpA	3D Planet SpA	9.30.00	3,852	-	-	3,852
Ubisoft Canada Inc.	Ubisoft Canada Inc.	10.2.00	266	-	-	266
	Distribution in Canada	Dec. 2000	2,028	-	-	2,028
Gameloft SA	Gameloft SA	9.15.03	13,083	18,625	117	31,591
Tiwak SAS	Tiwak SAS	12.17.03	783	-	-	783
Ubisoft Divertissements Inc.	Microïds Canada Inc.	3.2.05	-	425	-	425
Blue Byte GmbH	Blue Byte GmbH	3.31.05	-	3	-	3
Ubisoft France SAS	Distribution in France	Dec. 2000	11,885	-	-	11,885
Ubisoft SPRL	Distribution in Belgium	April 2001	1,556	-	-	1,556
Ubisoft BV	Distribution in the Netherlands	Jan. 2001	1,144	-	-	1,144
Ubisoft Warenhandels GmbH	Distribution in Austria	April 2000	520	-	-	520
Ubi Games SA	Distribution in Switzerland	Sept. 2001	1,524	-	-	1,524
Total			124,029	19,174	117	143,086

The transactions are described in § 2.1.6.3, Scope of consolidation.

Since business assets entered in the parent company financial statements are of the same nature as goodwill, they are included under goodwill in the consolidated accounts.

As of March 31, 2005, no loss of value was reported on goodwill within the group.

Existing company	Acquired company	As of 3.31.04 Depreciation	Depreciation	Decrease	Write-backs	As of 3.31.05 Depreciation
Ubisoft Computing SARL	Ubi Studios SAS	16	-	-	-	16
Ubisoft Pictures SARL	Ubisoft Pictures SARL	77	-	-	-	77
Ubisoft Inc.	Ubisoft Inc.	125	15	-	-	140
Ubisoft Ltd	Ubisoft Ltd	106	12	-	-	118
	Blue Byte Software Ltd	177	57	-	-	234
Ubisoft GmbH	Ubisoft GmbH	66	8	-	-	74
	Blue Byte Software GmbH Co.KG	1,241	412	-	-	1,653
	Distribution in Germany	1,022	340	-	-	1,362
Ubisoft Holdings Inc.	Ubisoft Holdings Inc.	95	-	-	-	95
Red Storm Entertainment Inc.	Sinister Games Inc.	1,156	296	-	-	1,452
	Blue Byte Software Inc.	2,174	703	-	-	2,877
	Red Storm Entertainment Inc.	6,072	1,732	-	-	7,804
	Wolfpack Studios Inc.	-	7	-	-	7
	Distribution in the US	2,365	788	-	-	3,153
Ubisoft SPA	3D Planet SPA	637	192	-	-	829
Ubisoft Canada Inc.	Ubisoft Canada Inc.	46	14	-	-	60
	Distribution in Canada	304	101	-	-	405
Gameloft SA	Gameloft SA	354	1,550	5	-	1,899
Tiwak SAS	Tiwak SAS	23	78	-	-	101
Ubisoft Divertissements Inc.	Microïds	-	43	-	-	43
Blue Byte GmbH	Blue Byte GmbH	-	3	-	-	3
Ubisoft France SAS	Distribution in France	1,783	594	-	-	2,377
Ubisoft SPRL	Distribution in Belgium	233	78	-	-	311
Ubisoft BV	Distribution in the Netherlands	172	57	-	-	229
Ubisoft Warenhandels GmbH	Distribution in Austria	79	25	-	-	104
Ubi Games SA	Distribution in Switzerland	190	77	-	-	267
Total		18,513	7,182	5	-	25,690

Goodwill is amortized over 20 years via the straight-line method (Tiwak SAS and Microïds Canada Inc. are amortized over 10 years via the straight-line method).

Note 2 Intangible assets

Software breaks down as follows, as of March 31, 2005:

Fixed assets	As of 3.31.04 Gross	Increase	Decrease	Reclassifications of software programs in progress	Other reclassifications	Change in scope	Exchange rate differences	As of 3.31.05 Gross
Released commercial softwares ¹	236,441	103,081	14,552	-8,577	1,861	79	-142	318,191
External commercial softwares	26,282	16,578	3,431	-2,978	-107	-	-75	36,269
Commercial softwares in progress	74,158	-	-	11,555	-	-	-	85,713
Office software	15,087	1,598	321	-	1,636	-	-40	17,960
Leased office software	667	-	-	-	-	-	-	667
Other intangible assets in progress	1,423	836	-	-	-1,606	-	-	653
Brands ²	11,366	80	1	-	-	5	-	11,450
Logo	335	-	-	-	-	-	-	335
Other	232	12	103	-	-	-	-	141
Total	365,991	122,185	18,408	-	1,784	84	-257	471,379

1- Released commercial software programs now include software tools and localization. Thus, capitalized production costs of €99,976 thousand consist of an increase in software that has been released, totaling €103,081 thousand minus €151 thousand in external development, €2,970 thousand in Microsoft assets acquired and -€16 thousand in exchange rate differences.

Reclassifications between accounts are attributable to the transfer of intangible fixed assets in progress from Account 232 to the 208 accounts.

2- This entry primarily includes brands obtained from the acquisition of TLC for €10 million. These brands are not amortized.

As of March 31, 2005, no loss of value was reported on trademarks held by group companies.

Depreciation	As of 3.31.04 Cumulative	Net increase	Decrease	Other reclassifications	Change in scope	Exchange rate differences	As of 3.31.05 Cumulative
Released commercial softwares ¹	172,607	99,642 ²	14,551	-	-	-141	257,557
External commercial softwares	20,792	12,681 ³	3,431	20	-	-75	29,987
Office software	7,503	3,240	321	-2	-	-20	10,400
Leased office software	355	120	-	-	-	-	475
Logo	20	33	-	-	-	-	53
Other	162	14	101	-	-	-	75
Total	201,439	115,730	18,404	18	-	-236	298,547

1- Released software programs now include software tools and localization.

2- Includes €51.6 million of additional amortization, reflecting the shortfall in estimated sales and projected operating income on certain games.

3- Includes €8.4 million of additional amortization, reflecting the shortfall in estimated sales and projected operating income on certain games.

Note 3 Tangible assets

Tangible fixed assets break down as follows:

Fixed assets	As of 3.31.04 Gross	Increase	Decrease	Reclassifications	Change in scope	Exchange rate differences	As of 3.31.05 Gross
Plant & machinery	7,313	1,366	93	-337	-	-29	8,220
Computer equipment and furniture	21,521	6,754	2,079	-1,082	297	-216	25,195
Development kits	663	778	-	26	-	-	1,467
Transportation equipment	150	106	5	-	-	-	251
Leased computer hardware and transportation equipment	6,510	36	4,380	-	-	22	2,188
Fixed assets in progress	27	45	-	-32	-	-	40
Total	36,184	9,085	6,557	-1,425	297¹	-223	37,361

1- Microïds Canada Inc., €249 thousand and Wolfpack Studios Inc., €48 thousand.

Depreciation	As of 3.31.04 Cumulative	Increase	Decrease	Reclassifications	Change in scope	Exchange rate differences	As of 3.31.05 Cumulative
Plant & machinery	2,952	878	52	-337	-	-12	3,429
Computer equipment and furniture	14,230	4,386	1,943	-1,073	-	-158	15,442
Development kits	207	436	-	16	-	-	659
Transportation equipment	68	47	1	-	-	-1	113
Leased computer hardware and transportation equipment	5,861	413	4,380	-	-	22	1,916
Total	23,318	6,160	6,376	-1,394	-	-149	21,559

Note 4 Financial assets

Fixed assets	As of 3.31.04 Gross	Increase	Decrease	Change in scope	Exchange rate differences	As of 3.31.05 Gross
Non-consolidated investments	4,327	-	3,498	-102	-3	724
Other long-term investments	203	-	200	-	-	3
Deposits and guarantees	1,383	642	465	-	-33	1,527
Total	5,913	642	4,163	-102	-36	2,254

The decrease of €4,163 thousand is primarily due to the liquidation of Teamchman SA (€3,349 thousand for participating interests and €200 thousand for other long-term investments) in June 2004 and Cybersearch SA (€149 thousand) in August 2004.

The change in scope of -€102 thousand for non-consolidated investments is attributable to the integration of Wolfpack Studios Inc. in the scope of consolidation.

Provisions	As of 3.31.04 Cumulative	Increase	Decrease	Change in scope	As of 3.31.05 Cumulative
Non-consolidated investments	3,693	81	3,497	-	277
Other long-term investments	200	-	200	-	0
Total	3,893	81	3,697	-	277

The decrease in provisions reflects provision write-backs for Teamchman SA and Cybersearch SA, which were liquidated during the course of the fiscal year.

Note 5 Equity in subsidiaries

Fixed assets	As of 3.31.04 Gross	Increase	Decrease	Change in scope	Exchange rate differences	As of 3.31.05 Gross
Equity in subsidiaries	325	1,591	57	167	-	2,026
Total	325	1,591	57	167		2,026

The change in scope of €167 thousand is attributable to the additional acquisition of 10% of Gameloft SA shares on April 16, 2004.

On November 17, 2004, Gameloft SA conducted a capital increase to which Ubisoft Entertainment SA did not subscribe. As a result, the percentage interest held by Ubisoft Entertainment SA changed from 29.47% to 28.69%.

The impact of the capital increase on the equity in subsidiaries was €1,220 thousand. The impact of the dilution was -€112 thousand on goodwill and €57 thousand on the share of equity capital.

Gameloft SA's contribution to Ubisoft Entertainment SA's earnings was €314 thousand as of March 31, 2005.

Note 6 Inventory and work-in-progress

Inventory and work-in-progress break down as follows:

	As of 3.31.05		As of 3.31.04	
	Gross	Provision	Net	Net
Goods	24,272	2,423	21,849	35,128
Total	24,272	2,423	21,849	35,128

Provisions for inventory fell from €3,875 thousand to €2,423 thousand, notably as a result of improved inventory management and destocking efforts undertaken over the course of the fiscal year, which reduced the gross value of the inventory by €14,731 thousand.

Note 7 Advances and installments paid

These are primarily guaranteed advances paid on licensing contracts.

	As of 3.31.04 Net	New guarantees	Reclassifications	Depreciation	Additional depreciation	Exchange rate	As of 3.31.05 Net
Trade advances and installments	429	-		-	-		429
Licenses	31,347	15,709	-1,734	10,102	10,518	-439	24,264
Total	31,776	15,709	-1,734	10,102	10,518	-439	24,693

In light of the weak sales outlook for certain games, an additional depreciation of €10.5 million was charged to the results as of March 31, 2005.

Note 8 Trade and other receivables

Trade receivables break down as follows:

	Gross	3.31.05 Provisions	Net	3.31.04 Net
Trade receivables	142,350	1,374	140,976	96,214
Total	142,350	1,374	140,976	96,214

The increase in trade receivables is tied to especially high seasonality affecting sales in the fourth quarter (fourth-quarter sales account for 41% of sales for the fiscal year as a whole).

Note 9 Other receivables and adjustment accounts

Other receivables break down as follows:

	Gross	3.31.05 Provisions	Net	3.31.04 Net
Activated fiscal losses and deferred corporate tax assets (ARD) ¹ (1)	22,500	-	22,500	15,577
Other deferred tax assets (2)	5,352	-	5,352	2,625
Current account advances	34	-	34	34
VAT (3)	31,645	-	31,645	24,962
Subsidy to be received (4)	21,571	-	21,571	11,837
Other tax and social security liabilities (5)	6,842	-	6,842	12,270
Factoring guarantee deposits (6)	5,404	-	5,404	11,534
Other	183	-	183	178
Prepaid expenses	4,497	-	4,497	2,757
Charges to be spread over several years	1,338	-	1,338	2,142
Redemption premium (7)	2,825	-	2,825	4,518
Total	102,191	-	102,191	88,434

1- Includes corporate tax assets deferrable indefinitely: €18,353 thousand.

(1) Activated/non-activated deferred corporate tax assets (ARD) and fiscal losses:

En K€	3.31.05			3.31.04
	Activated tax losses	Non-activated tax losses	Total	Activated tax losses
Ubisoft Entertainment SA	9,339 ¹	-	9,339	10,871
Ubisoft EMEA SARL	944	-	944	957
Ubisoft World Studios SAS	158	907	1,065	336
Ubisoft Inc.	1,138	-	1,138	-
Ubisoft Warenhandels GmbH	130	-	130	198
Red Storm Entertainment Inc.	5,643	-	5,643	1,228
Ubisoft Holdings Inc.	132	-	132	212
Ubisoft Computing SARL	106	-	106	121
Ubisoft GmbH	575	-	575	340
Ubisoft Divertissements Inc.	3,753	-	3,753	1,079
Ubisoft BV	71	-	71	36
Shanghai Ubi Computer Software Ltd	235	-	235	157
Tiwak SAS	170	-	170	-
Other	106	-	106	42
Total	22,500	907	23,407	15,577

1- Includes fiscal losses of €1,906 thousand by Ubisoft France SAS and €1,516 thousand by Ubisoft EMEA SARL generated in the course of fiscal integration.

The change in tax credits is principally the result of:

- the reconstitution of €4.4 million at Red Storm Entertainment Inc.
- the activation of €1.1 million at Ubisoft Inc., representing recovered losses following the acquisition of Ubi.com Inc.;
- the activation of €2.7 million at Ubisoft Divertissements Inc.;
- the activation of €1.5 million as the result of the fiscal integration in France (Ubisoft EMEA SARL);
- the activation of €1.6 million and the use of €4.2 million at Ubisoft Entertainment SA.

Deferred tax assets are not discounted; the impact would have been €767 thousand.

(2) Other deferred tax assets:

Temporary tax differences	K€ 3,913
Elimination of inter-company profit	K€ 1,008
Other restatements with regard to consolidation	K€ 431

(3) The increase in VAT totaling €6.7 million is tied to especially significant seasonal factors in the fourth quarter. This figure includes €9.9 million in VAT credit.

(4) The increase in subsidy to be received at the Canadian subsidiary Ubisoft Divertissements Inc. totaling €9.4 million is tied to the increase in total payroll.

(5) The decrease is primarily related to the reimbursement of tax installments paid by Ubisoft Inc. totaling €5 million.

(6) The decrease of €6.1 million in factoring guarantees reflects the reimbursement received for the factoring guarantee of €11.5 million following discontinuation of this financing at Ubisoft France SAS and the creation of a new factoring guarantee at Ubisoft Ltd for €5.4 million.

(7) The original amount of the redemption premium of the convertible exchangeable bonds (OCEANE) taken to assets was €16,380 thousand. This premium was amortized in proportion to accrued interest, i.e., €6,271 thousand as of March 31, 2005. The buy-back of 1,400,699 bonds resulted in a decrease in the redemption premium of €7,284 thousand. The net redemption premium as of March 31, 2005 was €2,825 thousand.

With the exception of activated losses and deferred tax assets (not discounted) and redemption premiums for convertible bonds, all receivables have a maturity of at least one year.

Note 10 Investment securities

Investment securities break down as follows:

Nature	3.31.05			3.31.04
	Gross value	Provision	Net value	Net value
Own shares	374	111	263	793
Investment funds	60,596	-	60,596	42,339
Total	60,970	111	60,859	43,132

Own shares

The value of own shares was determined using the closing rate:

Nature	Number	Average purchase price, €	Gross value K€	Closing rate K€	Provision K€	Net value K€	Percentage of capital
Own shares	8,473 ¹	44.107	374	31.02	111	263	0.05%

1- Includes the 5,500 shares in the liquidity contract.

Investment funds via UCITS and open-ended investment trusts

Nature	Name	Number	Average purchase price, €	3.31.05		3.31.04	
				Gross value K€	Closing rate K€	Net value K€	Net value K€
Mutual fund	Étoile MONE EURIBOR	30	101,026.59	3,031	101,026.59	3,031	-
Open-ended investment trust	CPR CASH SI	1,200	19.167	23,000	19.167	23,000	18,125
Open-ended investment trust	SOGEMONE	51	226,756.62	11,564	227.119	11,564	4,241
Mutual fund	Centrale Monétaire	8,127	2,830.18	23,001	2,830.18	23,001	5,605
Mutual fund	CLAM EONIA	-	-	-	-	-	14,368
Total				60,596		60,596	42,339

No depreciation was carried to the mutual funds as of March 31, 2005.

Note 11 Cash

The Cash account showed a balance of cash and bank accounts in the net amount of €141,131 thousand on March 31, 2005, compared with €76,915 thousand on March 31, 2004.

The cash position is calculated using the gross value of cash and investment securities, unlike net financial debt (Note 14), which is calculated on a net basis.

Cash breakdown	3.31.05 K€	3.31.04 K€
Cash	141,131	77,076
Investment securities	60,970	43,359
Advances in foreign currencies	-40,930	-26,200
Short-term loans	-	-4,245
Bank overdrafts	-70,304	-37,762
Miscellaneous financial debt	-	-16
Total	90,867	52,212

Note 12 Equity**Capital**

On March 31, 2005, Ubisoft Entertainment SA's capital consisted of 18,044,840 shares with a face value of €0.31 each, i.e., €5,593,900.40.

Number of Ubisoft Entertainment SA shares

As of April 1, 2004	17,582,304
Exercised options	46,888
Bond conversions	20
Exercise of subscription warrants	45,596
Group savings plan	370,032
As of March 31, 2005	18,044,840

Maximum number of shares that may be created: 7,172,031

- by bond conversion 2,598,297
- by exercise of stock options 2,041,714
- by exercise of subscription warrants 2,532,020

Stock purchase warrants

Stock purchase warrants as of March 12, 2001

- Number: 53,266, with one warrant entitling its holder to subscribe 1.038 shares with a face value of €0.31 each (in accordance with the adjustment made in connection with the issue of warrants for the purchase of existing shares and/or subscription of new shares in May 2003)
- Issue price: €0.01
- Exercise period: December 28, 2001, to March 11, 2006
- Exercise price: €40.29

As of March 31, 2005, no warrants had been exercised.

Stock purchase warrants for existing shares and/or for the subscription of new shares of May 14, 2003

- Number: 17,540,082, with 15 warrants needed to subscribe for one share with a face value of €0.31.
- Exercise period: May 14, 2002, to May 14, 2006
- Exercise price: €28

The 1,169,733 warrants allocated to Ubisoft Entertainment SA were cancelled.

710,580 stock purchase warrants were exercised during the fiscal year. 1,776 shares were delivered from directly held shares and 45,596 shares were created.

As of March 31, 2005, 15,648,489 subscription warrants remained to be converted.

Stock options

The capital increases and issue premiums during the past fiscal year were partly driven by the exercise of stock options. For the record, the exercise conditions of the stock option plans are as follows:

	4 th Plan	5 th Plan	6 th Plan	7 th Plan	8 th Plan	9 th Plan	10 th Plan	11 th Plan	12 th Plan		
Initial number of shares	40,471	320,926	44,605	389,065	353,181	9,220	71,796	388,150	496,050		
Face value	€0.31	€0.31	€0.31	€0.31	€0.31	€0.31	€0.31	€0.31	€0.31		
									France	Italy	USA
Subscription value	€38	€34.51	€34.51	€12.82	€9.20	€10.25	€9.20	€15.50	€14.72	€15.47	€13.55
Exercise period	12.8.00 through 12.8.05	4.9.01 through 4.9.06	10.25.01 through 4.24.06	8.16.02 through 8.15.12	10.16.02 through 10.15.07	1.29.03 through 1.28.08	4.28.03 through 10.27.07	10.14.04 through 10.13.14	11.17.04	through 11.16.14	
Options not exercised as of March 31, 2005	39,186	320,590	44,605	389,065	309,129	8,655	46,284	388,150	496,050		

Equity issue reserved for employees

The extraordinary portion of the Combined Ordinary and Extraordinary General Meeting of September 12, 2003, authorized the Board of Directors, at its sole initiative, to proceed with a new equity issue reserved for French employees, subject to a limit of 2.5% of the total shares comprising the company's share capital at the time the authorization was used, specifically by means of an FCPE.

At its meeting on March 3, 2004, the Board of Directors used this authorization to set the subscription price for the shares to be issued at €13.75 each, and specified that these shares would be subscribed for by the Ubi Actions FCPE.

The Board of Directors took note of this equity issue at its meeting on May 18, 2004. Employees subscribed 99,627 shares via the Ubi Actions FCPE.

The extraordinary portion of the Combined Ordinary and Extraordinary General Meeting of July 23, 2004, authorized the Board of Directors, at its sole initiative, to proceed with a new equity issue reserved for French employees, subject to a limit of 2.5% of the total shares comprising the company's share capital at the time the authorization was used, specifically by means of an FCPE.

At its meeting on November 29, 2004, the Board of Directors used this authorization to set the subscription price for the shares to be issued at €12.88 each, and specified that these shares would be subscribed for by the Ubi Actions FCPE.

The Board of Directors took note of this equity issue at its meeting on March 1, 2005. Employees subscribed 270,405 shares via the Ubi Actions FCPE.

Note 13 Provisions for risk and charges

Provisions for risk and charges break down as follows:

	As of 3.31.04	Appropriations	Write-backs (provision used)	Write-backs (provision not used)	Exchange rate differences	As of 3.31.05
Provisions for litigation	4	-	-	-	-	4
Provisions for retirement	558	183	-	-	-3	738
Provisions relating to foreign exchange hedges	76	-	76	-	-	-
Provisions for destruction of licensed product	1,083	-	1,083	-	-	-
Provisions for tax risk	174	-	-	174	-	-
Badwill	37	-	2	-	-	35
Total	1,932	183	1,161	174	-3	777
Impact :						
Operating result		183	1,085	-		
Financial result		-	76	-		
Extraordinary result		-	-	174		

Retirement commitments and other employee benefits

Ubisoft participates in retirement, social security and pension plans in accordance with the laws and practices of each country. These benefits can vary according to a range of factors, including seniority, salary and payments to compulsory general schemes.

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

- in defined-contribution plans, the pension supplement is determined by the accumulated capital that the employee and the company have paid into external funds. The charges correspond to contributions paid in over the course of the fiscal year. The group has no subsequent obligation to its employees. For Ubisoft, this generally involves public retirement plans and specific defined-contribution plans (such as a 401k plan in the United States);

- in a defined-benefit plan, the employee receives a fixed pension supplement from the group, determined on the basis of several factors, including age, years of service and compensation level. At Ubisoft, these plans are used in France, Italy and Japan.

The employer's future obligations are evaluated on the basis of an actuarial calculation, in accordance with each plan's operating procedures and the data provided by each country. The assumptions used as of March 31, 2005, are as follows:

	Japan	Italy	France
Rate of salary changes	5%	1.50%	3-6%
Discount rate	4.50%	4.50%	4.50%
Average remaining years of service	23 years	33 years	33 years
Projected return on assets	5%	5%	5%

Miscellaneous

Our Canadian subsidiary, Ubisoft Divertissements Inc., has received an audit notification letter relating to the transfer price for the year 1999, involving approximately CDN\$3 million (roughly €2 million).

No provision has been made in the accounting, insofar as the company's management believes the claim is unfounded; moreover, according to legal counsel consulted in the matter, any adjustment required to resolve the issue would likely have no significant impact on the company.

Note 14 Financial debts

Financial debt breaks down as follows:

	3.31.05	3.31.04
Bond debentures	172,038	172,038
• Convertible bond, 3.8%	24,876	24,876
• Bonds exchangeable or convertible) to new or existing shares (OCEANE	92,188	92,188
• Bonds with redeemable share subscription warrants (OBSAR)	54,974	54,974
Accrued interest	1,705	1,778
Advances in foreign currencies ¹	40,930	26,200
Short-term loans	-	4,245
Bank overdrafts	70,304	37,761
Borrowings resulting from restatement of leases	988	1,554
Miscellaneous financial debt	-	16
Financial debt	285,965	243,592
Fixed-rate debt	119,478	
Variable-rate debt	166,487	
	< 1 year	> 1 year and < 5 years
Maturities outstanding on 3.31.05	138,351	147,614
		> 5 years
		-

1- Advances in foreign currencies are foreign exchange hedges in US, Canadian and Australian dollars, Swiss francs and Japanese yen.

Covenants

Under the terms of the syndicated loan and redeemable share subscription warrant (OBSAR) and in the case of bilateral lines of credit, the company is required to respect certain financial ratios (known as covenants).

The following covenants must be respected with regard to the syndicated loan:

	2004/2005	2003/2004
Net debt/equity capital restated to reflect goodwill <	0.6	0.75
Net debt/EBITDA <	2.5	2.5
Net free cash flow excluding acquisitions >	0	0

The following covenants must be respected with regard to the OBSAR:

	2004/2005	2003/2004
Net debt restated to reflect factored receivables/equity capital restated to reflect goodwill and investments in game developments	2.2	2.5
Net debt restated to reflect assigned receivables/EBITDA restated to reflect investments in intangible assets	4.5	4.5

The covenants on bilateral lines of credit primarily concern the ratio of net debt to equity capital and that of net debt to total cash flow from operations.

All covenants are calculated on the basis of the annual consolidated accounts.

As of March 31, 2005, the company was in compliance with all of these ratios and expects to remain so during the 2005/2006 fiscal year.

Bank overdrafts

Bank overdrafts are used to finance temporary cash requirements generated by changes in working capital requirements. They may be offset with existing liquid assets at other group companies as part of a notional cash pooling system.

Leasing

Leases mainly cover IT hardware leased under contracts of a maximum of three years. New borrowings over the fiscal period amounted to €405 thousand and repayments totalled €972 thousand.

Net borrowings

As of March 31, 2005, net financial debt stood at €83,975 thousand.

	3.31.05	3.31.04
Financial debt	285,965	243,592
Cash	-141,131	-76,915
Investment securities	-60,859	-43,132
Net borrowings	83,975	123,545

Net financial indebtedness was reduced by €39,570 thousand over the course of the fiscal year.

As of March 31, 2005, the redemption premium amount stood at €2,825 thousand, giving a net redemption premium debt of €81,150 thousand, compared to €119,027 thousand at the close of the previous fiscal year. This decrease of €37.8 million is the result of operating cash flow generated (excluding acquisitions) of €50.6 million, acquisitions totaling €19.4 million and capital increases amounting to €6.6 million.

The breakdown of financial debt by currency is as follows:

	3.31.05	3.31.04
Euros	235,470	214,285
US dollars	23,154	18,606
Canadian dollars	16,058	6,323
Pounds sterling	5,932	-
Australian dollars	2,309	4,361
Swiss francs	1,508	-
Other	1,534	17
Financial debt	285,965	243,592

Chief characteristics of the 3.80% bond issue

- Number: 314,815 bonds
As a result of the 5-for-1 stock split and the adjustment made in connection with the issue of warrants for the purchase of existing shares and/or subscription of new shares in May 2003, one bond entitles its holder to subscribe 5.191 shares, each with a par value of €0.31.
- Issue price: €164.64
- Entitlement date and settlement date: July 16, 1998
- Term of bond: 7 years
- Annual yield: 3.80% per year, or €6.26 per bond, payable on July 16 of each year.
- Gross yield to maturity: 3.80% on July 16, 1998
- Normal redemption: Amortized in full by July 16, 2005, by redemption at a price of €164.64, or 100% of the issue price.

163,732 bonds were converted, four during this fiscal year.

As of March 31, 2005, 151,083 bonds remain to be converted.

Chief characteristics of the OCEANE (bonds convertible/exchangeable into new and/or existing shares)

- Number: 3,150,000 bonds
As a result of the adjustment made in connection with the issue of warrants for the purchase of existing shares and/or subscription for new shares in May 2003, one bond entitles its holder to subscribe for 1.037 shares, each with a par value of €0.31.
- Issue price: €47.50
- Entitlement date and settlement date: November 30, 2001
- Term of bond: Five years from the settlement date
- Annual yield: 2.5% per year, payable in arrears on November 30 of each year.
- Gross yield to maturity: 4.5% on settlement date (if there is no conversion and/or exchange of shares, and in the absence of early redemption)
- Normal redemption: Redemption in full on November 30, 2006, at a price of €52.70, or 110.94% of face value.

The company bought back 1,400,699 bonds. These bonds were cancelled.

As of March 31, 2005, 1,749,301 bonds remain to be converted.

Chief characteristics of the OBSAR (bonds with redeemable share subscription warrants)

At its meeting on November 3, 2003, the Board of Directors used the authorization granted by the Combined General Shareholders' Meeting of September 12, 2002, to proceed with an OBSAR bond issue (bonds with redeemable share subscription warrants).

Characteristics of the bonds

- Number: 716,746 bonds
- Issue price: €76.70
- Term of bond: Five years from the settlement date
- Nominal rate, yield: The bonds will bear interest at a variable rate payable quarterly in arrears. The annual nominal rate is based on the three-month Euribor.
- Normal redemption: The bonds will be amortized on a single redemption date of December 2, 2008, at the par rate of €76.70 per bond.

As of March 31, 2005, there were 716,746 bonds in circulation.

Characteristics of BSAR (redeemable share warrants)

- Number of BSAR: 1,433,492 BSAR (two BSAR are attached to each bond)
- Parity: One BSAR entitles the holder to subscribe for one new share
- Exercise price: €38.35
- Exercise period: The BSAR can be exercised between December 3, 2003, and December 2, 2008, subject to the provisions governing the early redemption of BSAR at the option of the issuer and those concerning circumstances under which the exercise of BSAR may be suspended.

As of March 31, 2005, there were 1,433,492 BSAR in circulation.

Note 15 Sundry creditors and accrued expenses

Sundry creditors and accrued expenses break down as follows:

	3.31.05	3.31.04
Social security liabilities	14,010	18,165
Deferred tax liabilities (1)	11,455	5,136
Other tax debts (2)	44,668	21,020
Other debts (3)	12,928	1,893
Deferred income (4)	11,592	7,987
TOTAL	94,653	54,201

(1) Deferred tax liabilities: the change in deferred tax liabilities is primarily the result of the increase in grants received by Ubisoft Divertissements Inc., totaling €7 million.

IDP	3.31.05	3.31.04
Grants	7,129	3,678
TLC brand	3,277	-
Other restatements with regard to consolidation	1,049	1,458

(2) The change in other tax debts is primarily attributable to the increase in VAT totaling €22 million, driven by strong seasonal factors in the fourth quarter.

(3) The change in other debts is attributable to the margin calls related to the equity swap for €11 million (see § 2.1.9, Off-balance-sheet commitments).

(4) Deferred income includes Canadian subsidies totaling €7.6 million; the remainder represents prepaid sales.

2.1.6.5 Explanatory notes on the income statement

Note 16 Sales

The group had €538 thousand million in sales during the 2004/2005 fiscal year.

At the current rate, sales increased 6% over the 2003/2004 fiscal year; at a constant rate, growth in sales was 8%.

Breakdown of sales by activity is as follows:

	3.31.05		3.31.04	
	K€	%	K€	%
Development	468,102	87%	437,262	86%
Publishing	53,805	10%	55,929	11%
Distribution	16,141	3%	15,253	3%
Total	538,048	100%	508,444	100%

Note 17 Other operating income

Other operating income breaks down as follows:

	3.31.05	3.31.04
Capitalized software production costs	99,976	79,775
Other capitalized production costs	698	2,037
Operating subsidies	17,835	11,541
Write-back of provisions	6,325	2,939
▪ Risk and charges	1,085	38
▪ Inventory	3,652	652
▪ Doubtful debts	888	1,619
▪ Sundry assets	111	259
▪ Intangible assets	589	343
▪ Tangible assets	-	28
Transfer of expenditures	963	2,643
Other income	1,970	1,176
Total	127,767	100,111

Note 19 Amortization, depreciation and provisions

Depreciation and provisions break down as follows:

	31.03.05	31.03.04
Depreciation of intangible fixed assets	116,320	118,623
▪ Released software programs ¹	99,642 ²	98,379
▪ External developments	13,270 ³	16,899
▪ Office software	3,361	3,309
▪ Logo	33	20
▪ Other	14	16
Depreciation of tangible fixed assets	6,160	6,137
▪ Plant & machinery	878	781
▪ Computer equipment and furniture	4,386	4,316
▪ Development kits	436	179
▪ Transportation equipment	47	25
▪ Leased computer hardware	413	836
Provisions for charges to be spread over several fiscal years	208	560
Provisions for trade receivables	729	1,034
Provisions for inventories	2,093	3,555
Provisions for sundry assets	-	111
Provisions for risk and charges	183	1,345
Total	125,693	131,365

1- Released software programs now include software tools and localization.

2- Includes €51.6 million of additional amortization reflecting the shortfall in estimated sales and projected operating income on certain games.

3- Includes €8.4 million of additional amortization reflecting the shortfall in estimated sales and projected operating income on certain games.

Note 20 Net financial result

Net financial result breaks down as follows:

	3.31.05	3.31.04
Exchange rate conversion differences	-512 ¹	-1,737
Capital gains on bond buybacks	-	2,900
Financial discounts	-2,389	-2,987
Financial costs and proceeds from sale of investment securities	-5,590	-6,307
Depreciation of redemption premium and issue costs for bonds	-2,292	-2,458
Depreciation on equity investments and Teamchman bond issue	-	-1,621
Interest on equity swap	-1,005	-
Other depreciation	116	128
Total	-11,672	-12,082

1- Includes -€451 thousand reflecting the impact on discounting of advances in foreign currencies.

Note 18 Other operating expenses

Other operating expenses break down as follows:

	3.31.05	3.31.04
Other external expenses	174,606 ¹	173,474
Other expenses	2,890	3,174
Total	177,496	176,648

1- Includes €10.5 million in additional depreciation on advances and installments.

Other external expenses consisted mainly of advertising expenditures, royalties, and rental of fixed assets and movables.

Breakdown of exchange rate differences by currency

	3.31.05	3.31.04
Australian dollars	54	633
Canadian dollars	268	-761
Swiss francs	-	129
Pounds sterling	-1,233	-156
Japanese yen	154	-321
US dollars	18	-1,379
Other	227	118
Total	-512	-1,737

Foreign exchange risk

In order to limit the group's foreign exchange risk, Ubisoft Entertainment SA hedges exchange rate fluctuations in several ways:

- when it makes a loan in a foreign currency to its subsidiaries, the parent company also takes out a loan in the same currency. Thus, if the exchange rate rises or falls, any gain or loss on the loan is offset by a gain or loss on the parent company's loan in the opposite direction;
- the distribution subsidiaries pay a royalty to the parent company as compensation for the development costs incurred by the latter. Moreover, Ubisoft EMEA SARL centralizes the purchases of finished products for the entire region and then resells them in local currencies to the subsidiaries. At the same time, Ubisoft Entertainment SA finances all the production studios around the world and most of the licensing and external development agreements. In this way, all of the exchange rate risk is centralized with Ubisoft EMEA SARL and Ubisoft Entertainment SA. When exchange rate risk exists with regard to a single currency in opposite directions (for example, royalties received and cost of a studio in the same currency), the group offsets this by using advances or currency investments to manage the time lags. Amounts that cannot be offset are hedged by forward sales contracts and option contracts. As of March 31, 2005, the total amounts covered resulting in purchases and sales of currencies was €64,140 thousand (see the breakdown by currency and maturity date in § 2.1.9, Off-balance-sheet commitments).

Note 21 Extraordinary result

Extraordinary income is income not related to the company's normal operations (French decree of 11.29.83, Article 14). It is broken down as follows:

	3.31.05
Write-back of provisions for risk and charges	174
Other extraordinary income/expense	-23
Total	151

Tax basis

	3.31.05
Consolidated earnings excluding tax, goodwill amortization, and results of companies using the equity method of accounting	29,829
Theoretical income tax (33.83%)	10,092
Activation of earlier deficits:	-4,238
▪ Ubisoft Entertainment SA	-1,634
▪ Ubisoft Inc.	-1,172
▪ Ubisoft EMEA SARL	-1,318
▪ Other	-114
Adjustments of deferred taxes from previous fiscal years:	-1,336
▪ Correction of deferred taxes for Red Storm Entertainment Inc.	-1,802
▪ Correction of deferred taxes in foreign subsidiaries	591
▪ Other	-125
Effect of recurring differences between company results and the consolidated result:	-1,426
▪ Goodwill	-952
▪ Ubisoft Entertainment SA	-634
▪ Other	160
Impact of changes in tax rates (liability method of tax allocation)	172
Taxation of foreign companies at different rates	1,310
Tax reduction/Research tax credit:	-1,747
▪ Ubisoft Divertissements Inc.	-254
▪ Ubisoft Entertainment SA	-1,289
▪ Other	-204
Total income tax	2,827

Note 22 Corporate tax

Corporate tax breaks down as follows:

	3.31.05	3.31.04
Current tax	-4,147	365
Deferred tax	1,320	-1,785
Total	-2,827	-1,420

Current tax

Tax payable by French companies was calculated at the rate in force on March 31, 2005, i.e., 33.33% plus 1.5%.

There are two groups of fiscal integration:

- in France, the group includes three companies: Ubisoft Entertainment SA, Ubisoft EMEA SARL and Ubisoft France SAS. As of March 31, 2005, the tax group had used deferred tax assets of €12,780 thousand. However, any tax savings arising from the use of deficits at the group's member companies will only be temporary, since the company in question may also use the deficits for its own purposes.
- in the United States, the group encompasses three companies: Ubisoft Holdings Inc., Red Storm Entertainment Inc. and Ubisoft Inc. As of March 31, 2005, the tax group had generated a tax charge of €3,920 thousand.

Breakdown of tax on operating income and extraordinary income

	3.31.05	3.31.04
Tax on operating income	-2,868	1,686
Tax on extraordinary income	41	-3,106
Total	-2,827	-1,420

Deferred tax

	3.31.05	3.31.04
Deferred tax assets (see breakdown in Note 9)	22,500	15,577
Deferred tax liabilities (see breakdown in Note 15)	11,455	5,136

2.1.7 Segment information

In light of the group's organizational structure and the commercial links among the various subsidiaries, we consider that the group operates in a single market in several geographical regions.

1. Breakdown of sales and operating income by geographical area

	France	Germany	UK	Rest of Europe	US Canada	Rest of world	3.31.05 Total
Sales	68,555	53,300	83,198	89,289	222,541	21,165	538,048
Other operating income	107,861	350	184	851	18,053	468	127,767
Costs of sales	-90,047	-4,533	-4,870	-12,705	-65,652	-2,208	-180,015
Intercompany funds flows ¹	723	-10,226	-28,672	-18,500	50,844	5,831	-
Wages and social security costs	-47,123	-3,688	-3,601	-10,230	-61,794	-9,266	-135,702
Other operating expenses	-73,685	-10,174	-14,516	-13,772	-59,577	-5,772	-177,496
Tax and duty	-3,938	-30	-112	-240	-871	-368	-5,559
Depreciation and provisions	-118,732	-215	-598	-759	-4,557	-832	-125,693
Reinvoiced contributions ²	178,686	-22,403	-29,221	-31,348	-87,245	-8,469	-
Operating result	22,300	2,381	1,792	2,586	11,742	549	41,350

1- Invoicing of products purchased on behalf of subsidiaries and reinvoiced at their acquisition cost.

2- The parent company, like Ubisoft EMEA SARL, invoices a contribution to subsidiaries in the form of royalties that serve to support development costs (depreciation of games, internal and external development, royalties) and head office costs.

2. Geographic breakdown of assets

NET ASSETS	France	Germany	UK	Rest of Europe	US Canada	Rest of world	3.31.05 Total
Goodwill	51,167	9,688	-	3,833	52,708	-	117,396
Intangible assets	159,708	37	-	118	12,639	330	172,832
Tangible assets	4,396	93	379	757	8,048	2,129	15,802
Financial assets	916	107	96	138	291	429	1,977
Equity in subsidiaries	2,026	-	-	-	-	-	2,026
Fixed assets	218,213	9,925	475	4,846	73,686	2,888	310,033
Inventory and work-in-progress	2,555	1,838	3,815	3,554	9,557	530	21,849
Advances and installments paid	15,829	48	-	11	8,696	109	24,693
Trade receivables	11,516	6,834	8,804	29,553	78,621	5,648	140,976
Other receivables, accruals and deferrals	36,843	8,587	12,171	2,542	40,720	1,328	102,191
Investment securities	60,859	-	-	-	-	-	60,859
Cash	110,644	195	411	7,973	16,693	5,215	141,131
Current assets	238,246	17,502	25,201	43,633	154,287	12,830	491,699
Total assets	456,459	27,427	25,676	48,479	227,973	15,718	801,732

2.1.8 Compensation of corporate officers

Total gross compensation paid to corporate officers during the fiscal year by the company, by controlled companies as defined by Article L.233-16 of the French Commercial Code, and by the company controlling the one in which they hold office, came to €1,002 thousand. No attendance fees were paid.

No loans or advances were made to officers of the company in accordance with Article L.225-43 of the Commercial Code.

Corporate officers	Total compensation paid	3.31.05	Total compensation paid	3.31.04
		Benefits in kind paid		Benefits in kind paid
Mr. Yves Guillemot	€200,400	None	€193,130	None
Mr. Gérard Guillemot	€200,400	None	€189,315	€381
Mr. Michel Guillemot	€200,400	None	€185,505	None
Mr. Claude Guillemot	€200,400	None	€177,890	None
Mr. Christian Guillemot	€200,400	None	€177,890	None

Mrs. Yvette Guillemot is not compensated for her duties as a director of the Ubisoft group.

2.1.9 Off-balance-sheet commitments

		3.31.05	Due date	3.31.04
Sureties and guarantees given:		32,927		28,053
Debtor	Type of guarantee			
Ubisoft Divertissements Inc.	Loan repayment guarantee	2,542	1.26.06	
Ubisoft GmbH	Receivables payment guarantee	10,226	Indefinite	
Ubisoft Entertainment SA	Guarantee of SPW prices	1,543	3.11.06	
Ubisoft Divertissements Inc.	Comfort letter	2,033	Annual negotiation	
Ubisoft EMEA SARL	Stand by letter	2,000	3.31.05	
Ubisoft Inc.	Commitment guarantee	2,314	End of commercial relationship	
Ubisoft Inc.	Stand by letter	771	12.31.04	
Ubisoft EMEA SARL	Stand by letter	2,000	3.30.05	
Ubisoft Nordic AS	Payment guarantee	1,352	6.30.04	
Ubisoft EMEA SARL	Stand by letter	3,000	6.30.05	
Ubisoft GmbH	Guarantee	600	6.1.05	
Ubisoft Inc.	Stand by letter	1,543	5.31.05	
Ubisoft Inc.	Stand by letter	1,543	6.30.05	
Collateral for loans		None		None
Foreign exchange hedges		64,140		28,136
US dollars	Forward sale and swap	36,073	March 2005 - June 2005	
Pounds sterling	Forward sale and swap	17,232	March 2005 - April 2005	
Canadian dollars	Forward sale and swap	8,452	March 2005 - May 2005	
Australian dollars	Forward sale and swap	2,383	March 2005 - April 2005	
Notes receivable discounted		982		None

1. Equity swap contract

As part of the transaction concluded with Crédit Lyonnais on September 30, 2003, and extended on January 5, 2005, for one year, Crédit Lyonnais will sell its shares at the close of the operation on February 28, 2006. Ubisoft will record in full any fluctuation in the share price from the sale price of €18.66. Changes between the date on which the contract is signed and its expiration will be recorded in temporary accounts pending a final adjustment. Unrealized gains are not recorded in the income statement. A provision for risk and charges must be included for any unrealized gains. As of March 31, 2005, unrealized gains stood at €10,960 thousand.

Since 918,137 shares were sold, the impact of a reduction in the sale price (€18.66) of one euro would be €918,137.

Crédit Lyonnais may sell all or a portion of these shares in advance at Ubisoft's request.

2. Financial leasing

Initial value	Depreciation	Net value	Payments made	Payments still to be made		Residual value
				-1 year	+1 year	
1,217	993	224	149	145	103	48

Leases mainly cover IT hardware leased under contracts of a maximum of three years.

3. Authorizations

Short-term lines of credit amount to €76.5 million; they are unconfirmed and revocable with 30 days' prior notice.

Confirmed bilateral lines of credit represent €6.6 million and were not in use as of March 31, 2005. These lines of credit are in euros.

A syndicated loan is confirmed in the amount of €97.5 million; it was not in use as of March 31, 2005.

4. Other commitments

Future guarantee payments

Various products are marketed under licensing contracts signed by the group. As of March 31, 2005, the commitments accepted by the group provided for the future payment of guaranteed minimum royalties. Commitments by virtue of this guaranteed minimum amounted to €28.3 million.

Individual right to training

France's law of May 4, 2004, grants French employees an individual right to training. Under this new law, employees may receive training at their initiative, with their employer's approval.

Full-time employees enjoy the right to between 20 and 21 hours of training each year, in accordance with the union provisions applicable within each firm.

These hours may be accrued for up to six years.

There are no other significant off-balance-sheet commitments.

2.1.10 Events after closure of accounts

On May 13, 2005, a syndicated loan of €100 million was signed between Ubisoft Entertainment SA and ten banks. It replaces the syndicated loan of €130 million signed on August 13, 2001, and modified to €97.5 million on April 22, 2002.

This loan is initially for a three-year period and may be extended by one additional year for the full initial amount depending on the ratio of net debt to EBITDA.

2.1.11 Employees

As of March 31, 2005, the group's workforce breaks down as follows:

	3.31.05	3.31.04
Europe	915	911
Asia	353	234
Canada	1,110	719
USA	321	307
Morocco	42	52
Romania	218	114
Australia	13	15
Total	2,972	2,352

The average number of staff during the 2004/2005 fiscal year was 2,705 persons.

There is no employee profit-sharing system within the group.

2.2 Corporate accounts of Ubisoft Entertainment SA as of March 31, 2005

2.2.1 Ubisoft Entertainment SA balance sheet

ASSETS			3.31.05		3.31.04	3.31.03
	Notes	Gross K€	Depreciation K€	Net K€	Net K€	Net K€
Intangible assets	1	459,501	297,075	162,426	153,183	168,728
Business assets		-	-	-	1,524	1,524
Tangible assets	2	6,575	4,316	2,259	2,749	4,400
Financial assets	3	245,040	743	244,297	216,951	199,132
Fixed assets		711,116	302,134	408,982	374,407	373,784
Inventory and work-in-progress		-	-	-	22	118
Advances and installments paid	4	15,520	-	15,520	20,491	44,576
Trade receivables	5	124,271	-	124,271	58,465	96,648
Other receivables		32,038	-	32,038	11,760	38,178
Investment securities	8	60,970	111	60,859	43,131	24,211
Cash		39,897	-	39,897	13,035	2,730
Current assets		272,696	111	272,585	146,904	206,461
Bond redemption premium	9	2,825	-	2,825	4,518	7,437
Other receivables and adjustment accounts	10	2,791	-	2,791	4,106	4,524
Total assets		989,428	302,245	687,183	529,935	592,206

LIABILITIES			3.31.05	3.31.04	3.31.03
	Notes		K€	K€	K€
Capital			5,594	5,451	5,437
Premiums			274,795	268,377	267,743
Reserves			-13,185	-14,491	-20,390
Income for fiscal year			20,085	1,305	5,900
Net investment grants			-	33	94
Equity	14		287,289	260,675	258,784
Provisions for risk and charges			30	817	905
Bond debentures	15		173,494	173,490	129,046
Borrowings ^{1 2}	15		108,209	57,990	149,083
Miscellaneous financial debts ³	15		50,831	3,905	7,492
Trade creditors and related accounts payable			20,421	10,221	19,056
Tax and social security liabilities			9,894	3,070	6,921
Debts on fixed assets			20,239	17,411	17,592
Other debts	16		12,811	2,120	2,678
Total debts			395,899	268,207	331,868
Accrued expenses (adjustment accounts)	17		3,967	236	649
Total liabilities			687,183	529,935	592,206
1- Payable at less than one year			108,209	57,990	84,083
Payable at more than one year		-	-	-	65,000
2- Current bank credit facilities and credit balances			108,209	57,990	146,169
3- Current accounts					

2.2.2 Ubisoft Entertainment SA income statement

	Notes	Fiscal year of 12 months ending 3.31.05	Fiscal year 3.31.04 pro forma	Fiscal year of 12 months ending 3.31.04	Fiscal year of 12 months ending 3.31.03
		K€	K€	K€	K€
Production	18	294,529	244,672	165,872	128,696
Other operating income and transfer of expenditures	19	12,712	14,245	14,245	16,574
Total operating income		307,241	258,917	180,117	145,270
Stored purchases and other procurement		-25	-1	-1	11,382
Changes in inventory		-	95	95	260
Other purchases and external charges	20	168,285	148,296	69,496	53,864
Tax and duty		2,088	2,150	2,150	783
Wages and social security costs		741	710	710	674
Other expenses		294	422	422	677
Depreciation and provisions	21	116,798	110,610	110,610	71,113
Total operating expenses		288,181	262,282	183,482	138,753
Operating result		19,060	-3,365	-3,365	6,517
Financial income from equity holdings		81	201	201	-
Income from other securities and claims on fixed assets		-	50	50	49
Other interest and related income ¹		1,348	4,696	4,696	2,465
Write-back of provisions		12,024	1,827	1,827	3,424
Positive exchange differences		8,910	10,406	10,406	12,049
Net proceeds from sales of investment securities		254	8	8	202
Total financial proceeds		22,617	17,188	17,188	18,189
Provisions		2,396	5,352	5,352	11,112
Other interest and related expenses ²		11,026	6,852	6,852	7,694
Negative exchange differences		7,055	9,291	9,291	6,742
Net expenses on sales of investment securities					
Total financial expenses		20,477	21,495	21,495	25,548
Financial result	22	2,140	-4,307	-4,307	-7,359
Operating result		21,200	-7,672	-7,672	-842
Extraordinary result	23	-2,375	9,073	9,073	6,694
Earnings before tax		18,825	1,401	1,401	5,852
Income tax	24	-1,260	96	96	-48
Net income for fiscal year		20,085	1,305	1,305	5,900
1- Including revenue from affiliated companies		1,121	1,235	1,235	2,329
2- Including expenses from affiliated companies		806	931	931	485

2.2.3 Reconciliation of movement in equity

€K	Balance as of 3.31.04	Allocation of earnings, 2003/2004	Capital increase in cash and by bond conversion	Earnings, 2004/2005	Balance as of 3.31.05	Proposed allocation of FY 2004/2005 earnings	Balance as of 3.31.05 after allocation of FY 2004/2005 earnings
Capital	5,450	-	144	-	5,594	-	5,594
Issue premium	268,377	-	6,418	-	274,795	-	274,795
Legal reserves	505	-	-	-	505	-	505
Regulated reserves	238	-	-	-	238	-	238
Other reserves	11,665	-	-	-	11,665	-5,508	6,157
Result account reserve brought forward	-26,898	1,305	-	-	-25,593	25,593	-
Income for fiscal year	1,305	-1,305	-	20,085	20,085	-20,085	-
Investment grants	33	-	-33	-	-	-	-
Total	260,675	-	6,529	20,085	287,289	-	287,289

2.2.4 Cash flow statement

€K	3.31.05	3.31.04
Operating activities		
Net income	20,085	1,305
Depreciation of tangible and intangible fixed assets	116,209	111,909
Depreciation of deferred charges	-	675
Changes in provisions	-9,742	-22,094
Grants	-33	-61
Flows from the disposal of fixed assets	5,906	457
Total cash flow from operating activities	132,425	92,191
Inventory	22	95
Trade receivables	-65,803	35,966
Advances	3,089	19,474
Sundry assets	-19,467	25,766
Trade payables	13,152	-7,192
Other debts ¹	21,201	-3,330
Total change in working capital requirement	-47,806	70,779
Investing activities		
Acquisition of intangible assets	-122,918	-91,059
Acquisition of tangible assets	-103	-276
Acquisition of subsidiary	-23,695	-19,235
Acquisition of other financial fixed assets	-15	-210
Charges to be spread over several years	-	-1,099
Disposal of fixed assets	2,453	3,894
Proceeds from long-term loans and other financial assets	236	6
Total cash flow from investments	-144,044	-107,979
Financing activities		
New long- and medium-term loans	-	54,974
Repayment of loan debentures	-	-9,500
Repayment of long- and medium-term loans	-	-
Increase in capital	144	13
Increase in issue premium	418	633
Increase in issue premium on shares with warrants	1,262	-
Increase in issue premium on group savings plan	4,738	-
Variation in current accounts	46,924	-3,587
Total cash flow from financing activities	53,486	42,533
Net change in cash flow	-5,938	97,524
Net cash position at the beginning of the fiscal year	-1,171	-98,69
Net cash position at the end of the fiscal year	-7,109	-1,170

1- Including change in equity swap contract of €10,578 thousand and change in VAT liabilities of €7,984 thousand.

2.2.5 Explanatory notes on the corporate accounts

The following notes and tables (in which all amounts are shown in thousands of euros) are an integral part of the annual accounts for the fiscal year ending March 31, 2005, and constitute an appendix to the income statement.

The fiscal year covered a period of 12 months from April 1, 2004, to March 31, 2005.

2.2.5.1 Highlights of the fiscal year

Ubisoft Entertainment SA elected to apply the optional research tax credit and reported a tax income on its income statement of €1,290 thousand.

The business assets were resold to the Swiss subsidiary, Ubi Games SA, on March 31, 2005, for €1,524 thousand.

Disposal of shares

On April 26, 2004, the shares held in Ubisoft World Studios SARL were sold to Ludimédia SAS for €200 thousand. Following this transaction, Ludimédia SAS was renamed Ubisoft World Studios SAS.

On July 29, 2004, the shares held in Ubisoft Marketing & Communication SAS were sold to Ubisoft France SAS for €350 thousand.

On January 3, 2005, the shares held in Ubi.com SA were sold to Ubisoft EMEA SARL for €300.5 thousand.

Liquidations

On June 30, 2004, shares in Teamchman SA were written off following the company's liquidation.

On August 31, 2004, shares in Cybersearch SA were written off following the company's liquidation.

Share acquisitions

Following the acquisition of 6,284,876 shares in Gameloft SA on April 16, 2004, Ubisoft Entertainment SA held 27.34% of voting rights on March 31, 2005.

On March 31, 2005, Ubisoft Entertainment SA acquired 100% of the shares in Blue Byte GmbH initially held by its subsidiary Red Storm Entertainment Inc. for the amount of €412.6 thousand.

Asset purchases

On October 25, 2004, Ubisoft Entertainment SA acquired the technology, tools and source codes for team sports games of the Microsoft Corporation for the amount of US\$4,000,000.

Increases in capital

In September 2004, Ubisoft Entertainment SA increased its capital holdings in Ubisoft GmbH through a cash contribution of €2,000 thousand.

In September 2004, Ubisoft Entertainment SA increased its capital holdings in Ubisoft Warenhandels GmbH through incorporation of the current account totaling €920 thousand.

In March 2005, Ubisoft Entertainment SA increased its capital holdings in Shanghai Ubi Computer Software Co. Ltd through incorporation of the current account totaling €1,571 thousand.

Own shares

On January 5, 2005, Ubisoft Entertainment SA extended the equity swap contract with Crédit Lyonnais by one year. This contract involved 918,137 Ubisoft Entertainment SA shares, sold at €18.66 each.

As of March 31, 2005, Ubisoft Entertainment SA held 8,473 of its own shares, acquired for an aggregate value of €374 thousand and recorded as investment securities.

2.2.5.2 Comparability of accounts

In response to the change in tax position with regard to calculating added value in the film industries and the production of commercial software, as of April 1, 2004, development costs subcontracted to group subsidiaries are being recorded as subcontracting charges and carried to assets in the form of capitalized production costs.

As of March 31, 2005, these development costs totaled €101.5 million, compared with €78.8 million on March 31, 2004, and €71.5 million on March 31, 2003.

To facilitate comparison, the column headed "Fiscal year 3.31.04 pro forma" incorporates this change for the previous year.

This change in presentation has no impact on Ubisoft Entertainment SA's operating income.

2.2.5.3 Accounting principles

General accounting conventions were applied in accordance with the principle of conservatism and the following fundamental criteria:

- continuity;
- consistency of accounting methods from one fiscal year to the next;
- the time-period concept;

plus compliance with the general rules governing the preparation and presentation of annual financial statements.

The historical cost principle was applied as the basic method for the valuation of items shown in the accounts.

The accounting methods used are consistent with industry practice. The annual accounts of Ubisoft Entertainment SA follow the provisions relating to individual accounts contained in Regulation 99-03, approved by France's decree of June 22, 1999.

2.2.5.4 Accounting rules and methods

Intangible assets

Intangible assets include:

- office software: amortized over 1 year via the straight-line method;
- ERP-related expenditures: amortized over 5 years via the straight-line method;
- commercial software: amortized over 3 years via the straight-line method;
- logo: amortized over 10 years via the straight-line method;
- brands

Commercial software

The production costs for commercial software, whether produced internally or outsourced, are entered in the accounts under "Intangible assets in progress" (Account 232) as software development advances. Upon the software's first commercial release, it is transferred to the "Released software programs" or "External developments" accounts (208 accounts).

Beginning on April 1, 2004, development costs subcontracted to group subsidiaries are being recorded as subcontracting charges and carried to assets in the form of capitalized production costs.

Commercial software is amortized over three years using the straight-line method, beginning on the date of its commercial release. The production costs for outsourced software are posted to Account 232 or advances and installments in accordance with the rules defined by France's "Conseil d'État" (CE 62547 dated February 12, 1988, and CE 65009 dated November 25, 1989).

However, if sales are below projections and anticipated operating profitability, a supplementary amortization is performed. Operating profitability is determined on the basis of operating income restated to reflect any operating appropriations for amortization.

Brands

Any brands acquired are entered at their acquisition cost; for brands that are created, the cost of registering them is immobilized.

Brands are not amortized. Impairment tests are conducted on significant brands or brands that may appear to have fallen in value. The recoverable value of the brands is then estimated on the basis of the change in sales for the business division in question, its contribution to the group's consolidated income and its updated cash flow. When this value is less than the accounting value, amortization is applied.

Tangible assets

These are shown at historical cost. The depreciation rates applied are as follows:

- equipment: five years (straight-line);
- fixtures and fittings: five and ten years (straight-line);
- computer equipment: three years (diminishing balance);
- office furniture: 10 years (straight-line).

Financial assets

Participating interests are valued at their historical cost, excluding acquisition fees.

The value of an participating interests is reviewed at the end of each fiscal year on the basis of the net position of the subsidiary in question on that date, the market value on the closing date if the company is exchange-listed, and/or its prospects for growth over the medium term. A provision for depreciation is made if appropriate.

Deposits and guarantees are recorded on the basis of the amounts paid.

Advances and installments paid

Advances and installments primarily involve distribution and reproduction rights (licenses) acquired from other publishers. The signing of licensing contracts gives rise to the payment of guaranteed amounts. These amounts are posted to Account 409 at their net value (under the rules of the "Conseil d'État": CE 62547 dated February 12, 1988, and CE 65009 dated November 25, 1989).

These advances and installments are posted to the income statement as set forth in the contracts signed with the publishers (either by the unit or based on the gross margin or sales) or, in the case of flat fees, amortized using the straight-line method.

At year-end, the net accounting value is compared with sales projections in light of the contract conditions. If projected sales are insufficient, an additional amortization will be made on the income statement.

Trade receivables

Trade receivables are entered at their face value. Where applicable, a provision for depreciation may be entered according to the degree of certainty, as of the account closing date, that collection will ultimately be made.

Investment securities

Investment securities consist of directly held shares, interests in investment funds and short-term investments, which are booked at their purchase price or at their market value when it is lower than the purchase price.

Conversion of accounts payable and receivable expressed in foreign currencies

These were converted at the rates applicable on March 31, 2005. Any resulting unrealized exchange gains or losses are shown in the balance sheet under a specific heading. A provision for exchange risk is made in the accounts if conversion reveals the existence of unrealized losses.

Foreign exchange hedges

Since hedges are managed at the global level, Ubisoft has chosen not to apply the hedge accounting method with regard to hedging its foreign exchange rate.

Provisions for risk and charges

Provisions for risk and charges are made when risk and charges that relate to a clearly determined objective, but which are not certain to arise, are made more likely by events that have occurred or are in progress.

As of March 31, 2005, the provisions for risk and charges covered only the exchange risk relating to discounting of claims and debts denominated in foreign currencies.

2.2.5.5 Explanatory notes on the balance sheet

Note 1 Intangible assets

Intangible assets break down as follows:

Fixed assets

	As of 3.31.04					As of 3.31.05
	Gross	Increase	Decrease	Reclassifications of software programs in progress	Other reclassifications	Gross
Released commercial softwares ¹	237,285	105,226	9,802	-8,577	1,759	325,891
External commercial softwares	23,402	16,578	779	-2,978	46	36,269
Commercial softwares in progress	74,158	-	-	11,555	-	85,713
ERP	7,288	-	-	-	1,637	8,925
Logo	335	-	-	-	-	335
Production licenses	1,423	278	-	-	-	1,701
Other intangible assets in progress	1,423	836	-	-	-1,607	652
Other	131	-	116	-	-	15
Total	345,445	122,918	10,697	-	1,835	459,501

1- Released software programs now include software tools and localization.

Depreciation

	As of 3.31.04				As of 3.31.05
	Cumulative	Increase	Decrease	Reclassifications	Cumulative
Released commercial softwares ¹	171,681	100,912	9,803	-	262,790
External commercial softwares ²	18,059	13,249	1,368	46	29,986
ERP	1,608	1,711	-	-	3,319
Logo	20	33	-	-	53
Production licenses	894	149	116	-	927
Total	192,262	116,054	11,287	46	297,075

1- An additional provision of €51.6 million was entered over the course of the fiscal year, reflecting the shortfall in estimated sales and projected operating income on certain games.

2- Includes €8.4 million of additional amortization reflecting the shortfall in estimated sales and projected operating income on certain games.

Business assets

Nature	As of 3.31.04			As of 3.31.05
	Cumulative	Increase	Decrease	Cumulative
Distribution in Switzerland	1,524	-	1,524	-
Total	1,524	-	1,524	-

The business assets were resold to the Swiss subsidiary, Ubi Games SA, on March 31, 2005, for their purchase price. The selling price was reduced by rents billed by Ubisoft Entertainment SA since the purchase of the Guillemot business assets in September 2001 (with the rents considered advance payments toward the acquisition price).

Note 2 Tangible assets

Tangible fixed assets break down as follows:

Fixed assets

	As of 3.31.04			As of 3.31.05
	Gross	Increase	Decrease	Gross
Fittings and fixtures	3,701	42	-	3,743
Transportation equipment	11	-	-	11
Computer equipment and furniture	3,039	16	274	2,781
Tangible fixed assets in progress	27	45	32	40
Total	6,778	103	306	6,575

Depreciation

	As of 3.31.04			As of 3.31.05
	Cumulative	Increase	Decrease	Cumulative
Fittings	1,221	361	-	1,582
Transportation equipment	1	2	-	3
Computer equipment and furniture	2,807	176	252	2,731
Total	4,029	539	252	4,317

Note 3 Financial assets

Financial assets break down as follows:

Fixed assets

	As of 3.31.04			As of 3.31.05
	Gross	Increase	Decrease	Gross
Participating interests	227,811	23,695	6,809	244,697
Other long-term investments	-	-	-	-
Bonds	200	-	200	-
Deposits and guarantees	363	15	36	342
Total	228,374	23,710	7,045	245,039

The change in equity holdings is primarily due to the following:

- capital increases in the following companies:
 - Ubisoft GmbH, €2,000 thousand;
 - Ubisoft Warenhandels GmbH, €920 thousand;
 - Shanghai Ubi Computer Software Co. Ltd, €1,571 thousand;
- the acquisition of 6,284,876 shares in Gameloft SA for €18,791 thousand as well as the acquisition of Blue Byte GmbH for €413 thousand.

The decrease of €6,809 thousand is primarily due to the liquidation of Teamchman SA (€3,349 thousand for equity holdings and €200 thousand for other long-term investments) in June 2004 and Cybersearch SA (€149 thousand) in August 2004 and the disposal of shares in Ubi.com SA and Ubisoft Marketing & Communication SAS.

General information on the listed company:

Listed company	GameLoft SA
Book value as of 3.31.05 (€)	32,183,525
Number of shares	18,522,923
Value of one share as of 3.31.05 (€)	3.15
Write-back over the fiscal year	-
Depreciation over the fiscal year	-

Provisions

	As of 3.31.04			As of 3.31.05
	Cumulative	Increase	Decrease	Cumulative
Participating interests	11,223	74	10,554	743
Bonds	200	-	200	0
Total	11,423	74	10,754	743

The decrease in provisions primarily reflects provision write-backs totaling €3.3 million for Teamchman SA, which was liquidated during the course of the fiscal year.

In addition, a provision write-back for €6.6 million was established for shares in Ubisoft France SAS in light of its outlook for growth over the medium term.

Note 4 Advances and installments paid

These are primarily guaranteed advances paid on licensing contracts.

	As of 3.31.04				As of 3.31.05	
	Net	New guarantees	Reclassifications	Depreciation	Additional depreciation	Net
Licenses	20,491	16,646	-1,758	9,341	10,518	15,520
Total	20,491	16,646	-1,758	9,341	10,518	15,520

In light of the weak sales outlook for certain games, an additional depreciation of €10.5 million was charged to the results as of March 31, 2005.

Note 5 Trade and other receivables

Trade receivables break down as follows:

	As of 3.31.05			As of 3.31.04
	Gross	Provision	Net	Net
Trade receivables	124,271	-	124,271	58,465
Total	124,271	-	124,271	58,465

The trade receivables entry primarily consists of intra-group receivables.

The increase in trade receivables is tied to especially high seasonality affecting sales in the fourth quarter.

Note 6 Statement of receivables and debts

Statement of claims	Gross amount	< 1 year	> 1 year
Receivables on fixed assets			
Other financial assets	342	-	342
Receivables on current assets			
Doubtful debts	-	-	
Trade receivables	124,271	124,271	
Government (VAT credit, other)	5,446	5,446	
Group and partners	26,574	26,574	
Advances and installments	15,520	15,520	
Other debtors	18	18	
Prepaid expenses	1,424	1,424	
Total	173,595	173,253	342
Statement of debts	Gross amount	< 1 year	> 1 year
Convertible bond debentures	172,038	24,875	147,162
Borrowings from credit institutions	109,665	109,665	
Miscellaneous borrowings and financial debt	50,831	50,831	
Trade creditors and related accounts payable	20,421	20,421	
Tax and social security liabilities	9,894	9,894	
Other debts	12,811	12,811	
Debts on fixed assets	20,239	20,239	
Deferred income	3,857	3,857	
Total	399,756	252,593	147,162
Bank loans taken out during the year	-		
Buy-back of OCEANE convertible bonds during the year	-		
Bank loans repaid during the year	-		
Amount of current account debts contracted	46,925		

Note 7 Accrued receivables

	3.31.05	3.31.04
Credits receivable from suppliers	3,620	2,619
Sales not yet billed	12,953	3,513
Interest receivable	18	62
Total	16,591	6,194

Note 8 Investment securities

Nature	Name	Number	Average purchase price, €	Gross value K€	Closing price	Provision K€	Net value value K€	Percentage of capital
Own shares	Ubisoft Entertainment SA	8,473 ¹	44.107	374	31.02	111	263	0.05%
Mutual fund	Étoile MONE EURIBOR	30	101,026.59	3,031	101,026.59	-	3,031	-
Open-ended investment trust	CPR CASH SI	1,200	19.167	23,000	19.167	-	23,000	-
Open-ended investment trust	SOGEMONE	51	226,756.62	11,564	227,119.00	-	11,564	-
Mutual fund	Centrale Monétaire	8,127	2,830.18	23,001	2,830.18	-	23,001	
Total				60,970		111	60,859	

1- Includes the 5,500 shares in the liquidity contract.

Note 9 Bond redemption premium

The initial amount of the OCEANE redemption premium recorded as assets was €16,380 thousand.

This premium is amortized in proportion to accrued interest, i.e., €6,271 thousand as of March 31, 2005. The buy-back of 1,400,699 bonds over the previous fiscal years resulted in a decrease in the redemption premium of €7,284 thousand. The net redemption premium as of March 31, 2005, was €2,825 thousand.

Note 10 Other receivables and adjustment accounts

	As of 3.31.04		As of 3.31.05	
	Cumulative	Increase	Decrease	Cumulative
Prepaid expenses	1,223	1,423	1,223	1,423
Costs of issuing debt securities and OCEANE bonds	2,142	-	804	1,338
Exchange conversion adjustment to assets	741	30	741	30
Total	4,106	1,453	2,768	2,791

This item includes accrued expenses, the costs of convertible bond issues amortized over the duration of the issue and exchange conversion adjustments to assets for receivables and debts expressed in foreign currencies.

Note 11 Payables

	3.31.05	3.31.04
Interest on borrowings from credit institutions	1,456	1,452
Bank charges payable	231	264
Total borrowings & financial debts	1,687	1,716
Trade payables, invoices not yet received	18,485	9,827
Credits to be issued	9,260	8,908
Tax and social security liabilities	545	1,572
Total	29,977	22,023

Note 12 Items relating to affiliated companies

	3.31.05	3.31.04
Current assets		
Participating interests	244,458	224,074
Trade receivables	124,030	58,364
Other receivables	26,540	8,775
Debts		
Miscellaneous borrowings & financial debts	50,831	3,905
Trade creditors and other accounts payable	4,607	4,297
Debts on fixed assets	18,442	14,455
Other debts	-	431
Financial income	1,121	1,235
Financial charges	806	931

Note 13 Provisions on the balance sheet

	As of 3.31.04	FY provisions	FY write-backs	As of 3.31.05
Provisions for risk				
For exchange risk	817	30	817	30
Total	817	30	817	30
Provisions for depreciation				
Of participating interests	11,223	74	10,554	743
Of other long-term investment	200	-	200	-
Of trade receivables	3	-	3	-
Of other receivables	285	-	285	-
Of investment securities and cash instruments	388	-	278	111
Total	12,099	74	11,320	854
Total	12,916	104	12,137	884

Note 14 Equity

Capital

On March 31, 2005, Ubisoft Entertainment SA's capital consisted of 18,044,840 shares with a face value of €0.31 each, i.e., €5,593,900.40.

Number of Ubisoft Entertainment SA shares

As of April 1, 2004	17,582,304
Exercised options	46,888
Bond conversions	20
Exercise of subscription warrants	45,596
Group savings plan	370,032
As of 3.31.05	18,044,840

Maximum number of shares that may be created: 7,172,031

- by bond conversion: 2,598,297;
- by exercise of stock options: 2,041,714;
- by exercise of subscription warrants: 2,532,020.

Stock purchase warrants

Stock purchase warrants as of March 12, 2001

- Number: 53,266, with one warrant entitling its holder to subscribe for 1.038 shares with a face value of €0.31 each (in accordance with the adjustment made in connection with the issue of warrants for the purchase of existing shares and/or subscription for new shares in May 2003)
- Issue price: €0.01
- Exercise period: December 28, 2001, to March 11, 2006
- Exercise price: €40.29

As of March 31, 2005, no warrants had been exercised.

Stock purchase warrants for existing shares and/or for the subscription of new shares of May 14, 2003

- Number: 17,540,082, with 15 warrants needed to subscribe for one share with a face value of €0.31.
- Exercise period: May 14, 2002, to May 14, 2006
- Exercise price: €28

The 1,169,733 warrants allocated to Ubisoft Entertainment SA were cancelled.

710,580 stock purchase warrants were exercised during the fiscal year. 1,776 shares were delivered from directly held shares and 45,596 shares were created.

As of March 31, 2005, 15,648,489 subscription warrants remain to be converted.

Stock options

The capital increases and issue premiums during the past fiscal year were partly driven by the exercise of stock options. For the record, the exercise conditions of the stock option plans are as follows:

	4th Plan	5th Plan	6th Plan	7th Plan	8th Plan	9th Plan	10th Plan	11th Plan	12th Plan
Initial number of shares	40,471	320,926	44,605	389,065	353,181	9,220	71,796	388,150	496,050
Face value	€0.31	€0.31	€0.31	€0.31	€0.31	€0.31	€0.31	€0.31	€0.31
								(France)	(Italy) (USA)
Subscription value	€38	€34.51	€34.51	€12.82	€9.20	€10.25	€9.20	€15.50	€14.72 €15.47 €13.55
Exercise period	12.8.00 through 12.8.05	4.9.01 through 4.9.06	10.25.01 through 4.24.06	8.16.02 through 8.15.12	10.16.02 through 10.15.07	1.29.03 through 1.28.08	4.28.03 through 10.27.07	10.14.04 through 10.13.14	11.17.04 through 11.16.14
Options not exercised as of March 31, 2005	39,186	320,590	44,605	389,065	309,129	8,655	46,284	388,150	496,050

Equity issue reserved for employees

The extraordinary portion of the Combined Ordinary and Extraordinary General Meeting of September 12, 2003, authorized the Board of Directors, at its sole initiative, to proceed with a new equity issue reserved for French employees, subject to a maximum limit of 2.5% of the total shares comprising the company's share capital at the time the authorization was used, specifically by means of an FCPE.

At its meeting on March 3, 2004, the Board of Directors used this authorization to set the subscription price for the shares to be issued at €13.75 each, and specified that these shares would be subscribed for by the Ubi Actions FCPE.

The Board of Directors took note of this equity issue at its meeting on May 18, 2004. Employees subscribed 99,627 shares via the Ubi Actions FCPE.

The extraordinary portion of the Combined Ordinary and Extraordinary General Meeting of July 23, 2004, authorized the Board of Directors, at its sole initiative, to proceed with a new equity issue reserved for French employees, subject to a maximum limit of 2.5% of the total shares comprising the company's share capital at the time the authorization was used, specifically by means of an FCPE.

At its meeting on November 29, 2004, the Board of Directors used this authorization to set the subscription price for the shares to be issued at €12.88 each, and specified that these shares would be subscribed for by the Ubi Actions FCPE.

The Board of Directors took note of this equity issue at its meeting on March 1, 2005. Employees subscribed 270,405 shares via the Ubi Actions FCPE.

Note 15 Financial debts

Financial debt breaks down as follows:

	3.31.05	3.31.04
Bond debentures	172,038	172,038
• Convertible bond, 3.8%	24,876	24,876
• Bonds exchangeable or convertible to new or existing shares (OCEANE)	92,188	92,188
• Bonds with redeemable share subscription warrants (OBSAR)	54,974	54,974
Accrued interest	1,688	1,717
Advances in foreign currencies	40,930	29,249
Bank overdrafts	67,047	28,476
Financial debt	281,703	231,480
Fixed-rate debt	118,490	
Variable-rate debt	163,213	
	< 1 year	> 1 year and < 5 years > 5 years
Maturities outstanding on 3.31.05	134,540	147,163 -

The other financial debts, totaling €50,831 thousand, consist of current account advances made by subsidiaries to the parent company. These advances have a maturity of less than one year.

The breakdown of financial debt by currency is as follows:

	3.31.05	3.31.04
Euros	231,936	203,261
US dollars	23,058	18,455
Pounds sterling	5,932	-
Canadian dollars	15,429	5,388
Yen	759	-
Australian dollars	2,309	4,361
Swiss francs	1,505	-
Danish krone	771	-
Other	4	15
Financial debt	281,703	231,480

Bond debentures

Chief characteristics of the 3.80% bond issue

- Number: 314,815 bonds
As a result of the 5-for-1 stock split and the adjustment made in connection with the issue of warrants for the purchase of existing shares and/or subscription of new shares in May 2003, one bond entitles its holder to subscribe 5.191 shares, each with a par value of €0.31.
- Issue price: €164.64
- Dated date and settlement date: July 16, 1998
- Term of bond: 7 years
- Annual yield: 3.80% per year, or €6.26 per bond, payable on July 16 of each year.
- Gross yield to maturity: 3.80% on July 16, 1998
- Normal redemption: Amortized in full by July 16, 2005, by redemption at a price of €164.64, or 100% of the issue price.

163,732 bonds were converted, four during this fiscal year.

As of March 31, 2005, 151,083 bonds remain to be converted.

Chief characteristics of the OCEANE (bonds convertible/exchangeable into new and/or existing shares)

- Number: 3,150,000 bonds
As a result of the adjustment made in connection with the issue of warrants for the purchase of existing shares and/or subscription for new shares in May 2003, one bond entitles its holder to subscribe for 1.037 shares, each with a par value of €0.31.
- Issue price: €47.50
- Dated date and settlement date: November 30, 2001
- Term of bond: Five years from the settlement date
- Annual yield: 2.5% per year, payable in arrears on November 30 of each year.
- Gross yield to maturity: 4.5% on settlement date (if there is no conversion and/or exchange of shares, and in the absence of early redemption).
- Normal redemption: Redemption in full on November 30, 2006, at a price of €52.70, or 110.94% of face value.

The company bought back 1,400,699 bonds. These bonds were cancelled.

As of March 31, 2005, 1,749,301 bonds remain to be converted.

Chief characteristics of the OBSAR (bonds with redeemable share subscription warrant)

At its meeting on November 3, 2003, the Board of Directors used the authorization granted by the Combined General Shareholders' Meeting of September 12, 2002, to proceed with an OBSAR bond issue (bonds with redeemable share subscription warrants).

Characteristics of the bonds

- Number: 716,746 bonds
- Issue price: €76.70
- Term of bond: Five years from the settlement date
- Nominal rate, yield: The bonds will bear interest at a variable rate payable quarterly in arrears. The annual nominal rate is based on the three-month Euribor.
- Normal redemption: The bonds will be amortized on a single redemption date of December 2, 2008, at the par rate of €76.70 per bond.

As of March 31, 2005, there were 716,746 bonds in circulation.

Characteristics of BSAR (redeemable share warrants)

- Number of BSAR: 1,433,492 BSAR (two BSAR are attached to each bond)
- Parity: One BSAR entitles the holder to subscribe for one new share.
- Exercise price: €38.35
- Exercise period: The BSAR can be exercised at any time between December 3, 2003, and December 2, 2008, subject to the provisions governing the early redemption of BSAR at the option of the issuer and those concerning circumstances under which the exercise of BSAR may be suspended.

As of March 31, 2005, there were 1,433,492 BSAR in circulation.

Covenants

Under the terms of the syndicated loan and redeemable share subscription warrant (OBSAR) and in the case of bilateral lines of credit, the company is required to respect certain financial ratios (known as covenants).

All covenants are calculated on the basis of the annual consolidated accounts (see Note 14 in the explanatory notes on the consolidated accounts).

Note 16 Other debts

	3.31.05	3.31.04
Other debts	12,811	2,120

These consist primarily of margin calls on the equity swap contract (see § 2.2.6.2 Off-balance-sheet commitments).

Note 17 Accruals

	As of 31.03.04			As of 3.31.05
	Cumulative	Increase	Decrease	Cumulative
Deferred income ¹	-	-3,857	-	3,857
Exchange conversion adjustment to liabilities	236	110	236	110
TOTAL	236	3,967	236	3,967

1- Corresponds to deferred sales.

2.2.5.6 Explanatory notes on the income statement

Note 18 Sales

Breakdown of sales by geographical area:

	K€	3.31.05 percentage	K€	3.31.04 percentage
Europe	93,277	48%	70,618	43%
USA	89,444	46%	86,866	52%
Canada	10,209	6%	8,361	5%
Rest of the world	-		27	NS
Sales	192,930		165,872	
Capitalized production costs	101,599		78,801	
Total	294,529		244,673	

Capitalized production costs as of March 31, 2005, stood at €101,599 thousand and reflected development costs subcontracted to subsidiaries and entered as assets in progress. As of March 31, 2004, capitalized production costs stood at €78,801 thousand.

Note 19 Other operating income and transfer of expenditures

	3.31.05	3.31.04
Write-back of depreciation and provisions	703	679
Transfer of expenditures	11,548	12,838
Other current operating income	461	728
Total	12,712	14,245

Transfer of expenditures primarily relates to the rebilling of group companies for overhead costs, travel, exhibition expenses and so on.

Note 20 Other purchases and external expenses

	3.31.05	3.31.04 Pro forma	3.31.04 Former presentation
Other purchases and external charges	168,285	148,296	69,496
Total	168,285	148,296	69,496

Other external expenses consisted mainly of advertising expenditures, royalties, and rental of fixed assets and movables. As of March 31, 2005, external charges included intra-group services totaling €113.7 million.

Production services subcontracted to subsidiaries represented €101,599 thousand as of March 31, 2005, and €78,801 thousand one year earlier.

Note 21 Amortization, depreciation and provisions

Depreciation and provisions break down as follows:

	3.31.05	3.31.04
Depreciation of intangible fixed assets	116,054 ¹	108,898
Depreciation of tangible fixed assets	539	923
Provision for charges to be spread over several fiscal years	205	675
Other provisions	-	114
Total	116,798	110,610

1- Includes €60 million of additional amortization reflecting the shortfall in estimated sales and projected operating income on certain games.

Note 22 Net financial result

Net financial result breaks down as follows:

	3.31.05	3.31.04
Financial income		
Financial income from participating interests	81	201
Income from other securities and claims on fixed assets	-	50
Other interest and related income	1,348	4,696
Write-back of provisions	12,024	1,827
Positive exchange differences	8,910	10,406
Net proceeds from sales of investment securities	254	8
	22,617	17,188
Financial expense		
Depreciation and provisions	2,396	5,352
Other interest and related expense	11,026	6,852
Negative exchange differences	7,055	9,291
	20,477	21,495
Financial result	2,140	-4,307

Foreign exchange risk

In order to limit the group's foreign exchange risk, Ubisoft Entertainment SA hedges exchange rate fluctuations in several ways:

- when it makes a loan in a foreign currency to its subsidiaries, the parent company also takes out a loan in the same currency. Thus, if the exchange rate rises or falls, any gain or loss on the loan is offset by a gain or loss on the parent company's loan in the opposite direction;
- the distribution subsidiaries pay a royalty to the parent company as compensation for the development costs incurred by the latter. Moreover, Ubisoft EMEA SARL centralizes the purchases of finished products for the entire region and then resells them in local currencies to the subsidiaries. At the same time, Ubisoft Entertainment SA finances all the production studios around the world and most of the licensing and external development agreements. In this way, all of the exchange rate risk is centralized with Ubisoft EMEA SARL and Ubisoft Entertainment SA. When exchange rate risk exists with regard to a single currency in opposite directions (for example, royalties received and cost of a studio in the same currency), the group offsets this by using advances or currency investments to manage the time lags. Amounts that cannot be offset are hedged by forward sales contracts and option contracts.

As of March 31, 2005, the total hedge amounts resulting in purchases and sales of currencies stood at €64,140 thousand (see § 2.2.6.2 Off-balance-sheet commitments).

Note 23 Extraordinary result

Extraordinary income is income not related to the company's normal operations (French decree of 11.29.83, Article 14). It is broken down as follows:

	3.31.05
Extraordinary income:	
Extraordinary income from capital transactions	2,484
	2,484
Extraordinary expense	
Extraordinary expense from capital transactions	4,859
	4,859
Extraordinary result	-2,375

As of March 31, 2005, the extraordinary result consisted mainly of capital losses on the sale of Ubi.com SA shares to Ubisoft EMEA SARL.

Note 24 Income tax

As of March 31, 2005, the extent of fiscal integration remained unchanged. Ubisoft France SAS and Ubisoft EMEA SARL are integrated fiscally, with Ubisoft Entertainment SA at the head of the group.

However, any tax savings arising from the use of deficits at the tax group's member companies will only be temporary, since the company in question may also use the deficits for its own purposes.

The data for Ubisoft Entertainment SA, independent of the tax group, are as follows:

	3.31.05	3.31.04
Pre-tax operating profit (loss) less financial profit (loss)	21,200	-7,672
Extraordinary result	-2,375	9,073
Pre-tax profit (loss)	18,825	1,401
Fiscal result	12,413	3,027

The income tax charge consists of the annual flat-rate corporation tax for 2002 of €30 thousand.

A tax debt related to the research tax credit was entered in the amount of €1,290 thousand.

With regard to tax integration, after the fiscal year result was charged to previous losses, the following remained:

- preintegration losses charged to Ubisoft Entertainment SA: €17 million;
- losses carried forward that were generated by the tax group: €10.5 million.

2.2.6 Other information

2.2.6.1 Personnel

As of March 31, 2005, the team consisted of five executives.

2.2.6.2 Financial commitments and other information

		3.31.05	Due date	3.31.04
Sureties and guarantees given		32,576		27,524
Debtor	Type of guarantee			
Ubisoft Divertissements Inc.	Loan repayment guarantee	2,542	1.26.06	
Ubisoft Entertainment GmbH	Receivables payment guarantee	10,226	Indefinite	
Ubisoft Entertainment SA	Guarantee of SPW prices	1,543	3.11.06	
Ubisoft Divertissements Inc.	Comfort letter	2,033	Annual negotiation	
Ubisoft EMEA SARL	Stand by letter	2,000	3.31.05	
Ubisoft Inc.	Commitment guarantee	2,314	End of commercial relationship	
Ubisoft Inc.	Stand by letter	771	12.31.04	
Ubisoft EMEA SARL	Stand by letter	3,000	6.30.05	
Ubisoft EMEA SARL	Stand by letter	2,000	3.30.05	
Ubisoft Entertainment GmbH	Property investment partnership guarantee	600	6.1.05	
Ubisoft Inc.	Stand by letter	1,543	5.31.05	
Ubisoft Inc.	Stand by letter	1,543	6.30.05	
Ubisoft Nordic AS	Distribution contract guarantee	1,352	6.30.04	
Collateral for loans		None		None
Foreign exchange hedges		64,140		28,136
Pound sterling	Forward sale	17,232	April 2005	
US dollar	Forward sale	36,073	April 2005 - May 2005	
Australian dollar	Forward sale	2,383	April 2005	
Canadian dollar	Forward sale	8,452	April 2005 - May 2005	
Notes receivable discounted		None		None

1. Equity swap contract

As part of the transaction concluded with Crédit Lyonnais on September 30, 2003, and extended on January 5, 2005, for one year, Crédit Lyonnais will sell its shares at the end of the operation, i.e., on February 28, 2006. Ubisoft will record in its entirety any fluctuation in the share price from the sale price of €18.66 (changes between the date on which the contract is signed and its expiration will be recorded in temporary accounts pending a final adjustment.

Unrealized gains are not recorded in the income statement. A provision for risk and charges must be included for any unrealized gains). As of March 31, 2005, unrealized gains stood at €10,960 thousand.

Since 918,137 shares were sold, the impact of a reduction in the sale price (€18.66) of one euro would be €918,137.

Crédit Lyonnais may transfer all or a portion of these shares in advance at Ubisoft's request.

2. Financial leasing (in €K)

Initial value	Depreciation	Net value	Payments made	Payments remaining to be made	Residual value
				- -1 year +1 year	
489	489	-	96	- -	3

Leased assets consist primarily of IT hardware.

3. Authorizations

Short-term lines of credit amount to €76.5 million; they are unconfirmed and revocable with 30 days' prior notice.

Confirmed bilateral lines of credit total €6.6 million and were not in use as of March 31, 2005. These lines of credit are in euros and US dollars.

A syndicated loan has been confirmed in the amount of €97.5 million; it was not in use as of March 31, 2005.

4. Other commitments

- Since the team consists of officers of the company, no retirement compensation is owed;
- Various products are marketed in accordance with licensing contracts signed by Ubisoft Entertainment SA. The commitments accepted by the company provide for the payment of guaranteed minimum royalties. As of March 31, 2005, commitments by virtue of this guaranteed minimum amounted to €19.1 million;
- France's law of May 4, 2004, grants French employees an individual right to training. Under this new law, employees may receive training at their initiative, with their employer's approval. Full-time employees enjoy the right to between 20 and 21 hours of training each year, in accordance with the union provisions applicable within each firm. These hours may be accrued for up to six years;

- During the next fiscal year, abatements in the calculation of corporate tax will be as follows (no increases have been identified):

- Organic	K€ 194
- Exchange rate fluctuations	K€ 110
	<u>K€ 304</u>

- Ubisoft Entertainment SA has pledged to provide financial support to its subsidiaries to meet their cash requirements.

2.2.6.3 Compensation of corporate officers

Ubisoft Entertainment SA paid €546 thousand to corporate officers during the 2004/2005 fiscal year as compensation. No attendance fees were paid.

No loans or advances were made to officers of the company in accordance with Article L.225-43 of the French Commercial Code.

2.2.6.4 Events after closure of accounts

On May 13, 2005, a syndicated loan of €100 million was signed between Ubisoft Entertainment SA and ten banks. It replaces the syndicated loan of €130 million signed on August 13, 2001, and modified to €97.5 million on April 22, 2002.

This loan is initially for a three-year period and may be extended by one additional year for the full initial amount depending on the ratio of net debt to EBITDA.

2.2.6.5 Subsidiaries and affiliated companies (March 31, 2005)

	Country	Currency	Capital	Reserves and amounts carried forward before allocation of earnings	Percentage of capital held	Book value of securities held		Loans and advances granted by the company and not yet	Total collateral and guarantees provided by the company	Net sales excluding tax	Net income for last complete year	Dividends collected
			in K of currency units	in K of currency units		Gross	Net	in K of currency units	in K of currency units	in K of currency units	in K of currency units	
SUBSIDIARIES: AT LEAST 50% OF CAPITAL HELD												
UBISOFT	USA	US dollar	90,405	-7	100%	96,991	96,991	-	-	79	-291	none
UBISOFT EMEA SARL	France	Euro	11,960	38,749	99.99%	55,158	55,158	--	-	199,583	-216	none
UBISOFT France SAS	France	Euro	20,623	-4,637	99.99%	22,872	22,872	-	-	51,809	885	none
UBISOFT GmbH	Germany	Euro	9,320	3,619	100%	12,573	12,573	-	-	56,601	625	none
UBISOFT DIVERTISSEMENTS Inc.	Canada	Canadian dollar	1,000	10,921	100%	641	641	18,475	-	64,552	3,124	none
Total						188,235	188,235	18,475				

	Currency value	Gross value	Net	Loans and advances
Other subsidiaries				
French subsidiaries	Euro	3,070	3,057	-
Foreign subsidiaries	Euro	21,207	20,478	8,099
Subtotal		24,277	23,535	8,099
AFFILIATED COMPANIES: BETWEEN 10 AND 50% OF CAPITAL HELD				
Interests in French companies	Euro	32,183	32,183	-
Subtotal		32,183	32,183	-
Overall total		56,460	55,718	8,099

3

**DECLARATION BY THE
STATUTORY AUDITORS**

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Report on the consolidated account statements for the fiscal year ending March 31, 2005

Ladies and Gentlemen:

Pursuant to the assignment vested in us by your General Meeting, we have audited the consolidated accounts of Ubisoft Entertainment SA for the fiscal year ending March 31, 2005, as appended to this report.

The annual accounts have been prepared by the Board of Directors. It is our task to express an opinion on these accounts on the basis of our audit.

I - Opinion regarding the consolidated accounts

We 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 accounts contain no material anomalies. An audit consists of the examination, on a sampling basis, of evidence relevant to the amounts and disclosures made in the financial statements. It also involves an assessment of the accounting principles applied, the significant estimates made in the preparation of the financial statements and their overall presentation. It is our view that the audit we have carried out forms a true and fair basis for the opinion expressed below.

We hereby certify that, from the standpoint of accounting rules and principles in France, the financial statements give a true and fair view of the results obtained for the period in question and of the financial situation and assets of the consolidated corporate entity at the end of the accounting period.

II - Basis for assessment

Pursuant to the provisions of Article L. 225-235 of France's Commercial Code regarding the basis for an assessment, we call your attention to the following items:

Goodwill and brands

The note relating to "Goodwill/Brands" in the section of the explanatory notes titled "Accounting principles" describes the amortization procedures used for goodwill as well as trademarks and patents posted to assets in the balance sheet.

Our task was to evaluate the data and premises on which these estimates were based and to review the calculations performed by the company.

As part of our assessment, we verified that these estimates could be considered reasonable.

Commercial software and advances and installments paid

The notes relating to "Commercial software" and "Advances and installments paid" in the section titled "Accounting principles" describes the procedures used to record additional amortization at the close of the fiscal year.

Our task was to evaluate the data and premises on which these estimates were based and to review the calculations performed by the company.

As part of our assessment, we verified that these estimates could be considered reasonable.

Our evaluations were conducted within the context of our audit of the consolidated accounts as a whole and in part, and provided a basis for the opinion that we expressed in the initial portion of this report.

III - Specific audit

We have also verified the information on the group given in the management report. We have no criticism to make regarding the accuracy of this information and its consistency with the consolidated accounts.

September 2, 2005

By the statutory auditors

KPMG Audit

A division of KPMG SA

Laurent Prévost
Partner

SARL Audit AMLD

André Métayer
Partner

3.2 General report on the fiscal year ending March 31, 2005

Ladies and Gentlemen:

Pursuant to the assignment vested in us by your General Meeting, we hereby present our report for the fiscal year ending March 31, 2005, with regard to the following:

- the audit of the annual accounts of Ubisoft Entertainment SA, as appended to this report;
- the basis for our assessment;
- specific verifications and information required by law.

The annual accounts have been prepared by the Board of Directors. It is our task to express an opinion on these accounts on the basis of our audit.

I - Opinion regarding the annual accounts

We 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 accounts contain no material anomalies. An audit consists of the examination, on a sampling basis, of evidence relevant to the amounts and disclosures made in the financial statements. It also involves an assessment of the accounting principles applied, the significant estimates made in the preparation of the financial statements and their overall presentation. It is our view that the audit we have carried out forms a true and fair basis for the opinion expressed below.

We hereby certify that, from the standpoint of accounting rules and principles in France, the annual accounts give a true and fair view of the results obtained for the period in question and of the company's financial situation and assets at the end of this accounting period.

Without compromising the foregoing opinion, we draw your attention to the information contained in the explanatory note entitled "Comparability of accounts," relating to the modification in the development costs presentation billed by the subsidiaries of Ubisoft Entertainment in the income statement of your firm.

II - Basis for assessment

Pursuant to the provisions of Article L. 225-235 of France's Commercial Code regarding the basis for an assessment, we call your attention to the following items:

Equity holdings

The note relating to "Financial assets" in the section of the explanatory notes titled "Accounting rules and methods" describes the accounting principles for the valuation and depreciation of equity holdings.

As part of our assessment of the accounting rules and practices observed by your company, we have verified the appropriateness of the accounting methods indicated above and of the information provided in the explanatory notes, and we have ascertained that they are being applied correctly.

Commercial software and advances and installments paid

The notes relating to "Commercial software" and "Advances and installments paid" in the section titled "Accounting rules and methods" describes the procedures used to record additional amortization at the close of the fiscal year.

Our task was to evaluate the data and premises on which these estimates were based and to review the calculations performed by the company.

As part of our assessment, we verified that these estimates could be considered reasonable.

Our evaluations were conducted within the context of our audit of the annual accounts as a whole and in part, and provided a basis for the opinion that we expressed in the initial portion of this report.

III - Specific audits and information

In accordance with accepted professional standards in France, we have also carried out the specific audits required by law.

We have no criticisms to make with regard to the accuracy of the information given in the management report prepared by the Board of Directors or in the documents sent to shareholders concerning the financial situation and annual accounts, or with regard to its consistency with the annual accounts.

As required by law, we have ascertained that the various information relating to acquisition of equity holdings and control and to the identity of the holders of share capital was given to you in the management report.

September 2, 2005

By the statutory auditors

KPMG Audit
A division of KPMG SA

Laurent Prévost
Partner

SARL Audit AMLD

André Métayer
Partner

3.3 Special report on regulated agreements for the fiscal year ending March 31, 2005

Ladies and Gentlemen:

In our capacity as the statutory auditors of your company, we hereby present our report on regulated agreements.

I - Previously authorized agreements signed over the course of the fiscal year

Pursuant to Article L. 225-40 of France's Commercial Code, we have been advised of the agreements for which prior authorization was given by your Board of Directors.

It is not our responsibility to look for other agreements that may exist, but to inform you, on the basis of the information given to us, of the essential features and details of the agreements of which we have been advised, without passing judgment on their usefulness and validity.

According to the provisions of Article 92 of France's decree of March 23, 1967, it is your responsibility to assess whether it is in your interests to enter into these agreements before approving them.

1. sale of share held in Ubisoft world studios

Director concerned: : Mr. Yves GUILLEMOT

Nature and purpose: your company has authorized the sale of 3,999 shares held in Ubisoft World Studios SARL to Ludimedia SAS (then renamed Ubisoft World Studios SAS) for the amount of €199,950.

This agreement was approved at the Board meeting held on April 1, 2004.

This agreement was approved at the Board meeting held on April 9, 2004.

2. Purchase of Gameloft shares held by GUILLEMOT BROTHERS SA

Directors concerned: Messrs. Yves, Michel, Gérard, Claude et Christian GUILLEMOT

Nature and purpose: your company has authorized the purchase of 6,284,876 Gameloft shares held by Guillemot Brothers SA for a total amount of €18,791,779.24.

3. Authorization of commitments made by Ubisoft EMEA SARL, Ubisoft Inc., Ubisoft GmbH

Directors concerned: Messrs. Yves, Michel, Gérard, Claude et Christian GUILLEMOT

Nature and purpose:

- with regard to Ubisoft Inc.: authorization to guarantee commitments made with Nintendo of America Inc., Microsoft Licensing Inc. and Sony Disc Manufacturing, companies incorporated under American law, up to a maximum of €20,000 thousand taken cumulatively with the guaranteed commitments made to Ubisoft EMEA and Ubisoft GmbH;

- with regard to Ubisoft EMEA SARL: authorization to guarantee commitments made with Nintendo of Europe GmbH, a company incorporated under German law; Sony DADC Austria AG, a company incorporated under Austrian law; and Microsoft Licensing Inc., a company incorporated under American law, up to a maximum amount of €20,000 thousand taken cumulatively with the guaranteed commitments made to Ubisoft Inc. and Ubisoft GmbH;
- with regard to Ubisoft GmbH: authorization to guarantee commitments made with SCI Games Limited, a company incorporated under British law, up to a maximum amount of €20,000 thousand taken cumulatively with the guaranteed commitments made to Ubisoft EMEA and Ubisoft Inc.

This agreement was approved at the Board meeting held on April 15, 2004.

4 sale of shares held in Ubi.com SA

Directors concerned: Messrs. Yves, Michel et Christian GUILLEMOT

Nature and purpose: your company authorized the sale of 3,098,107 shares held in Ubi.com SA to Ubisoft EMEA SARL for a total selling price of €300,439.42.

This agreement was approved at the Board meeting held on January 3, 2005.

5. Sale of the swiss business assets to Ubi GAMES

Director concerned: Monsieur Yves GUILLEMOT

Nature and purpose: your company authorized the transfer of all rights to the Swiss business assets to Ubi Games SA (Switzerland). The net selling price was €1,482,490.17, excluding tax.

This agreement was approved at the Board meeting held on March 14, 2005.

II - Agreements approved in previous fiscal years and remaining in force during the fiscal year

Moreover, pursuant to the decree of March 23, 1967 we have been informed that the following agreements, approved during previous fiscal years, remained in force during the past fiscal year.

Brand licensing agreement with Gameloft SA

Nature and purpose: licensing agreement for current and future brands licensed exclusively for the development of interactive video games for telephone, fax and telecommunications devices; personal digital assistants (PDA); and interactive television.

Durée : 10 years as of April 1, 2002.

Royalties from the agreement during the course of the fiscal year totaled €302,234.07, excluding tax.

This agreement was approved at the Board meeting held on August 18, 2003.

III - Agreements signed over the course of the fiscal year and not previously approved

We also present our report on the agreements defined in Article L. 225-42 of France's Commercial Code.

Pursuant to Article L. 225-240 of this Code, we hereby notify you that these agreements have not received prior authorization from your Board of Directors.

It is our responsibility to inform you, on the basis of the information given to us, of the essential features and details of these agreements and the circumstances that led to a failure to comply with the procedure, without passing judgment on their usefulness and validity. According to the provisions of Article 92 of France's decree of March 23, 1967, it is your responsibility to assess whether it is in your interests to enter into these agreements before approving them.

The following agreement could not be authorized by your Board of Directors because all of the directors are concerned in the agreement and consequently are prohibited by law from voting on the approval in question.

Sale of shares held Ubisoft Marketing & Communication SA

Directors concerned: Mrs. Yvette GUILLEMOT et Messrs. Yves, Claude, Michel, Gérard et Christian GUILLEMOT

Nature and purpose: your company sold 9,994 shares that it held in Ubisoft Marketing & Communication SA to Ubisoft France SAS for the amount of €349,790.

We have carried out our work in accordance with accepted professional standards in France. These standards require due diligence in order to ascertain that the information provided to us agrees with the basic documents from which it was derived.

Executed in Rennes on september 2, 2005

By the statutory auditors

AUDIT AMLD

André Métayer

KPMG Audit
A division of KPMG SA

Laurent Prévost

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GENERAL INFORMATION

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4.1 General information on the company

4.1.1 Company name and registered office

The Extraordinary General Meeting of shareholders held on July 23, 2004 changed the company's name to Ubisoft Entertainment SA.

The company's registered office is located at 107 Avenue Henri Fréville, BP 10704, Rennes, France (35207 Cedex 2).

4.1.2 Legal status

A French société anonyme with a Board of Directors, governed by the French Commercial Code.

4.1.3 Jurisdiction

The company is subject to French law.

4.1.4 Company founding and expiration dates

The company was incorporated on March 28, 1986 for a term of 99 years, unless it is extended or dissolved at an earlier date.

4.1.5 Corporate purpose (Article 3 of the Articles of Association)

Ubisoft Entertainment SA's purpose in France and abroad, whether direct or indirect, is as follows:

- the creation, publishing and distribution of all kinds of multimedia, audiovisual and computing products, including video games, educational and cultural software, cartoons and literary, cinematographic and televisual works on any media, current or future;
- the distribution of all kinds of multimedia and audiovisual products, especially through such new communications technologies as networks and online services;
- the purchase, sale and trading - in general and in all forms, including both import and export, via rental or otherwise - of any computer and word processing hardware along with its accessories, as well as all image and sound reproduction equipment or products;
- the marketing and management of all data processing and word processing computer programs;

- consulting, support and training related to any of the aforementioned areas;
- the company's participation in all operations related to its corporate purpose through the creation of new companies, the subscription or purchase of shares or ownership interests, mergers or other means.

And, in general, operations of any kind related directly or indirectly to the aforementioned corporate purpose or to any similar or related purposes likely to promote the growth of the company.

4.1.6 Trade and Companies Register

The company is registered in the Trade and Companies Register of Rennes under No. 335 186 094.

APE code: 722 A.

4.1.7 Site for consultation of legal documents regarding the company

The Articles of Association, financial statements and reports, and minutes of General Meetings may be consulted at the business address or at the registered office.

4.1.8 Accounting period

The 12-month accounting period begins on April 1 and ends on March 31 of each year.

4.1.9 Statutory distribution of profits (Article 17 of the Articles of Association)

The income from the fiscal year, once operating expenses, depreciation and provisions have been deducted, constitutes net profit. The following items are deducted from the profits for the fiscal year after deduction of losses carried forward from previous years, where appropriate:

- the amounts to be added to reserves as provided by law or the Articles of Association and, in particular, at least 5% to supply the legal reserve fund. This deduction ceases to be compulsory when said fund equals one tenth of the share capital; it again becomes compulsory if, for any reason, the legal reserve drops below this level;

- any amounts that the General Meeting, in response to a proposal by the Board of Directors, deems necessary to allocate to extraordinary or special reserves or to carry forward.

The balance is distributed to the shareholders. However, unless there is a reduction of capital, no distribution may be made to shareholders where the shareholders' equity is, or would be if such a distribution were to take place, less than the amount of capital plus reserves which may not be distributed under the law or the Articles of Association.

The General Meeting may, in accordance with the provisions of Article L. 232-18 of the French Commercial Code, grant each shareholder the option of receiving all or part of the dividend or the interim dividends to be distributed in cash or in the form of shares.

4.1.10 General Meetings (Article 14 of the Articles of Association)

General Meetings comprise all the shareholders of Ubisoft Entertainment SA, with the exception of the company itself. They represent the totality of shareholders.

They are called and deliberate under the conditions stipulated by the French Commercial Code.

General Meetings are held at the registered office or at any other place specified in the notice of meeting.

They are chaired by the Chairman of the Board of Directors or, in his absence, by a director appointed for this purpose by the General Meeting.

Every shareholder has the right, upon proof of his or her identity, to take part in General Meetings by attending in person, by appointing a proxy or by absentee voting, including via electronic means, subject to the following conditions:

- holders of registered shares or certificates of voting rights must be listed in the company's records under their own name;
- holders of bearer shares must file, at the place indicated in the notice of meeting, a certificate issued by an authorized intermediary showing that their shares listed in the records are non-transferable up to the meeting date.

These formalities must be completed prior to a date set by the Board of Directors in the meeting notice; said date may not be more than five (5) days prior to the date of the meeting.

However, any shareholder who has requested an admission card or already voted by absentee ballot (via mail or electronic means) or has granted a proxy after producing a share-blocking certificate issued by the custodian of the shares may dispose of all or some of the shares by virtue of which the vote or proxy was sent, on condition that the intermediary authorized by the company receives the information required to cancel the shareholder's vote or proxy or to change the number of shares and corresponding votes by no later than 3:00 p.m. (Paris time) of the day prior to the meeting.

The deadline for returning absentee voting ballots and proxies is set by the Board of Directors and announced in the notice of meeting published in the "Bulletin des Annonces Légales Obligatoires".

The Board of Directors may decide that the vote taking place during the meeting may be shown by remote display under the conditions set forth in the regulations.

4.1.11 Holdings outside the threshold (Article 6 of the Articles of Association)

Any shareholder acting alone or in concert, without prejudice to the thresholds defined in Article L. 233-7 of the French Commercial Code, who comes to hold, directly or indirectly, at least 4% of the share capital or voting rights of the company, or a multiple thereof up to and including 28%, must inform the company, by registered letter with acknowledgment of receipt sent to its registered office and within the period stipulated in Article L. 233-7 of the French Commercial Code, of the total number of shares, voting rights and securities granting future access to the company's share capital which said shareholder holds directly, indirectly or in concert.

The notification referred to in the preceding paragraph for exceeding the threshold by a multiple of 4% of the capital or voting rights also applies if the share of capital or voting rights drops below any of the aforementioned thresholds.

Failure to declare the attainment of the statutory thresholds results in the loss of voting rights under the conditions set forth in Article L. 233-14 of the French Commercial Code, at the request, recorded in the minutes of the General Meeting, of one or more shareholders who together hold at least 5% of the company's capital or voting rights.

4.1.12 General Management functions (Article 13 of the Articles of Association)

The General Shareholders' Meeting of October 19, 2001 approved the amendment of the Articles of Association to reflect the provisions of Article L. 225-51-1 of the French Commercial Code, which provide for a choice between two methods of exercising General Management functions.

Mr. Yves Guillemot, Chairman of the Board of Directors, also serves as Chief Executive Officer of Ubisoft Entertainment SA.

4.1.13 Share buy-back program

A share buy-back program was authorized by the Ordinary Shareholders' Meeting of July 23, 2004, the objectives of which, in accordance with Articles L 255-209 and seq. of the French Commercial Code, are as follows in order of priority:

- up to 1 million own shares bought back:
 - to stabilize the company's share price by systematically implementing a policy of "leaning against the wind";
 - to grant stock options to the company's employees and managers or acquire shares under the conditions stipulated in Articles 443-1 et seq. of the French Labor Code and the second paragraph of Article L 225-191 of the French Commercial Code.

- more than 1 million own shares bought back:
 - to surrender shares as a means of exchange or payment in connection with financial or external growth operations through a takeover bid or other means;
 - to surrender shares upon the exercise of rights attached to securities that confer the right, either by redemption, conversion, exchange, presentation of a warrant or any other means, to allot shares of the company;
 - to cancel shares by a reduction of capital;
 - to purchase and sell shares based on market conditions;
 - to allow the company to conduct stock market or off-market transactions involving its shares for any other purpose that is or may become authorized by law or regulation.

As of March 31, 2005, the company held 2,973 of its own shares representing 0.016% of its share capital.

4.1.14 Consent clause

Ubisoft Entertainment SA's Articles of Association do not contain a consent clause.

4.2 General information on the capital

4.2.1 Share capital

As of March 31, 2005, share capital amounted to €5,593,900.40, representing a total of 18,044,840 shares, each with a par value of €0.31.

4.2.2 Rights attached to shares (Articles 7 and 8 of the Articles of Association)

Each share gives a right to ownership of the corporate assets and liquidating dividend in proportion to the percentage of capital it represents.

Whenever it is necessary to own several shares in order to exercise a right of any kind, such as in case of an exchange, consolidation or allotment of shares, or following an increase or reduction of capital, regardless of the terms and conditions thereof, a merger or any other operation, the holders of fewer shares than the number required may exercise their rights only if they take it upon themselves to pool their shares and, if necessary, to purchase or sell the number of shares or rights forming the odd lot needed.

Voting rights double those granted to other shares, based on the proportion of the share capital they represent, are

attributed to all fully paid-up shares that are shown to have been registered for at least two years in the name of the same shareholder.

This right is also granted at the time of issue in case of an equity issue by capitalization of reserves, earnings or issue premiums to registered shares allotted free of charge to a shareholder on the basis of old shares for which this right was enjoyed.

It should be noted that Article L. 225-124 of the French Commercial Code stipulates that double voting rights are automatically revoked for shares which are converted to bearer shares or for which ownership is transferred, with the exception of transfer of ownership between registration accounts resulting from succession, inter-family gifts or liquidation of communal property.

4.2.3 Authorized unissued capital

The General Meeting of July 23, 2004 authorized the Board of Directors (with the authority to sub-delegate to its Chairman) to increase the share capital (with or without pre-emptive rights) by issuing shares and securities, for a duration of 26 months, giving access to the share capital immediately or at a future date, subject to a limit of €8 million in par value, with an additional ceiling of €300 million for debt securities.

4.2.4 Potential capital

	Potential No. of shares	Référence
Stocks options ¹	2,041,714	f)
SPWs ¹	2,532,020	c), d) and e)
July 1998 CBs	784,272	a)
November 2001 OCEANE	1,814,025	b)
Total	7,172 031	

1- All issues taken together.

Summary of the existing authorizations granted by the Extraordinary General Meeting to the Board of Directors related to equity issues (Article L225-100 of the French Commercial Code)

Purpose of the authorization	EGM	Term	Authorized amounts	Use of the authorizations during the fiscal year	Remaining amount /percentage of the authorizations as of the creation date of this table
Authorization granted to the Board of Directors to issue shares to employees in connection with the company savings scheme	July 23, 2004	18 months after the EGM	2.5% of the total shares comprising the share capital as of the date on which the authorization is used by the Board of Directors	270,405 shares created following the underwriting of the Ubi Actions company mutual fund (FCPE) for an equity issue of €83,825.55	1%
Authorization granted to the Board of Directors to grant employees and company managers options giving a right to new shares and/or stock options	July 23, 2004	38 months after the EGM	5% of the total shares comprising the share capital as of the authorization date	884,200 stock options granted Potential equity issue in the amount of €274,102	0,1%
General authorization granted to the Board of Directors to carry out equity issues with pre-emptive rights	July 23, 2004	26 months after the EGM	Maximum total par value of shares or securities that can be issued: €8,000,000 Maximum par value of debt securities that can be issued: €300,000,000		€7,642,072
General authorization granted to the Board of Directors to carry out equity issues without pre-emptive rights	July 23, 2004	26 months after the EGM	Maximum total par value of shares or securities that can be issued: €8,000,000 Maximum par value of debt securities that can be issued: €300,000,000	€357,927.55 of par value	€300,000,000

- a) The meeting of the Board of Directors of June 30, 1998 made use of the authorization from the Extraordinary General Meeting of the same date to issue convertible bonds without pre-emptive rights up to a total of €51.83 million.**

Chief characteristics of this bond issue:

Number:	314,815 bonds Following the 5-for-1 stock split and the adjustment made in connection with the issue of warrants for the purchase of existing shares and/or the subscription of new shares in May 2003, one bond entitles its holder to subscribe for 5.191 shares, each with a par value of €0.31.
Nominal issue price:	€164.64 per bond
Dated date and settlement date:	July 16, 1998
Term of bond:	7 years
Annual yield:	3.80% per year, or €6.26 per bond, payable after July 16 of each year.
Gross yield to maturity:	3.80% on July 16, 1998
Normal redemption:	Redemption in full by July 16, 2005 by redemption at a price of €164.64, or 100% of the issue price.

As of March 31, 2005, 151,083 bonds remain to be converted; 4 bonds were converted during the fiscal year.

- b) At its meeting of November 13, 2001, the Board of Directors used the authorization granted by the Extraordinary General Meeting of October 19, 2001 to issue bonds with an option to convert into and/or exchange for new or existing shares of the company (OCEANE) for a total maximum amount of €172.5 million.**

Chief characteristics of this bond issue:

Number:	3,150,000 bonds As a result of the adjustment made in connection with the issue of warrants for the purchase of existing shares and/or the subscription for new shares in May 2003, one bond entitles its holder to subscribe for 1.037 shares, each with a par value of €0.31.
Nominal issue price:	€47.50
Dated date and settlement date:	November 30, 2001
Term of bond:	Five years from the settlement date
Annual yield:	2.5% per year, payable in arrears on November 30 of each year
Gross yield to maturity:	4.5% on the settlement date (if no conversion into and/or exchange for shares and no early redemption)
Normal redemption:	Redemption in full on November 30, 2006 at a price of €52.70, or 110.94% of face value.

No bonds were exercised during the fiscal year.

As of March 31, 2005, 1,749,301 bonds remain to be converted.

- c) At its meeting of March 12, 2001, the Board of Directors used the authorization granted by the Extraordinary General Meeting of March 9, 2001 to issue 53,266 stock purchase warrants up to € 16,240.70 in par value.**

Chief characteristics of the stock purchase warrants of March 12, 2001:

Initial number of warrants:	53,266, with one warrant entitling its holder to subscribe for 1.0381 shares with a par value of €0.31 (following the adjustment made in connection with the issue of warrants for the purchase of existing shares and/or subscription for new shares in May 2003).
Issue price:	€0.01
Strike price:	€40.29
Exercise period:	December 28, 2001 to March 11, 2006
Warrants not exercised by the end of this period will lose all value and be cancelled.	
As of March 31, 2005, no warrants had been exercised.	

- d) At its meeting of April 25, 2003, the Board of Directors used the authorization granted by the Combined General Meeting of September 12, 2002 to issue and allocate, free of charge, warrants for the purchase of existing shares and/or the subscription for new shares to all shareholders on May 14, 2003.**

Chief characteristics of the stock warrants for the purchase of existing shares and/or the subscription for new shares of May 14, 2003:

Initial number of warrants: 17,540,082 (15 SPWs entitle the holder to one share)

Strike price: €28

Term: May 14, 2002 to May 14, 2006, inclusive

The 1,169,733 stock warrants allocated to Ubisoft Entertainment SA were cancelled. 710,580 stock purchase warrants were exercised during the fiscal year. 1,776 shares were delivered by Ubisoft Entertainment SA from its treasury shares and 45,596 shares were created.

As of March 31, 2005, 15,648,489 stock warrants remained to be converted.

- e) At its meeting of November 3, 2003, the Board of Directors used the authorization granted by the Combined General Meeting of September 12, 2002 to proceed with an OBSAR bond issue (bonds with redeemable share warrants).**

Characteristics of the bonds:

Number: 716,746 bonds

Nominal issue price: €76.70

Term of bond: Five years from the settlement date

Nominal rate, yield: The bonds will bear interest at a variable rate payable quarterly in arrears. The annual nominal rate is based on the 3-month Euribor.

Normal redemption: The bonds will be redeemed on one occasion on December 2, 2008 by redemption at par, i.e. €76.70 per bond.

As of March 31, 2005, there were 716,746 bonds in circulation.

Characteristics of the BSAR (Redeemable share warrants):

Number of BSAR: 1,433,492 BSAR (two BSAR are attached to each bond).

Parity: 1 BSAR entitles the holder to subscribe for one new share

Strike price: €38.35

Exercise period: The BSAR may be exercised between December 3, 2003 and December 2, 2008, subject to the provisions governing the early redemption of BSAR at the discretion of the issuer and the provisions concerning circumstances under which the exercise of BSAR may be suspended.

As of March 31, 2005, there were 1,433,492 BSAR in circulation.

f) Stock purchase options reserved for employees

	4 th plan	5 th plan	6 th plan	7 th plan	8 th plan	9 th plan	10 th plan	11 th plan	12 th plan		
Date authorization granted by General Meeting	09.13.00	09.13.00	10.19.01	10.19.01	09.12.02	09.12.02	09.12.02	07.23.04	07.23.04		
Date authorization used by Board of Directors	12.08.00	04.09.01	10.25.01	08.16.02	10.16.02	01.29.03	04.28.03	10.14.04	11.17.04		
STOCK OPTIONS GRANTED											
Total number of options granted	40,471	320,926	44,605	389,065	353,181	9,220	71,796	388,150	496,050		
Including members of the managing board	0	0	0	0	0	0	0				
									France	Italy	USA
Start date for exercising options	12.08.01	04.09.02	04.25.02	01.19.05 ¹	10.16.03	01.29.04	10.28.03	10.14.05	11.17.05	11.17.05	07.01.05
Expiration date for options	12.07.05	04.08.06	04.24.06	08.15.12	10.15.07	01.28.08	10.27.07	10.13.14	11.16.14	11.16.14	11.16.14
Option price	€38	€34.51	€34.51	€12.82	€9.20	€10.25	€9.20	€15.50	€14.72	€15.47	€13.55
Terms under which options exercised	25%/year	25%/year	25%/year	50% after 01.19.05 75% after 08.16.05 100% after 08.16.06	25%/year	25%/year	25%/year	24% at the end of 1 year then 2% per month	24% at the end of 1 year then 2% per month	24% at the end of 1 year then 2% per month	26% after 07.01.05 ¹ 38% after 01.01.06 50% after 07.01.06 63% after 01.01.07 75% after 07.01.07 88% after 01.01.08 100% after 07.01.08 to 11.16.144
STOCK OPTIONS EXERCISED DURING THE FISCAL YEAR											
Total number of options exercised	0	0	0	0	31,409	565	14,914	0	0		
STOCK OPTIONS CANCELLED DURING THE FISCAL YEAR											
Total number of options cancelled	1,285	336	0	0	1,850	0	2,204	0	0		
Total number of remaining options	39,186	320,590	44,605	389,065	309,129	8,655	46,284	388,150	496,050		

1- Change made by the Board of Directors on January 19, 2005 regarding the terms under which the options may be exercised.

STOCK OPTIONS GRANTED TO THE TOP TEN NON-MANAGEMENT RECIPIENT EMPLOYEES AND OPTIONS EXERCISED BY THEM	Number	Weighted average price	Plan No. and expiration dates
Options granted during the fiscal year by the issuer and any company included in the group which can grant the issuer's options having the largest number of options thus granted (global information)	221,800	€ 14.42	Plan No.11 Expiration 10.13.14 Plan No.12 Expiration 11.16.14
Options held against the issuer and the above companies exercised during the fiscal year by the ten employees having the largest number of shares thus subscribed (global information)	14,700	€ 9.20	Plan No.8 Expiration 10.15.07 Plan No.10 Expiration 10.27.07

No stock options were granted or exercised by the company officers during the fiscal year.

4.2.5 Employee stock ownership under the Company Mutual Fund (hereafter "FCPE")

As of March 31, 2005, employees held 406,343 shares (2.252% of share capital) through the "Ubi Actions" FCPE.

The extraordinary portion of the Combined General Meeting of July 23, 2004 authorized the Board of Directors to proceed, solely on the basis of its deliberations, with an equity issue reserved for French employees, subject to a limit of 2.5% of the total shares comprising the share capital at the time of use of the authorization by the Board of Directors, specifically by means of an FCPE.

At its meeting on November 29, 2004, the Board of Directors used this authorization by setting the subscription price of the shares to be issued at €12.88 each, and specified that these shares would be subscribed for by the Ubi Actions FCPE. This equity issue was announced by the Board of Directors on March 1, 2005. Employees subscribed for 270,405 shares through the Ubi Actions FCPE.

4.2.6 Securities not representing capital

None.

4.2.7 Identification of security holders

Article 5 of the Articles of Association authorizes the company to set up a procedure for identifying security holders.

4.2.8 Historical table of changes in share capital

- Date - Nature of transaction	Number of shares	Number of shares (cumulative)
Situation as of 03.31.00		16,578,368
04.11.01 Equity issue following conversion of stock options and bonds and the exercise of warrants	330,754	16,909,122
07.13.01 Equity issue reserved for employees (PEE), conversion of stock options and bonds and exercise of warrants	181,543	17,090,665
10.19.01 Conversion of share capital into euros (increase in share par value)		
04.22.02 Equity issue following conversion of stock options and bonds and the exercise of warrants	278,067	17,368,732
12.20.02 Equity issue reserved for employees (PEE), conversion of stock options and bonds and exercise of warrants	171,350	17,540,082
11.11.03 Equity issue via conversion of bonds and exercise of options	20,195	17,560,277
03.31.04 Equity issue via the exercise of options	22,027	17,582,304
05.18.04 Equity issue following the exercise of options and subscription for the Ubi Actions FCPE	101,089	17,683,393
03.01.05 Equity issue through the exercise of options, conversion of securities and subscription for the Ubi Actions FCPE	357,557	18,040,950
04.20.05 Announcement of an equity issue on 03.31.2005 following the exercise of options (calculation of capital during the fiscal year)	3,890	18,044,840

1- As of July 13, 2001, capital was converted to euros.

Amount of the equity issue		Share par value (in FrF, then €)	Issue premium (in FrF, then in €)	Cumulative amounts of capital (in FrF, then €)
By cash contribution (in FrF ¹ , then €)	By capitalization (in FrF, then €)			
		2		33,156,736
661,508		2	47,956,367	33,818,244
25,941,828		2	25,578,742	34,181,330
	87,195,98 €	€0.31		€5,298,106.15
€4,292,812.97		€0.31	€4,206,612.20	€5,384,306.92
€1,390,358.85		€0.31	€1,337,240.35	€5,437,425.42
€283,015.68		€0.31	€276,755.23	€5,443,685.87
€363,816.40		€0.31	€356 988,03	€5 450 514,24
€1,381,258.55		€0.31	€1 349 920,96	€5 481 851,83
€ 5,142,887.41		€0.31	€5 032 044,74	€5 592 694,50
€35,788		€0.31	€34 582,10	€5 593 900,40

4.3 Changes in capital and voting rights over the past three fiscal years

As of 03.31.03	Capital		Voting rights	
	Number of shares	Percentage	Number of voting rights	Percentage
Guillemot Brothers SA	915,227	5.218%	1,830,392	10.715%
Claude Guillemot	141,463	0.807%	141,463	0.828%
Yves Guillemot	291,797	1.664%	291,797	1.708%
Michel Guillemot	167,665	0.956%	167,665	0.981%
Gérard Guillemot	403,007	2.298%	403,007	2.359%
Christian Guillemot	99,697	0.568%	99,697	0.584%
Other members of the Guillemot family	40,875	0.232%	40,875	0.239%
Guillemot Corporation SA	1,111,545	6.337%	1,111,545	6.507%
In concert	3,171,276	18.080%	4,086,441	23.921%
Ubisoft Entertainment SA	1,169,733	6.669%	-	-
Gameloft SA	264,923	1.510%	-	-
Public and group employees	12,934,150	73.741%	12,996,329	76.079%
Total	17,540,082	100%	17,082,770	100%

As of 03.31.04	Capital		Voting rights	
	Number of shares	Percentage	Number of voting rights	Percentage
Guillemot Brothers SA	1,002,445	5.701%	1,913,791	10.622%
Claude Guillemot ¹	141,463	0.805%	230,286	1.278%
Yves Guillemot ¹	301,304	1.714%	390,128	2.165%
Michel Guillemot ¹	195,365	1.111%	284,191	1.577%
Gérard Guillemot ¹	377,507	2.147%	466,333	2.588%
Christian Guillemot ¹	101,697	0.578%	178,519	0.991%
Other members of the Guillemot family	47,725	0.271%	47,735	0.266%
Guillemot Corporation SA	373,924	2.127%	373,924	2.075%
Guillemot Suisse SA	38,055	0.216%	38,055	0.210%
In concert	2,579,485	14.670%	3,922,962	21.772%
Ubisoft Entertainment SA	34,749	0.198%	-	-
Public and group employees	14,968,070	85.132%	14,094,977	78.228%
Total	17,582,304	100%	18,017,939	100%

1- On April 20, 2003, Messrs. Guillemot acquired double voting rights for a total of 432,121 shares as a result of holding these shares in pure registered form for two years. The remaining shares held carry a single voting right.

As of 03.31.05	Capital		Voting rights	
	Number of shares	Percentage	Number of voting rights	Percentage
Guillemot Brothers SA	1,925,637	10.671%	2,835,778	14.570%
Claude Guillemot	164,463	0.911%	253,286	1.301%
Yves Guillemot	164,304	0.911%	253,128	1.301%
Michel Guillemot	175,365	0.972%	264,191	1.357%
Gérard Guillemot	153,107	0.848%	241,933	1.243%
Christian Guillemot	124,697	0.691%	201,519	1.035%
Other members of the Guillemot family	35,721	0.199%	36,606	0.188%
Guillemot Corporation SA	200,024	1.108%	200,024	1.028%
Guillemot Suisse SA	38,055	0.211%	38,055	0.196%
In concert	2,981,373	16.522%	4,324,520	22.219%
Ubisoft Entertainment SA	2,973	0.016%	-	-
Public and group employees	15,060,494	83.462%	15,138,610	77.781%
Total	18,044,840	100%	19,463,130	100%

4.4 Distribution of capital and voting rights as of July 5, 2005

As 6.24.05	Capital		Voting rights	
	Number of shares	Percentage	Number of voting rights	Percentage
Guillemot Brothers SA ¹	1,925,637	10.67%	2,905,343	14.88%
Claude Guillemot	164,463	0.91%	253,286	1.30%
Yves Guillemot	164,304	0.91%	253,128	1.30%
Michel Guillemot	158,865	0.89%	247,691	1.27%
Gérard Guillemot	153,107	0.84%	241,933	1.24%
Christian Guillemot	124,697	0.70%	201,519	1.03%
Other members of the Guillemot family	35,721	0.20%	36,606	0.19%
Guillemot Corporation	200,024	1.10%	200,024	1.02%
Guillemot Suisse SA	38,055	0.21%	38,055	0.19%
In concert	2,964,873	16.43%	4,377,585	22.42%
Ubisoft Entertainment SA	0	0%	0	0%
Public and group employees ²	15,079,967	83.57%	15,144,460	77.58%
Total	18,044,840	100%	19,522,045	100%

1- This company is wholly owned by the Guillemot family.

2- The shares and voting rights held by the group's employees represent a very small percentage.

Holdings of the Board of Directors

The percentage of the capital held directly by all entities on the Board of Directors is 4.33%.

The percentage of voting rights held directly by all entities on the Board of Directors is 6.21%.

Shareholders' agreement

There is no shareholders' agreement among Guillemot Brothers SA, Claude, Michel, Yves, Gérard, Christian, Marcel and Yvette Guillemot, nor is there any agreement between these shareholders and outside shareholders.

The following shareholders held more than 5% of the share capital in May 2005 (1)

Shareholder	Percentage
Electronic Arts Inc.(2)	19.37%
CDC IXIS	5.47%
Calyon Corporate & Investment Bank	5.04%

1- Information provided based on declarations made to the company and the identifiable bearer securities inquiry concerning the principal institutional investors in May 2005.

2-The American firm Electronic Arts Inc. informed the company:

- on February 7, 2005 that it had exceeded the 5 and 10% capital thresholds and the 20% voting rights threshold and held, as of that date, 3,497,049 shares;
- on February 16, 2005 that it had fallen below the 20% voting rights threshold following the publication by Ubisoft Entertainment SA of a new number of voting rights.

As of March 31, 2005, it held 19.37% of the company's capital and 17.97% of its voting rights.

In addition to its declaration of exceeding the threshold, Electronic Arts Inc. made the following declaration of intent:

"Pursuant to Article L. 233-7 of the French Commercial Code, having exceeded the 10% capital threshold and the 20% voting rights threshold of Ubisoft Entertainment SA, Electronic Arts Inc. declares the objectives which it intends to pursue vis-à-vis this company in the next 12 months:

- Electronic Arts Inc. is acting alone;
- Electronic Arts Inc. may engage in purchases (including a takeover) or sales of Ubisoft Entertainment SA shares;
- Electronic Arts Inc. may ask to be represented on Ubisoft Entertainment SA's corporate bodies."

4.5 Securities market

General information concerning the issuer's securities market

- Euroclear code: FR0000054470
- Listing market: Euronext - Paris - Eurolist - Segment B
- Number of listed shares as of March 31, 2005: 18,044,840
- Market capitalization as of March 31, 2005: €543 million based on the closing share price (€30.08)
- Initial listing price on July 1, 1996: €38.11 before 5-for-1 stock split on January 11, 2000

Month	Maximum price (€)	Minimum price (€)	Trading volume
April 2003	15.34	9.91	1,995,426
May 2003	17.71	15.00	3,592,448
June 2003	17.90	16.14	2,195,221
July 2003	18.89	16.00	1,917,409
August 2003	18.78	16.40	1,550,738
September 2003	19.87	18.13	2,137,219
October 2003	28.35	18.01	4,648,835
November 2003	29.49	24.30	3,823,862
December 2003	26.77	20.03	4,144,836
January 2004	23.54	18.65	3,021,373
February 2004	19.94	15.34	7,759,826
March 2004	21.29	18.10	5,337,471
April 2004	22.94	20.43	2,232,820
May 2004	22.08	19.92	1,663,809
June 2004	21.60	18.01	1,693,226
July 2004	20.15	17.15	1,019,826
August 2004	18.45	15.38	717,635
September 2004	18.09	15.05	1,197,781
October 2004	16.91	14.33	1,522,355
November 2004	16.73	15.18	1,223,980
December 2004	29.15	16.05	5,153,872
January 2005	31.64	24.62	5,071,718
February 2005	33.85	30.11	3,470,123
March 2005	32.90	28.46	2,014,513
April 2005	32.72	29.80	1,349,037
May 2005	37.02	36.40	3,149,527

Source: Euronext

4.6 Dividends

The company has not distributed dividends during the last three fiscal years and does not plan to distribute dividends in the short or medium term.

5

CORPORATE GOVERNANCE

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5.1 The group's management

• **Chairman and Chief Executive Officer** Mr. Yves Guillemot

• **Vice-Presidents**

Mr. Claude Guillemot (Operations)

Mr. Michel Guillemot (Expansion- Strategy and Finance)

Mr. Gérard Guillemot (Publishing and Marketing)

Mr. Christian Guillemot (Administration)

Additional information concerning the group's management

• **Managing Director, EMEA Territories** Mr. Alain Corre

• **Managing Directors for North American Territories** Mr. Laurent Detoc

• **Chief Finance Officer** Mr. Alain Martinez

• **Managing Director International Production** Mrs. Christine Burgess-Quemard

• **Editor in Chief** Mr. Serge Hascoët

5.2 Composition and functions of the Board of Directors

Name	Appointment date	Appointment renewal date	Appointment expiration date
Yves Guillemot Director Chairman and Chief Executive Officer			
Claude Guillemot Michel Guillemot Gérard Guillemot Christian Guillemot Directors	February 28, 1988	Ordinary General Meeting of September 29, 2001	Ordinary General Meeting called to approve the financial statements for the fiscal year ended March 31, 2007
Yvette Guillemot Director	January 25, 1996	Ordinary General Meeting of September 29, 2001	Ordinary General Meeting called to approve the financial statements for the fiscal year ended March 31, 2007

Each Director must hold at least one share of the company.

They are appointed for a term of six years which may be renewed.

The Board of Directors is vested with the fullest powers to determine the policies guiding the activity and ensures that they are implemented within the limits of the corporate purpose and the powers expressly granted by law to General Meetings.

Pursuant to Article L. 225-51 of the French Commercial Code, the Board of Directors, at its meeting of October 22, 2001, established the manner in which the company's General Management would carry out its duties. It decided not to separate the functions of Chairman of the Board of Directors' from those of General Management.

As a result, the role established by law of Mr. Yves Guillemot, as Chairman of the Board of Directors, is to represent the company's Board of Directors, to organize its work and report on its work to the General Meeting of Shareholders, to ensure the proper functioning of the company's corporate bodies and, in particular, to see to it that the directors are fully capable of performing their duties. As a member of General Management, conditional

upon the powers granted by law to General Meetings of Shareholders and the Board of Directors, he is vested with the fullest powers to act in all cases on behalf of the company and to represent it in its relations with third parties.

The Board of Directors met approximately 20 times during fiscal year 2004/2005.

It is considering the medium-term addition of one or more independent directors to the Board of Directors, as defined in the Bouton report.

At its meeting of July 27, 2004, the Board of Directors adopted its rules of procedure enabling it, among other things, to use videoconferencing equipment to conduct its meetings.

The conditions under which the Board's work is prepared and organized, as well as internal control procedures, are dealt with, in accordance with Article L. 225-37 of the French Commercial Code, in a specific report issued by the Chairman of the Board of Directors.

5.3 Other offices held by the directors

Mr. Yves GUILLEMOT

Director and Chairman and Chief Executive Officer of Ubisoft Entertainment SA.

His term of office will expire at the Ordinary General Meeting convened to approve the financial statements for the fiscal year ended March 31, 2007.

Other positions:

France

Director and Vice-President

Gameloft SA

Guillemot Brothers SA

Guillemot Corporation SA

Co-Manager

Ludifactory SARL

Manager

Ubisoft Books and Records SARL

Ubisoft Computing SARL

Ubisoft Design SARL

Ubisoft Emea SARL

Ubisoft Graphics SARL

Ubisoft Manufacturing & Administration SARL

Ubisoft Networks SARL

Ubisoft Pictures SARL

Ubisoft Productions France SARL

Ubisoft Simulations SARL

Chairman

Ubisoft France SAS

Ubisoft World SAS

Ubisoft World Studios SAS

Tiwak SAS

Abroad

Director

Ubisoft Nordic AS (Denmark)

Ubisoft Pty Ltd (Australia)

Ubisoft Sweden AB (Sweden)

Guillemot Inc. (United States)

Guillemot Limited (United Kingdom)

Guillemot Inc. (Canada)

Gameloft Inc. (United States)

Gameloft Inc. (Canada)

Manager

Ubisoft Entertainment BV (Holland)

Ubisoft SARL (Morocco)

Ubisoft SPRL (Belgium)

Ubisoft GmbH (Germany)

Blue Byte GmbH (Germany)

Ubisoft Warenhandels GmbH (Austria)

Chairman

Ubi Computer Software Beijing Company Ltd (Beijing)
 Ubi Soft Entertainment Ltd (Hong-Kong)
 Ubisoft Finland OY (Finland)
 Ubisoft Canada Inc. (Canada)
 Ubisoft Divertissements Inc. (Canada)
 Ubi Games SA (Switzerland)
 Ubisoft Holdings Inc. (United States)
 Ubisoft Inc. (United States)
 Ubisoft KK (Japan)
 Ubisoft Ltd (United Kingdom)
 Ubisoft Norway AS (Norway)
 Ubisoft SpA (Spain)
 Red Storm Entertainment Inc. (United States)

Vice-President

Shanghai Ubi Computer Software Company Ltd (China)

Mr. Claude GUILLEMOT

Director and Vice-President of Ubisoft Entertainment SA.
 His term of office will expire at the Ordinary General Meeting convened to approve the financial statements for the fiscal year ended March 31, 2007.

Other positions:**France****Director and Vice-President**

Gameloft SA
 Guillemot Brothers SA

Chairman and Chief Executive Officer

Guillemot Corporation SA

Chairman

Hercules Thrustmaster SAS

Abroad**Director**

Ubisoft Divertissements Inc. (Canada)
 Ubisoft Ltd (Hong-Kong)
 Ubisoft Holdings Inc. (USA)
 Ubisoft Inc. (United States)
 Ubisoft Nordic AS (Denmark)
 Ubisoft SpA (Italy)
 Ubisoft Sweden AB (Sweden)
 Shanghai Ubi Computer Software Company Ltd (China)
 Ubisoft Canada Inc. (Canada)
 Guillemot Limited (United Kingdom)
 Guillemot BV (Holland)
 Guillemot Corporation (HK) Limited (Hong-Kong)
 Guillemot SA (Belgium)

Guillemot SA (Spain)

Guillemot SRL (Italy)

Gameloft Inc. (United States)

Gameloft Iberica SA (Spain)

Gameloft Inc. (Canada)

Gameloft Limited (United Kingdom)

Chairman

Guillemot Inc. (Canada)

Chairman Guillemot Inc. (United States)

Manager

Guillemot GmbH (Germany)

Mr. Michel GUILLEMOT

Director and Vice-President of Ubisoft Entertainment SA.
 His term of office will expire at the Ordinary General Meeting convened to approve the financial statements for the fiscal year ended March 31, 2007.

Other positions:**France****Director and Vice-President**

Guillemot Brothers SA
 Guillemot Corporation SA

Chairman and Chief Executive Officer

Gameloft SA

Manager

Gameloft Rich Games Production France SARL

Abroad**Director**

Ubi Computer Software Beijing Company Ltd (China)
 Ubisoft Ltd (Hong-Kong)
 Ubisoft Canada Inc. (Canada)
 Ubisoft Divertissements Inc. (Canada)
 Ubisoft Holdings Inc. (United States)
 Ubisoft Inc. (United States)
 Ubisoft KK (Japan)
 Ubisoft Music Inc. (Canada)
 Ubisoft SA (Spain)
 Ubisoft SpA (Italy)
 Ubisoft Sweden AB (Sweden)
 Shanghai Ubi Computer Software Company Ltd (China)
 Guillemot Inc. (United States)
 Guillemot Inc. (Canada)

Vice-President

Ubisoft Divertissements Inc. (Canada)

Manager

Ubi Studios SL (Spain)

Ubisoft Studios SRL (Italy)

Manager of Gameloft GmbH (Germany)

Manager of Gameloft SRL (Italy)

Chairman

Chairman of Gameloft Inc. (United States)

Chairman of Gameloft Inc. (Canada)

Chairman of Gameloft Limited (United Kingdom)

Chairman of Gameloft SRL (Romania)

Chairman of Gameloft KK (Japan)

Chairman of Gameloft Software Beijing Company Ltd (China)

Chairman of Gameloft Software Shanghai Company Ltd (China)

Chairman of Gameloft Company Ltd (Vietnam)

Director

Director of Gameloft Iberica SA (Spain)

Mr. Gérard GUILLEMOT

Director and Vice-President of Ubisoft Entertainment SA.

His term of office will expire at the Ordinary General Meeting convened to approve the financial statements for the fiscal year ended March 31, 2007.

Other positions:**France****Director and Vice-President**

Gameloft SA

Guillemot Brothers SA

Guillemot Corporation SA

Co-Manager

Ludifactory SARL

Abroad**Director**

Ubisoft Divertissements Inc. (Canada)

Ubisoft Ltd (Hong-Kong)

Ubisoft Holdings Inc. (United States)

Ubisoft Inc. (United States)

Ubisoft KK (Japan)

Ubisoft SA (Spain)

Ubisoft SpA (Italy)

Shanghai Ubi Computer Software Company Ltd (China)

Guillemot Limited (United Kingdom)

Guillemot Inc. (United States)

Guillemot Inc. (Canada)

Gameloft Inc. (United States)

Gameloft Inc. (Canada)

Chairman

Ubisoft Music Inc. (Canada)

Ubisoft Music Publishing Inc. (Canada)

Mr. Christian GUILLEMOT

Director and Vice-President of Ubisoft Entertainment SA.

His term of office will expire at the Ordinary General Meeting convened to approve the financial statements for the fiscal year ended March 31, 2007.

Other positions:**France****Director and Vice-President**

Gameloft SA

Guillemot Corporation SA

Chairman and Chief Executive Officer

Guillemot Brothers SA

Manager

Guillemot Administration et Logistique SARL

Abroad**Chairman**

AMA Ltd (Great Britain)

Director

Ubisoft Canada Inc. (Canada)

Ubisoft Divertissements Inc. (Canada)

Ubi Soft Entertainment Ltd (Hong-Kong)

Ubisoft Holdings Inc. (United States)

Ubisoft Inc. (United States)

Ubisoft Ltd (United Kingdom)

Ubisoft Music Inc. (Canada)

Ubisoft Nordic AS (Denmark)

Ubisoft SpA (Italy)

Ubisoft Sweden AS (Sweden)

Shanghai Ubi Computer Software Company Ltd (China)

Guillemot Inc. (United States)

Guillemot Limited (United Kingdom)

Guillemot Corporation (HK) Limited (Hong-Kong)

Guillemot SA (Belgium)

Guillemot Inc. (Canada)

Guillemot Recherche et Développement Inc. (Canada)

Gameloft Inc. (United States)

Gameloft Iberica SA (Spain)

Gameloft Inc. (Canada)

Gameloft Limited (United Kingdom)

Mrs. Yvette GUILLEMOT

Director of Ubisoft Entertainment SA.

Her term of office will expire at the Ordinary General Meeting convened to approve the financial statements for the fiscal year ended March 31, 2007.

Other position:

Abroad

Director

Shanghai Ubi Computer Software Company Ltd (China)

5.4 Interests of the officers

Compensation of officers and members of the Board of Directors

The Guillemot brothers are paid a fixed salary in virtue of their posts of Chief Executive Officer and Vice-Presidents, but do not have employment contracts.

The company did not make any commitments towards its social representatives regarding the termination or change of their posts.

(Complementary information is provided in Section 2.1.8: Compensation of corporate officers.)

Stock option plan

The members of the Board of Directors have no stock option plan.

6

CHAIRMAN OF THE BOARD OF DIRECTOR'S REPORT, PURSUANT TO ARTICLE L. 225-37 OF THE FRENCH COMMERCIAL CODE, ON THE CONDITIONS UNDER WHICH THE BOARD'S WORK IS PREPARED AND ORGANIZED AND THE INTERNAL CONTROL PROCEDURES IMPLEMENTED BY THE COMPANY

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This report, prepared pursuant to Article L. 225-37, Paragraph 6 of the French Commercial Code, resulting from Article 117 of the Financial Security Act of August 1, 2003, reports on the conditions under which the Board of Directors' work is prepared and organized, as well as the internal control procedures implemented by the company.

6.1 Conditions under which the Board's work is prepared and organized

6.1.1 Composition and organization of the Board

The Board of Directors is composed of six members, four of whom are also Vice-Presidents who assist the Chairman and Chief Executive Officer.

On October 22, 2001 the Board of Directors decided not to separate the functions of Chairman of the Board of Directors from those of General Management. Complete details regarding the composition of the Board of Directors can be found in the table that appears in Note 5.2.

There are no independent Directors as defined in the Bouton report. The Board is considering the medium-term addition of one or more independent directors.

Each director must own at least one share. The directors are appointed for a term of six years which may be renewed. They may not be more than 80 years of age.

6.1.2 Information about the Directors

The Chairman and Chief Executive Officer provides the Directors with all information and documents required for the performance of their task and for the preparation of deliberations, pursuant to Article L. 225-35 of the French Commercial Code.

The Directors are bound to secrecy with regard to information of a confidential nature and provided as such by the Chairman of the Board of Directors.

6.1.3 Powers of the Board

The Board of Directors determines the company's policies and ensures that they are implemented. It meets as often as the company's interests may require at the registered office or at any other location chosen by the Chairman; the meeting notices need not take any special form.

6.1.4 Rules of procedure

The Board of Directors adopted its rules of procedure at its meeting of July 27, 2004.

These procedures provide, among other things, for the ability to use videoconferencing. The videoconferencing equipment used must have technical features that ensure genuine participation in the Board meeting and allow the Board's deliberations to be broadcast continuously.

6.1.5 Main topics discussed during the fiscal year

The work of the Board of Directors during the fiscal year primarily consisted of the following:

- examining and approving the half-yearly and year-end financial statements for the fiscal year ended March 31, 2005. In accordance with Article L. 255-238 of the French Commercial Code, the statutory auditors were invited to attend these Board meetings;
- examining and approving the forecasted financial statements;
- examining strategic matters concerning the Ubisoft group;
- examining and approving its rules of procedure;
- examining collective agreements in accordance with Article L. 225-38 of the French Commercial Code.

The Board met approximately 20 times during the fiscal year and the average attendance rate was 70%.

6.2 Internal control procedures

6.2.1 Definition and objectives of internal control

Ubisoft has adopted the definition of internal control laid out in the AFEF/MEDEF report on corporate governance in France.

According to this definition, the objective of internal control is:

- to ensure that the actions taken and operations carried out by the company's management, as well as the conduct of personnel, comply with the existing laws and regulations, the policies established by the corporate bodies and the company's own values, standards and rules;
- to ensure the accuracy and reliability of the accounting, financial and management data conveyed to the corporate bodies;
- to prevent and manage risk resulting from the company's activity and the risk of error or fraud.

The procedures put in place form an operational framework within the company.

The objectives of risk management and internal control procedures are as follows:

- to identify potential risks and evaluate them in terms of their impact on the company's activity;
- to define and implement measures for monitoring and measuring these risks.

The primary risks identified by General Management (cf. Section 6.2.2 below) have been mapped out and the following steps have been taken:

- identification of all the company's activities;
- identification of approximately 30 risks that could impact the group's activities;
- identification of the main preventative measures.

This descriptive analysis is part of a far-sighted effort that will enable Ubisoft to evaluate, in the long run, the relevance and effectiveness of its internal control.

6.2.2 Principal risks

The principal risks identified are as follows:

6.2.2.1 Risk related to computer security

In spite of the numerous integrated security systems deployed, Ubisoft is not totally protected from malicious intent, intrusion, problems with network user identification, and so on. Changes in legislation, the deployment of new

mobility technology, the spread of virus attacks and increased use of the Internet have all been factors in the adoption of comprehensive security solutions.

Information is a strategic resource of considerable value, and must therefore be protected in an appropriate manner.

Security measures for information systems protect information from a wide array of threats to ensure business continuity.

These measures are aimed at guaranteeing the confidentiality, integrity and availability of information.

6.2.2.2 Risk related to customer dependence

The company has no significant dependence on customers that could affect its development plan.

Ubisoft's distribution network is increasingly centralized.

In fact, in most European countries as well as in the United States and Japan, distribution is centralized, and Ubisoft delivers its products directly to local retail chains, which in turn redistribute products to their stores. Only the smallest independent retailers are supplied through distributors or wholesalers, mainly in France and United Kingdom.

Most sales are made to so-called "major accounts". The risk of non-payment by these clients is relatively low. Moreover, the main subsidiaries, which represent more than 89% of group sales, are covered by credit insurance

6.2.2.3 Market risk

The group limits its market operations to the management of positions arising from its commercial activity and does not engage in any speculative operations. Management of these operations is centralized and handled exclusively by the staff of the group's Finance department based on policies approved by the CEO.

To minimize interest rate and foreign exchange risk resulting from business financing needs and from its international activities, the group uses certain financial instruments, as described below.

Interest rate risk

The management of interest rate risk is aimed mainly at minimizing the cost of the group's borrowings and at reducing exposure to this risk. In this regard, the group gives priority to fixed-rate loans for long-term financing needs and variable-rate loans for temporary needs related to an increase in working capital requirements during particularly active periods.

As of March 31, 2005, the group's net debt consisted mainly of bond liability and fixed-rate loans. The group is therefore not greatly affected by a rise in interest rates but is exposed to opportunity cost risk if rates should decrease.

Currency risk

The group is exposed to foreign exchange risk on its cash flows arising from operating activities as well as on its investments in its foreign subsidiaries.

The group protects only its positions related to its operating cash flows in the main significant currencies (i.e. the US dollar, Canadian dollar, pound sterling and the Australian dollar). The strategy is to hedge one fiscal year at time and as a result, the hedge period does not exceed 15 months.

The group relies mainly on natural hedges resulting from two-way transactions (i.e. purchases of goods in foreign currencies offset by royalties received from subsidiaries in the same currency). For non-hedged balances and non-commercial transactions (i.e. internal loans in foreign currencies), the parent company borrows in these currencies or sets up forward sales contracts or options.

6.2.3 Scope of internal control

The Ubisoft group is composed of 17 French companies and 29 foreign companies, broken down as follows: 21 distribution companies, 18 production companies, six support companies and one mobile phone company.

Major strategies and objectives are determined by General Management, represented by the Board of Directors and the General Management of each subsidiary.

Each subsidiary has its own management and management team.

The implementation of strategies to achieve the objectives thus defined is handled by each subsidiary.

6.2.4 General organization of the internal control procedures at the group level

6.2.4.1 General organization

The organization and role of the various bodies that contribute to internal control are described below.

The group's Chairman and Chief Executive Officer

This person is responsible for developing the procedures and measures put in place to ensure the proper functioning and follow-up of internal control.

Accounting and Finance departments

These include staff departments that play a dual role of expert evaluation and control.

These departments exist in all of the group's companies:

Each subsidiary's Financial Controlling department supplies relevant numeric data (sales, margins, costs, etc.) to operations managers, enabling them to make management decisions for the subsidiary. Its objective is to provide monthly forecasting reporting tools, adapted to the various

levels of responsibility, and to analyze discrepancies between targets and actual figures.

Each Accounting department manager prepares monthly accounts on the 10th day of the following month and completes the consolidation reporting package.

The accounting managers of the French subsidiaries send the accounts to the Audit and Review Department, which oversees the preparation, audit and review of the accounts to ensure that they accurately reflect the financial position.

This department also oversees and approves the analysis and formalization of the organizational and computer processes.

The Consolidation department, which reports to the Administration department, prepares the group's monthly consolidated accounts on the 20th of the following month; it also monitors the group's consolidated sales figures on a day-to-day basis.

This department is the central point of all the group's expertise in terms of preparing and analyzing monthly accounts. It publishes the accounting procedures used by the group, particularly via the consolidation manual.

It ensures compliance with the existing standards and regulations in order to present an accurate picture of the group's activity and financial position.

The Treasury and Finance department handles operations involving interest and exchange rate derivatives and coordinates cash flow management for the French and foreign subsidiaries.

It ensures that policies governing the management of interest rate, foreign exchange and liquidity risk are consistent with the financial information published.

It delegates authority to a limited number of employees, who are the only ones authorized by General Management to conduct certain financial transactions on behalf of the subsidiaries, in accordance with predefined thresholds and authorizations.

The Financial Communications department provides the financial information required for a proper understanding of the group's strategy to shareholders, financial analysts, investors and so on.

The Information Technology department (ITD) manages the development of specific tools for all subsidiaries and participates in the selection of IT solutions. It is responsible for implementing, coordinating and developing ERP (Enterprise Resource Planning) at the group. It continuously monitors the progress of the various IT projects and sees to it that they are in line with the operational staff's requirements.

6.2.4.2 Implementation of resources

An approach focused on product integration

As a part of overall ERP operations, the purchasing management module is a good example of the integration of company data.

In terms of operations (sales and manufacturing), this module has become the common platform used by the EMEA team (Europe/Middle East/Asia Zone) and the zone's distribution subsidiaries.

People Soft is a centralized application built on a single database used by all the subsidiaries, which allows them to

share the same product database and the same transaction format.

This arrangement offers more reliable information for all participants in the supply chain.

Data security

Ubisoft is implementing an extensive automation policy.

In the field of accounting, the computerization of data exchanges (interfaces between accounting systems and the consolidation system, daily entry of bank transactions, automated payment processing and so on) optimizes processing security.

Particular attention is being paid to the security of computerized data and data processing (physical and logical access control, archiving, back-ups, etc.).

Controls are required to achieve a satisfactory level of security in the management and maintenance of computer networks.

These controls must guarantee:

- the security of data passing through the networks;
- protection of connected departments against unauthorized access;
- the separation of operational responsibility for networks from responsibility for computer operations;
- a definition of the responsibilities of the various parties;
- the development of management procedures for remote equipment;
- any controls that may be required to ensure the confidentiality and integrity of data transmitted via public networks and to protect connected systems;
- the availability of services and connected systems.

The group has introduced guidelines for all its employees in France concerning the use of IT resources to ensure that each person is aware of his/her rights and obligations with regard to these resources, the network and Internet services. More than a mere user manual, these guidelines serve as a code of ethics designed to inform all employees of their responsibilities.

As a result, the concepts of confidentiality, intellectual property, data protection, resource integrity and so on will no longer be just words but values to be embraced. The group is protecting itself internally in order to better safeguard its information systems.

These guidelines will soon be implemented internationally.

6.2.5 Procedures relating to the preparation of financial and accounting information

Monthly reporting

The group has implemented a procedure for monitoring operations on the basis of monthly reporting.

A budget plan is prepared by the subsidiaries for the coming year based on anticipated product release dates.

This reporting procedure makes it possible to measure each subsidiary's performance and contribution to the group's income.

Meetings are held with the Administration, Finance and Financial Controlling departments to study the various reporting indicators, to analyze discrepancies between the actual accounts and the initial forecasts, and to fine-tune the half-yearly and annual forecasts on the basis of actual results.

Responsibilities are distributed among these three divisions in order to facilitate quality control for the accounting and financial data.

A forecasting tool to support performance

The Hyperion HFM consolidation tool is used for financial forecasting.

Each of the group entities' earnings forecasts are consolidated in a centralized application to allow:

- analysis at the entity level or for a specific line item;
- comparisons between actual results and forecasts;
- monthly, quarterly or other analysis.

The tool is used by all the group's entities, which allows a comprehensive view of the group as a whole.

Reliability of accounting and financial information

Ubisoft's accounting and financial information is prepared by the Administration department under the control of the Chairman and Chief Executive Officer, with final approval being the prerogative of the Board of Directors.

Each subsidiary's financial statements are prepared by the local Accounting departments under the supervision of their Director.

The half-yearly financial statements are subject to a limited review and the year-end closing is audited by local auditors.

Accounting information is sent to the Consolidation department based on a timetable defined by the Administration department.

The company has invested in resources to shorten and improve the reliability of the consolidated financial statement production process.

The group uses Hyperion's HFM tool to collect and reconcile accounting data from the subsidiaries. This tool provides the ability to perform consistency checks automatically.

As a result, it ensures fast, reliable data transmission and is designed to enhance the security of consolidated financial statements.

The consolidated financial statements are subject to a limited review on September 30 and a full audit on March 31 by the group's statutory auditors.

Periodic reviews throughout the fiscal year permit a preliminary analysis of specific accounting issues.

This periodic review allows auditors to anticipate problems that may arise when the accounts are finalized, and reduces the time required to prepare the consolidated financial statements.

The group's objective is to finalize its consolidated financial statements by D+60 rather than the current D+75.

The Consolidation department has implemented procedures to help the subsidiaries gain a better understanding of the available tools and use them more effectively:

- establishment of a group-wide chart of accounts;
- implementation of automatic mapping between the individual and consolidated financial statements;
- creation of a user manual for the consolidation reporting package;
- development of a consolidation manual.

A manual covering the group's accounting principles (IAS, IFRS) is currently being developed. The aim of this manual is to advise the subsidiaries' accountants of the accounting principles used by the group so that they can distinguish between the local principles and the group's principles in terms of accounting treatment and inform the Consolidation department of restatements needed in order to standardize the consolidated financial statements.

The group is continuing to expand its accounting ERP system at the foreign subsidiaries. The long-term objective is to integrate all significant subsidiaries under People Soft/Oracle.

This software is being implemented in an effort to establish a formal, uniform accounting system, a move which is in keeping with the company's commitment to enhancing the effectiveness and reliability of strategic information processing at all levels.

This system addresses the local needs of the subsidiaries as well as the group's standards. This ensures access to information at all levels and facilitates the comparison of information.

All of the computing procedures implemented are designed to promote greater data integration.

New accounting standards

Application of the IFRS standards becomes mandatory for year-end financial statements published as of January 1, 2005 for listed companies belonging to the EEC. For Ubisoft, presentation of the consolidated financial statements in accordance with the IAS/IFRS standards applies to the fiscal year ended March 31, 2006 and includes a comparison with the fiscal year ended March 31, 2005.

A working group has been formed to monitor the transition to these new IFRS standards (creation of a timetable and action plan). This group is made up of managers of the teams from the various departments affected by the change in accounting standards, namely Consolidation, Financial Controlling, Finance, and IT.

This project methodology consisted of:

- analyzing the financial information and the differences with the current French standards;
- the functional implementation and adaptation of procedures and the information system (Peoplesoft, HFM);
- implementing the process of consolidating and restructuring the financial statements and annual report in accordance with IAS/IFRS standards.

A number of measures will be taken internally to prepare

the group's accountants for the impact of this transition to the IFRS standards. A User guide has been developed for the subsidiaries in question.

The accounting software has been modified to adhere to the new standards.

The main effects of these standards on the financial statements for the year ended March 31, 2005 are discussed in a specific section of the Reference document, along with numerical data.

Strict authorization rules

The group has established strict rules at both its French and foreign subsidiaries concerning the authority of each manager with regard to customer receipts and supplier payments (a double signature procedure and secure tools, for example).

Consequently, each subsidiary has local internal audit procedures (delegation of signing authority for banking transactions, audit of current operations, separation of tasks between the signatory and the preparer of the payment and so on).

Other procedures

A number of procedures exist in the following areas:

- Purchasing: Purchasing management and accounting operations, Purchasing and monitoring of the computer population, Ordering of purchases, Fixed assets;
- Invoicing: Invoicing of subsidiaries (studios, distribution) and customers outside France;
- Corporate: Payroll preparation and processing of post-payroll procedures.

The aim of all these procedures is to define the principles of authorization and approval, and to highlight the principles of separation of tasks and, therefore, control in all areas.

6.2.6

Outlook

The group plans to continue to map out risks, introduce any new action plans that may be needed and identify and document control procedures.

6.3 Limitations on the powers of the Chief Executive Officer

You are informed that the Chairman and Chief Executive Officer exercises his functions without any particular limitations, subject to the powers expressly granted by law and the Articles of Association to the Board of Directors.

6.4 Statutory auditors' report, prepared in accordance with the last paragraph of Article L. 225-235 of the French Commercial Code, on the report of the Chairman of the Board of Directors of Ubisoft Entertainment SA concerning the internal control procedures related to the preparation and treatment of accounting and financial information

Ladies and Gentlemen:

In our capacity as statutory auditors for Ubisoft Entertainment SA, and pursuant to the provisions of the final paragraph of Article L. 225-235 of the French Commercial Code, we present our report on the report prepared by your company's Chairman in accordance with the provisions of Article L. 225-37 of the Commercial Code for the fiscal year ended March 31, 2005.

In his report, the Chairman must, in particular, describe the conditions under which the work of the Board was prepared and organized and the internal control procedures that have been implemented within the company.

Our task is to offer our observations in response to the information given in the Chairman's report regarding the internal control procedures related to the preparation and treatment of accounting and financial information.

We have conducted our work in accordance with the relevant professional standards in France. This requires due diligence to assess the accuracy of the information given in the Chairman's report regarding the internal control procedures related to the preparation and treatment of accounting and financial information. Specifically, this due diligence includes:

- acquiring an understanding of the objectives and general organization of internal control and of the internal control procedures related to the preparation and treatment of accounting and financing information, as described in the Chairman's report;
- acquiring an understanding of the activities on which the information given in the report is founded.

On the basis of these activities, we have no observation to make concerning the information we have received with regard to the company's internal control procedures related to the preparation and treatment of accounting and financial information, as contained in the report of the Chairman of the Board of Directors, prepared pursuant to the provisions of the last paragraph of Article L. 225-37 of the French Commercial Code.

Rennes on September 2, 2005

By the statutory auditors

KPMG Audit
A division of KPMG SA
Laurent Prévost
Partner

SARL Audit AMLD

André Métayer
Partner

7

PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT AND FOR THE AUDIT OF THE ACCOUNTS

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Declaration of the person responsible for the Reference document

To the best of my knowledge, the data contained in this Reference document is true and correct. It includes all the information needed by investors to form an opinion concerning the assets, activity, financial position, performance and outlook of Ubisoft Entertainment SA and contains no omissions that might affect its scope.

Mr. Yves Guillemot

Chairman and Chief Executive Officer

Declaration of the statutory auditors regarding the financial position and the past and present accounts provided in this Reference document

In our capacity as the statutory auditors for Ubisoft Entertainment SA, and in accordance with Articles 211-1 to 211-42 of the AMF's internal regulations and with the accounting standards applicable in France, we have verified the information concerning the financial position and past and present accounts provided in this Reference document.

This Reference document was prepared under the supervision of Mr. Yves Guillemot. It is our task to express an opinion on the accuracy of the information contained therein concerning the financial position and financial statements. This warning is in keeping with the general regulations of the AMF currently in effect (under review at this time), for the sole purpose of the registration of this document, while awaiting the French adaptation of the "Prospectus" directive.

In accordance with the accounting standards applicable in France, our mission consisted of assessing the accuracy of the information concerning the financial position and accounts and verifying the consistency of this information with the financial statements on which we issued a report. Our mission also consisted of reading the other information contained in the Reference document in order to identify any significant inconsistencies with the information concerning the financial position and accounts and point out any clearly erroneous information that we may have noted on the basis of our general knowledge of the company acquired during the performance of our mission. The forecast data presented represent the objectives of company management rather than isolated projections resulting from a structured process of data preparation.

The year-end and consolidated financial statements for the fiscal years ended March 31, 2003, 2004 and 2005 approved by the Board of Directors were audited by Mr. André Métayer and the "Compagnie Consulaire d'Expertise Comptable Jean Delquie" (fiscal year ended March 31, 2003), by Mr. André Métayer and KPMG Audit (fiscal year ended March 31, 2004), and by Audit AMLD and KPMG Audit (fiscal year ended March 31, 2005) in accordance with the accounting standards applicable in France.

The year-end financial statements for the fiscal years ended March 31, 2003 and 2004 were certified without reservation or observation. The year-end financial statements for the fiscal year ended March 31, 2005 were certified without reservation and with an observation drawing the reader's attention to the change in the accounting method related to the recording of development expenses invoiced by Ubisoft Entertainment's subsidiaries and the resulting change in the presentation of the financial statements.

The consolidated financial statements for the fiscal year ended March 31, 2003 were certified without reservation and with the following observation: starting with the fiscal year ended March 31, 2003, the company decided to create a provision for retirement commitments for the most significant subsidiaries and recorded a provision in the amount of €300,000 in this respect. The consolidated financial statements for the fiscal years ended March 31, 2004 and 2005 were certified without reservation or observation.

On the basis of this due diligence, we have no observations to make with regard to the accuracy of the information concerning the company's financial position and accounts, as presented in this Reference document.

Rennes on September 13, 2005

By the statutory auditors

KPMG Audit

A division of KPMG SA

Laurent Prévost
Partner

SARL Audit AMLD

André Métayer
Partner

Related information

This Reference document includes:

- the statutory auditors' general report and report on the consolidated financial statements as of March 31, 2005, which include on pages 98 and 99 respectively a justification of the assessments made pursuant to the provisions of Article L. 225-235 paragraphs 1 and 2 of the French Commercial Code;
- the statutory auditors' report, prepared pursuant to the final paragraph of Article L. 225-235 of the French Commercial Code, regarding Ubisoft Entertainment SA's Chairman's report describing the internal control procedures related to the preparation and treatment of accounting and financial information.

7.3 Names, addresses and professional fees of the statutory auditors

Name	Date of first appointment	Expiration of current term
Principal auditor: SARL Audit AMLD represented by Mr. André Métayer 27 A Boulevard Solferino 35000 RENNES	1986	2010
Alternate auditor: Mr. Pierre Borie 15, rue Charles Le Goffic 35700 RENNES	1996	2010
Principal auditor: KPMG SA, represented by Mr. Laurent Prévost 15, rue du Professeur Jean Becker – CS 24227 35042 RENNES Cedex	2003	2007
Alternate auditor: Mr. Pierre Berthelot 15, rue du Professeur Jean Becker – CS 24227 35042 RENNES Cedex	2003	2007

€	Audit AMLD		KPMG	
	2004/2005	2003/2004	2004/2005	2003/2004
Statutory audit, certification, review of individual and consolidated financial statements	245,490	232,525	213,314	141,884
Incidental assignments	-	-	-	4,687
Total	245,490	232,525	213,314	146,571

7.4 Information policy

Person responsible for information:

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7.5 Schedule of financial communications for fiscal year 2005/2006

	Date
First-quarter sales	Thursday, July 21, 2005
Second-quarter sales	Week of October 24, 2005
Half-yearly results	Week of December 12, 2005
Third-quarter sales	Week of January 23, 2006
Annual sales	Week of April 24, 2006
Year-end results	Week of June 5, 2006

These dates are provided for information purposes only and will be confirmed during the year.

GLOSSARY

AAA: designation awarded to a video game when it achieves a score of 95% or higher in the trade press and when it has sold more than a million units worldwide.

Blockbuster: a game that has been highly successful and/or shows very strong sales potential (several million units).

Driver: a kernel that cannot run without a front-end system. In games, the driver is the core component of the system, providing all animation, images and sound as well as the game's interactive platform.

GameBoy®: Nintendo portable console. The first to appear on the market, it has since become available with a color screen: GameBoy® Color (GBC). Sales of these portable consoles have topped 100 million.

GameBoy® Advance: Nintendo portable console with a 32-bit processor. It was introduced on the Japanese market in March 2001; 700,000 units were sold in the first week.

GameBoy® Advance SP™ (Special Project): Nintendo's portable console was introduced in March 2003 and includes numerous technological innovations in addition to 32-bit technology: compact size, a rechargeable battery and a high-resolution backlit color display with folding design. Moreover, it is compatible with all GameBoy® games.

By June 2005, it was estimated that over 65 million GBA consoles (all models combined) had been sold worldwide.

Game console: a dedicated computer (without keyboard) used for a specific game. In general, because of their specialized use, these devices can perform at an impressive level. Third-generation consoles were introduced in 2000 and include a 128-bit processor. They can be connected to the Internet for network play, and they can also be equipped with a DVD player.

GameCube™: a Nintendo console, introduced in September 2001 in Japan, in November 2001 in the United States and in May 2002 in Europe. It is compatible with GameBoy® Advance. As of late June 2005, nearly 18 million units had been sold around the world.

Game play: the format given to a game (scenarios, clues, action) to make it both interesting and upgradeable.

Hit: a highly successful video game, with sales of several hundred thousand units.

Localization: the linguistic and cultural adaptation of a game for use in a different country.

MMO (massively multiplayer online): a term used to describe massively multiplayer online games that can be played via an Internet connection. They are unique in that the game never stops.

Nintendo DS™ (Dual Screen): Nintendo's latest portable console, which was introduced in the United States and Japan in late 2004, and in Europe in March 2005. More than 5 millions units were sold in the first half year end 2005.

Pay to play: a system in which players can play online only after paying a subscription (usually by the month). They then become part of an international community of fellow players. Players must generally purchase the game package beforehand.

Platform: a unit consisting of an operating system and a hardware architecture, which may be a console or a PC.

PlayStation®: a 32-bit game console from Sony, also known as PSX or PS®One, introduced in 1995. It uses a CD format for its games (unlike such consoles as the N64, which use a cartridge format).

PlayStation®2 (PS2): a Sony game console designed to replace the PlayStation®. It was introduced in 2000 in both Europe and the United States. Based on a 128-bit processor called the "Emotion Engine," the console comes equipped with a DVD-ROM player. Among the so-called new-generation consoles, the PS2® is far and away the most common, with over 80 million units on the market worldwide by late June 2005.

PlayStation® Portable™ (PSP): the first portable console manufactured by Sony, which was introduced in the Japanese market in late 2004 and in the United States one in March 2005. 2,5 millions units were sold in the first half year 2005 in the both countries. The European release is scheduled for September 2005.

Porting: the process of porting a program, i.e. adapting a program to a system other than the one for which it was originally developed (and designed) and moving it from one environment to another.

Production: the period during which a game is developed (character animation, integration of the data into the driver etc.).

Time to market: a video game is called "time to market" when its development cycle guarantee a profitable and precise release date (for example to coincide with a pictures' release or a sport event,...).

Xbox®: Microsoft game console, equipped with a 128-bit processor. It was introduced in the United States in November 2001 and in Europe in February 2002. As of late 2003, over 12 million units had been sold around the world.

Xbox 360™: a Microsoft "new generation" console with a worldwide release scheduled for late 2005.

Sources: Sciences en Ligne, "Éditions de L'Analogie," scientific and technological terminology glossary adapted from "Dictionnaire interactif des Sciences et Techniques" by P. and J. Robert. (www.sciences-en-ligne.com) - Le Jargon Français, v 3.2.119, by Roland Trique (www.Linux-France.org/prj/jargonf) - Ubisoft Entertainment SA, 2004.

Concordance table

This document has been prepared in accordance with Regulation 98-01 of the Commission des Opérations de Bourse, which specifies the information to be disclosed on admission to a regulated market for financial instruments and when issuing financial instruments for which admission to trading on a regulated market is requested, and in accordance with the application instruction issued pursuant to this regulation.

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This document is a free translation of the French Company Report which, in accordance with Article 212-13 of the Autorité des Marchés Financiers General Regulation (the French Securities and Exchange Commission) was recorded on September 14, 2005. It may only be used in conjunction with a financial transaction if it is supplemented by a transaction note issued by the Autorité des Marchés Financiers.

**Copies of this Company Report are available from Ubisoft's commercial offices:
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