UBISOFT™

ANNUAL REPORT 2004

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Chairman's STATEMENT

› Record sales and rave reviews

Ubisoft once again outperformed the market during the past fiscal year, raising consolidated net revenue by 22.5%*, to more than 508 million euros. This compares with average market growth of 2% during the same period.

Regionally speaking, we grew faster than any other video game company on the North American market, with a robust 42% leap in sales. This is all the more noteworthy because the market grew by only 1% in North America during the year. In Europe, we now rank 5th in the UK, 3rd in Germany and 2nd in France, with sales totaling €250 million**. This success can be measured by the number of enthusiastic reviews and prestigious awards we received, which ultimately was translated into record sales.

We featured prominently on a record number of major magazine covers worldwide in 2003/04, and increased overall coverage on television, at the cinema and in the mainstream press.

These rave reviews were often comforted by prestigious awards. **Prince of Persia® The Sands of Time** was named Best Console Game of the year at the DICE Summit's 2004 Interactive Achievement Awards. Our **Tom Clancy** lineup took center stage with titles like **Tom Clancy's Rainbow Six® 3**, voted best FPS 2003 game by IGN. With six of our AAA titles having received average overall reviews of 9 out of 10 or higher, Ubisoft was the publisher with the highest number of AAA ratings. And, to top things off, Ubisoft was voted publisher of the year by Gamezone.

Beyond the reviews and awards, Ubisoft's success last year can be measured by record sales. **Prince of Persia® The Sands of Time** sold more than 2 million units worldwide during the fiscal period, ranking among the top 10 games sold in the main European territories. **Far Cry™** took the leading sales position immediately after its release in Europe. **Tom Clancy's Rainbow Six® 3** sold more than 2.2 million units and became one of the five top-selling games on Xbox®. More recently, **Tom Clancy's Splinter Cell®: Pandora Tomorrow** ranked number one in game sales at its release in Europe and the United States, with more than 1.7 million units sold by end-March.

› 2003/04: an ambition came true

These results underscore the financial relevance of our strategy set up for the 2003/04 fiscal year which relied on seven priority objectives which we had fixed:

- Ensure that the industry's best and brightest want to work at our studios

  - Ubisoft is now a benchmark in the video game industry. The quality of our games and the proven capacity of our development teams are widely recognized around the globe. This reputation is a source of attraction, motivation and retention for the members of our studio teams, who are proud to be among the best in the world. Ongoing training in the latest technologies and the most effective methods helps to attract and retain our talented professionals.

* Based on a constant exchange rate
** Rankings based on calendar year 2003, excluding manufacturers.

- Create new brands

  - All together, Ubisoft launched four new major projects in 2003/04: **Prince of Persia® The Sands of Time**, **Far Cry™**, **XIII** and **Beyond Good & Evil™** among which the former two have become major brands.
  - **Prince of Persia® The Sands of Time** conferred a fresh new twist to the action/adventure genre.
  - **Far Cry™**, rewarded for its extraordinarily creative technology, racked up a number of awards during the year, including ECTS's Best PC Game of 2003. This first-person shooter has sold more than 730,000* units since its end-March worldwide release. We look forward to building on **Far Cry™**'s world renown to launch the Xbox® and PS2 versions of the game during the 2004/05 fiscal year.

- Build the Tom Clancy franchise in the long term

  - Another achievement. In 2003, the **Tom Clancy** brand ranked in the fourth position of all franchises in the US**, with more than 26 million games sold worldwide as of March 2004.
  - Presented at E3 2004 in May, **Splinter Cell® Chaos Theory** has already been awarded Best Game of the Show, Best PC Game and Best Action Adventure Game by GameSpot and Best PC Graphics by IGN!

- Strengthen our position as leader in online gaming

  - A lot of our games integrate online features and experience a growing success: in February 2004, **Tom Clancy's Rainbow Six® 3** was among the most popular titles on Xbox Live™ which counts 750,000 subscribers in 19 different countries.
  - **Far Cry™**, **Rainbow Six®** and **Ghost Recon®** are among the most popular games played online today.
  - New maps in **Splinter Cell®: Pandora Tomorrow** represent revolutionary innovations for our sector and once more attest to the leading role we play and will continue to play in the online gaming segment.

- Continue gaining ground with our massively multiplayer online (MMO) games

  - This is a segment where we had no presence, but we have now successfully entered it with the launch of our first game, **Shadowbane®**, last January. However, we must admit that we did not establish a foothold in this market as quickly as we expected, despite the fact that we penetrated the market for Internet mail-order sales, which puts us in direct contact with the end customer.
  - Today, our strategy is yielding results and our commitment to MMOs remains firm. Proof of this is the acquisition of Wolfpack, developer of **Shadowbane®**, not to mention our fertile partnership with Sony Online Entertainment for the distribution of the **EverQuest®** game in EMEA territories on three continents.

- Offer gaming experiences that rival the best Hollywood movies

  - More than ever in the past, Ubisoft worked closely with Hollywood and other entertainment professionals over the past year to improve the quality of our games.
  - We worked closely with American actor, director and producer Andrew Davis, perhaps best known for directing **The Fugutive**, **A Perfect Murder** and other films, on our **Splinter Cell®** games. He shared his cinematic expertise with us to bring more emotions to the story and characters. This is one example among many.
  - Music is, of course, another element we used to enhance the overall gaming experience. We signed deals with world-renowned musicians such as Peter Gabriel, for example, to provide brand-new, exclusive music for **Myst®** and Lalo Schifrin, who composed the music for **Mission: Impossible**, for **Splinter Cell®**.

- Break new fiscal records

  - We aimed and succeeded in increasing consolidated net revenue by 22.5%***. However, we did not increase operating results to 45 million euros, as anticipated. This can be explained in particular by an overall growth of the market which was much lower than we had forecast (2% instead of 6-8%) and by the fact that we postponed the PS2 and GameCube™ versions of **Splinter Cell®: Pandora Tomorrow**. However, we generated net free cash flow, excluding acquisitions, of €58 million.

The past year we reached most of our objectives and it was clearly one of sustained growth and increased recognition for Ubisoft. Looking forward, I'm confident that we have what it takes to reinforce our leadership position in 2004/05.

* Sales figures as of June 2004
** In value, all formats, source : NPD
*** Based on a constant exchange rate

› 2004/05 : reinforcing our leadership position

For the upcoming fiscal year, we have set four priority objectives and we aim to:

- Improve financial results by optimizing our organization and price structures

  Our 2004/05 catalog, which is mainly composed of series of established brands, gives us very good visibility on our ability to reach this goal. We anticipate a sales growth in excess of 10% at constant exchange rates. Our operating profit is expected to range between €40 to €45 million according to French standards and €38 to €43 million on pro forma accounting standards. We anticipate a net income excluding extraordinary items (before amortization of goodwill and business assets) of €18 to €22 million according to French standards and €17 to €21 million on pro forma accounting standards. This should allow us to generate a net free cash flow of €15 to €25 million.

- Increase internal development capacity by 25%

  We plan to strengthen our studios by hiring 400 new high-potential talents particularly in China and Canada. This increase will allow us to continue building a popular portfolio of Ubisoft brands while successfully handling the next generation of consoles.

- Reinforce our consumer-centric strategy

  We have already made tremendous strides in this field. We plan to do even more this year. We will develop better marketing tools and track their results more closely. We will increase the number of focus groups and studies conducted to maximize the potential of each product.

- Pursue our growth strategy for blockbuster brands by capitalizing on existing brands and creating two new brands

  On the one hand, we will consolidate already-existing brands with the launch of sequels, including **Prince of Persia® Warrior Within**, **Splinter Cell® Chaos Theory**, **Ghost Recon® 2** and **Myst® IV Revelation**. On the other hand, we will continue to launch totally new brands aimed at a wide audience. Announced at E3 2004, **Far Cry Instincts™** on consoles and **Brothers in Arms™** are both new Ubisoft titles with enormous potential. Moreover, a third new brand allowing us to enter a new segment will be announced during the year.

Meeting each of these objectives will allow us to reach our overall target: to seize the leading European publisher position in Europe and the fifth largest independent publisher position in North America within the next three years.

› More for the player

Before turning the page on the past fiscal year, I would like to thank our players all over the world. It is by listening to them and accepting their advice that we can offer them high quality games.
We ultimately seek to bring more to the player - more challenges, more innovation, more surprises and more emotions. This will become increasingly possible thanks to the next generation of consoles. Their new features will allow us to develop games with an ever richer content.

Let me also thank our shareholders, business associates and financial partners for trusting and working closely with us, as well as the people at Ubisoft for their talent, creativity and energy. Thanks to them, the European and worldwide ambition of the Group becomes reality.

Y. Guillemot

Yves Guillemot
President & CEO

Tom Clancy's Splinter Cell® Pandora Tomorrow

Highly acclaimed with an exceptional 93 percent rating on www.gamerankings.com

1.7 million units sold as of March 2004

01

Yves Guillemot
President & CEO

Christine Burgess
Executive Director,
Worldwide Studios

Alain Martinez
Chief Financial Officer

Serge Hascoët
Executive Director,
Worldwide Content Strategy

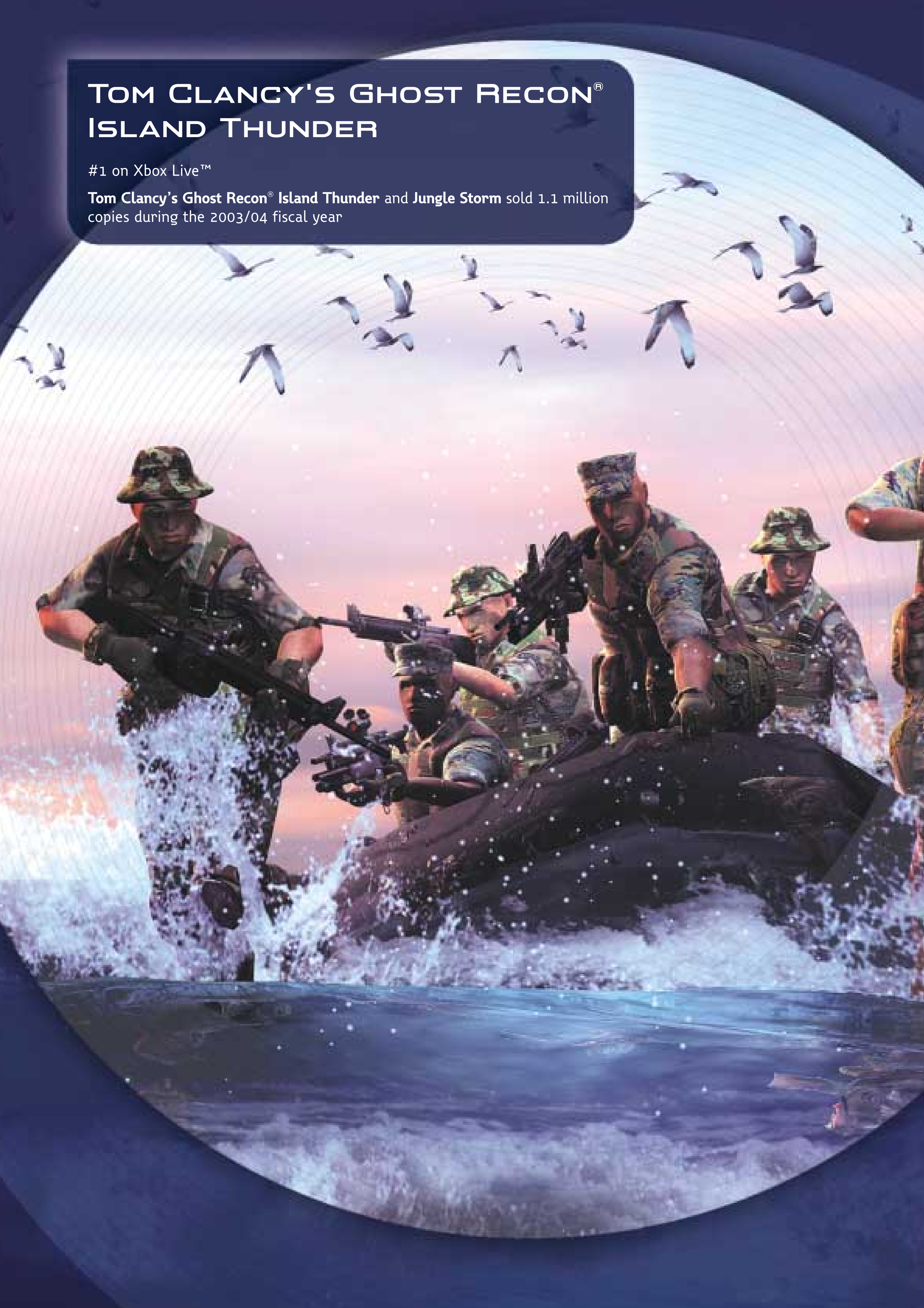
Laurent Detoc
Executive Director,
North America

Alain Corre
Executive Director,
EMEA Territories

Tom Clancy's Ghost Recon®
Island Thunder

#1 on Xbox Live™

Tom Clancy's Ghost Recon® Island Thunder and **Jungle Storm** sold 1.1 million copies during the 2003/04 fiscal year



Playing to Win

By actively pursuing a long-term strategy that favors in-house development and encourages creativity, Ubisoft now ranks as one of the largest video game producers on the market.

Widely acknowledged as a leading player in the industry, Ubisoft is currently the seventh largest independent software publisher in the U.S., the fifth largest in the UK, the second largest in France and the third largest in Germany*.

By positioning itself on promising new markets, in particular online gaming, and by forming strong partnerships with leading manufacturers and publishers, Ubisoft has become a force to be reckoned with in the industry.

* Sources: USA: NPD, UK: Chart -Track, Germany: Media Control, France: GFK - 2003

1986/2004

Strategies that Pay Off

1986

Getting Started

- Ubisoft is the brainchild of the five Guillemot brothers, who join forces to launch an educational software and video game publishing and distribution company.
- The company obtains growing success with a series of hits on PC, Amstrad™, Atari™ and Amiga™
- Ubisoft distributes software for the leading U.S. and European video game publishers: Elite™, Microprose™, Electronic Arts, Sierra, LucasArts™, Interplay, Software Toolworks®, Novalogic®...

1989/91

Entering the International Arena

- Distribution subsidiaries created in key world markets: United Kingdom, Germany and the U.S.
- Products marketed for Nintendo® and Sega®, the major console producers at the time.

1994/95

First Studios Set up Operations

- Ubisoft creates its first in-house production studios in France and Romania
- The company launches **Rayman**®, based on the exploits of the now famous "armless and legless" character.

1996

Going Public

- Ubisoft Entertainment S.A. is listed on the Second Market of the Paris Stock Exchange.

1997/98

Boosting Production and Distribution Capacity

- New Ubisoft production studios open in China and Canada, and subsequently in Morocco and the United States.
- A distribution subsidiary is inaugurated in Australia.

2003/04

The Year of Recognition

Ubisoft:

- Introduces a new logo and announces the sale of its one hundred millionth game unit.
- Receives numerous awards during the fiscal year 2003/04, in particular for **Tom Clancy's Splinter Cell**®, **Prince of Persia**® **The Sands of Time, Far Cry™, Beyond Good and Evil™, XIII,** and **Tom Clancy's Rainbow Six**® **3**.
- Revs up its purchasing strategy, bringing two new studios on board: Tiwak in France, and Wolfpack in the United States.
- Consolidates its partnerships with Microsoft and Sony by signing exclusive deals for PlayStation®2 and Xbox®.
- Enters an exclusive publishing and distribution agreement for Europe for **Playboy**®**: The Mansion**.
- Increases its presence on the highly profitable MMO (Massively Multiplayer Online games) market with the launch of **Shadowbane**® and the signing of a publishing agreement for **EverQuest**®**II** and **Lords of EverQuest™** in Europe.

Today Ubisoft has teams working in 21 countries, distribution networks in 55 countries, 13 development studios worldwide, a staff of 2,350, and has the 2nd largest video game production force in the world.

2000

Consolidating Corporate Strength

- Ubisoft Entertainment S.A. shares are now listed on the First Market of the Paris Stock Exchange.
- Marketing division is organized into two major geographic centers: EMEA (Europe, Middle East and Asia) and North America.
- Ubisoft acquires Redstorm Entertainment, creator of the prestigious brand **Tom Clancy's Rainbow Six**®.

2002/03

Turning Brands into Mega-hits

- A number of Ubisoft products become best-sellers, including **Tom Clancy's Splinter Cell**® Xbox® and PlayStation®2* , **Tom Clancy's Ghost Recon**® Xbox®**, **Rayman**® **3 Hoodlum Havoc** PlayStation®2 and Game Boy® Advance***.
- Online gaming grows at lightening speed: **Shadowbane**® is released in the U.S. with resounding success.
- Distribution subsidiaries are opened in South Korea, Finland, Canada and Switzerland.

2001

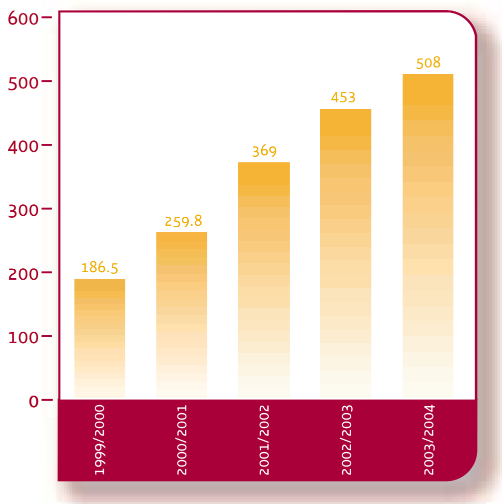
Building through Acquisitions and Online Games

- Ubisoft acquires Blue Byte Software (Germany), creator of titles such as **The Settlers**®, and Game Studio, the game division of The Learning Company (United States). This last acquisition opens the door to exclusive publishing rights for more than 80 titles, including **Prince of Persia**®, **Chessmaster**® and **Myst**®.
- Ubisoft launches ubi.com, its online game portal.

* Sources: NPD, GFK, Chart-Track, Media Control / Reached the top of the charts right after their launch in the U.S. and in Europe
** Sources: NPD 2003 / #2 in sales in the U.S.
*** Reached the top of the charts in Germany and France during the first 5 months of 2003

The group's products, in particular Prince of Persia® The Sands of Time and Far Cry™, were received with enthusiastic critical acclaim and won an impressive number of industry awards. The continued success of the highly popular Tom Clancy and Prince of Persia® brand series should boost Ubisoft's overall performance in 2004/05 and further confirm its position as a global leader in the market.

2003/04 Sustained Growth and Increased Recognition



Sales growth in millions of euros

› In-house Development Spurs Expansion

Sales went up sharply (+22.5% at a constant exchange rate), due to a substantial increase in market share in North America and Europe. Ubisoft showed gross margin growth (65% of sales this year), and 1.5 million euros in operating results.

› Free Cash Flow : €58 million

Ubisoft exceeded its objective of generating net free cash flow due to a seven-fold increase in total cash flow from operating activities and to an improvement in the working capital requirement of €31 million, wich represented 26% of sales. Net free cash flow generated, excluding acquisitions, amounted to a positive €58 million.

› A Line-up of Top-ranking Hits

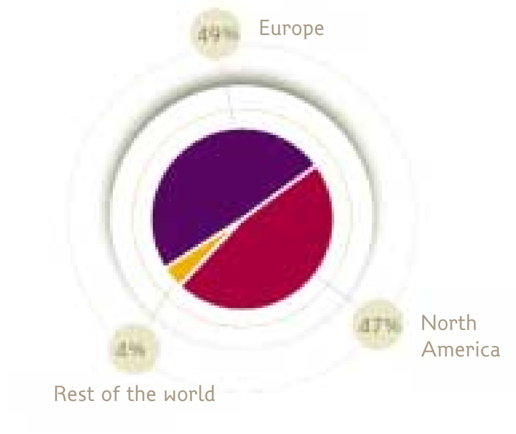
Prince of Persia® The Sands of Time	2.4 million
Tom Clancy's Rainbow Six® 3	2.2 million
Tom Clancy's Splinter Cell®: Pandora Tomorrow	1.7 million
Tom Clancy's Ghost Recon®	1.5 million
XIII	1.4 million
Tom Clancy's Ghost Recon® Island Thunder / Jungle Storm	1.1 million

Focusing our efforts on creating and marketing popular hits has proved effective: **Tom Clancy's Splinter Cell®** has sold over six million units since its release*, while five major titles have each topped the million unit mark, and four franchises gone beyond the two million mark.

* As of March 2004

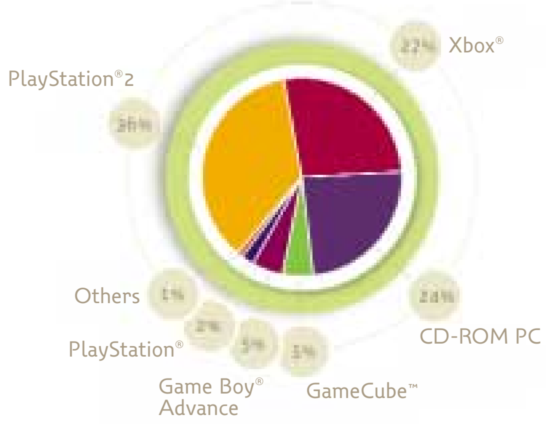
› Ubisoft Strengthens its Presence in North America

Ubisoft is developing rapidly in North America. In 2003, it became the 7th largest independent software publisher in the U.S., with over 42 % growth*. The group also established its position in Europe, particularly in Great Britain, where it registered a 24% growth for 2003/04, placing it 5th among independent publishers.



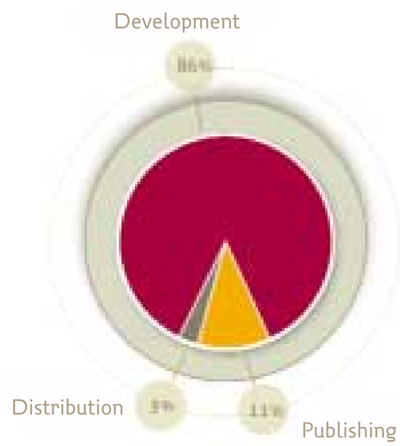
› Targeting High-growth, High-profit Markets

The group consolidated its position for 128 bit consoles, the year's fastest-growing industry segment. Ubisoft's rapidly rising sales figures on this segment make this position all the more relevant: + 68% in 2003/04 (+62% in 2002/03).

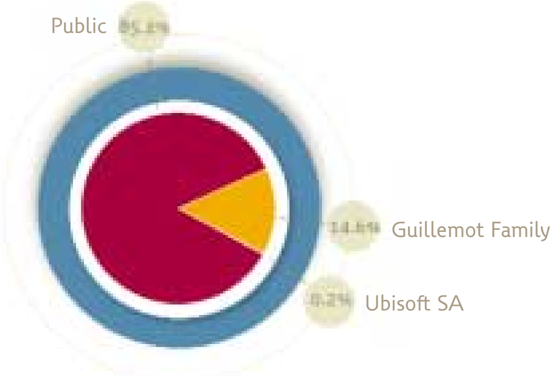


› In-house Development: A Strategy that Works

In-house creation projects represent 86% of total company sales, compared to 77% in 2002/03, confirming the relevance of Ubisoft's studio and production strategies.



› Capital Distribution as of June 30, 2004



* During the 2003/04 calendar year

Tom Clancy's Rainbow Six® 3

Elected best first-person shooter game and best online game on Xbox® by Ign.com

2.2 million units sold as of March 2004

A Market with Multiple Opportunities

In 2003, in a business sector where overall growth stagnated at 1%*, Ubisoft once again succeeded in out-performing the American market by 42%. The company has shown the strongest growth in the United States.

The group's brands continue to win over the public on a market dominated by franchises. The Tom Clancy products are but one example; the series has been extraordinarily successful and is currently the top franchise on Xbox®. Moreover online games continue to attract players, which is an encouraging trend for Ubisoft.

* Sources US: NPD– Dec. 2003

In 2003, 128 bit format game software sales showed strong growth (+40% in units, +18% in profitability)*.
As in previous years, Ubisoft outperformed the American market for all formats with the strongest growth in software sales among the top twenty software publishers.

A Strong and Active Market

Installed base

US[1] + Europe[2] million units	2002	2003	Growth rate US[1] + Europe[2]
Sony PlayStation®2	27	39,5	46%
Microsoft Xbox®	6	10,9	82%
Nintendo GameCube™	4,8	9,4	96%
TOTAL 128 bits	37,8	59,8	58%
Game Boy® Advance	17	29	71%

(1) Source: NPD (2) Source: IDG

Game software market - annual growth

US[1] + Europe[2] million units	2002	2003	Growth rate US[1] + Europe[2]
Sony PlayStation®2	4 262	5 089	19%
Microsoft Xbox®	1 007	1 511	50%
Nintendo GameCube™	837	1 209	44%
TOTAL 128 bits	6 106	7 809	28%
Game Boy® Advance	981	1 425	45%

(1) Source: NPD (2) Source: IDG

128 bit console sales dropped slightly in the United States for 2003 (-8% on an annual unit basis)**, but should be stimulated by the price drops on Playstation®2 and Xbox® announced in Spring 2004, allowing Ubisoft to consolidate its excellent results on these platforms.

* Sources : US: NPD, France: GFK, UK: Chart-Track – Dec. 2003 / estimations
** Source : NPD 2003

› Franchising: A Prominent Role

Brands play a prominent role in the industry. The sector has seen significant brand consolidation, particularly an increase in the number of sequels and licensed games. The following sales figures make this trend clear: in 2003, among the top 20 PlayStation®2 and Xbox® games, only three products were original creations*.

A huge popular success, Ubisoft's **Tom Clancy** is rapidly becoming the number one franchise on Xbox® in the U.S., Great Britain and France*. As of March 2004, 26 million **Tom Clancy** games have been sold worldwide. **Tom Clancy's Splinter Cell® Pandora Tomorrow, Tom Clancy's Rainbow Six®3**, and **Tom Clancy's Ghost Recon® Island Thunder/ Jungle Storm** were the three **Tom Clancy** brands that dominated the market segment for the fiscal year 2003/04.

› A New Area for Expansion: Portable Consoles

With the release of Nintendo DS™ (Dual Screen) and Sony's PSP™ (Sony's PlayStation® Portable) slated for 2004/early 2005, the portable console market is spear-heading a new growth sector. Ubisoft is actively preparing for the arrival of these new consoles, and already has several projects near completion at its studios.

› Continued Online Growth

Another strong overall industry trend is the continued growth of online gaming, with players spending more and more time online. This has resulted in a sharp rise in traffic on the ubi.com portal, which had a peak of 4.5 million unique visitors in March 2004, versus three million in March 2003.

Online consoles, in particular, have seen a significant increase in popularity, with over two and a half million Xbox® and PlayStation®2 subscribers world-wide**. Ubisoft has invested substantially in the market and is now one of the big players in the field. Many products in its catalog integrate online features and are registering increasing success: in February 2004, **Tom Clancy's Rainbow Six® 3** ranked among the most popular titles on Xbox Live™***, which had at that time 750,000 subscribers in 19 different countries.

* Sources: US: NPD, France: GFK, UK: Chart-Track – Dec. 2003
** Sources: Official console manufacturer announcements - May 2004
*** Source : IDG

Prince of Persia® The Sands of Time

Awarded best game of the year at the 2003 E3 show
2.4 million copies sold as of March 2004

Ubisoft Studios: Giving Players that Extra Kick

Ubisoft runs on creativity. A full 75% of Ubisoft staff devotes itself to developing exciting new products to enhance the overall gaming experience for players.

Thanks to 1760 creative minds* in 13 studios around the world, Ubisoft is now the second largest video game producer in the world.

* Calculation option including studio administration functions

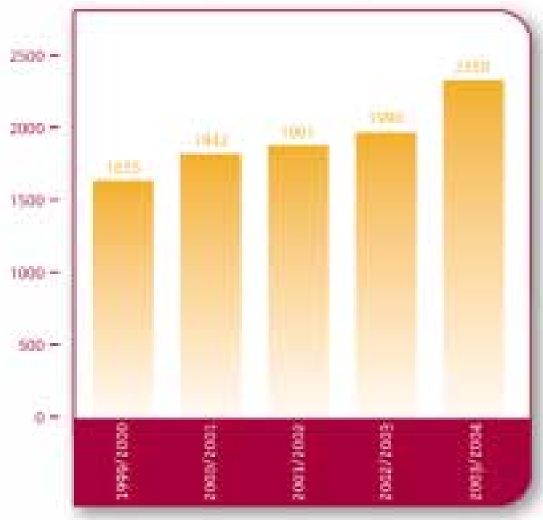
Ubisoft's prime strength is the creativity, energy and ambition of its production teams. This is why the group decided to emphasize in-house development. This strategy has proved to be a winning decision and has led to public and critical acclaim, widespread industry recognition, as well as numerous awards for the creativity and quality of its products.

In-house Development: The Key to Success

› Capitalizing on Team Talent

Ubisoft's most formidable strength is its 2,350 staff members, with an average age of 30 and who are located in 21 different countries. The number of employees increased by 18% in 2003/04, with the creative team members representing approximately three-quarters of the full-time staff.

Ubisoft's studio teams are highly experienced: On average, every developer now has two to three projects or more to his credit. The company capitalizes on team know-how, its basic and most vital force.



Staff as of March 2004

› Sharing Skills, Experience and Enthusiasm

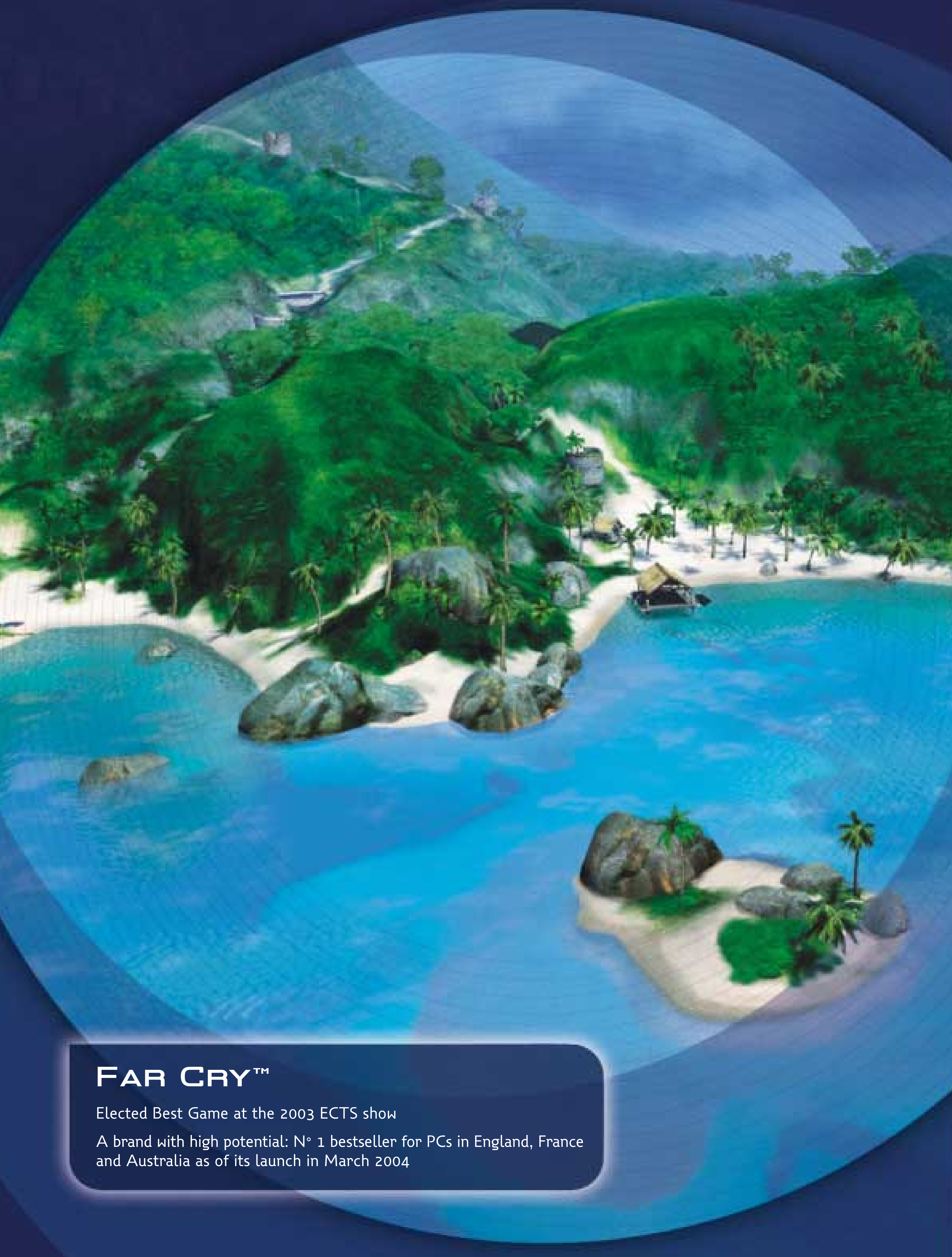
To help stimulate knowledge transfer between development teams, Ubisoft has created an in-house Academy of Experts. A group of 30 specialists working on different projects meet up several times a year to share their skills and experience in various areas such as graphics, animation, sound design, and programming.

Ubisoft's knowledge-sharing strategy is employed in individual projects, such as the development of **Tom Clancy's Splinter Cell**® on PlayStation®2, which combined the diverse talents of a team of Canadian, French and Italian developers.

› Bringing in More Emotions

Whatever job they perform on the production chain, Ubisoft's creative designers all have the same goal in mind. Scriptwriters, graphic artists, sound designers, game designers, computer specialists, animators, data managers and testers all team up to make the Ubisoft gameplay experience truly unique.

Excitement is the key to success on today's video game market. The time has come to build games with real depth of feeling, achieved through intelligent scenarios, player/character interactivity, good dialogue, and overall atmosphere. Ubisoft's next challenge is to differentiate itself even further from its competitors by delivering a wealth and depth of feeling to its players.



Far Cry™

Elected Best Game at the 2003 ECTS show

A brand with high potential: N° 1 bestseller for PCs in England, France and Australia as of its launch in March 2004

Launching Blockbusters

Having received the major video games awards in 2003/04, Ubisoft has earned international industry recognition for the exceptional quality of its games.

Two new brands created this year have met with resounding success: Far Cry™ and Prince of Persia® The Sands of Time.

Looking towards the future, Ubisoft is to launch promising games in 2004/05:

- The sequel to the megahit Prince of Persia® The Sands of Time, elected best console game during the 2004 DICE Summit,
- Myst® IV Revelation, the latest in the Myst® series, that achieved excellent sales levels worldwide
- A new console version of Far Cry on Xbox® and PlayStation®2, elected Best PC Game at the 2003 ECTS.

Creating Brands in a Class of their Own

› The Tom Clancy Lineup Adds a Series of New Hits:

Tom Clancy's Splinter Cell® Pandora Tomorrow, unanimously acclaimed best-seller on Xbox®, was released in Summer 2004 on PlayStation®2 and GameCube™, and will be followed by the much awaited **Tom Clancy's Splinter Cell® Chaos Theory**, slated for 2005. **Tom Clancy's Ghost Recon® Island Thunder** and **Jungle Storm** also met with resounding success, with sales of over 1.1 million copies during the last fiscal year.

› Ubisoft Breaks New Ground with Gaming Experiences on a Par with the Best that Hollywood Has to Offer.

Ubisoft's creative teams adapt the techniques used in the film industry, as well as its grasp of plot, characterization and music, when designing new products. Its goal is to make games that totally absorb the player, providing the same level of emotional intensity and buzz you can get in movies.

› Industry Kudos Reward Team Creativity

Ubisoft Takes Center Stage with 12 Awards for 2003

Ubisoft's creative talents were widely honored in 2003. The company received a total of 22 nominations and 12 awards, including seven at the prestigious E3 2003.

Many of its games were selected for 2003/04's top prizes, among them: **Tom Clancy's Splinter Cell®, Tom Clancy's Rainbow Six® 3, Prince of Persia® The Sands of Time, Beyond Good & Evil™, XIII,** and **Uru: Ages Beyond Myst®**.

In 2003, Ubisoft was also elected "Publisher of the Year" by Gamezone and "Developer of the Year" by Xbox® magazine.

The Best Ratings in the Business

The Ubisoft team's imagination and energy earned the company global recognition and acclaim in 2003/04. The company received 90% and above reviews for 6 games, which makes Ubisoft the publisher with the greatest number of top ratings in the industry.

Ubisoft's high-performance creativity has set a new standard for the market and made it a force to contend with.

Position	Title	Platform	Average score
1	**Tom Clancy's Splinter Cell® Pandora Tomorrow**	Xbox®	93%
2	**Prince of Persia® The Sands of Time**	Xbox®	93%
3	**Prince of Persia® The Sands of Time**	GameCube™	92%
4	**Prince of Persia® The Sands of Time**	PlayStation®2	92%
5	**Prince of Persia® The Sands of Time**	PC	90%
6	**Far Cry™**	PC	90%
7	**Tom Clancy's Rainbow Six® 3**	Xbox®	89%
8	**Tom Clancy's Splinter Cell®**	PlayStation®2	88%
9	**Tom Clancy's Splinter Cell®**	GameCube™	88%
10	**Beyond Good & Evil™**	PlayStation®2	88%

Sources: gamerankings.com - games released in fiscal year 2003/04 - July 8, 2004, notes

2004/05 Flagship Brands and Top-Performing Studios

FAR CRY INSTINCTS™

The adaptation of the PC best-seller soon available on consoles.

PRINCE OF PERSIA® WARRIOR WITHIN

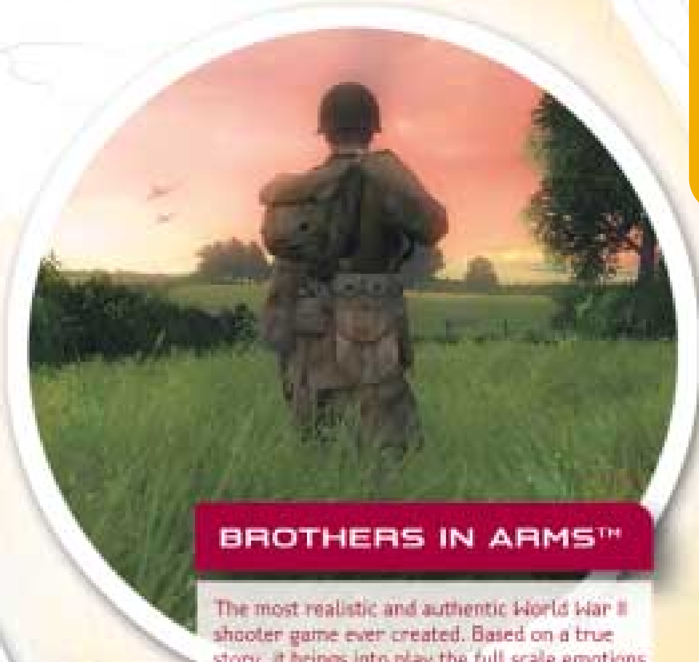
The sequel to Prince of Persia® The Sands of Time, the critically acclaimed action/adventure game.

TOM CLANCY'S SPLINTER CELL® CHAOS THEORY

A new adrenaline-pumping stealth game, already one of Ubisoft's best sellers, that raises the bar for the brand.

MYST® IV REVELATION

The Myst® revelation that fans have been waiting for. A high-drama adventure, at the center of an immense and fabulous universe.



BROTHERS IN ARMS™

The most realistic and authentic World War II shooter game ever created. Based on a true story, it brings into play the full scale emotions of war.

TOM CLANCY'S RAINBOW SIX® 3: BLACK ARROW

Adds yet another dimension to multiplayer first-person shooter games.

TOM CLANCY'S GHOST RECON® 2

A first-person shooter game that draws players into the war of the future.

Rayman® will be back soon on next gen hand-held consoles

2004 Financial Report

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1. General overview

1.1 Introduction

Ubisoft is one of the leading developers and publishers of interactive game software worldwide.

Since its founding in 1986, Ubisoft has experienced strong, continuous growth thanks to its strategy of internal growth plus carefully targeted acquisitions with high growth potential. Since being listed on the stock exchange in 1996, the group has increased its sales 13-fold. It currently has an extensive catalog of flourishing brands that are recognized by industry professionals and consumers alike.

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 retailers of all kinds). Ubisoft has gradually and successfully integrated these three core activities. The group currently has development teams of the highest quality – whose creativity and talent are responsible for a significant number of solid brands – working in 12 international studios.

This workforce comprises nearly 2,400 individuals, all working toward a common goal: the creation of high-quality games for a growing and increasingly demanding audience of gamers.

1.2 Highlights of fiscal year 2003-04

April 2003

- Tom Clancy's Splinter Cell™ on PlayStation® 2 is the best-selling game in Germany, France and Great Britain.
- Ubisoft presents seven high-potential titles at E3 2003, the international video-game show: Beyond Good and Evil™, Far Cry™, Prince of Persia The Sands of Time™, Tom Clancy's Rainbow Six® 3, Uru™: Ages Beyond Myst®, XIII and Tom Clancy's Ghost Recon™: Island Thunder™.
- Annual sales for fiscal year 2002-03 are announced: an increase of 23%.

May 2003

- IGN.com honors Ubisoft games presented at E3: four awards for Prince of Persia The Sands of Time™, including the award for Best Game in Show for PlayStation® 2 and five nominations for Beyond Good and Evil™.
- Share subscription warrants (BSAs) are allotted free of charge on the basis of one BSA offered for one Ubisoft share.

June 2003

- Signing of a publishing agreement with Sony Online Entertainment for Everquest™ II and Lords of Everquest™ in Europe.
- Prince of Persia The Sands of Time™ is chosen as Best Action-Adventure Game on PlayStation® 2 by the representatives of E3 2003. Ubisoft receives seven awards and 17 nominations in all.
- Tom Clancy's Splinter Cell™ on PlayStation® 2 is the top-selling game in the United States (source: NPD).

July 2003

- First-quarter sales for fiscal year 2003-04: €66.5 million, up 107%.
- Three exclusive territorial agreements are signed with console manufacturers for 2003:
  - Prince of Persia™ The Sands of Time for PlayStation® 2 in Europe and Australia.
  - Beyond Good and Evil™ on PlayStation® 2 in Europe and Australia.
  - Tom Clancy's Rainbow Six® 3 on Xbox™ in Europe and the United States.

August 2003

- During ECTS 2003 (the European video-game show), Ubisoft titles are once again recognized for their quality: Far Cry is named Best PC Game of the show, XIII is chosen as Best Game and Best Console Game of the show, and Everquest™ II is selected as the show's Best Online Game.

September 2003

- Ubisoft reveals its new logo and announces the sale of the 100,000,000th game since its founding.
- Ownership interest in the capital of Gameloft is increased to 20%.

- Tom Clancy's Rainbow Six® 3 for Xbox™ is chosen as Best Game at the XO3 show.

October 2003

- Ubisoft ranks among the Top 5 independent publishers in the United States and Europe in the first half of 2003.
- An agreement is signed with renowned musician Peter Gabriel to compose music for the game Myst®.

November 2003

- An exclusive publishing and distribution agreement is signed with Arush Entertainment for distribution of the game Playboy®: The Mansion™ for PCs and consoles in Europe.
- Exclusive agreement with Sonopress for the production of Xbox DVD.
- Worldwide launch of Uru™: Ages Beyond Myst®.
- Bonds with redeemable share subscription warrants (OBSARs) are issued in the amount of €55 million.

December 2003

- Publishing and distribution agreement in Europe for the online role-playing game Shadowbane®.
- Ubisoft announces the May 2004 release of the sequel to the game inspired by the hit television series, CSI: Crime Scene Investigation™ 2: Dark Motives, for PC.
- Acquisition of French development studio Tiwak, based in Montpellier.

January 2004

- An exclusive publishing and distribution agreement is signed with Japanese producer Tecmo for the release of the game Project Zero 2 – Crimson Butterfly for PlayStation® 2 in Europe and Australia.
- Announcement of the development of Silent Hunter III for PC, with release scheduled for the end of 2004.

February 2004

- The outlook for fiscal year 2003-04 is revised due to a product shift.
- The playable demo of Far Cry is downloaded more than 1 million times in two weeks.
- Over 1.1 million copies of Prince of Persia The Sands of Time™ are sold in Europe.
- The Monaco Imagina Festival chooses Ubisoft titles for six of only 11 awards given.
- Acquisition of the American studio Wolfpack, developers of the massively multiplayer online (MMO) game Shadowbane®.

March 2004

- Prince of Persia The Sands of Time is chosen as Best Console Game of 2004 at the Las Vegas Interactive Achievement Awards and receives more honors than any other game in the industry. Tom Clancy's Rainbow Six® 3 receives the award for the Best FPS Game of the Year for consoles. With a total of 23 nominations, Ubisoft wins nine awards in all.
- An exclusive licensing agreement is signed with CBS Consumer Products® to publish CSI: Miami™ (The Experts: Miami™) for PC, with a worldwide release planned for the winter of 2004-05.

1.3 Analysis of activity and comments on results for fiscal year 2003-04

1.3.1 Quarterly and annual consolidated sales

Consolidated sales (in millions of euros)	2003-04	2002-03	Growth
First quarter	66.5	32.0	+107%
Second quarter	62.3	51.5	+21%
FIRST HALF	**128.8**	**83.5**	**+54%**
Third quarter	227.7	190.5	+20%
Fourth quarter	151.9	179.0	-15%
SECOND HALF	**379.6**	**369.5**	**+3%**
TOTAL	**508.4**	**453.0**	**+12%**

Sales increased by 22.5% at constant exchange rates (and by 12% at current exchange rates). Ubisoft once again increased its market share in both the United States and Europe. In 2003, Ubisoft climbed two places among independent publishers and distributors in the USA and from one to four places in Europe.

1.3.2 Sales by activity

Ubisoft's sales are distributed over the three core activities of the video-game 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, as well as 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 encompass several regions.

Breakdown of sales by activity:

	2003-04	2002-03	Change
Development	86%	77%	+25%
Publishing	11%	18%	-31%
Distribution	3%	5%	-33%

The commercial success of the titles developed by Ubisoft contributed to the 25% growth in development activities. Development now represents 86% of sales, compared to 77% in the previous year.

1.3.3 Change in production volumes

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

Number of titles*	2003-04	2002-03
In-house production	10	20
Co-production	9	20
Publishing	16	45
Distribution	2	14
TOTAL	**37**	**99**

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

The company attaches strategic importance to its in-house development business, since this ensures:

- Better game quality and rigorous control of schedules and budgets.
- Improved profitability, thanks to development for several formats.
- Creation and development of tools and technology that can be reused from one game to another.

Priority was given to major titles with high potential, such as Prince of Persia® The Sands of Time™ (with 2.4 million units sold during FY 2003-04), Tom Clancy's Rainbow Six® 3 for consoles (2.2 million units), Tom Clancy's Splinter Cell® Pandora Tomorrow (1.7 million units) and Tom Clancy's Splinter Cell® (which has sold more than six million units since its launch in late 2002).

Ubisoft has achieved its objectives through a dual strategy of focusing on a lower number of products developed in-house (but with high sales potential) and strengthening its selection of publishing products.

1.3.4 Sales by platform

	2003-2004	2002-2003
PC	24%	23%
PlayStation®	2%	5%
PlayStation® 2	36%	28%
GameBoy/GameBoy™Color	0%	1%
GameBoy®Advance™	5%	8%
Game Cube™	5%	7%
X-box™	27%	27%
Autres	1%	1%

Game sales on 128-bit consoles (PlayStation® 2, Nintendo GameCube™ and Xbox™) increased from 62% to 68% of annual sales, attesting to the very high level of activity in this sector. PC game sales remained stable at 24% of total sales (compared to 23% the previous year). Sales for portable consoles (GameBoy® Advance and GameBoy™ Color), which fell from 26% in 2001-02 to 9% in 2003-04, accounted for a mere 5% of turnover in 2003-04 owing to a significant decline in the number of games released for this medium. However, the introduction of two new portable consoles, the Sony PSP and the Nintendo DS, in late 2004 and early 2005, respectively, is expected to breathe new life into this sector.

1.3.5 Sales by region

Fiscal year (In millions of euros)	2003-2004 Sales	% of sales	2002-2003 Sales	% of sales
France	52.77	10%	63.68	14%
Germany	38.42	7.5%	45.43	10%
UK	69.42	14%	50.85	11%
Rest of Europe	89.45	17.5%	90.27	20%
TOTAL EUROPE	**250.06**	**49%**	**250.23**	**55%**
North America (US/Canada)	236.62	46.5%	183.54	40%
Asia-Pacific	19.66	4%	16.40	4%
Rest of world	2.10	0.5%	2.80	1%
TOTAL	**508.44**	**100%**	**452.97**	**100%**

The group's sales are now distributed equally between the two major territories: Europe and North America. Sales in North America were €237 million for the year, accounting for nearly 47% of the group's total sales. Over the fiscal year, the region posted an increase of 29% at current exchange rates and 49% at constant rates. Europe accounts for 49% of annual sales with €250 million, a stable sales figure with respect to the previous year. The UK posted a strong increase in sales (37%).

1.3.6 Change in Income statement

The group's gross margin increased by four points to 65% of sales (vs. 61% for fiscal year 2002-03) thanks to a higher percentage of sales on 128-bit consoles (68% in 2003-04, compared to 62% in 2002-03).

EBITDA stood at €130 million (an increase of 16%). This higher figure can be attributed to the increase in sales activity and an improved margin. The group as a whole generated an additional margin of €53 million, which was offset by €35 million in higher costs (including €19 million in marketing expenses).

Under French accounting standards, operating profit stood at €1.5 million as a result of additional accelerated amortization and depreciation totaling €49 million in comparison with FY 2002-03. On Pro forma standard, operating profit totaled €20.1 million compared to €27.1 million for FY 2002-03 (see Section 1.3.9: Pro-forma accounting).

The net financial results break down as follows:

- €11.8 million in financial charges.
- €1.7 million in exchange losses.
- €1.5 million for amortization of financial investments.
- Capital gains of €2.9 million on the buyback of 2006 OCEANE bonds (200,000 shares bought back during the first quarter of 2003-04 at €33 per share).

Extraordinary profit is primarily a result of the sale of directly held treasury shares for €9.5 million.

Corporate tax of €1.4 million includes a charge of €4.2 million for canceled or unused tax credits.

Before amortization of goodwill and business assets (€6 million), net income was -€3 million under French accounting standards and €8.8 million according to Pro forma standards.

1.3.7 Change in working capital requirement (WCR) and indebtedness

Ubisoft exceeded its target for generating available net cash flow thanks to a seven-fold increase in operating cash flow (to €39.8 million) and an improved working capital requirement of €31 million, representing 26% of sales compared to 36.5% in 2002-03. Available net cash flow before acquisitions stood at €58 million, compared to -€29 million in 2002-03.

Net indebtedness posted a drop of €51 million to €119 million and, under French accounting standards, represented 41% of equity capital as of March 31, 2004.

1.3.8 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.

1.3.9 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 standards:
  - In-house research and development costs are entered in the accounts as charges.

According to this Pro forma presentation, the main impact on the 2003-04 accounts can be stated as follows:

(In millions of euros)	2003-2004	2002-2003
Operating income (before amortization of goodwill)	20.1	27.1
Net income (before amortization of goodwill)	8.8	7.5
Net income (after amortization of goodwill)	2.8	2.0
(In euros per share)		
Net earnings per share (before amortization of goodwill)	0.50	0.43
Net earnings per share (after amortization of goodwill)	0.16	0.11

Unaudited pro forma presentation

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

(In millions of euros)	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000
Published operating income	1.5	31.6 *	31	7.9	13.7
- Capitalized R&D expenses	**-79.8**	**-72.1**	**-77**	**-60.7**	**-45.6**
+ Amortization of intangible fixed assets	**98.4**	**67.6**	**54.7**	**33.7**	**37.8**
Pro forma operating income	20.1	27.1	8.7	-19.1	5.9

Unaudited pro forma presentation

** Restated of exceptional items for €5.5m*

1.3.10 Transition to IAS/IFRS standards

The presentation of the consolidated financial statements according to IAS/IFRS standards is planned for the fiscal year ending March 31, 2006, with a comparative statement for the fiscal year ending March 31, 2005. Ubisoft adopted a projected methodology for implementing the new international accounting standard under which the process is spread out over four stages:

- Stage 1: devoted to establishing a task force and drawing up a timetable and action plan.
- Stage 2: an assessment of the financial reporting process and an analysis of how the two approaches differ.
- Stage 3: functional implementation and the adaptation of procedures and the information system.
- Stage 4: will consist of implementing the process of consolidating and restructuring the annual financial statements in accordance with IAS/IFRS standards.

The task force is progressing in accordance with the established action plan and is preparing to implement Stage 3 of the process.

In light of the work conducted thus far, we believe that the following standards could have an impact on our accounts:

- IAS 14: Segment reporting.
- IAS 19: Accounting for employee benefits.
- IAS 36: Depreciation of assets.
- IAS 38: Intangible assets.

1.3.11 Financial table for the last five fiscal years (Corporate accounts of Ubisoft Entertainment) (pursuant to Article 135 of the Decree of March 23, 1967)

Fiscal year	99/00	00/01	01/02	02/03	03/04
Corporate capital (€)	5,054,712	5,155,558	5,384,307	5,437,425	5,450,514
Ordinary shares outstanding	16,578,368	16,909,122	17,368,732	17,540,082	17,582,304
Preferred shares outstanding	-	-	-	-	-
Maximum number of shares that may be created	2,698,235	2,870,262	5,646,664	4,310,780	6,385,287
Through bond conversion	1,215,750	964,120	3,905,470	2,704,771	2,598,318
Through exercise of stock options	630,940	992,477	827,594	1,552,743	1,207,577
Through exercise of subscription warrants	851,545	913,665	913,600	53,266	2,579,392
Sales (in thousands of €)	126,250	161,470	226,134	128,696	165,872
Earnings before taxes, profit sharing, depreciation and amortization (in thousands of €)	35,812	26,651	33,101	108,604	91,796
Corporate tax (in thousands of €)	-	-	-	-48	96
Employee profit-sharing	-	-	-	-	-
Earnings after taxes, profit-sharing, depreciation and amortization (in thousands of €)	3,102	-8,409	-24,390	5,900	1,305
Distributed earnings	-	-	-	-	-
Net earnings per share after taxes and before depreciation and amortization (€)	2.16	1.58	1.91	6.19	5.22
Net earnings per share after taxes, depreciation and amortization (€)	0.19	-0.50	-1.40	0.34	0.07
Dividend per share	-	-	-	-	-
Average work force	5	5	5	5	5
Payroll (in thousands of €)	240	66	275	495	525
Social security contributions and benefits (in thousands of €)	86	21	119	174	186

1.4 Human resources and environmental data

1.4.1 Employees

As of March 31, 2004, Ubisoft had 2,352 employees, an increase of 18.2%, largely resulting from the expansion of the Canadian studio and the acquisition of two new studios, Tiwak and Wolfpack.

The workforce is 75% male and 25% female, with an average age of 30.3.

1.4.2 Turnover

Turnover is primarily attributable to the completion of specific projects.

1.4.3 Contracts

The majority of group employees have permanent work contracts.

In order to meet certain needs imposed by the nature of its business, Ubisoft also resorts to fixed-term or temporary work contracts.

1.4.4 Entrepreneurial spirit

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.

1.4.5 Working hours

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

1.4.6 Ongoing training

Ubisoft's training policy over the past fiscal year has focused on helping employees acquire and expand their expertise, especially in terms of:

- Acquiring new technological skills.
- Enhancing and expanding their specialized knowledge.
- Developing management skills.
- Mastering language skills.

1.4.7 Distribution of staff by activity

Activity	As of March 2004	As of March 2003	As of March 2002
Production	1,564	1,268	1,259
Sales, marketing and administration	788	722	642
TOTAL	**2,352**	**1,990**	**1,901**

1.4.8 Distribution of Ubisoft personnel by country as of March 31, 2004

Country	Workforce as of March 31, 2004	Workforce as of March 31, 2003
Australia	15	17
Austria	9	10
Belgium	10	8
Brazil	-	4
Canada	719	432
China	209	201
France	630	604
Germany	66	84
Great Britain	48	48
Hong Kong	5	4
Italy	58	71
Japan	17	12
Morocco	52	59
Netherlands	10	9
Romania	114	84
Scandinavia	21	22
South Korea	3	-
Spain	51	58
Switzerland	8	7
United States	307	256
TOTAL	**2,352**	**1,990**

1.4.9 Environmental data

Environmental impact

Ubisoft publishes and distributes video games but does not manufacture them. The company thus has a very low impact on the environment in terms of air, water, soil, noise or odor pollution.

During the fiscal year, Ubisoft destroyed 55.6 tons of unmarketable products. The various destruction projects were carried out under the supervision of bailiffs and were entrusted to companies specializing in waste disposal.

Ubisoft no longer destroys its computer hardware and is taking active measures to recycle it.

Water and electricity consumption

The group consumed approximately 10 million kWh of electricity during fiscal year 2003-04.

It should be noted that Ubisoft does not consume a significant amount of water.

Environmental risk

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

It has not established any reserve or taken out any specific insurance to cover potential environmental risk.

Moreover, the group did not pay any indemnity in this regard during the fiscal period.

1.5 Subsidiaries and affiliates

1.5.1 Organizational structure as of March 31, 2004

UBISOFT

Production

Ludimedia S.A.S	(France)	99.76%
Ludi Factory SARL	(France)	99.80%
Ubisoft Design SARL	(France)	99.00%
Tiwak S.A.S	(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 Music Publishing Inc	(Canada)	100.00%
Ubisoft World Studios SARL	(France)	99.97%
Ubisoft Productions France SARL	(France)	99.80%
Ubi Studios Srl	(Italy)	97.50%
Ubi Studios S.L	(Spain)	99.95%
Ubi Soft S.R.L	(Roumania)	99.35%
Ubisoft Music Inc	(Canada)	100.00%
Red Storm Entertainment Inc[1]	(USA)	100.00%
Blue Byte Software Inc[1]	(USA)	100.00%
Blue Byte Software (DE)	(Germany)	(branch)
Wolfpack Inc[1]	(USA)	100.00 %
Gameloft. S.A.	(France)	19.47 %

Marketing

Ubisoft France SAS	(France)	99.99%
Ubisoft Ltd.	(UK)	100.00%
Ubisoft Entertainment GmbH	(Germany)	100.00%
Ubisoft SA	(Spain)	99.97%
Ubisoft SpA	(Italy)	99.99%
Ubisoft Inc. [1]	(United States)	100.00%
Ubisoft KK	(Japan)	100.00%
Ubisoft Pty Ltd.	(Australia)	100.00%
Ubisoft Nordic AS	(Denmark)	99.50%
Ubisoft SprL	(Belgium)	99.84%
Ubisoft Entertainment Ltd.	(Hong Kong)	99.50%
Ubisoft Entertainment BV	(Netherlands)	99.98%
Ubisoft Sweden AB	(Sweden)	98.00%
Ubisoft Warenhandels GmbH	(Austria)	100.00%
Ubi Soft Entertainment Ltd.a	(Brazil)	99.00%
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)	(branch)
Ubi Soft Entertainment SA	(Switzerland)	99.80%
Ubi Computer Software Beijing Co Ltd.	(China)	100.00%

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 Marketing & Communication S.A.S	(France)	99.94%
Ubisoft World S.A.S	(France)	99.88%
Ubisoft Manufacturing & Administration SARL	(France)	99.86%

Internet

Ubi.com SA	(France)	99.98%
Ubi.com Inc. [1]	(USA)	100.00%

(1) These companies are indirectly held by Ubisoft Entertainment SA

1.5.2 Acquisitions

Over the course of the fiscal year, Ubisoft Entertainment SA sold 100% of its Blue Byte Software Ltd. stock to its subsidiary Ubisoft Ltd., 100% of its Ubi Studios SAS stock to its subsidiary Ubisoft Computing SARL, and 100% of its Ubi Sound Studio SARL stock to its subsidiary Ubisoft Design SARL.

The following mergers and acquisitions took place over the course of the year:

- Ubisoft Computing SARL and its subsidiary Ubi Studios SAS as of August 31, 2003.
- Ubisoft Design SARL and its subsidiary Ubi Sound Studio SARL as of September 30, 2003.
- Red Storm Entertainment Inc. and Sinister Games Inc. as of December 31, 2003.
- Ubisoft Ltd. and its subsidiary Blue Byte Software Ltd. as of February 28, 2004.

Following the acquisition of 3.4 million shares in Gameloft SA on September 15, 2003, Ubisoft Entertainment SA passed the 20% mark in terms of voting rights. As of March 31, 2004, Ubisoft Entertainment SA held 21.775% of the voting rights.

On December 17, 2003, Ubisoft Entertainment SA purchased 100% of the stock in Tiwak SAS for €1,409,000.

Because the impact of this acquisition on the balance sheet total, operating result and sales was significantly below 15%, no pro forma account statements were produced.

1.5.3 Activities by subsidiaries

Production subsidiaries:

These subsidiaries are responsible for software design and development. Their business has grown considerably and their products have been enormously successful.

Principal subsidiaries:

Subsidiaries (in thousands of euros)	March 31, 2004		March 31, 2003		March 31, 2002	
	Corporate sales	Earnings	Corporate sales	Earnings	Corporate sales	Earnings
Ubisoft Divertissements Inc.	27,977	1,078	19,039	772	18,760	1,653
Red Storm Entertainment Inc.	13,074	-7,142 *	9,891	-2,140 *	40,492	-15,060 *
Ubisoft World Studios SARL	10,613	11	8,709	106	5,764	1

** This figure includes amortization of goodwill amounting to y9,032,000 as of March 31, 2004; y5,918,000 as of March 31, 2003; and y6,823,000 as of March 31, 2002. These amortizations are posted to the Red Storm Entertainment Inc. corporate accounts and then restated in the consolidated accounts in order to amortize goodwill over 20 years.*

Marketing subsidiaries:

These subsidiaries are responsible for distributing Ubisoft products around the world and have consolidated their positions in their respective markets; Ubisoft Inc. (United States) is growing very rapidly.

Principal subsidiaries:

Subsidiaries (in thousands of euros)	March 31, 2004		March 31, 2003		March 31, 2002	
	Corporate sales	Earnings	Corporate sales	Earnings	Corporate sales	Earnings
Ubisoft Inc. (United States)	220,701	7,847	167,182	10,991	135,441	8,721
Ubisoft Ltd. (UK)	73,498	890	57,387	2,470	40,935	-425
Ubisoft France SAS (France)	48,511	480	59,139	-7,106	Non significant (1)	Non significant (1)
Ubi Soft Entertainment GmbH (Germany)	39,574	-893	45,342	- 1,974	43,891	1,419

(1) Before the partial transfer of the French distribution business

1.6 General information

1.6.1 Protection of trademarks and patents

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 Editeurs de Logiciels de Loisir (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.

1.6.2 Investment policy

Two years ago, Ubisoft decided to focus its investments on those of its major products that are developed in-house, i.e. on top-quality video games and "time-to-market games". During 2003-04, the company reaffirmed its desire to consolidate its position by acquiring the resources to enhance its internal production. These investments have increased Ubisoft's in-house production costs by 11%, to €80 million. This increase is quite moderate, given the annual growth rate of 25% in the Development division – growth largely attributable to the commercial success of the titles generated in-house.

Investment related to production

(In millions of euros)

2003-2004	2002-2003	2001-2002
80	72	77

Forecast for fiscal year 2004-05: approximately €93 million

Percentage of total pretax sales

2003-2004	2002-2003	2001-2002
15.7%	15.9%	20.9%

Cost per employee that is allocated to production

2003-2004	2002-2003	2001-2002
€51,007	€56,865	€61,160

Forecast for fiscal year 2004-05: approximately 17% of sales

1.6.3 Research and development policy

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

Thanks to its in-house team of engineers, who have a solid grasp of the leading technology currently available, Ubisoft now has a highly pragmatic approach to its projects. Depending on the problems involved in a game and the expected results, the tools selected will either be developed in-house with a specific purpose in mind or commercial software, or a mixture of both. Research is therefore focused on innovation and functionality based on technologies suited to a high-quality product. Development is focused on producing creative games that offer gamers a total entertainment experience.

Research and development expenses are capitalized and amortized over a three-year period. During the fiscal year, these expenses totaled €79,775,000. There is no basic research.

1.6.4 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.

1.7 Risk Factors

The risks, in order of importance, are as follows:

1.7.1 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.

Ubisoft has revised the focus of its product catalog so as to generate 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.

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

1.7.2 Risk arising from the termination of a licensing partnership

Each year, Ubisoft signs various partnership contracts, often with prestigious partners – Disney, for example. 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 11% of the company's sales as of March 31, 2004, this risk is much reduced.

1.7.3 Risk related to computer security

In spite of the numerous integrated security systems deployed, Ubisoft is not totally protected from malicious intent and various other computer problems.

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

The use of security measures in information systems protects information from a wide array of threats in order to ensure business continuity, limit damage and guarantee results as effectively as possible.

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

1.7.4 Dependence on customers

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 Italy.

Most sales are made to so-called "major accounts". The risk of non-payment by these clients is relatively low. Moreover, the main subsidiaries (representing more than 85% of sales) are covered by credit insurance.

Ubisoft's 10 largest customers account for 45% of the group's pre-tax sales.

1.7.5 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.

1.7.6 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 transactions. Management of these operations is centralized and handled exclusively by the staff of the Corporate Finance department on the basis of guidelines approved by the CEO.

To control interest rate and foreign exchange risk resulting from business financing needs and 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 financial borrowing and reducing exposure to this risk. In this regard, the group gives priority to fixed-rate loans for long-term financing requirements and variable-rate loans for temporary needs related to increases in working capital requirements during particularly active periods.

As of March 31, 2004, 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.

Currency risk:

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

The group only protects its positions with regard to operating cash flows in the major currencies (i.e. the US, Canadian and Australian dollars and pounds sterling). The strategy is to hedge one fiscal year at a time; 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. the 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, 2004, the company had hedged US $4,040,000, £12,000,000, CDN $8,610,000 and AUS $14,931,000 through forward-sale contracts and foreign currency loans.

1.7.7 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 a bond issue 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.

1.7.8 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).

1.7.9 Risk related to liquid assets

As of March 31, 2004, the group's financial indebtedness stood at €244 millions while net indebtedness (reflecting liquid assets, redemption premiums and short-term investment securities) totaled €119 millions.

Net indebtedness primarily serves to finance the group's working capital requirements, and thus short-term assets. Theoretically, therefore, the group is not exposed to any liquidity risk related to short-term financing of a long-term asset.

As of March 31, 2004, financial debt consisted primarily of bond liability with 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 €71 million as of March 31, 2004.

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.

1.8 Commitments

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

1.9 Insurance

The group has worldwide coverage according to country, specifically with regard to the risk of property damage, civil liability, vehicles, and apartments rented to employees on temporary assignment. The company does not carry business interruption coverage.

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

Coverage limits	France In euros	Canada In CDN $	China in Chinese yuan
Professional civil liability	9,485,000	18,050,000	1,000,000
Property assurance	3,350,000	11,973,000	6,804,116
Inventory insurance	7,500,000	1,000,000	-

1.10 Recent events, outlook and strategy

1.10.1 Recent developments

April 2004

- Ubisoft announces the Fall 2004 release of Myst® IV Revelation, developed by the Montreal studio.
- Tom Clancy's Splinter Cell® Pandora Tomorrow is rated the top-selling game on consoles and Far Cry™ the top-selling game on PCs in Germany, France, Great Britain and the United States. (Source: GFK, Media control, Chart Track, UBS Warburg).
- An exclusive licensing agreement is concluded with Metro-Goldwyn-Mayer for the publication of Rocky Legends™ on PlayStation® 2 and Xbox™ in the fall of 2004.
- Ubisoft announces that its Montreal studio has developed Far Cry™ Instincts for Xbox™, the console version of the first-person shooter (FPS) game is released for PCs at the start of 2004.
- Ubisoft announces the development of Tom Clancy's Ghost Recon® 2, the sequel to the popular original military shooter, thus extending its activity to all segments of the war-games category.
- A long-term agreement is signed with developer Gearbox Software for the publication of Brothers in Arms™, a new military license game for consoles and PCs; release is planned for the end of 2004.
- Ubisoft's strategic interest in the capital of Gameloft increases to 30%.
- An exclusive long-term publishing agreement is signed with the US Army to develop and distribute America's Army franchise games for consoles.

May 2004

- The major products for the 2004-05 fiscal year are presented at E3, the international video-game show in Los Angeles: Tom Clancy's Ghost Recon® 2, Brothers in Arms™, Prince of Persia® 2, Tom Clancy's Splinter Cell® Chaos Theory™, Far Cry Instincts™, Tom Clancy's Rainbow Six® Black Arrow, Myst® IV Revelation, Settlers® 5 and Notorious: Die to Drive™.

- Announcement of annual sales for fiscal year 2003-04: €508 million, +12% from the previous year.
- Ubisoft announces that its Montreal studio has developed Tom Clancy's Splinter Cell® Chaos Theory™, the sequel to the popular franchise, with release planned for the end of 2004.
- An exclusive publishing agreement is signed with Square Enix for the European release of Star Ocean™ Till the End of Time™.
- The Ubisoft games presented at E3 received recognition from industry professionals:
  - Seven awards for Tom Clancy's Splinter Cell® Chaos Theory™, including Best of Show, Best PC Game, Best Action/Adventure Game and Best Graphics for PC.
  - Two awards for Prince of Persia 2: Best Action Game for PlayStation® 2 and Best Action Game for Xbox™.
  - Brothers in Arms dubbed Best Action Game for PCs by IGN.

July 2004

- Q1 FY2004-05 sales: €62.5m

1.10.2 Outlook and strategy for 2004-05

An increasingly competitive environment

The year 2003 was characterized by the continued upsurge in 128-bit consoles. PlayStation® 2 from Sony strengthened its leadership position with a highly significant installed base of 39.6 million units (in Europe and the United States), an increase of 47%. Xbox™ retained its second-place position with an installed base of 10.9 million units (same territories as above), up 80% over 2002. GameCube™ (installed base of 9.4 million units, up 96%, in same territories) is in third place, despite a major drop in price.

In addition, online consoles have now become standard equipment. The majority of games developed for PlayStation® 2 and Xbox™ include an online multiplayer mode. Connection kits have been available for Sony and Microsoft consoles since the end of 2002. This new option marks a real technological step forward that allows gamers to join together for joint games and to communicate verbally in real time. With online functionality for consoles, video games have taken on a whole new dimension. The impact of this new option is quite positive, since it extends the life cycle of each game.

For 2004, Ubisoft anticipates growth of 15% in the game software market in Europe and the United States, boosted by:

- The recent drop in price for 128-bit consoles. This is expected to increase the installed base for these consoles to about 87 million units in these territories by the end of the year.
- A volume effect related to the expansion of the installed base of 128-bit consoles and portable consoles (supported by the launch of Sony's PSP and the Nintendo DS).

With regard to publishers, the trend toward consolidation that began approximately 10 years ago – most notably in the form of mergers-acquisitions with the likes of Broderbund, Sierra, Cendant, GT Interactive, TLC, Time-Warner Interactive and BMG Interactive – continued in 2002, but the focus was on the acquisition of studios by publishers (Rare Software was acquired by Microsoft, Z-Axis Ltd. and Luxoflux Corporation were acquired by Activision, ValuSoft Inc. and Rainbow Multimedia Group Inc. were acquired by THQ and so on). In 2003, this trend was reflected in the disappearance of various industry players (3DO, Rage Software, the closing of Electronic Arts' online division and so on), while publishers continued their acquisition of studios (Take 2 acquired TDK Interactive, Activision bought out the developer Call of Duty, Warthog acquired Fever Pitch etc.).

Consequently, the market is becoming much less fragmented: in the United States, the Top 10 publishers (non-manufacturers) controlled 64% of the market in 2003 compared to 62% in 2002. This trend toward consolidation is expected to continue in the sector in the years ahead.

Outlook for 2004-05: double-digit growth and increased profitability

Ubisoft should continue to win market share and significantly increase its profitability.

The 2004-05 game catalog is based on a number of sequels to extremely high-quality franchises that have been honored in the past by industry professionals: Prince of Persia® 2 (provisional title), Tom Clancy's Splinter Cell® Chaos Theory™, Tom Clancy's Rainbow Six™: Black Arrow, Myst® IV Revelation, Tom Clancy's Ghost Recon 2™, The Settlers Heritage of Kings™ and more.

Moreover, the group is continuing its strategy of introducing new high-potential brands with the launches of Far Cry™ Instinct and Brother in Arms, as well as a third game in a new genre that will be announced shortly.

The sales objective for all of these major products totals more than 13 million units over fiscal year 2004-05.

As a result, the group is anticipating organic growth at a constant exchange rate of at least 10% in a market that is expected to grow by 3-5%.

As of March 31, 2005, operating income is projected to be between €40 and €45 million according to French accounting standards, and between €38 and €43 million according to US GAAP pro forma standards (see definition in Section 1.3.9). Before exceptional items, net income (before depreciation of goodwill) is projected to be between €18 and €22 million under French accounting standards and between €17 and €21 million according to the pro forma standard. The group should generate net free cash flow of between €15 million and €25 million for the fiscal year.

2. Financial report for the fiscal year ending March 31, 2004

2.1 Consolidated accounts as of March 31, 2004

2.1.1 Consolidated balance sheet

ASSETS (in thousands/€)	Notes	Gross	Depreciation	Net	Net	Net
		3/31/04	3/31/04	3/31/04	3/31/03	3/31/02
Goodwill/brands	1	135,394	18,513	116,881	108,200	111,970
Intangible assets	2	354,625	201,439	153,186	175,827	163,303
Tangible assets*	3	36,184	23,318	12,866	14,099	13,353
Financial assets	4	5,913	3,893	2,020	10,022	20,496
Equity in subsidiaries	5	325	-	325		
FIXED ASSETS		**532,441**	**247,163**	**285,278**	**308,148**	**309,122**
Inventory and work-in-progress	6	39,003	3,875	35,128	38,148	48,645
Advances and installments paid	7	31,776	-	31,776	48,303	55,097
Trade receivables	8	97,776	1,562	96,214	153,304	106,478
Other receivables, accruals and deferrals**	9	88,545	111	88,434	105,457	70,176
Investment securities	10	43,359	227	43,132	24,211	40,365
Cash	11	77,076	161	76,915	97,905	30,548
CURRENT ASSETS		**377,535**	**5,936**	**371,599**	**467,328**	**351,309**
TOTAL ASSETS		**909,976**	**253,099**	**656,877**	**775,476**	**660,431**

LIABILITIES (in thousands/€)	Notes	3/31/04	3/31/03	3/31/02
Capital		5,450	5,437	5,384
Premiums		269,588	268,954	266,406
Consolidated reserves		27,602	25,490	29,006
Consolidated earnings		-9,023	4,854	7,953
Investment subsidy		33	93	306
Share capital (group share)	12	293,650	304,828	309,055
Minority interests		0	0	0
Provisions for risk and charges	13	1,932	702	481
Financial debts (1)	14	243,592	299,394	228,897
Current accounts of the partners		0	0	1,187
Advances and installments received		251	237	3,637
Trade creditors and related accounts payable		63,251	81,032	62,295
Sundry creditors and accrued expenses	15	54,201	89,283	54,879
TOTAL DEBTS		**361,295**	**469,946**	**350,895**
TOTAL LIABILITIES		**656,877**	**775,476**	**660,431**
(1) Payable at less than one year:		70,920	105,673	38,015
Payable at more than one year:		172,672	193,721	190,882

** Including net tangible assets financed through leasing: €649,000*

*** Including advances to affiliated companies not fully or proportionately consolidated on March 31, 2004: €34,000*

2.1.2 Consolidated income statement

(in K€)	Notes	3/31/04	3/31/03	3/31/02
Sales	**16**	**508,444**	**452,952**	**368,961**
Other operating income	17	100,111	86,955	93,346
Costs of sales		-178,515	-175,637	-151,941
Wages and social security costs		-115,730	-99,221	-93,012
Other operating expenses	18	-176,648	-143,331	-116,200
Tax and duty		-4,769	-3,561	-3,477
Depreciation and provisions	19	-131,365	-81,100	-66,715
Earnings before interest and tax		**1,528**	**37,057**	**30,962**
Net financial income/expense	20	-12,082	-12,540	-10,560
Earnings before taxes and amortization of goodwill of consolidated companies		**-10,554**	**24,517**	**20,402**
Extraordinary income (expense)	21	8,938	-6,853	2,177
Corporate tax	22	-1,420	-7,298	-9,216
Net income of consolidated companies (before goodwill amortization)		**-3,036**	**10,366**	**13,363**
Share in results of companies using the equity method of accounting		34	0	0
Goodwill amortization		-6,021	-5,512	-5,410
Total net income of consolidated company		**-9,023**	**4,854**	**7,953**
Minority interests		0	0	0
Net earnings (group share)		**-9,023**	**4,854**	**7,953**
Net earnings per share		-0.51	0.28	0.46
Fully diluted net earnings per share (calculated according to Notice 27 of the OEC)		-0.20	0.38	0.48

2.1.3 Table of changes in share capital

Changes in share capital

(in K€)	Capital	Premiums	Consolidated reserves and conversion adjustments	Income for fiscal year	Grants received	Total share capital
Situation as of March 31, 2002	**5,384**	**266,406**	**29,006**	**7,953**	**306**	**309,055**
Appropriation of consolidated earnings N-1			7,953	-7,953		-
Change in capital of consolidating company	53	1,338				1,391
Consolidated income (group share)				4,854		4,854
Change in conversion adjustments			-10,259			-10,259
Reclassification of merger premiums		1,210	-1,210			-
Grants					-212	-212
Situation as of March 31, 2003	**5,437**	**268,954**	**25,490**	**4,854**	**94**	**304,829**
Appropriation of consolidated earnings N-1			4,854	-4,854		-
Change in capital of consolidating company	13	634				647
Consolidated income (group share)				-9,023		-9,023
Change in conversion adjustments*			-2,737			-2,737
Impact of revaluations			-5			-5
Grants					-61	-61
Situation as of March 31, 2001	**5,450**	**269,588**	**27,602**	**-9,023**	**33**	**293,650**

**The conversion adjustments primarily reflect the fall in the dollar from historic rates to the closing rate on March 31, 2004.*

2.1.4 Consolidated cash flow statement as of March 31, 2004

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

In thousands/€	3/31/04	3/31/03
Flows arising from operating activities		
Net income	-9,023	4,854
Share in results of companies using the equity method of accounting	-34	-
Depreciation of tangible and intangible fixed assets	124,559	80,082
Depreciation of deferred charges	3,018	3,597
Amortization of goodwill write-backs	6,019	5,340
Changes in provisions	-17,581	21,957
Grants	-61	-332
Flows arising from the disposal of fixed assets	385	150
Total cash flow arising from operating activities	**107,282**	**115,648**
Inventory	-851	8,165
Trade receivables	17,102	-51,572
Advances and installments	14,223	6,667
Sundry assets	10,332	-48,284
Trade payables	-11,328	21,187
Sundry liabilities	1,639	39,993
Total change in working capital requirement	**31,117**	**-23,844**
Cash flow from investments		
Acquisitions of intangible assets	-95,071	-92,879
Acquisitions of tangible assets	-5,608	-7,937
Acquisition of equity holdings	-6,448	-3,088
Acquisition of other financial fixed assets	-645	-339
Charges to be spread over several years	-1,099	-222
Disposal of fixed assets	153	2,939
Disposal of financial assets	519	11,261
Changes in scope of consolidation [1]	-1,678	-1,173
Total cash flow from investments	**-109,877**	**-91,438**
Cash flow from financial transactions		
New long- and medium-term loans	56,694	604
Repayment of loans	-11,857	-57,851
Increase in capital	13	53
Increase in issue premium	633	405
Increase in conversion premium	1	-
Increase in issue premium on shares with warrants	-	2
Increase in issue premium on group savings plan	-	930
Grants received	-	120
Repayment of shareholders' current accounts	-	-1,233
Other flows	-5	-
Total cash flow from financial transactions	**45,479**	**-56,970**
Impact of conversion rate adjustments	**503**	**-3,311**
Net change in cash flow	**74,504**	**-59,915**
Net cash position at the beginning of the financial year	-22,292	37,623
Net cash position at the end of the financial year	52,212	-22,292
[1] Including cash position of companies acquired and sold	-297	256

Statement of changes in cash flow for comp. with other industry firms

In thousands/€	3/31/04	3/31/03
Flows arising from operating activities		
Net income	-9,023	4,854
Share in results of companies using the equity method of accounting	-34	-
Depreciation of game software (internal and external)	114,937	72,016
Depreciation of other tangible and intangible fixed assets	9,622	8,066
Depreciation of deferred charges	3,018	3,597
Amortization of goodwill write-backs	6,019	5,340
Changes in provisions	5,139	-991
Grants	-61	-332
Internal development and brand and license development expenses	-89,797	-86,770
Total cash flow arising from operating activities	**39,820**	**5,780**
Inventory	-851	8,165
Trade receivables	17,102	-51,572
Advances and installments	14,223	6,667
Sundry assets	10,332	-48,284
Trade payables	-11,328	21,187
Sundry liabilities	1,639	39,993
Total change in working capital requirement	**31,117**	**-23,844**
Total cash flow from operations	**70,937**	**-18,064**
Cash flow from investments		
Acquisition of tangible and other intangible assets	-10,882	-14,046
Acquisition of equity holdings and other financial assets	-7,093	-3,427
Charges to be spread over several years	-1,099	-222
Disposal of fixed assets	153	2,939
Flows arising from the disposal of fixed assets	385	150
Disposal of financial assets	519	11,261
Provisions for expense on securities	-22,720	22,948
Changes in scope of consolidation [1]	-1,678	-1,173
Total cash flow from investments	**-42,415**	**18,430**
Cash flow from financial transactions		
Long- and medium-term loans	44,837	-57,247
Increase in capital	647	1,390
Grants received	-	120
Repayment of shareholders' current accounts	-	-1,233
Other flows	-5	-
Total cash flow from financial transactions	**45,479**	**-56,970**
Impact of conversion rate adjustments	**503**	**-3,311**
Net change in cash flow	**74,504**	**-59,915**
Net cash position at the beginning of the financial year	-22,292	37,623
Net cash position at the end of the financial year	52,212	-22,292

The net cash position is calculated using the gross value of cash and investment securities, unlike net financial debt (Note 13), which is calculated on a net basis.

2.1.5 Explanatory notes on the consolidated accounts

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

2.1.5.1 Highlights of the fiscal year

Disposal of shares:

Over the course of the fiscal year, Ubisoft Entertainment SA sold 100% of its Blue Byte Software Ltd. stock to its subsidiary Ubisoft Ltd., 100% of its Ubi Studios SAS stock to its subsidiary Ubisoft Computing SARL, and 100% of its Ubi Sound Studio SARL stock to its subsidiary Ubisoft Design SARL.

Mergers:

The following mergers and acquisitions took place over the course of the fiscal year:

- Ubisoft Computing SARL and its subsidiary Ubi Studios SAS as of August 31, 2003.
- Ubisoft Design SARL and its subsidiary Ubi Sound Studio SARL as of September 30, 2003.
- Red Storm Entertainment Inc. and Sinister Games Inc. as of December 31, 2003.
- Ubisoft Ltd. and its subsidiary Blue Byte Software Ltd. as of February 28, 2004.

Bond buybacks:

During the first half of fiscal year, Ubisoft Entertainment SA bought back 200,000 convertible bonds (OCEANEs) at an average price of €33.

Share acquisitions:

Following the acquisition of 3.4 million shares in Gameloft SA on September 15, 2003, Ubisoft Entertainment SA passed the 20% mark in terms of voting rights. As of March 31, 2004, Ubisoft Entertainment SA held 21.775% of the voting rights.

The integration of Gameloft SA (consolidated by the equity method) gave rise to goodwill totaling €13 million upon its inclusion in the scope of consolidation effective September 15, 2003.

On December 17, 2003, Ubisoft Entertainment SA purchased 100% of the stock in the company Tiwak SAS for €1,409,000. The integration of Tiwak SAS (fully consolidated) in the scope of consolidation gave rise to goodwill totaling €783,000.

Transfer of treasury shares:

On September 30, 2003, Ubisoft Entertainment SA signed an equity swap contract with Crédit Lyonnais. This contract involved 918,137 Ubisoft Entertainment SA shares, sold at €18.66 each.

As of March 31, 2004, Ubisoft Entertainment SA held 40,249 of its treasury shares, recorded as investment securities in accordance with Notice 98D of the Emergency Committee and acquired for an aggregate value of €1,020,000..

Issues of mixed securities:

On May 14, 2003, the company issued new share purchase and subscription warrants, attributed free of charge for 17,540,082 warrants; 15 warrants were needed to subscribe for one share.

The subscription warrants attributed to Ubisoft Entertainment SA, namely 1,169,733 warrants, were cancelled.

On November 17, 2003, Ubisoft Entertainment SA issued bonds with redeemable share subscription warrants (OBSARs) in the amount of €54,974,418; two such warrants were attached to each bond.

2.1.5.2 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).

The company has not made an advance application of Rule 2002-10 of the CRC relating to the depreciation of assets.

Consolidation methods

Full consolidation

Companies are fully consolidated when they are exclusively controlled with 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.

As of March 31, 2004, all of the companies in the group are exclusively controlled by Ubisoft Entertainment SA. The accounts are therefore fully consolidated with the exception of Gameloft SA, of which Ubisoft Entertainment SA controls 21.78% and which is therefore consolidated using the equity method.

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

All significant transactions between consolidated companies and all 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:

- €76,000 on the "Balance sheet total" in the case of production companies.
- €100,000 in sales in the case of distribution companies.

Goodwill/brands

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 no more than 20 years using the straight-line method. Goodwill relating to Tiwak SAS alone 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 operating income and its updated cash flow arising from operating activities. When this value is less than the accounting value, exceptional amortization is applied.

Negative goodwill is spread over a 20-year period.

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 operating income and its updated cash flow arising from operating activities. When this value is less than the accounting value, exceptional amortization is applied.

Intangible assets

Intangible assets break down as follows:

• Office software:	Amortized over 12 months using the straight-line method
• Software tools:	Amortized over 3 years via the straight-line method
• ERP-related expenditures:	Amortized over 5 years using the straight-line method
• Commercial software:	Amortized over 36 months via the straight-line method

Software tools:

Software tools, which are a set of complex development programs that may be used for a number of products, are amortized over a maximum of 36 months using the straight-line method.

Commercial software:

The production costs for sales software that is produced internally 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" account (Account 208).

Software is amortized over 36 months using the straight-line method, beginning on the date of its commercial release. 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.

The production costs for outsourced sales software are entered in the accounts under "Intangible assets in progress" (Account 232) or under "Advances and installments paid" (Account 409), in accordance with the rules defined by France's Conseil d'Etat (CE 62547 dated February 12, 1988, and CE 65009 dated November 25, 1989), as software development advances. Upon initial release on the market, software entered as "Intangible assets in progress" is transferred from Account 232 to Account 208; the rest is classified as prepaid expenses. Software costs 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 contracts, amortized over 36 months using the straight-line method.

At year-end, the net accounting value is compared with sales projections in light of the contract conditions. If the net accounting value is below projections, a write of is made to the income statement.

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:	5 years (straight-line)
• Fixtures and fittings:	5 and 10 years (straight-line)
• Computer equipment:	3 years (diminishing balance)
• Office furniture:	10 years (straight-line)

Financial assets

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

The gross value of equity holdings 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 entails the payment of guaranteed amounts, which are posted to Account 409 for their net value (in accordance with the rules of the Conseil d'Etat: CE 62547 dated February 12, 1988, and CE 65009 dated November 25, 1989) over the duration of the contract.

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 contracts, 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.

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 adjustments made, transactions eliminated and temporary discrepancies found between the accounting and tax bases. Deferred tax is assessed on the basis of the corporate tax rates and tax rules in force at year-end. 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 financial year in which the changes in rates become known.

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 financial year, while the income statement is converted at the average annual rate. Shareholders' equity is kept at the historical rate. Conversion rate adjustments are entered in shareholders' equity.

Special case of Ubisoft Srl (Romania), which is located in a country with a high inflation rate:

Since this subsidiary is not autonomous (it constitutes an extension of the foreign activities of the consolidating company and most of its commercial and financial activities are conducted with the consolidating company), the conversion of accounts is carried out in accordance with the historical rate method: monetary items in its balance sheet are converted at the closing rate, while the non-monetary items are converted at the historical rate. The income statement is converted at the average annual rate. Conversion rate adjustments are recorded in the income statement.

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, 2004, provisions for risk and charges covered provisions for:

- Retirement.
- Litigation.
- Tax risk.
- Foreign exchange hedges.
- Destruction of licensed products which distribution rights have expired.

Fully 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, 2004	-K€9,023
Financial costs relating to pre-tax bond debentures	K€2,190
Amortization of pre-tax redemption premium	K€1,879
Amortization of pre-tax cost of issuing debt securities	K€380
Restated net income	**-K€4,574**
Weighted average number of shares in circulation as of March 31, 2004	17,560,189
Potential conversions:	
Share subscription warrants	1,532,847
Convertible bonds	784,293
Bonds exchangeable or convertible to new or existing shares (OCEANEs)	1,814,025
Stock options	1,207,577
Weighted average number of shares after exercise of rights relating to diluting instruments	**22,898,931**
Fully diluted earnings per share on March 31, 2004: -€0.20	

2.1.5.3 Scope of consolidation

Companies included in the Ubisoft group consolidated accounts as of March 31, 2004

COMPANY	Country	Controlling percentage	Percentage interest	Method	Activity	Founded or acquired
UBISOFT ENTERTAINMENT SA	France	Parent company	Parent company	FC		1986
UBISOFT Inc.	USA	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
UBI SOFT ENTERTAINMENT GmbH	Germany	100%	100%	FC	Marketing	1991
UBI SOFT SRL	Romania	100%	99.35%	FC	Development and marketing	1993
UBISOFT SA	Spain	100%	99.98%	FC	Marketing	1994
UBISOFT KK	Japan	100%	100%	FC	Marketing	1994
UBISOFT SpA	Italy	100%	100%	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 MARKETING & COMMUNICATION SAS	France	100%	99.94%	FC	Marketing	1997
UBISOFT NETWORKS SARL	France	100%	99.99%	FC	Internet 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, Development and the Internet	1996
UBISOFT SARL	Morocco	100%	99.86%	FC	Development	1998

COMPANY	Country	Controlling percentage	Percentage interest	Method	Activity	Founded or acquired
UBISOFT NORDIC AS	Denmark	100%	99.50%	FC	Marketing	1998
UBI SOFT ENTERTAINMENT Ltd.	Hong Kong	100%	99.50%	FC	Marketing	1998
UBI SOFT ENTERTAINMENT BV	Netherlands	100%	99.99%	FC	Marketing	1998
UBISOFT Sprl	Belgium	100%	99.85%	FC	Marketing	1998
UBI STUDIOS SL	Spain	100%	99.95%	FC	Development	1998
UBI STUDIOS SrL	Italy	100%	97.50%	FC	Development	1998
UBISOFT France SAS	France	100%	100%	FC	Marketing	1998
UBISOFT PRODUCTIONS France SARL	France	100%	99.80%	FC	Development	1999
UBISOFT WORLD STUDIOS SARL	France	100%	99.98%	FC	Studio management	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
LUDIMEDIA SAS	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%	100%	FC	Marketing	2000
UBISOFT HOLDINGS Inc.	USA	100%	100%	FC	Management and administration	2000
RED STORM ENTERTAINMENT Inc.	USA	100%	100%	FC	Development	2000
BLUE BYTE SOFTWARE Inc.	USA	100%	100%	FC	Development	2001
BLUE BYTE SOFTWARE Inc.	Germany	100%	100%	FC	Development	2001
UBISOFT Canada Inc.	Canada	100%	100%	FC	Marketing	2000
UBISOFT NORWAY AS	Norway	100%	98%	FC	Marketing	2001
UBI.COM SA	France	100%	99.98%	FC	Internet	2001
UBISOFT MANUFACTURING ET ADMINISTRATION SARL	France	100%	99.87%	FC	Manufacturing workflow	2001
UBI.COM Inc.	USA	100%	100%	FC	Internet	2002
UBI SOFT ENTERTAINMENT SA	Switzerland	100%	99.80%	FC	Marketing	2002
UBISOFT FINLAND OY	Finland	100%	100%	FC	Marketing	2002
UBI SOFT ENTERTAINMENT SA	South Korea	100%	100%	FC	Marketing	2003
GAMELOFT SA	France	21.78%	19.47%	EA	Mobile telephony	2003
TIWAK SAS	France	100%	100%	FC	Development	2003

FC = Full consolidation
EA = Equity affiliate

The fiscal year of all consolidated companies ends on March 31 of each year, except Ubi Soft 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, 2004

1. Gameloft SA

- Date consolidated: September 15, 2003. Following the acquisition of 3.4 million shares in Gameloft SA on September 15, 2003, Ubisoft Entertainment SA holds 21.775% of voting rights.
- Impact of Gameloft's integration as an equity affiliate: -€354,000 in goodwill amortization between the date of acquisition and March 31, 2004.

2. Tiwak SAS

- Date consolidated: December 17, 2003. On December 17, 2003, Ubisoft Entertainment SA purchased 100% of the stock in the company Tiwak SAS for €1,409,000.
- Impact of Tiwak's consolidation: goodwill amortization between the date of acquisition and March 31, 2004: -€23,000.

3. Founding of the Ubisoft Entertainment SA branch in South Korea:

- Date consolidated: April 1, 2003.
- Impact of reserves prior to consolidation: -€58,000.

Mergers realized during the fiscal year:

- Ubisoft Computing SARL took over Ubi Studios SAS on August 31, 2003.
- Ubisoft Design SARL took over Ubi Sound Studio SARL on September 30, 2003.
- Red Storm Entertainment Inc. took over Sinister Games Inc. as of December 31, 2003.
- Ubisoft Ltd. took over Blue Byte Software Ltd. as of February 28, 2004.

There was no impact on mergers conducted during the fiscal year.

Deconsolidated companies as of April 1, 2003:

Ubi Soft Entertainment Ltda (Brazil): company under termination.
There was no impact on deconsolidation conducted during the fiscal year.

Non-consolidated companies

Percentage of holdings in non-consolidated companies:

(in thousands of €) Companies	Share acquisition value	Net accounting value	Controlling percentage	% interest	Share capital as of 3/31/04	Earnings as of 3/31/04
Ubisoft Music Publishing Inc.	27	27	100%	100%	20	14
SA Teamchman	3,349	-	33.68%	33.68%	Accounting not available	
Cybersearch	149	1	0.31%	0.31%	Accounting not available	
Ubi Soft Entertainment Ltda	665	469	100%	99%	457	-149
Socoma Inc.	32	32	100%	100%	32	-1
Wolfpack Inc.	105	105	100%	100%	20	-
TOTAL	**4,327**	**634**				

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

- Placed in receivership (SA Teamchman).
- The balance sheet total and sales were below the thresholds defined by the group (Ubisoft Music Publishing Inc., Wolfpack Inc.).
- The group's percentage interest in the company was not significant (Cybersearch).
- Under termination (Ubisoft Entertainment Ltda, Socoma Inc.).

General information on the listed, non-consolidated companies (in euros)

Listed companies	Cybersearch
Book value as of March 31, 2004	**148,800**
Number of shares	24,000
Share value as of March 31, 2004	0.03
Write-back over the fiscal year	-
Depreciation over the fiscal year	-7,200

2.1.5.4 Explanatory notes on the balance sheet

Note 1 Goodwill and brands

a. Goodwill

Goodwill breaks down as follows, as of March 31, 2004:

Acquired company	Acquisition date	3/31/03 Gross	Increase	Decrease	3/31/04 Gross
Ubi Studios SAS	2/2/96	16	-	-	16
Ubisoft Pictures SARL	2/2/96	77	-	-	77
Ubisoft Inc.	2/2/96	302	-	-	302
Ubisoft Ltd.	12/31/94	236	-	-	236
Ubi Soft Entertainment GmbH	8/1/95	153	-	-	153
Ubisoft Holdings Inc.	9/28/00	95	-	-	95
Sinister Games Inc.	3/31/00	5,967	-	-	5,967
3D Planet SPA	9/30/00	3,852	-	-	3,852
Blue Byte Software Ltd.	2/6/01	1,137	-	-	1,137
Blue Byte Software GmbH Co. KG	2/6/01	8,171	-	-	8,171
Blue Byte Software Inc.	2/6/01	14,005	-	-	14,005
Red Storm Entertainment Inc.	9/28/00	34,652	-	-	34,652
Ubisoft Canada Inc.	10/2/00	266	-	-	266
Gameloft SA	9/15/03	-	13,083	-	13,083
Tiwak SAS	12/17/03	-	783	-	783
Distribution in France	Dec. 2000	11,885	-	-	11,885
Distribution in the US	Mar. 2001	15,766	-	-	15,766
Distribution in Germany	May 2000	6,810	-	-	6,810
Distribution in Belgium	Apr. 2001	1,556	-	-	1,556
Distribution in the Netherlands	Jan. 2001	1,144	-	-	1,144
Distribution in Austria	Apr. 2000	520	-	-	520
Distribution in Switzerland	Sept. 2001	1,524	-	-	1,524
Distribution in Canada	Dec. 2000	2,028	-	-	2,028
TOTAL		**110,162**	**13,866**	-	**124,028**

Since Distribution 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, 2004, no loss of value was reported on goodwill within the group.

Acquired company	As of 3/31/03 Depreciation	Appropriations	Write-backs	As of 3/31/03 Depreciation
Ubi Studios SAS	6	10	-	16
Ubisoft Pictures SARL	28	49	-	77
Ubisoft Inc.	109	16	-	125
Ubisoft Ltd.	95	11	-	106
Ubi Soft Entertainment GmbH	58	8	-	66
Ubisoft Holdings Inc.	13	82	-	95
Sinister Games Inc.	861	295	-	1,156
3D Planet SPA	445	192	-	637
Blue Byte Software Ltd.	120	57	-	177
Blue Byte Software GmbH Co. KG	829	412	-	1,241
Blue Byte Software Inc.	1,471	703	-	2,174
Red Storm Entertainment Inc.	4,339	1,733	-	6,072
Ubisoft Canada Inc.	33	13	-	46
Gameloft SA	-	354	-	354
Tiwak SAS	-	23	-	23
Distribution in France	1,188	595	-	1,783
Distribution in the US	1,576	789	-	2,365
Distribution in Germany	682	340	-	1,022
Distribution in Belgium	156	77	-	233
Distribution in the Netherlands	114	58	-	172
Distribution in Austria	53	26	-	79
Distribution in Switzerland	114	76	-	190
Distribution in Canada	202	102	-	304
TOTAL	**12,492**	**6,021**	**-**	**18,513**

Goodwill is amortized over a period of 20 years using the straight-line method (except Tiwak SAS, which is amortized over 10 years).

b. Brands and patents

Brands and patents break down as follows:

	As of 31/31/03	Increase	Decrease	Reclassifications	Exchange rate differences	As of 3/31/04
Brands and patents	10,701	907	-	-209	-33	11,366
TOTAL	**10,701**	**907**	**-**	**-209**	**-33**	**11,366**

This heading essentially consists of brands from TLC acquisition at €10 million. This brand is not amortized.
As of March 31, 2004, no loss of value was reported on trademarks held by group companies.

Note 2 Intangible assets

Software breaks down as follows, as of March 31, 2004:

Fixed assets	3/31/03 Gross	Increase	Decrease	Reclassifications	Change in consolidation structure	Exchange rate differences	3/31/04 Gross
Released software programs*	182,602	142,509 (1')	102,330	-4,635	100	-547	217,699
External developments	23,108	12,292 (1')	10,628	2,101	-	-591	26,282
Software programs in progress*	70,526	74,158 (2)	70,468 (1)	-58	-	-	74,158
Software tools	9,718	1,737 (1')	-	25	300	-	11,780
Localization software	1,479	2,821	1,810	4,472	-	-	6,962
Office software	10,836	5,424 (3')	1,246	240	1	-168	15,087
Leased office software	-	604	-	63	-	-	667
Other intangible assets in progress	2,539	3,061	4,216 (3)	39	-	-	1,423
Logo	-	335 (3')	-	-	-	-	335
Other	217	64	99	58	-	-8	232
TOTAL	**301,025**	**243,005**	**190,797**	**2,305**	**401**	**-1,314**	**354,625**

(1) Including K€70,468 for reclassification between accounts [(1') released software programs, K€63,577; external developments, K€5,513; software tools, K€1,738].
(2) Reclassifications between accounts.
(3) Including K€4,215 for reclassifications between accounts [(3') office software, K€4,076; logo, K€139]. This gives a net increase in reclassifications between accounts of K€94,164.
**Software that has been released or is in production also includes y1.9 million in external developments.*
Thus, capitalized production costs of K€79,775 consist of an increase in software that has been released or is in production, software tools, and localization software, totaling K€221,225 minus K€139,473 in reclassifications, K€1,889 in external development and K€88 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.

Depreciation	3/31/03 Cumulative	Increase	Decrease	Reclassifications	Change in consolidation structure	Exchange rate differences	3/31/04 Cumulative
Released software programs	105,305	93,981 (1)	36,762	-1,948	-	-281	160,295
External developments	8,224	16,558	3,849	116	-	-257	20,792
Software tools	5,933	2,727	-	-	-	-	8,660
Localization software	33	1,671	-	1,948	-	-	3,652
Office software	5,451	3,186	1,231	164	-	-67	7,503
Leased office software	-	292	-	63	-	-	355
Logo	-	20	-	-	-	-	20
Other	252	16	98	-	-1	-7	162
TOTAL	**125,198**	**118,451**	**41,940**	**343**	**-1**	**-612**	**201,439**

(1) Including €49.6 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	3/31/03 Gross	Increase	Decrease	Reclassifications	Change in consolidation structure	Exchange rate differences	3/31/04 Gross
Buildings, plant and machinery	6,546	694	158	243	8	-20	7,313
Computer equipment and furniture	23,719	4,367	5,734	-280	111	-662	21,521
Development kits	241	460	-	-38	-	-	663
Transportation equipment	150	18	1	-	-11	-6	150
Leased computer hardware	6,516	13	11	-10	-	2	6,510
Fixed assets in progress	162	56	-	-191	-	-	27
Total	**37,334**	**5,608**	**5,904**	**-276**	**108** (1)	**-686**	**36,184**

(1) Ubi Brazil: -K€20
Tiwak: K€128

Depreciation	3/31/03 Cumulative	Increase	Decrease	Reclassifications	Change in consolidation structure	Exchange rate differences	3/31/04 Cumulative
Plant & machinery	2,285	781	114	-	2	-2	2,952
Computer equipment and furniture	15,812	4,287	5,442	-142	76	-361	14,230
Development kits	43	179	-	-15	-	-	207
Transportation equipment	54	25	-	-	-8	-3	68
Leased computer hardware	5,041	836	7	-7	-	-2	5,861
TOTAL	**23,235**	**6,108**	**5,563**	**-164**	**70** (1)	**-368**	**23,318**

(1) Ubi Brazil: -K€10
Tiwak: K€80

Note 4 Financial assets

Fixed assets	3/31/03 Gross	Increase	Decrease	Change in consolidation structure	Exchange rate differences	3/31/04 Gross
Non-consolidated investments	10,991	-	181	-6,479	-4	4,327
Other long-term investments	7	200	4	-	-	203
Deposits and guarantees	1,233	673	498	-	-25	1,383
TOTAL	**12,231**	**873**	**683**	**-6,479**	**-29**	**5,913**

The change in consolidation structure totaling K€6,479 on non-consolidated investments is primarily attributable to the following:

- The acquisition of Gameloft SA shares for K€5,780.
- The use of the equity method to account for Gameloft SA shares totaling -K€13,392.

The reduction totaling K€683 relates primarily to repayment of deposits and guarantees.

Provision	3/31/04 Cumulative	Increase	Decrease	Change in consolidation structure	3/31/04 Cumulative
Non-consolidated investments	2,209	1,623	140	1	3,693
Other long-term investments	-	200	-	-	200
TOTAL	**2,209**	**1,823**	**140**	**1**	**3,893**

SA Teamchman was placed in receivership on November 4, 2003.

The equity investments and the bond issue relating to this company were fully amortized. The fiscal year charge was K€1,421 for the equity investments and K€200 for the other long-term investments.

Note 5 Equity in subsidiaries

Fixed assets	3/31/03 Gross	Increase	Decrease	Change in consolidation structure	Exchange rate differences	3/31/04 Gross
Equity in subsidiaries	-	34	18	309	-	325
TOTAL	**-**	**34**	**18**	**309**	**-**	**325**

Since the further acquisitions of Gameloft SA shares on September 15, 2003, Ubisoft Entertainment SA has held a controlling percentage of 21.775%; therefore, the shares were entered as equity in subsidiaries beginning on September 15, 2003.

Gameloft SA's contribution to Ubisoft Entertainment SA's earnings was K€34 as of March 31, 2004.

Note 6 Inventory and work-in-progress

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

	3/31/04			3/31/03
	Gross	Provision	Net	Net
Goods	39,003	3,875	35,128	38,148
TOTAL	**39,003**	**3,875**	**35,128**	**38,148**

Provisions for inventory rose from K€987 to K€3,875 in order to reflect future product destruction projects and the reduction in the attainable value of certain products.

Note 7 Advances and installments paid

These are essentially guaranteed advances paid on licensing contracts, totaling K€31,347.
In light of the weak sales outlook for certain games, an additional depreciation of €18.8 million was charged to the results as of March 31, 2004.

Note 8 Trade and other receivables

Trade receivables break down as follows:

	3/31/04			3/31/03	3/31/03
	Gross	Provisions	Net	Pro forma	Former presentation, net
Trade receivables	97,776	1,562	96,214	117,184	153,304
TOTAL	**97,776**	**1,562**	**96,214**	**117,184**	**153,304**

The significant drop in trade receivables is due to less seasonality in the fiscal year fourth quarter and to the reclassification of credits to be issued, which in the past were entered as other debts. These credits to be issued are primarily end-of-year discounts relating to the principal game sales contracts.

Note 9 Other receivables, accruals and deferrals

Other receivables break down as follows:

	3/31/04 Gross	Depreciation	Net	3/31/03 Pro forma	3/31/03 Former presentation
Activated losses and deferred depreciation during a loss-making period (ARD)* (1)	15,577	-	15,577	17,254	17,254
Other deferred tax on assets (2)	2,625	-	2,625	7,506	7,506
Current account advances	34	-	34	8,465	8,465
VAT (3)	24,962	-	24,962	21,541	21,541
Subsidy to be received	11,837	-	11,837	6,614	6,614
Other tax and social security liabilities	12,381	111	12,270	3,917	3,917
Credits receivable from suppliers	-	-	-	-	1,553
Suppliers – debit balances	-	-	-	-	1,144
Factoring guarantee deposits	11,534	-	11,534	22,346	22,346
Other	178	-	178	1,821	1,821
Prepaid expenses	2,757	-	2,757	3,463	3,463
Charges to be spread over several years	2,142	-	2,142	2,396	2,396
Redemption premium (4)	4,518	-	4,518	7,437	7,437
TOTAL	**88,545**	**111**	**88,434**	**102,760**	**105,457**

** Including depreciation deferred indefinitely: ¥15,391,000.*

The drop in other receivables is the result of the redemption of current account advances and the factoring guarantee plus the reclassification of credits receivable, which are now charged against supplier accounts.

(1) Activated/non-activated deferred depreciation during a loss-making period (ARD) and losses:

	March 31, 2004 Activated ARD and losses	Non-activated ARD and losses	TOTAL	March 31, 2003 Activated ARD and losses
Ubisoft Entertainment SA	8,609	270	8,879	9,648
Ludimedia SA	336	921	1,257	381
Ubi.com SA	957	-	957	1,348
Ubi.com Inc.	-	1,342	1,342	1,505
Ubisoft Warenhandels GmbH	198	-	198	208
Blue Byte Software Inc.	1,151	-	1,151	1,382
Red Storm Entertainment Inc.	77	-	77	177
Ubisoft France SAS	2,262	-	2,262	2,425
Ubisoft EMEA SARL	-	1,337	1,337	
Ubisoft Holdings Inc.	212	-	212	
Ubisoft Computing SARL	121	-	121	
Ubi Soft Entertainment GmbH	340	-	340	
Ubisoft Divertissements Inc.	1,079	-	1,079	
Ubi Soft Entertainment BV	36	-	36	
Shanghai Ubi Computer Software Ltd.	157	-	157	
Other	42	-	42	180
TOTAL	**15,577**	**3,870**	**19,447**	**17,254**

The change in tax credits is principally the result of:

- The consumption of €1 million at Ubisoft Entertainment SA.
- The consumption of €0.4 million at Ubi.com SA.
- The deactivation of €1.5 million at Ubi.com Inc.
- Offset by the activation of €1.1 million at Ubisoft Divertissements Inc.

Related deferred tax on assets:

(2) Leasing	*44*
Temporary tax differences	*1,462*
Elimination of inter-company profit	*955*
Other	*164*

(3) This amount includes €10.6 million in VAT credit, of which €9.7 million has been redeemed since March 31, 2004.
(4) The original amount of the redemption premium of the convertible exchangeable bonds (OCEANEs) taken to assets is K€16,380. This premium is amortized in proportion to accrued interest, i.e. K€4,578 as of March 31, 2004. The buy-back of 1,400,699 bonds resulted in a decrease in the redemption premium of K€7,284. The net redemption premium as of March 31, 2004, was K€4,518.

Apart from activated ARD, redemption premiums of convertibles bonds and losses, all receivables have a maturity of less than one year.

Note 10 Investment securities

Investment securities break down as follows:

Nature	3/31/04			3/31/03
	Gross value	Provision	Net value	Net value
Treasury shares	1,020	227	793	12,446
Investment funds	42,339	-	42,339	11,765
TOTAL	**43,359**	**227**	**43,132**	**24,211**

- **Treasury shares:**

The value of own shares was determined using the closing rate (see table below).

Nature	Number	Avg. price, in euros	Gross value K€	Closing price	Provision K€	Net value K€	Percentage of capital
Treasury shares	40,249*	25.3481	1,020	19.70	227	793	0.23%

** Including the 5,500 shares in the liquidity contract.*

- **Investment funds via UCITS and open-ended investment trusts (SICAV):**

	3/31/04	3/31/03
Mutual fund: Centrale Monétaire	5,605	11,765
Mutual fund: CLAM EONIA	14,368	-
SICAV: CPR CASH SI	18,125	-
SICAV: SOGEMONE	4,241	-
TOTAL	**42.339**	**11.765**

No depreciation was carried to the mutual funds as of March 31, 2004.

Note 11 Cash

The Cash account showed a balance of cash and bank accounts in the net amount of K€76,915 on March 31, 2004, compared with K€97,905 on March 31, 2003.

Note 12 Share capital

Capital

On March 31, 2004, Ubisoft Entertainment SA's capital consisted of 17,582,304 shares with a face value of €0.31 each, i.e. €5,450,514.24.

Number of Ubisoft Entertainment SA shares

As of April 1, 2003	17,540,082
Exercised options	42,185
Bond conversions	37
As of March 31, 2004	17,582,304

Maximum number of shares that may be created:	6,385,287
• By bond conversion:	2,598,318
• By exercise of stock options:	1,207,577
• By exercise of warrants:	2,579,392

Stock purchase warrants

Stock purchase warrants as of March 12, 2001

Number and face value:	53,266, with one warrant entitling its holder to subscribe for 1.038 shares with a par value of €0.31 (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
Strike period:	December 28, 2001 to March 11, 2006
Strike price:	€40.29

As of March 31, 2004, no warrants had been exercised.

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

Number and face value:	17,540,082, with 15 warrants needed to subscribe for one share with a face value of €0.31
Issue price:	€0.01
Strike period:	May 14, 2002, to May 14, 2006
Strike price:	€28

The 1,169,733 warrants allocated to Ubisoft Entertainment SA were cancelled.
11,280 warrants were exercised during the fiscal year via delivery of own shares.
As of March 2004, 16,359,069 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:

	3rd plan	4th plan	5th plan	6th plan	7th plan	8th plan	9th plan	10th plan
Initial number of shares	250,000	40,471	318,426	44,605	389,065	353,181	9,220	71,796
Face value	€0.31	€0.31	€0.31	€0.31	€0.31	€0.31	€0.31	€0.31
Subscription value	€20.40	€38	€34.51	€34.51	€12.82	€9.20	€10.25	€9.20
Exercise period	10/23/98 through 2/27/04*	12/8/00 through 12/8/05	4/9/01 through 4/9/06	4/25/02 through 4/24/06	8/16/02 through 8/15/08	10/16/02 through 10/15/07	1/29/03 through 1/28/08	4/28/03 through 10/27/07
Options not exercised as of March 31, 2003	0	40,471	318,426	44,605	389,065	342,388	9,220	63,402

** The decision to extend the fiscal year was made at the Board meeting of October 1, 2003.*

Note 13 Provisions for risk and charges

Provisions for risk and charges break down as follows:

	As of 3/31/03	Appropriations	Write-backs (provision used)	Write-backs (provision not used)	As of 3/31/04
Provisions for litigation	35	-	-	31	4
Provisions for subsidiary risk	84	-	84	-	-
Provisions for retirement	300	258	-	-	558
Provisions relating to foreign exchange hedges	-	76	-	-	76
Provisions for destruction of licensed products	-	1,083	-	-	1,083
Provisions for tax risk	244	174	244	-	174
Negative goodwill	39	-	2	-	37
TOTAL	**702**	**1,591**	**330**	**31**	**1,932**
IMPACT :					
Earnings before interest and tax		1,341	2	31	
Net financial income/expense		76	84	-	
Extraordinary income (expense)		174	244	-	

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, 2004 are as follows:

	Japan	Italy	France
Rate of salary changes	5%	1.50%	3-7%
Discount rate	5%	5%	5%
Average remaining years of service	24 years	34 years	34 years
Projected return on assets	**5%**	**5%**	**5%**

Licenses

Large-scale destruction of old licensed products, which licenses are expired (so, products cannot be sold) is projected for the next fiscal year, to a total of up to €1 million.

Other potential risks

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:

	3/31/04	3/31/03	
Bond debentures	172,038	127,605	
Accrued interest	1,778	2,240	
Advances in foreign currencies [1]	26,200	20,877	
Syndicated loans	-	65,000	
Short-term loans	4,245	-	
Bank overdrafts	37,761	78,565	
Borrowings resulting from restatement of leases	1,554	2,193	
Miscellaneous financial debt	16	2,914	
Financial debt	**243,592**	**299,394**	
	◄ 1 year	**► 1 year and ◄ 5 years**	**► 5 years**
Maturities outstanding on 3/31/04	70,920	172,672	-
Fixed-rate debt	133,799		
Variable-rate debt	109,793		

(1) Advances in foreign currencies are foreign exchange hedges in US, Canadian and Australian dollars.

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:

- Net debt/shareholders' equity excluding Goodwill < x
- Net debt/EBITDA < y
- Net free cash flow excluding acquisitions > z

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

- Net debt/shareholders' equity restated to reflect goodwill and investments in games developments < x'
- Net debt/EBITDA restated to reflect investments in intangible assets < y'

The covenants on bilateral lines of credit primarily concern net debt/shareholders' equity and net debt/total cash flow from operations.

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

As of March 31, 2004, the company was in compliance with all ratios and expects to remain in compliance over FY 2004-05.

Bank overdrafts

Bank overdrafts are used to finance temporary cash requirements generated by changes in working capital requirements.

Leasing

Leases mainly cover IT hardware leased under contracts of a maximum of three years. New borrowings over the fiscal period amounted to K€680.

Repayment/buy-back of borrowings during the fiscal year:

- Loans in connection with the reprocessing of lease agreements in the amount of K€1,316.
- Bonded debt in the amount of K€10,541.

Net financial debt

At the close of FY 2003-04, net borrowings amounted to K€123,545.

	3/31/04	3/31/03
Financial debt excluding government advances	243,592	299,394
Cash	-76,915	-97,905
Investment securities	-43,132	-24,211
Net financial debt	**123,545**	**177,278**

Net financial indebtedness was reduced by K€53,733 over the course of the fiscal year.

As of March 31, 2004, the redemption premium amount stood at K€4,518, giving a net redemption premium debt of K€119,027, compared to K€169,841 at the close of the previous fiscal year.

The breakdown of financial debt according to currency is as follows:

	3/31/04	3/31/03
Euros	214,285	278,636
US dollars	18,606	11,550
Canadian dollars	6,323	2,695
Australian dollars	4,361	-
Japanese yen	-	397
Pounds sterling	-	6,113
Other	17	3
Financial debt	**243,592**	**299,394**

Chief characteristics of the 3.80% bond issue:

Number and face value:	314,815 bonds with a face value of €164.64. 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 for new shares in May 2003, one bond entitles its holder to subscribe for 5.191 shares, each with a par value of €0.31.
Dated date and settlement day:	July 16, 1988.
Term of bond:	Seven years.
Annual yield:	3.80% per year, or €6.26 per bond, payable as of July 16 of each year.
Gross redemption yield:	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.

163,728 bonds were converted, seven during this fiscal year.

As of March 31, 2004, 151,087 bonds remained to be converted.

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

Number and face value:	3,150,000 bonds, each with a face value of €47.50. 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 redemption yield:	4.5% on the settlement date (if there is no conversion and/or exchange of shares, and if there is no early redemption).
Normal redemption:	The bonds would be redeemed in full on November 30, 2006, by redemption at a price of €52.70, or roughly 110.94% of their face value.

During the fiscal year, the company bought back 200,000 bonds for €6,6m. These bonds were cancelled.
As of March 31, 2004, 1,749,301 bonds remained to be converted.

Chief characteristics of the OBSARs (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 and face value:	716,746 bonds, each with a face value of €76.70.
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 – December 2, 2008 – at the par rate of €76.70 per bond.

As of March 31, 2004, there were 716,746 bonds in circulation.

Characteristics of BSARs (redeemable share warrants):

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

As of March 31, 2004, there were 1,433,492 BSARs in circulation.

Note 15 Sundry creditors and accrued expenses

Sundry creditors and accrued expenses break down as follows:

	3/31/04	3/31/03 Pro forma	3/31/03 Former presentation
Social security liabilities	18,165	9,286	9,286
Deferred tax liabilities	5,136	5,829	5,829
Other tax debts	21,020	31,613	31,613
Other debts	1,893	713	36,833
Deferred income	7,987	5,722	5,722
TOTAL	**54,201**	**53,163**	**89,283**

The reduction in other debts is primarily the result of the reclassification of credits to be issued, which are now posted against customer accounts.

2.1.5.5 Explanatory notes on the income statement

Note 16 Sales

The group had K€508,400 in sales during the 2003-04 fiscal year. At the current rate, sales increased 12% over the 2002-03 fiscal year; at a constant rate, growth in sales was 22.5%.

Breakdown of sales by activity:

	3/31/04 K€	3/31/04 %	3/31/03 K€	3/31/03 %
Development	437,262	86%	348,773	77%
Publishing	55,929	11%	81,531	18%
Distribution	15,253	3%	22,648	5%
TOTAL	**508,444**	**100%**	**452,952**	**100%**

Note 17 Other operating income

Other operating income breaks down as follows:

	3/31/04	3/31/03
Capitalized software production costs	79,775	72,105
Other capitalized production costs	2,037	874
Production subsidies	11,541	6,917
Write-back of provisions	2,939	2,296
Risk and charges	38	170
Inventory	652	1,068
Doubtful debts	1,619	926
Sundry assets	259	-
Intangible assets	343	131
Tangible assets	28	1
Transfer of expenditures	2,643	2,901
Other income	1,176	1,862
TOTAL	**100,111**	**86,955**

Note 18 Other operating expenses

Other operating expenses break down as follows:

	3/31/04	3/31/03 Pro forma	3/31/03 Former presentation
Other external expenses	173,474 *	145,787	141,788
Other expenses	3,174	1,543	2 1,543
TOTAL	**176,648**	**147,330**	**143,331**

** Includes .€18.8 million in additional write-offs on advances and installments*

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

Abandoned projects relating to licenses are now posted to operating income rather than extraordinary income.

Note 19 Depreciation and provisions

Depreciation and provisions break down as follows:

	3/31/04	3/31/03 Pro forma	3/31/03 Former presentation
Depreciation of intangible fixed assets	118,623	74,347	72,861
Released software programs	93,981 *	63,483	61,997
External developments	16,899	4,543	4,543
Software tools	2,727	4,087	4,087
Localization software	1,671	33	33
Office software	3,309	2,129	2,129
Logo	20	-	-
Other	16	72	72
Depreciation of tangible fixed assets	6,137	5,861	5,861
Plant & machinery	781	697	697
Computer equipment and furniture	4,316	4,195	4,195
Development kits	179	43	43
Transportation equipment	25	27	27
Leased computer hardware	836	899	899
Provision for charges to be spread over several fiscal years	560	593	593
Provisions for trade receivables	1,034	681	681
Provisions for inventories	3,555	796	796
Provisions for sundry assets	111	-	-
Provisions for risk and charges	1,345	308	308
TOTAL	**131,365**	**82,586**	**81,100**

** Includes €49.6 million of additional amortization, reflecting the shortfall in estimated sales and projected operating income on certain games.*

Additional amortization related to abandoned projects is now posted to operating income rather than extraordinary income.

Note 20 Net financial income/expense

Net financial income/expense breaks down as follows:

	3/31/04	3/31/03 Pro forma	3/31/03 Former presentation
Exchange rate conversion differences	-1,737 *	-1,246	-1,246
Capital gains on bond buybacks	2,900	20,713	-
Financial discounts	-2,987	-1,731	-1,731
Financial costs and proceeds from sale of investment securities	-6,307	-7,299	-7,299
Depreciation of redemption premium and issue costs for bonds	-2,458	-3,004	-3,004
Depreciation on equity investments and Teamchman bond issue	-1,621	-	-
Other depreciation	128	740	740
Total net financial income/expense	**-12,082**	**8,173**	**-12,540**

** Translation differentials include a €1.2 million impact on currency borrowings and a negative €2.9 million impact on the discounting of accounts receivable, accounts payable, bank loans and loans in foreign currencies.*

Capital gains on bond buybacks are now posted to financial income rather than extraordinary income.

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, 2004, the total amounts covered resulting in purchases and sales of currencies was €28,136,000 (see the breakdown by currency and maturity date in Section 2.1.8: Off-balance-sheet commitments).

Note 21 Extraordinary income/expense

Extraordinary income breaks down as follows:

	3/31/04
Losses from the sale of own shares	-13,210 *
Capital losses from sales	-384
Other extraordinary expenses	-88
Appropriations/net write-backs on own shares	22,721
Other appropriations	-101
TOTAL EXTRAORDINARY INCOME/EXPENSE	**8,938**

**The sale and provision write-back of own shares generated extraordinary income of €9,511,0000 (net loss of appropriations and write-backs).*

Note 22 Corporate tax

Corporate tax breaks down as follows:

	3/31/04	3/31/03
Current tax	-365	14,606
Deferred tax	1,785	-7,308
TOTAL	**1,420**	**7,298**

Tax payable by French companies was calculated at the rate in force on March 31, 2004, i.e. 33.33% plus 3%.

There are two groups of fiscal integration:

- In France, the group encompasses three companies: Ubisoft Entertainment SA, Ubisoft EMEA SARL and Ubisoft France SAS. As of March 31, 2004, the tax group had generated a reduction in deferred tax on assets of €1,203,000. Under the tax integration agreement, it was decided that the tax savings resulting from implementation of this group tax system would be irrevocably allocated to the integrating company.
- In the United States, the group encompasses five companies: Ubisoft Holdings Inc., Red Storm Entertainment Inc., Blue Byte Software Inc., Ubisoft Inc. and Ubi.com Inc. As of March 31, 2004, the tax group had generated deferred tax on assets of €229,000. Under the tax integration agreement, it was decided that the integrating company would reallocate the tax savings resulting from implementation of this group tax system to the integrated companies.

	3/31/04	3/31/03
Deferred tax assets*	15,577	17,254
Deferred tax liabilities	5,136	5,829

** See Note 9 for a breakdown.*

Reconciliation of taxation rates:

	3/31/04
Pre-tax earnings, excluding goodwill	-1,616
Theoretical tax (34.33%)	-555
Reinstatement:	
Ubisoft Entertainment SA: 3.479*34.33%	1,194
Ubisoft SPA: 601*38.25%	230
Deductions:	
Ubi Soft Entertainment GmbH: -369*38%	-140
Ubisoft Holdings Inc.: -239*39.83%	-95
Red Storm Entertainment Inc.: -1.592*38.95%	-620
Ubisoft Inc.: -566* (100 – 34.00%)	-373
Depreciation of business assets:	
Ubi Soft Entertainment GmbH: -340*38%	-129
Ubi Soft Entertainment Sprl: -78*33.99%	-26
Ubi Soft Entertainment BV: -57*35%	-20
Ubisoft Warenhandels GmbH: -26*34%	-9
Ubisoft Canada Inc.: -101*31.10%	-32
Red Storm Entertainment Inc.: -788*34%	-268
Impact of tax rate difference for subsidiaries:	
Ubisoft Inc.: 6.489* (39.83% – 34.33%)	357
Ubi.com Inc.: -4.614* (39.83% – 34.33%)	-254
Red Storm Entertainment Inc.: -3.829* (38.95% – 34.33%)	-177
Shanghai Ubi Computer Software Ltd.: -1.263* (10% – 34.33%)	307
Other subsidiaries:	-31
Corporate tax correction, N-1:	
Ubisoft Entertainment SA	1,532
Ubisoft Ltd.	-145
Ubisoft Inc.	-2,058
Cancellation of activation of deferred tax credits as of 3/31/03:	
Ubi.com Inc.: 3.503*39.83%	1,395
Non-activation of deferred tax credits as of 3/31/04:	
Ubisoft EMEA SARL: 3.895*34.33%	1,337
Total corporate tax	**1,420**

2.1.6 Sector information

In light of the group's organizational structure and the commercial links among the various subsidiaries, we proceed on the basis 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	United States Canada	Rest of world	3/31/04 TOTAL
Sales	**57,558**	**38,664**	**73,276**	**82,893**	**236,785**	**19,268**	**508,444**
Other operating income	39,344	2,648	27	5,222	45,118	7,752	100,111
Costs of sales	-97,731	-944	1,400	-6,448	-72,418	-2,374	-178,515
Inter-company funds flow (1)	74,104	-10,491	-33,930	-28,451	2,234	-3,466	-
Wages and social security costs	-43,715	-4,032	-3,184	-10,912	-46,507	-7,380	-115,730
Other operating expenses	-72,906	-10,698	-11,321	-15,693	-59,107	-6,923	-176,648
Tax and duty	-3,729	-28	-89	-147	-544	-232	-4,769
Depreciation and provisions	-116,397	-173	-142	-1,250	-12,454	-949	-131,365
Reinvoiced contributions (2)	159,584	-12,950	-24,871	-23,857	-91,783	-6,123	-
Earnings before interest and tax	**-3,888**	**1,996**	**1,166**	**1,357**	**1,324**	**-427**	**1,528**

(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

Assets	France	Germany	UK	Rest of Europe	United States Canada	Rest of world	3/31/04 TOTAL
Goodwill/brands	37,413	10,398	-	2,736	66,334	-	116,881
Intangible assets	151,287	89	-	140	1,265	405	153,186
Tangible assets	4,552	72	261	651	5,582	1,748	12,866
Financial assets	973	107	99	136	299	406	2,020
Equity in subsidiaries	325						325
Fixed assets	**194,550**	**10,666**	**360**	**3,663**	**73,480**	**2,559**	**285,278**
Inventory and work-in-progress	5,802	3,277	5,980	7,277	12,161	631	35,128
Advances and installments paid	25,527	11	-	11	6,136	91	31,776
Trade receivables	-11,691	1,217	22,365	23,244	55,605	5,474	96,214
Other receivables, accruals and deferrals	51,459	9,985	399	2,525	22,664	1,402	88,434
Investment securities	43,132	-	-	-	-	-	43,132
Cash	53,065	184	2,829	2,775	14,725	3,337	76,915
Current assets	**167,294**	**14,674**	**31,573**	**35,832**	**111,291**	**10,935**	**371,5999**
TOTAL ASSETS	**361,844**	**25,340**	**31,933**	**39,495**	**184,771**	**13,494**	**656,877**

2.1.7 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 L233-16, and by the company controlling the one in which they hold office, came to €924,000. No attendance fees were paid.

No loans or advances were made to officers of the company in accordance with Article L225-43 of the French Commercial Code.

Corporate officer	3/31/04 Total compensation paid	3/31/04 Total benefits in kind paid	3/31/03 Total compensation paid	3/31/03 Total benefits in kind paid
Yves Guillemot	€193,130	None	€164,652	None
Gérard Guillemot	€189,315	€381	€146,352	€914
Michel Guillemot	€185,505	None	€146,352	None
Claude Guillemot	€177,890	None	€128,076	None
Christian Guillemot	€177,890	None	€128,076	None

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

2.1.8 Off-balance-sheet commitments

		3/31/04	Due date	3/31/03
Sureties and guarantees given:		**28,053**		**49,722**
Debtor	Type of guarantee			
Ubisoft Divertissements Inc.	Loan repayment guarantee	2,503	1/26/06	
Ubi Soft Entertainment GmbH	Receivables payment guarantee	10,226	Indefinite	
Ubisoft Entertainment SA	Guarantee of SPW prices	1,636	3/11/06	
Ubisoft Divertissements Inc.	Comfort letter	2,003	Annual negotiation	
Ubi EMEA SARL	Stand by letter	1,300	9/30/04	
Ubisoft Inc.	Commitment guarantee	2,454	End of commercial relationship	
Ubisoft Inc.	Stand-by letter	2,454	6/30/04	
Ubisoft Inc.	Stand-by letter	818	6/30/04	
Ubisoft Inc.	Stand-by letter	1,636	6/30/04	
Ubisoft Nordic AS	Distribution contract guarantee	1,398	6/30/04	
Collateral for loans		**None**		**None**
Foreign exchange hedges		**28,136**		**73,262**
GBP	Forward sale	17,384	April 2004 and May 2004	
USD	Forward sale	10,752	From April 2004 to June 2005	
Notes receivable discounted		**None**		**3,736**

1. Equity swap contract

As part of the transaction concluded with Crédit Lyonnais on September 30, 2003, the latter will sell its shares at the end of an 18-month period on the understanding that 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.

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

2. Leasing

Initial value	Depreciation	Net value	Payments made	Payments remaining to be made < 1 year	Payments remaining to be made > 1 year	Residual value
5,550	5,237	313	539	224	215	56

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

3. Authorizations

Short-term lines of credit amount to €71 million; they are unconfirmed and revocable with 30 days' prior notice.

Confirmed bilateral lines of credit total €15 million and were in full use as of March 31, 2004. 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, 2004.

4. Other commitments

Various products are marketed under licensing agreements signed by Ubisoft Entertainment SA. As of March 31, 2004, the commitments accepted by the company provided for the future payment of guaranteed minimum royalties.

Commitments by virtue of this guaranteed minimum amounted to €28.6 million.

2.1.9 Events after closure of accounts

Employee-owned stock as part of the Company Mutual Fund (FCPE)

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, through the intermediary of a Company Mutual Fund (hereinafter "FCPE").

At its meeting on March 3, 2004, the Board of Directors used the authorization granted by the Shareholders' Meeting of September 12, 2003 that 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 employees subscribed for 99,627 shares via the Ubi Actions FCPE. The Board of Directors took note of this equity issue at its meeting on May 18, 2004.

Sale of shares

On April 26, 2004, Ubisoft Entertainment SA sold the shares of its subsidiary Ubisoft World Studio SARL to Ludimédia SAS for the amount of €199,950.

Mergers and acquisitions

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.

Acquisition of Gameloft SA shares

On April 16, 2004, Ubisoft Entertainment SA acquired 6,284,876 shares of Gameloft SA at the price of €2.99. The company now holds 31.55% of the voting rights.

2.1.10 Employees

(note part 1.4.8) The Group does not provide profit sharing or salary contributions.

2.2 Corporate accounts of Ubisoft Entertainment SA as of March 31, 2004

2.2.1 Ubisoft Entertainment SA balance sheet

ASSETS	Notes	3/31/04 Gross K€	3/31/04 Amort/dep K€	3/31/04 Net K€	3/31/03 Net K€	3/31/02 Net K€
Intangible assets	1	345,445	192,262	153,183	168,728	152,128
Business assets		1,524	-	1,524	1,524	12,867
Tangible assets	2	6,778	4,029	2,749	4,400	3,489
Financial assets	3	228,374	11,423	216,951	199,132	120,011
Fixed assets		**582,121**	**207,714**	**374,407**	**373,784**	**288,495**
Inventory and work-in-progress	4	22	-	22	118	15,112
Advances and installments paid	5	20,491	-	20,491	44,576	53,548
Trade receivables	6	58,468	3	58,465	96,648	99,808
Other receivables		12,044	284	11,760	38,178	45,873
Investment securities	9	43,359	228	43,131	24,211	40,365
Cash		13,196	161	13,035	2,730	4,866
Current assets		**147,580**	**676**	**146,904**	**206,461**	**259,572**
Bond redemption premium	10	4,518	-	4,518	7,437	15,294
Accrued expenses (adjustment accounts)	11	4,106	-	4,106	4,524	6,622
TOTAL ASSETS		**738,325**	**208,390**	**529,935**	**592,206**	**569,983**

LIABILITIES	Notes	3/31/04 K€	3/31/03 K€	3/31/02 K€
Capital		5,451	5,437	5,384
Premiums		268,377	267,743	266,406
Reserves		-14,491	-20,390	3,999
Income for fiscal year		1,305	5,900	-24,390
Net investment grants		33	94	306
Share capital	**15**	**260,675**	**258,784**	**251,705**
Provisions for risk and charges		817	905	522
Bond debentures	16	173,490	129,046	190,882
Borrowings (1) (2)	16	57,990	149,083	29,261
Miscellaneous financial debts (3)	16	3,905	7,492	3,261
Trade creditors and related accounts payable		10,221	19,056	52,262
Tax and social security liabilities		3,070	6,921	1,026
Debts on fixed assets		17,411	17,592	27,048
Other debts	17	2,120	2,678	13,217
Total debts		**268,207**	**331,868**	**316,957**
Accrued expenses (adjustment accounts)	18	236	649	799
TOTAL LIABILITIES		**529,935**	**592,206**	**569,983**
(1) Payable at less than one year:		57,990	84,083	17,013
Payable at more than one year:			65,000	12,248
(2) Current bank credit facilities and credit balances:		57,990	146,169	26,988
(3) Current accounts				

2.2.2 Ubisoft Entertainment SA income statement

	Notes	Fiscal year of 12 months ended 3/31/04 K€	Fiscal year of 12 months ended 3/31/03 K€	Fiscal year of 12 months ended 3/31/02 K€
Production in fiscal year	19	165,872	128,696	226,134
Other operating income and costs transferred	20	14,245	16,574	8,887
Total operating income		**180,117**	**145,270**	**235,021**
Stored purchases and other procurement	21	-1	11,382	107,703
Changes in inventory		95	260	3,127
Other purchases and external charges	22	69,496	53,864	86,499
Tax and duty		2,150	783	744
Wages and social security costs		710	674	393
Other expenses		422	677	380
Depreciation and provisions	23	110,610	71,113	59,053
Total operating expenses		**183,482**	**138,753**	**257,899**
Earnings before interest and tax		-3,365	6,517	-22,878
Financial income from equity holdings		201	-	-
Income from other securities and claims on fixed assets		50	49	37
Other interest and related income (1)		4,696	2,465	3,266
Write-back of provisions		1,827	3,424	3,188
Positive exchange differences		10,406	12,049	7,846
Net proceeds from sales of investment securities		8	202	322
Total financial proceeds		**17,188**	**18,189**	**14,659**
Appropriations to provisions		5,352	11,112	7,075
Other interest and related expenses (2)		6,852	7,694	8,091
Negative exchange differences		9,291	6,742	4,630
Net expenses on sales of investment securities				407
Total financial expenses		**21,495**	**25,548**	**20,203**
Net financial income/expense	**24**	**-4,307**	**-7,359**	**-5,544**
Operating income less net financial income/expense		**-7,672**	**-842**	**-28,422**
Extraordinary income (expense)	**25**	**9,073**	**6,694**	**4,032**
Earnings before tax		1,401	5,852	-24,390
Corporate tax	26	96	-48	-
Net income for financial year		**1,305**	**5,900**	**-24,390**
(1) Including revenue from affiliated companies:		1,235	2,329	3,105
(2) Including expenses from affiliated companies:		931	485	25

2.2.3 Table of changes in share capital

in K€	Balance as of 3/31/03	Appropriation of earnings, 2002-03	Capital increase in cash and by bond conversion	Earnings, 2003-04	Balance as of 3/31/04	Proposed appropriation of FY 2003-04 earnings	Balance as of 3/31/04 after appropriation of FY 2003-04 earnings
Capital	5,437		13		5,450		5,450
Issue premium	267,743		634		268,377		268,377
Legal reserves	505				505		505
Regulated reserves	238				238		238
Other reserves	11,665				11,665		11,665
Loss account reserve brought forward	-32,798	5,900			-26,898	1,305	-25,593
Income for fiscal year	5,900	-5,900		1,305	1,305	-1,305	-
Investment grants	94		-61		33		33
TOTAL	**258,784**	**0**	**586**	**1,305**	**260,675**	**0**	**260,675**

2.2.4 Cash flow statement

	3/31/04 K€	3/31/03 K€
Flows arising from operating activities		
Net income	1,305	5,900
Depreciation of tangible and intangible fixed assets	111,909	105,348
Depreciation of deferred charges	675	728
Changes in provisions	-22,094	-3,373
Grants	-61	-332
Flows arising from the disposal of fixed assets	457	-14,281
Total cash flow arising from operating activities	**92,191**	**93,990**
Inventory	95	15,787
Trade receivables	35,966	8,971
Advances	19,474	3,513
Sundry assets	25,766	9,519
Trade payables	-7,192	-42,661
Sundry liabilities	-3,330	-4,962
Total cash flow	**70,779**	**-9,833**
Cash flow from investments		
Acquisitions of intangible assets	-91,059	-89,991
Acquisitions of tangible assets	-276	-2,503
Acquisition of equity holdings	-19,235	-122,663
Acquisition of other financial fixed assets	-210	-61
Charges to be spread over several years	-1,099	-
Disposal of fixed assets	3,894	42,530
Proceeds from long-term loans and other financial assets	6	11,090
Cash flow from partial transfer of assets	-	-820
Business assets contributed	-	11,342
Cash flow from dissolutions	-	1,438
Total cash flow from investments	**-107,979**	**-149,638**
Cash flow from financial transactions		
New long-and medium-term loans	54,974	-
Repayment of loan debentures	-9,500	-57,034
Repayment of long-and medium-term loans	-	-152
Increase in capital	13	53
Increase in issue premium	633	406
Increase in issue premium on shares with warrants	-	2
Increase in issue premium on group savings plan	-	930
Variation in current accounts	-3,587	4,231
Conditional government loan	-	-38
Grants received	-	120
Total cash flow from financial transactions	**42,533**	**-51,482**
Net change in cash flow	**97,524**	**-116,963**
Net cash position at the beginning of the financial year	-98,694	18,269
Net cash position at the end of the financial year	-1,170	-98,694

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, 2004, and constitute an appendix to the income statement.

The fiscal year covered a period of 12 months from April 1, 2003, to March 31, 2004.

2.2.5.1 Highlights of the fiscal year

Disposal of shares:

Over the course of the fiscal year, Ubisoft Entertainment SA sold 100% of its Blue Byte Software Ltd. stock to its subsidiary Ubisoft Ltd., 100% of its Ubi Studios SAS stock to its subsidiary Ubisoft Computing SARL, and 100% of its Ubi Sound Studio SARL stock to its subsidiary Ubisoft Design SARL.

Bond buybacks:

During the first half of the year, Ubisoft Entertainment SA bought back 200,000 convertible bonds (OCEANEs) at an average price of €33.

Share acquisitions:

Following the acquisition of 3.4 million shares in Gameloft SA on September 15, 2003, Ubisoft Entertainment SA passed the 20% mark in terms of voting rights. As of March 31, 2004, Ubisoft Entertainment SA held 21.775% of the voting rights.

On December 17, 2003, Ubisoft Entertainment SA purchased 100% of the stock in Tiwak SAS for K€1,409.

Transfer of treasury shares:

On September 30, 2003, Ubisoft Entertainment SA signed an equity swap contract with Crédit Lyonnais. This contract involves 918,137 Ubisoft Entertainment SA shares, sold at €18.66 each.

As of March 31, 2004, Ubisoft Entertainment SA held 40,249 of its own shares, recorded as transferable securities in accordance with Notice 98D of the Emergency Committee and acquired for an aggregate value of €1,020,000.

Issues of mixed securities:

On May 14, 2003, the company issued new share purchase or subscription warrants, attributed free of charge for 17,540,082 warrants; 15 warrants were needed to subscribe for one share.

The subscription warrants attributed to Ubisoft Entertainment SA, namely 1,169,733 warrants, were cancelled.

On November 17, 2003, Ubisoft Entertainment SA issued bonds with redeemable share subscription warrants (OBSARs) in the amount of €54,974,418; two redeemable share subscription warrants were attached to each bond.

2.2.5.2 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.
- 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 the decree of June 22, 1999.

2.2.5.3 Accounting rules and methods

Business assets

The business assets acquired include all the intangible elements (client base, know-how) needed for the company to do business and grow. Intangible elements are calculated on the basis of a multiple of sales and forecast profitability. Business assets are not amortized.

In the event that business assets are valued at less than their book value (on the basis of sales and forecast profitability), a provision for depreciation is applied.

Intangible assets

Intangible assets break down as follows:

• Office software:	Amortized over 12 months using the straight-line method
• Software tools:	Amortized over 3 years using the straight-line method
• ERP-related expenditures:	Amortized over 5 years using the straight-line method
• Commercial software:	Amortized over 36 months using the straight-line method

Software tools:

Software tools, which are a set of complex development programs that may be used for a number of products, are amortized over a maximum of 36 months using the straight-line method.

Commercial software:

The production costs for sales software that are produced internally 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" account (Account 208). It is amortized over 36 months using the straight-line method, beginning on the date of its commercial release. 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.

The production costs for outsourced sales software are entered in the accounts under "Intangible assets in progress" (Account 232) or under Advances and installments paid (Account 409) in accordance with the rules defined by France's Conseil d'Etat (CE 62547 dated February 12, 1988, and CE 65009 dated November 25, 1989), as software development advances. Upon initial release on the market, software entered as "Intangible assets in progress" is transferred from Account 232 to Account 208; the rest is classified as advances and installments. Software costs 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 contracts, amortized over 36 months using the straight-line method.

At year-end, the net accounting value is compared with sales projections in light of the contract conditions. If the net accounting value is below projections, a write-off is made to the income statement.

Tangible assets

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

- Equipment: 5 years (straight-line)
- Fixtures and fittings: 5 and 10 years (straight-line)
- Computer equipment: 3 years (diminishing balance)
- Office furniture: 10 years (straight-line)

Financial assets

Equity holdings are valued at their historical cost, excluding acquisition fees. If the book value is lower than the gross value at the end of the year, a provision for depreciation is made to cover the difference.

The value of an equity holding 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 posted on the basis of the amounts paid.

Inventory

Inventory is comprised of materials intended for resale to subsidiaries. Its gross value includes the cost price and accessory expenses.

Advances and installments paid

Advances and installments primarily involve distribution and reproduction rights (licenses) acquired from other publishers. The signing of licensing contracts entails the payment of guaranteed amounts, which are posted to Account 409 for their net value (in accordance with the rules of the Conseil d'Etat: 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 contracts, amortized using the straight-line method over the duration of the contract.

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

These are assessed at their face value. Where applicable, receivables may be depreciated by means of a provision when their inventory value is less than their book value.

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 the latter 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, 2004. 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. This provision is reduced by gains relating to foreign exchange hedges.

Provisions for risk and charges

Provisions for risk and charges are made when risk and charges relating 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, 2004, the provisions for risk and charges covered only the exchange risk relating to discounting of claims and debts denominated in foreign currencies.

2.2.5.4 Explanatory notes on the balance sheet

Note 1. Intangible assets

Intangible assets break down as follows:

Fixed assets

(In thousands of euros)	As of 3/31/03 Gross	Increase	Decrease	Reclassifications	As of 3/31/04 Gross
Released software programs	181,300	141,515 (1')	99,542	-4,430	218,843
External developments	16,326	12,059 (1')	6,879	1,896	23,402
Software programs in progress*	70,468	74,158 (2)	70,468 (1)	-	74,158
Software tools	9,718	1,736 (1')	-	26	11,480
Localization software	1,479	2,821	1,810	4,472	6,962
ERP	3,212	4,076 (3')	-	-	7,288
Logo	-	335 (3')	-	-	335
Other licenses	1,103	106	20	234	1,423
Others intangible assets in progress	2,539	3,101	4,217 (3)	-	1,423
Other	118	13	-	-	131
TOTAL	**286,263**	**239,920**	**182,936**	**2,198**	**345,445**

(1) Including K€70,568 for reclassification between accounts [(1') released software programs, K€63,577; external developments, K€5,513; software tools, K€1,738].

(2) Reclassifications between accounts.

(3) Including K€4,215 for reclassifications between accounts [(3') ERP, K€4,076; logo, K€139].

Depreciation

(In thousands of euros)	As of 3/31/03 Cumulative	Increase	Decrease	Reclassifications	As of 3/31/04 Cumulative
Released software programs	104,600	90,690	33,973	-1,948	159,369
External developments	6,024	12,360	441	116	18,059
Software tools	5,933	2,727	-	-	8,660
Localization software	33	1,671	-	1,948	3,652
ERP	377	1,231	-	-	1,608
Logo	-	20	-	-	20
Other licenses	568	200	2	128	894
TOTAL	**117,535**	**108,899**	**34,416**	**244**	**192,262**

An additional provision of €46 million was entered over the course of the fiscal year, reflecting the shortfall in estimated sales and projected operating income on certain games.

Business assets

Nature	As of 3/31/03 Cumulative	Increase	Decrease	As of 3/31/04 Cumulative
Distribution in Switzerland	1,524	-	-	1,524
TOTAL	**1,524**	-	-	**1,524**

Note 2. Tangible assets

Tangible fixed assets break down as follows:

Fixed assets

	As of 3/31/03 Gross	Increase	Decrease	As of 3/31/04 Gross
Fittings and fixtures	3,361	356 [1]	16	3,701
Transportation equipment	-	11 -	11	
Computer equipment and furniture	5,021	95	2,077	3,039
Tangible fixed assets in progress	162	56	191	27
TOTAL	**8,544**	**518**	**2,284**	**6,778**

(1) Including €242,000 for reclassification between accounts.

Depreciation

	As of 3/31/03 Cumulative	Increase	Decrease	Reclassifications	As of 3/31/04 Cumulative
Fittings	866	371	16	-	1,221
Transportation equipment	-	1	-	-	1
Computer equipment and furniture	3,278	550	893	-128	2,807
TOTAL	**4,144**	**922**	**909**	**-128**	**4,029**

Note 3. Financial assets

Financial assets break down as follows:

Financial assets

	Gross As of 3/31/03	Increase	Decrease	Gross As of 3/31/04
Equity holdings	209,278	19,235	702	227,811
Other long-term investments	4	-	4	-
Bonds	-	200	-	200
Deposits and guarantees	355	10	2	363
TOTAL	**209,637**	**19,445**	**708**	**228,374**

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

- Capital increases, as follows:
  - SA Teamchman, K€300
  - Ubi Soft Entertainment GmbH, K€500
  - Ubi.com SA, K€3,060
  - Ubisoft SpA, K€1,327
  - Ubisoft Holdings Inc., K€4,787
  - Ubi Computer Software Ltd., K€780
  - Ubisoft Music Publishing Inc., K€27
  - Ubisoft SA (Spain), K€361
  - Ubisoft Sarl (Morocco), K€247
  - Ubisoft PTY Ltd., K€658
- The acquisition of 3.4 million shares in Gameloft SA, totaling K€5,780, as well as the acquisition of Tiwak SAS for K€1,409.

General information on the listed companies (in euros):

Listed companies	Gameloft SA	Cybersearch
Book value as of March 31, 2004	13,391,746	148,800
Number of shares	12,238,047	24,000
Share value as of March 31, 2004	2.80	0.03
Write-back over the fiscal year	-	-
Depreciation over the fiscal year	-	-7,200

Provisions

	As of 3/31/03 Cumulative	Increase	Decrease	As of 3/31/04 Cumulative
Equity holdings	10,506	1,715	998	11,223
Bonds	-	200	-	200
TOTAL	**10,506**	**1,915**	**998**	**11,423**

For an itemized breakdown, please refer to Section 2.2.7: Subsidiaries and affiliated companies.

Teamchman SA was placed in receivership on November 4, 2003. The equity investments and the bond issue relating to this company were fully amortized. The fiscal year charge was K€1,421 for the equity investments and K€200 for the other long-term investments.

The equity investments were depreciated to the extent that their value was less than the share held in the company's net position.

In light of their prospects for growth over the medium term, no provision for depreciation was made regarding shares in Ubisoft EMEA SARL and Ubi.com SA.

Note 4. Inventory and work-in-progress

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

	As of 3/31/04 Gross	Provision	Net	As of 3/31/03 Net
Goods	22	-	22	118
TOTAL	**22**	**-**	**22**	**118**

In light of the reorganization of flows among group companies, Ubisoft Entertainment SA, a group holding company, will no longer be maintaining inventories of goods. The remaining inventory concerns materials purchased on behalf of subsidiaries.

Note 5. Advances and installments paid

Il s'agit principalement des avances garanties versées sur les contrats de licences pour un montant net de 20.491 K€.

Compte tenu de l'insuffisance des perspectives de ventes de certains jeux, une dépréciation complémentaire de 17,9M€ a été prise en compte en résultat au 31 mars 2004.

Note 6. Trade and other receivables

Trade receivables break down as follows:

	Gross	Provision	As of 3/31/04 Net	As of 3/31/03 Pro forma	As of 3/31/03 Net
Trade receivables	58,468	3	58,465	94,382	96,648
TOTAL	**58,468**	**3**	**58,465**	**94,382**	**96,648**

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

The variation in trade receivables is primarily the result of the reclassification of credits to be issued, which in the past were posted to other debts.

Note 7. Statement of claims and debts

STATEMENT OF CLAIMS	Gross amount	< 1 year	> 1 year
Claims on fixed assets			
Other financial assets	363	-	363
Claims on current assets			
Doubtful debts	3	3	
Trade receivables	58,465	58,465	
Government (VAT credit, other)	3,269	3,269	
Group and partners	8,775	8,775	
Advances and installments	20,491	20,491	
Other debtors	-	-	
Prepaid expenses	1,223	1,223	
TOTAL	**92,589**	**92,226**	**363**

STATEMENT OF DEBTS	Gross amount	< 1 year	> 1 year
Convertible bond debentures	173,490	1,452	172,038
Borrowings from credit institutions	57,990	57,990	
Miscellaneous borrowings and financial debt	3,905	3,905	
Trade creditors and related accounts payable	10,221	10,221	
Tax and social security liabilities	3,070	3,070	
Other debts	2,120	2,120	
Debts on fixed assets	17,411	17,411	
TOTAL	**268,207**	**96,169**	**172,038**
Bank loans taken out during the year	54,974		
Buy-back of OCEANE convertible bonds during the year	10,540		
Bank loans repaid during the year	1		
Amount of current account debts contracted	-		

Note 8. Income receivable

	3/31/04	3/31/03
Credits receivable from suppliers	2,619	1,683
Income not yet billed	3,513	3,378
Interest receivable	62	342
TOTAL	**6,194**	**5,403**

Note 9. Investment securities

Nature	Company name	Number	Avg. price, €	Gross value, K€	Closing price, €	Provision, K€	Net value, K€	% of capital
Own shares	Ubisoft Entertainment SA	40,249 (1)	25.3481	1,020	19.70	227	793	0.23%
Mutual fund	CLAM EONIA	79	181.871	14,368	181.931	-	14,368	
Mutual fund	CPR CASH SI	966	18.763	18,125	18.768	-	18,125	
Open-ended investment trust	SOGEMONE	19	223.178	4,241	223.167	0.2	4,241	
Open-ended investment trust	CENTRALE PIBOR	2,024	2.769	5,605	2.770	-	5,605	
TOTAL				**43,359**			**43,131**	

(1) Including the 5,500 shares in the liquidity contract.

Note 10. Bond redemption premium

The original amount of the redemption premium of the convertible exchangeable bonds (OCEANEs) taken to assets is K€16,380. This premium is amortized in proportion to accrued interest, i.e. K€4,578 on March 31, 2004.
The buy-back of 1,400,699 bonds resulted in a decrease in the redemption premium of K€7,284.
The net redemption premium as of March 31, 2004 was K€4,518.

Note 11. Accruals

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

	As of 3/31/03 Cumulative	Increase	Decrease	As of 3/31/04 Cumulative
Accrued expenses	1,650	1,223	1,650	1,223
Costs of issuing debt securities and OCEANE bonds	2,169	1,099	1,126	2,142
Acquisition costs for business assets	128	-	128	-
Exchange conversion adjustment to assets	577	741	577	741
TOTAL	**4,524**	**3,063**	**3,481**	**4,106**

Note 12. Payables

	3/31/04	3/31/03
Interest on borrowings from credit institutions	1,452	1,441
Bank charges payable	264	499
Total borrowings & financial debts	**1,716**	**1,940**
Trade payables, invoices not yet received	9,827	9,558
Credits to be issued	8,908	2,266
Tax and social security liabilities	1,572	698
TOTAL	**22,023**	**14,462**

Note 13. Items relating to affiliated companies

	3/31/04	3/31/03
Current assets		
Equity holdings	224,074	198,287
Trade receivables	58,364	96,020
Other receivables	9,010	27,546
Debts		
Miscellaneous borrowings & financial debts	3,905	7,492
Trade creditors and other accounts payable	4,533	10,370
Debts on fixed assets	14,455	12,365
Other debts	431	2,734
Financial income	**1,235**	**2,329**
Financial charges	**931**	**485**

Note 14. Provisions on the balance sheet

	As of 3/31/03	FY provisions	Write-backs over the fiscal year	As of 3/31/04
Provisions for risk				
For exchange risk	577	817	577	817
Other provisions for risk and charges	328	-	328	-
Total	**905**	**817**	**905**	**817**
Provisions for depreciation				
Of equity holdings	10,506	1,715	998	11,223
Of other long-term investment	-	200	-	200
Of trade receivables	51	3	51	3
Of other receivables	601	111	427	285
Of investment securities and cash instruments	22,948	161	22,721	388
Total	**34,106**	**2,190**	**24,197**	**12,099**
TOTAL	**35,011**	**3,007**	**25,102**	**12,916**

Note 15. Share capital

Capital

On March 31, 2004, Ubisoft Entertainment SA's capital consisted of 17,582,304 shares with a face value of €0.31 each, i.e. €5,450,514.24.

Number of Ubisoft Entertainment SA shares

As of 4/1/03	17,540,082
Exercised options	42,185
Bond conversions	37
As of 3/31/04	17,582,304

Maximum number of shares that may be created: 6,385,287
- Through bond conversion: 2,598,318
- Through the exercise of stock options: 1,207,577
- Through the exercise of subscription warrants: 2,579,392

Stock purchase warrants

Stock purchase warrants as of March 12, 2001:

Number and face value: 53,266, with one warrant entitling its holder to subscribe for 1.038 shares with a par value of €0.31 (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.

Strike period: December 28, 2001 to March 11, 2006.

Strike price: €40.29.

As of March 31, 2004, no warrants had been exercised.

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

Number and face value: 17,540,082, with 15 warrants needed to subscribe for one share with a face value of €0.31.

Issue price: €0.01.

Strike period: May 14, 2002, to May 14, 2006.

Strike price: €28.

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

11,280 warrants were exercised during the fiscal year via delivery of own shares.

As of March 31, 2004, 16,359,069 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:

	3RD PLAN	4TH PLAN	5TH PLAN	6TH PLAN	7TH PLAN	8TH PLAN	9TH PLAN	10TH PLAN
Initial number of shares	250,000	40,471	318,426	44,605	389,065	353,181	9,220	71,796
Face value	€0.31	€0.31	€0.31	€0.31	€0.31	€0.31	€0.31	€0.31
Subscription value	€20.40	€38	€34.51	€34.51	€12.82	€9.20	€10.25	€9.20
Exercise period	10/23/98 through 2/27/04 *	12/8/00 through 12/8/05	4/9/01 through 4/9/06	4/25/02 through 4/24/06	8/16/02 through 8/15/08	10/16/02 through 10/15/07	1/29/03 through 1/28/08	4/28/03 through 10/27/07
Options non encore exercées au 31 mars 2004	0	40 471	318 426	44 605	389.065	342.388	9.220	63.402

** The decision to extend the subscription period was made at the Board meeting of October 1, 2003.*

Note 16. Financial debts

Financial debt breaks down as follows:

	3/31/04	3/31/03	
Bond debentures	172,038	127,605	
Miscellaneous financial debt	-	2,914	
Accrued interest	1,717	1,940	
Advances in foreign currencies	29,249	85,877	
Bank overdrafts	28,476	59,793	
Financial debt	**231,480**	**278,129**	
	> 1 year	**> 1 year and < 5 years**	**> 5 years**
Maturities outstanding on 3/31/04	**59,442**	**172,038**	**-**
Fixed-rate debt	131,111		
Variable-rate debt	100,369		

The breakdown of financial debts by currency is as follows:

	3/31/04	3/31/03
Euros	203,261	263,588
US dollars	18,455	11,457
Pounds sterling	-	1,578
Canadian dollars	5,388	1,108
Yen	-	397
Australian dollars	4,361	
Other	15	1
Financial debt	**231,480**	**278,129**

Chief characteristics of the 3.80% bond issue:

Number and face value:	314,815 bonds with a face value of €164.64.
	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 for new shares in May 2003, one bond entitles its holder to subscribe for 5.191 shares, each with a par value of €0.31.
Dated date and settlement day:	July 16, 1998.
Term of bond:	Seven years.
Annual yield:	3.80% per year, or €6.26 per bond, payable on July 16 of each year.
Gross redemption yield:	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.

163,728 bonds were converted, seven during this fiscal year.

As of March 31, 2004, 151,087 bonds remained to be converted.

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

Number and face value:	3,150,000 bonds, each with a face value of €47.50.
	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 redemption yield:	4.5% on the settlement date (if there is no conversion and/or exchange of shares and no early redemption).
Normal redemption:	The bonds would be redeemed in full on November 30, 2006 by redemption at a price of €52.70, or roughly 110.94% of their face value.

During the fiscal year, the company bought back 200,000 bonds with the option of conversion and/or exchange for new or existing shares for the total sum of €6,600,000. These bonds were cancelled.

As of March 31, 2004, 1,749,301 bonds remained to be converted.

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

At its meeting of 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 and face value:	716,746 bonds, each with a face value of €76.70.
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 on December 2, 2008, at the par rate of €76.70 per bond.

As of March 31, 2004, there were 716,746 bonds in circulation.

Characteristics of BSARs (redeemable share warrants):

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

As of March 31, 2004, there were 1,433,492 BSARs in circulation.

The other financial debts, totaling €3,905,000, consist of current account advances made by subsidiaries to the parent company. These advances have a maturity of less than one year.

Note 17. Other debts

	3/31/04	3/31/03 Pro forma	3/31/03 Former presentation
Trade creditors and credit notes to be issued	-	-	2,266
Miscellaneous	2,120	412	412
TOTAL	**2,120**	**412**	**2,678**

Note 18. Accruals

This item only includes foreign exchange conversion adjustments to liabilities for receivables and debts.

	As of 3/31/03 Cumulative	Increase	Decrease	As of 3/31/04 Cumulative
Exchange conversion adjustment to liabilities	649	236	649	236

2.2.5.5 Explanatory notes on the income statement

Note 19. Sales

Breakdown of sales by geographical area:

As of 3/31/04	K€	%
Europe	70,618	43%
USA	86,866	52%
Canada	8,361	5%
Rest of the world	27	NS
TOTAL	**165,872**	**100%**

Note 20. Other operating income and costs transferred

	3/31/04	3/31/03
Write-back of depreciation and provisions	679	532
Transfer of expenditures	12,838	15,487
Other operating income	728	555
TOTAL	**14,245**	**16,574**

Transfer of expenditures primarily relates to the rebilling of group companies for overhead costs, travel, exhibition expenses and so on.

Note 21. Stored purchases and other procurement

	3/31/04	3/31/03
Stored purchases and other procurement	-1	11,382
TOTAL	**-1**	**11,382**

As of March 31, 2003, stored purchases and other procurement included intra-group services, which were recorded as other purchases and external expenses as of March 31, 2004.

Note 22. Other purchases and external expenses

Other external expenses consisted mainly of advertising expenses, royalties, and rental of fixed assets and movables. As of March 31, 2004, external charges included intra-group services totaling €8.6 million. On March 31, 2003, these services were posted as purchases and other procurement totaling €7.8 million.

Note 23. Depreciation and provisions

Depreciation and provisions break down as follows:

	3/31/04	3/31/03 Pro forma	3/31/03 Former presentation
Depreciation of intangible fixed assets	108,898 *	70,229	68,746
Depreciation of tangible fixed assets	923	1,588	1,588
Provision for charges to be spread over several fiscal years	675	728	728
Appropriations to provisions	114	51	51
TOTAL	**110,610**	**72,596**	**71,113**

**An additional provision of €46 million was entered over the course of the fiscal year, reflecting the shortfall in estimated sales and projected operating income on certain games.*

Additional amortization relating to abandoned projects is now posted to operating income rather than extraordinary income.

Note 24. Net financial income/expense

Net financial income/expense breaks down as follows:

	3/31/04	3/31/03 Pro forma	3/31/03 Former presentation
Financial income:			
Financial income from equity holdings	201	-	-
Income from other securities and claims on fixed assets	50	49	49
Other interest and related income	4,696	23,178	2,465
Write-back of provisions	1,827	3,424	3,424
Positive exchange differences	10,406	12,049	12,049
Net proceeds from sales of investment securities	8	202	202
	17,188	**38,902**	**18,189**
Financial expense:			
Depreciation and provisions	5,352	11,113	11,113
Other interest and related expense	6,852	7,694	7,694
Negative exchange differences	9,291	6,741	6,741
	21,495	**25,548**	**25,548**
Net financial income/expense	**-4,307**	**13,354**	**-7,359**

Capital gains on bond buybacks are now posted to financial income rather than extraordinary income.

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. If the exchange rate rises or falls, any gain or loss on the loan is therefore 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 at 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, 2004, the total amounts covered resulting in purchases and sales of currencies stood at €28,136,000 (see Section 2.2.6.2).

Note 25. Extraordinary income/expense

Extraordinary income breaks down as follows:

	3/31/04
Extraordinary income	
Extraordinary income from management transactions	-
Extraordinary income from capital transactions	3,954
Write-back of provisions	22,965
	26,919
Extraordinary expense:	
Extraordinary expense from management transactions	13,496
Extraordinary expense from capital transactions	4,350
Depreciation and provisions	-
	17,846
Total extraordinary income/expense	**9,073**

On March 31, 2004, extraordinary income/expense was primarily the result of:

- Losses from the sale of own shares: K€13,210.
- Losses from the sale of tangible and intangible assets: K€457.
- Provision write-backs of own shares: K€22,721.

Note 26. Corporate tax

As of March 31, 2004, the scope 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.

Under the tax integration agreement, it was decided that the tax savings resulting from implementation of this group tax system would be irrevocably allocated to the integrating company.

The data for Ubisoft Entertainment SA, independent of the tax group, are as follows:

	3/31/04	3/31/03 Pro forma	3/31/03 Former presentation
Pre-tax operating profit (loss) less financial profit (loss)	-7,672	14,386	-842
Extraordinary income (expense)	9,073	-8,534	6,694
Pre-tax profit (loss)	1,401	5,852	5,852
Tax basis	3,027	3,456	3,456

The corporate tax charge consists of the annual flat-rate corporation tax for 2001, as well as group tax owed for the 2002-03 fiscal year.

As of March 31, 2004, there remained K€25,860 of deferred depreciation, which was created entirely during FY 2001-02.

2.2.6 Other information

2.2.6.1 Personnel

As of March 31, 2004, personnel consisted of five executives.

2.2.6.2 Financial commitments and other information

		3/31/04	Due date	3/31/03
Sureties and guarantees given:		**27,524**		**49,475**
Debtor	Type of guarantee			
Ubisoft Divertissements Inc.	Loan repayment guarantee	2,503	1/26/06	
Ubisoft Entertainment GmbH	Receivables payment guarantee	10,226	Indefinite	
Ubisoft Entertainment SA	Guarantee of SPW prices	1,636	3/11/06	
Ubisoft Divertissements Inc.	Comfort letter	2,003	Annual negotiation	
Ubi EMEA SARL	Stand by letter	1,300	9/30/04	
Ubisoft Inc.	Commitment guarantee	2,454	End of commercial relationship	
Ubisoft Inc.	Stand by letter	2,454	6/30/04	
Ubisoft Inc.	Stand by letter	818	6/30/04	
Ubisoft Inc.	Stand by letter	1,636	6/30/04	
Ubisoft Nordic AS	Distribution contract guarantee	1,398	6/30/04	
Collateral for loans		**None**		**None**
Foreign exchange hedges		**28,136**		**73,262**
GGB pound	Forward sale	17,384	April 2004 and May 2004	
US dollar	Forward sale	10,752	From April 2004 to June 2005	
Notes receivable discounted		**None**		**None**

1. Equity swap contract:

As part of the transaction concluded with Crédit Lyonnais on September 30, 2003, the latter will sell its shares at the end of an 18-month period, on the understanding that 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.

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

2. Leasing (in thousands of euros):

Initial value	Depreciation	Net value	Payments made	Payments remaining to be made		Residual value
				< 1 year	> 1 year	
4,856	4,856	-	393	100	-	26

Leased assets consist primarily of IT hardware.

3. Authorizations

Short-term lines of credit amount to €71 million; they are unconfirmed and revocable with 30 days' prior notice.

Confirmed bilateral lines of credit total €15 million and were in full use as of March 31, 2004. 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, 2004.

4. Other commitments

- Since the team consists of officers of the company, no retirement compensation is owed.
- Various products are marketed under licensing agreements signed by Ubisoft Entertainment SA. As of March 31, 2004, the commitments accepted by the company provided for the payment of guaranteed minimum royalties. At the close of the fiscal year, commitments by virtue of this guaranteed minimum amounted to €15.9 million.
- During the next fiscal year, abatements in the calculation of corporate tax will be as follows (no increases have been identified):

- Organic	K€78
- Exchange rate fluctuations	K€236
	K€314

- Ubisoft Entertainment SA has undertaken to provide financial support to its subsidiaries to meet their cash requirements.

2.2.6.3 Compensation of corporate officers

Ubisoft Entertainment SA paid K€525 to corporate officers during the 2003-04 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

Employee shareholding within the framework of the company mutual fund (FCPE)

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 through the means of a company mutual fund (or FCPE).

At its meeting on March 3, 2004, the Board of Directors used the authorization granted by the General Meeting of September 12, 2003, to set the subscription price of the shares to be issued at €13.75 each, and specified that these shares would be subscribed for by the Ubi Actions FCPE.

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

Acquisition of Gameloft SA shares

On April 16, 2004, Ubisoft Entertainment SA acquired 6,284,876 shares of Gameloft SA at the price of €2.99. The company now holds 31.55% of the voting rights.

Sale of shares

On April 26, 2004, Ubisoft Entertainment SA sold the shares of its subsidiary Ubisoft World Studio SARL to Ludimédia SAS for the amount of €199,950.

2.2.7 Subsidiaries and affiliated companies

In thousands of currency	Country	Currency	Capital *In thousands of euros*	Reserves and amounts carried forward before earnings appropriation *In thousands of euros*	Percentage of capital held	Book value of securities held *In thousands of euros* Gross	Net	Loans and advances granted by the company and not yet repaid *In thousands of euros*	Total collateral and guarantees provided by the company *In thousands of euros*	Net sales excluding tax *In thousands of euros*	Net income for last complete year *In thousands of euros*	Dividends collected
SUBSIDIARIES: AT LEAST 50% OF CAPITAL HELD												
UUBISOFT ENTERTAINMENT GMBH	Germany	Euro	9,320	2,512	100 %	10,573	10,573	-	-	39,574	-893	none
UBISOFT HOLDINGS INC.	USA	Dollar	90,405	40	100%	96,991	96,991	1,155	-	17	-47	none
UBISOFT SPA	Italy	Euro	1,568	362	99,99%	5,882	5,584	-	-	20,844	-207	none
UBISOFT FRANCE SAS	France	Euro	20,623	-7,088	99,99%	22,872	16,254	-	-	48,511	480	none
UBISOFT EMEA SARL	France	Euro	11,960	43,139	99,99%	55,159	55,159	-	-	185,291	-4,389	none
UBI.COM SA	France	Euro	1,022	-1,859	99,98%	3,098	3,098	-	-	9,001	1,137	none
Subtotal						**194,575**	**187,659**					
Other subsidiaries												
French subsidiaries		Euro				3,283	3,227	-				
Foreign subsidiaries		Euro				13,063	12,309	3,072				
Subtotal						**16,346**	**15,536**					
EQUITY HOLDINGS OF BETWEEN 10 AND 50%												
Interests in French companies		Euro				16,741	13,392	-				
EQUITY HOLDINGS OF LESS THAN 10%												
Interests in French companies		Euro				149	1	-				
Interests in foreign companies		Euro				-	-					
Subtotal						**16,890**	**13,393**					
TOTAL						**227,811**	**216,588**					

The data for subsidiaries and affiliated companies are as of March 31, 2004.

3. Declaration by the statutory auditors

3.1 Report on the consolidated account statements for the fiscal year ending March 31, 2004

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, 2004, 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 the French Commercial Code relating to the basis for our assessments, as established in the Law on Financial Security of August 1, 2003 and applicable to this fiscal year for the first time, we bring the following items to your attention:

Goodwill and brands

The note relating to "Goodwill/trademarks and patents" 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 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 unqualified 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.

July 7, 2004

BY THE STATUTORY AUDITORS

KPMG Audit
A division of KPMG SA
Laurent PRÉVOST
Partner

Cabinet André Métayer
André MÉTAYER
Partner

3.2 General Report on the Fiscal Year ending March 31, 2004

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, 2004, 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.

II - Basis for our assessment

Pursuant to the provisions of Article L. 225-235 of the French Commercial Code relating to the basis for our assessments, as established in the Law on Financial Security of August 1, 2003 and applicable to this fiscal year for the first time, we bring the following items to your attention:

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 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 annual accounts as a whole and in part, and provided a basis for the unqualified 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.

July 7, 2004

BY THE STATUTORY AUDITORS

KPMG Audit
A division of KPMG SA
Laurent PRÉVOST
Partner

Cabinet André Métayer
André MÉTAYER
Partner

3.3 Special Report on Regulated Agreements for the Fiscal Year ending March 31, 2004

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 the French 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 the 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.

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.

1. Loan by the subsidiary Ubi Soft Entertainment GmbH

Director concerned: Mr. Yves GUILLEMOT

Nature and purpose: Ubi Soft Entertainment GmbH granted a loan to your company in the maximum amount of €3,500,000, with interest assessed on the basis of the monthly Euribor rate.

Interest paid over the fiscal year totaled €10,892.65.

This agreement was approved at the Board meeting held on April 3, 2003.

2. Loan to Ubi.com Inc. (US)

Directors concerned:
Messrs. Yves and Christian GUILLEMOT

Nature and purpose: Your company was authorized to grant current account advances to Ubi.com Inc.

Maximum amount: US $850,000, with annual interest assessed at the USD Libor rate plus 1.3%.

Interest collected over the fiscal year totaled €6,151.

This agreement was approved at the Board meeting held on June 18, 2003.

3. Loan to Ubi.com SA (France)

Directors concerned:
Messrs. Yves and Michel GUILLEMOT

Nature and purpose: Your company was authorized to grant current account advances to Ubi.com SA. Maximum amount: US $1,340,000, at an annual interest rate of 4.50%.

Interest collected over the fiscal year totaled €20,028.

This agreement was approved at the Board meeting held on July 1, 2003.

4. Loan to Ubisoft Music Inc. (Canada)

Director concerned: Mr. Gérard GUILLEMOT

Nature and purpose: Your company was authorized to grant current account advances to Ubisoft Music Inc.

Maximum amount: CDN $165,000, with annual interest assessed at the USD Libor rate plus 1.3%.

Interest collected over the fiscal year totaled CDN $2,782.

This agreement was approved at the Board meeting held on July 23, 2003.

5. Loan by Ubisoft Inc. (US)

Director concerned:
Messrs. Yves, Michel and Claude GUILLEMOT

Nature and purpose: Ubisoft Inc. granted a loan to your company in the maximum amount of US $8,600,000, with interest assessed on the basis of the monthly USD Libor rate.

Interest collected over the fiscal year totaled US $12,058.

This agreement was approved at the Board meeting held on September 3, 2003.

6. Loan to Red Storm Entertainment Inc. (US)

Director concerned: Mr. Yves GUILLEMOT

Nature and purpose: Your company was authorized to grant current account advances to Red Storm.

Maximum amount: US $5,197,674, with annual interest assessed at the USD Libor rate plus 1.3%.

Interest collected over the fiscal year totaled US $50,068.

This agreement was approved at the Board meeting held on September 26, 2003.

7. Loan to Ubisoft Entertainment GmbH (Germany)

Director concerned: Mr. Yves GUILLEMOT

Nature and purpose: Your company was authorized to grant current account advances to Ubisoft Entertainment GmbH.

Maximum amount: DM 1,500,000, with annual interest assessed at the Euribor rate plus 1.3%.

Interest collected over the fiscal year totaled €7,529.

This agreement was approved at the Board meeting held on October 27, 2003.

8. Loan to Ubisoft Ltd. (UK)

Director concerned:
Messrs. Yves and Christian GUILLEMOT

Nature and purpose: Your company was authorized to grant current account advances to Ubisoft Ltd.

Maximum amount: __ 1,700,000, with annual interest assessed at the GBP Libor rate plus 1.3%.

Interest collected over the fiscal year totaled GB £2,731.

This agreement was approved at the Board meeting held on October 27, 2003.

9. Loan to Ubisoft Warenhandels GmbH (Austria)

Director concerned: Mr. Yves GUILLEMOT

Nature and purpose: Your company was authorized to grant current account advances to Ubisoft Warenhandels GmbH.

Maximum amount: €775,000, with annual interest assessed at the Euribor rate plus 1.3%.

Interest collected over the fiscal year totaled €4,488.

This agreement was approved at the Board meeting held on October 27, 2003.

10. Loan to Ubisoft Inc. (US)

Director concerned:
Messrs. Yves, Michel, Gérard, Claude and Christian GUILLEMOT

Nature and purpose: Your company was authorized to grant current account advances to Ubisoft Inc.

Maximum amount: US $5,900,000, with annual interest assessed at the USD Libor rate plus 1.3%.

Interest collected over the fiscal year totaled US $47,756.

This agreement was approved at the Board meeting held on November 17, 2003.

11. Loan to Ubisoft KK (Japan)

Director concerned: Messrs. Yves, Michel and Gérard GUILLEMOT, as well as Mrs. Yvette GUILLEMOT

Nature and purpose: Your company was authorized to grant current account advances to Ubisoft KK.

Maximum amount: 30,000,000 yen, with annual interest assessed at the JPN Libor rate plus 1.3%.

Interest collected over the fiscal year totaled 29,071 yen.

This agreement was approved at the Board meeting held on December 19, 2003.

12. Loan to Ubisoft Holdings Inc. (US)

Director concerned: Messrs. Yves, Michel, Gérard, Claude and Christian GUILLEMOT

Nature and purpose: Your company was authorized to grant current account advances to Ubisoft Holdings Inc.

Maximum amount: US $3,750,000, with annual interest assessed at the USD Libor rate plus 1.3%.

Interest collected over the fiscal year totaled US $6,287.

This agreement was approved at the Board meeting held on January 15, 2004.

13. Loan to Ubi Studios SL (Spain)

Administrateur concerné : Mr. Michel GUILLEMOT

Nature and purpose: Your company was authorized to grant current account advances to Ubi Studios SL.

Maximum amount: K€8, with annual interest assessed at the Euribor rate plus 1.3%.

The agreement had no impact during the fiscal year.

This agreement was approved at the Board meeting held on January 15, 2004.

14. Loan to Ubi Studios SrL (Italy)

Director concerned: Mr. Michel GUILLEMOT

Nature and purpose: Your company was authorized to grant current account advances to Ubi Studios SrL.

Maximum amount: K€180, with annual interest assessed at the Euribor rate plus 1.3%.

The agreement had no impact during the fiscal year.

This agreement was approved at the Board meeting held on February 20, 2004.

15. Sale of shares in Blue Byte Software Ltd. (UK)

Director concerned:
Messrs. Yves and Christian GUILLEMOT

Nature and purpose: The sale of 100 shares held in Blue Byte Software Ltd. to Ubisoft Ltd., for the amount of GB £100.

This agreement was approved at the Board meeting held on September 29, 2003.

16. Sale of shares held in Ubi Studios SAS

Director concerned: Mr. Yves GUILLEMOT

Nature and purpose: The sale of 2,490 shares held in Ubi Studios SAS to Ubi Research & Development SARL for the amount of €796,800.

This agreement was approved at the Board meeting held on July 7, 2003.

17. Sale of shares held in UBI SOUND STUDIO SARL

Director concerned: Mr. Yves GUILLEMOT

Nature and purpose: The sale of 495 shares held in Ubi Sound Studio SARL to Ubi Game Design SARL for the amount of €79,200.

This agreement was approved at the Board meeting held on July 7, 2003.

18. Purchase of shares in Gameloft SA (Euroclear: fr000007960) from Guillemot Corporation SA

Director concerned: Messrs. Yves, Claude, Michel, Christian and Gérard GUILLEMOT

Nature and purpose: Authorization to purchase 3,400,000 shares in Gameloft SA from Guillemot Corporation SA for the amount of K€5,780.

This agreement was approved at the Board meeting held on September 15, 2003.

19. Assignment of claim against Ubi.com Inc. to Ubisoft Holdings Inc.

Director concerned: Messrs. Yves, Claude, Michel, Christian and Gérard Guillemot

Nature and purpose: Authorization to assign a claim in the amount of US $3,359,000 held by Ubi.com Inc. to Ubisoft Holdings Inc. In return, three shares in Ubisoft Holdings Inc. will be issued on behalf of Ubisoft Entertainment SA, valued at US $1,119,666.60 each.

This agreement was approved at the Board meeting held on December 22, 2003.

20. Global authorization to guarantee commitments made by Ubisoft Inc. and Ubisoft EMEA SARL for a maximum sum of K€20,000

Director concerned: Messrs. Yves, Michel, Gérard, Claude and 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 Disk Manufacturing, companies incorporated under American law, up to a maximum of K€20,000 taken cumulatively with the guaranteed commitments made to Ubisoft EMEA SARL.
- With regard to Ubi 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 of K€20,000 taken cumulatively with the guaranteed commitments made to Ubisoft Inc.

This agreement was approved at the Board meeting held on April 10, 2003.

21. Global authorization to guarantee commitments made by Ubisoft Inc. and Ubisoft EMEA SARL for a maximum sum of K€8,000

Director concerned: Messrs. Yves, Michel, Gérard, Claude and 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 Disk Manufacturing, companies incorporated under American law, up to a maximum of K€8,000 taken cumulatively with the guaranteed commitments made to Ubisoft EMEA SARL.
- With regard to Ubi 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 of K€8,000 taken cumulatively with the guaranteed commitments made to Ubisoft Inc.

This agreement was approved at the Board meeting held on August 1, 2003.

22. Brand licensing agreement with Gameloft SA

Director concerned: Messrs. Yves, Michel, Gérard, Claude and Christian GUILLEMOT

Nature and purpose: Partial licensing agreement for brands licensed exclusively for the development of interactive video games for telephone, fax and telecommunications devices; personal digital assistants (PDAs); and interactive television.

Term: 10 years as of April 1, 2002.

Total royalties collected during the fiscal year: €59,089 (excluding tax).

This agreement was approved with retroactive effect at the Board meeting held on August 18, 2003.

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.

Current account advance granted to Gameloft SA

Nature and purpose: Current account advance granted to Gameloft SA.

Interest collected over the fiscal year totaled €193,124.

This agreement was approved at the Board meeting held on July 17, 2002.

Executed in Rennes on July 2, 2004

BY THE STATUTORY AUDITORS

KPMG Audit
A division of KPMG SA
Laurent PRÉVOST
Partner

Cabinet André Métayer
André MÉTAYER
Partner

4. General information

4.1 General information on the company

4.1.1 Company name and registered office

A resolution submitted to the General Shareholders' Meeting convened on July 23, 2004 proposes to change the company's name to Ubisoft Entertainment SA.

The company's registered offices are at 107 Avenue Henri Fréville, BP 10704, Rennes, France (35207 Cedex 2).

4.1.2 Legal status

A limited liability company (société anonyme) with 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, and will expire on April 9, 2085 unless it is extended or dissolved at an earlier date.

4.1.5 Objectives of the company (Article 3 of the Articles of Association)

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

- The creation, publishing and distribution of all kinds of multimedia, audiovisual and computer products, especially 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 with its accessories, as well as any hardware or products for reproducing sound and pictures.
- The marketing and management of all data processing and word processing computer programs.
- Support, assistance and training relating to the aforementioned fields.
- The investment of the company in any operation that may relate to its objectives by creating new companies, subscribing for or purchasing shares or corporate rights, via mergers and by any other means.

And, in general, any operation related directly or indirectly to the above objectives or 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 financial year, once operating expenses, depreciation and provisions have been deducted, constitutes the earnings. 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 used as reserves in application of the law or the Articles of Association and, in particular, at least 5% to constitute the reserve fund required by law. This deduction ceases to be compulsory when said funds amount to a sum equal to one-tenth of the issued share capital; it shall be resumed if, for any reason, the legal reserves shall have drop-ped below this proportion.
- 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 shall be distributed to the shareholders. However, unless there is a reduction in 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 that by law and under the terms of the Articles of Association may not be distributed.

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 dividends 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 shall comprise all the shareholders with the exception of the company itself, Ubisoft Entertainment SA. They shall represent the totality of shareholders.

They shall be called and shall deliberate under the conditions stipulated by the French Commercial Code.

General Meetings shall be held at the registered office or at any other place specified in the notice of meeting.

They shall be chaired by the Chairman of the Board of Directors or, failing this, by a director appointed for the 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:

- For the holders of registered shares or voting certificates, nominal registration in the corporate records.
- For bearer shareholders, the filing, on the premises named in the notice of meeting, of a certificate issued by an authorized broker attesting to the unavailability of their book-listed shares until the date of the meeting.

These formalities must be completed before a date set by the Board of Directors in the notice of meeting; said date may not be more than five (5) days prior to the date of the General Meeting.

Any shareholder who has requested an admission card, or has already sent in an absentee vote (via mail or electronic means), or has granted a proxy after producing a share-blocking certificate issued by the depositary of the shares may nonetheless dispose of all or some of the shares by virtue of which s/he transmitted his/her vote or proxy, provided that s/he sends the company-authorized intermediary the items required to cancel his/her vote or proxy, or to change the number of shares and corresponding votes, no later than 3:00 p.m. (Paris time) on the day before 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 votes taking place during the meeting may be shown by remote display under the conditions set forth in the regulations.

4.1.11 Attainment of threshold (Article 6 of the Articles of Association)

A resolution submitted to the General Meeting of July 23, 2004 proposes to modify Article 6 of the bylaws as follows:

Old version:

"Any shareholder acting alone or in association with others, without prejudice to the thresholds defined in Article L. 233-7 of the French Commercial Code, who may come to hold, directly or indirectly, at least 1% of the share capital or voting rights in the company, or any multiple thereof up to and including 4%, is bound to inform the company, by registered letter with acknowledgment of receipt, within the period stipulated in Article L. 233-7 of the aforementioned statute.

The notification required under the previous paragraph, i.e. when the threshold of a multiple of 1% of the capital or voting rights is exceeded, is also required whenever such a share in the capital or voting rights drops below the aforementioned threshold.

Failure to report the attainment of these thresholds, as established by law and in the Articles of Association, shall result in the withdrawal of voting rights under the conditions set forth in Article L. 233-14 of the French Commercial Code, if so requested by one or more shareholders who together hold at least 5% of the capital or voting rights of the company."

New version:

"Any shareholder acting alone or in association with others, without prejudice to the thresholds defined in Article L. 233-7 of the French Commercial Code, who may come to hold, directly or indirectly, at least 4% of the share capital or voting rights in the company, or any multiple thereof up to and including 28%, is bound to inform the company, by registered letter with acknowledgment of receipt delivered to its registered office within the period stipulated in Article L. 233-7 of the French Commercial Code, of the total quantity of shares, voting rights or securities granting access on maturity to the share capital of the company, held directly or indirectly by that individual shareholder or those shareholders acting together.

The notification required under the previous paragraph, i.e. when the threshold of a multiple of 4% of the capital or voting rights is exceeded, is also required whenever such a share in the capital or voting rights drops below the aforementioned threshold.

Failure to report the attainment of these statutory thresholds shall result in the withdrawal 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 capital or voting rights in the company."

4.1.12 General management functions (Article 13 of the Articles of Association)

The General Shareholders' Meeting of October 19, 2001 approved the modification 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, 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 Annual General Shareholders' Meeting held on September 12, 2003, with the following objectives, in accordance with Articles L255-209 and following of the French Commercial Code, in order of priority:

- To stabilize the company's stock price by systematic counterbalancing actions.
- To remit shares in exchange or in payment as part of any financial transactions.
- To purchase and sell shares in accordance with changing market conditions.
- To deliver shares upon the exercise of rights attaching to securities that confer such rights on the holder, by means of repayment, conversion, exchange, presentation of a warrant or any other means.
- To deliver shares in payment or exchange as part of external expansion transactions.
- To award purchase options to the company's employees and officers and to acquire shares under the conditions set forth in Articles 443-1 and following of France's Labor Code.
- To cancel shares.

The company committed itself to selling directly-held shares in excess of 1% of its share capital before September 30, 2003.

1,129,484 shares were sold during the fiscal year for the total amount of €21,167,464.80, at an average sale price of €18.74 per share.

As of March 31, 2004, the company held 34,749 of its own shares, representing 0.198% of its share capital.

4.1.14 Consent clause

The Articles of Association of Ubisoft Entertainment SA do not contain a consent clause.

4.2
General information on the capital

4.2.1 Registered capital

As of March 31, 2004, registered capital amounted to €5,450,514.24, representing a total of 17,582,304 shares, each with a par value of €0.31.

4.2.2 Conditions for amending the capital and the respective rights of the various categories of share (Articles 7 and 8 of the Articles of Association)

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

Whenever it is necessary to own several shares in order to exercise a right of any kind, especially in the event of the exchange, consolidation or allocation of shares, or following an increase or reduction in share capital, regardless of the procedures adopted, or a merger or any other transaction, those who hold fewer shares than the number required may exercise their rights only on the condition that they arrange for themselves to be part of a group or organize the purchase or sale of the number of shares or rights that constitute the necessary fraction.

Voting rights double those conferred on other shares, based on the proportion of the corporate assets that they represent, shall be attributed to all fully paid-up shares that are proved to have been registered for at least two years in the name of the same shareholder.

In the event of a capital increase via the capitalization of reserves, profits or issue premiums, this right is also conferred, upon issue, on registered shares awarded free of charge to shareholders on the basis of old shares by virtue of which they enjoy this right.

4.2.3 Authorized un-issued capital

The General Meeting of September 12, 2002 authorized the Board of Directors (with the option of sub-delegation to its Chairman) to increase the share capital, with the maintenance or elimination of preferential subscription 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 of par value, with an additional ceiling of €300 million for debt securities.

The Board of Directors used this authorization on May 14, 2003 to issue warrants for the purchase of existing shares and/or for subscription for new shares, and, on November 3, 2003, to issue bonds with redeemable share subscription warrants (OBSARs).

4.2.4 Potential capital

	Potential number of shares	Reference
Convertible bonds, July 1998	784,293	a)
OCEANEs, November 2001	1,814,025	b)
BSA (SPWs)*	2,579,392	c), d) and e)
Stock options*	1,207,577	f)
TOTAL	**6,385,287**	

**All issues taken together.*

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 the preferential subscription, up to a total of €51.83 million.

Chief characteristics of this bond issue:

Number and face value:	314,815 bonds with a face value of €164.64 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 for new shares in May 2003, one bond entitles its holder to subscribe for 5.191 shares, each with a par value of €0.31.
Issue price:	€164.64 per bond.
Dated date and settlement day:	July 16, 1998.
Term of bond:	Seven years.
Annual yield:	3.80% per year, or €6.26 per bond, payable on July 16 of each year.
Gross redemption yield:	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.

As of March 31, 2004, 151,087 bonds remained to be converted; seven 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 the option of conversion into and/or exchange for the company's new or existing shares (OCEANEs) in the total maximum amount of €172.5 million.

Chief characteristics of this bond issue:

Number and face value:	3,150,000 bonds, each with a face value of €47.50. 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 settlement date.
Annual yield:	2.5% per year, payable in arrears on November 30 of each year.
Gross redemption yield:	4.5% on the settlement date (if there is no conversion and/or exchange of shares and if there is no early redemption).
Normal redemption:	Redemption in full on November 30, 2006 at a price of €52.70, or 110.94% of face value.

During the fiscal year:

- No bonds were exercised.
- The company bought back 200,000 bonds with the option of conversion and/or exchange for new or existing shares in the amount of €6,600,000. These bonds were cancelled.

As of March 31, 2004, 1,749,301 bonds remained to be converted.

c) During its meeting of March 12, 2001, the Board of Directors used the authorization granted by the Extraordinary General Meeting held on March 9, 2001 to issue 53,266 stock purchase warrants with a total par value of €16,240.70.

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 1.038 shares with a par value of €0.31 (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.
Strike price:	€40.29.
Strike 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, 2004, 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 Shareholders' Meeting of September 12, 2002 to issue and allocate, free of charge, warrants for existing shares and/or subscription for new shares to all shareholders on May 14, 2003.

Chief characteristics of the stock purchase warrants of May 14, 2003 for existing shares and/or for subscription for new shares:

Initial number of warrants:	17,540,082 (15 SPWs entitle the holder to one share).
Strike price:	€28.
Term:	May 14, 2002, through May 14, 2006, inclusive.

The 1,169,733 warrants allocated to Ubisoft Entertainment SA were cancelled. 11,280 stock purchase warrants were exercised during the fiscal year. Ubisoft Entertainment delivered the shares from its directly-held shares.

As of March 31, 2004, 16,359,069 subscription 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 Shareholders' Meeting of September 12, 2002, to proceed with an OBSAR bond issue (bonds with redeemable share subscription warrants).

Characteristics of the bonds:

Number and face value:	716,746 bonds, each with a face value of €76.70.
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, 2004, there were 716,746 bonds in circulation.

Characteristics of the BSARs (redeemable share warrants):

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

As of March 31, 2004, there were 1,433,492 BSARs in circulation.

f) Stock purchase options reserved for employees:

	3RD PLAN	4TH PLAN	5TH PLAN	6TH PLAN	7TH PLAN	8TH PLAN	9TH PLAN	10TH PLAN
Date of authorization by the General Meeting	9/2/97	9/13/00	9/13/00	10/19/01	10/19/01	9/12/02	9/12/02	9/12/02
Date on which authorization by the General Meeting was used	10/23/98	12/8/00	4/9/01	10/25/01	8/16/02	10/16/02	1/29/03	4/28/03
OPTIONS GRANTED TO SUBSCRIBE FOR OR PURCHASE SHARES								
NTotal number of options allotted	250,000	40,471	318,426	44,605	389,065	353,181	9,220	71,796
Including options allotted to members of the Executive Committee:	0	0	0	0	0	0	0	0
Start date for exercising options	10/23/02	12/8/01	4/9/02	4/25/02	8/16/06	10/16/03	1/29/04	10/28/03
Expiration date for options	2/27/04*	12/7/05	4/8/06	4/24/06	8/15/08	10/15/07	1/28/08	10/27/07
Option price	€20.40	€38	€34.51	€34.51	€12.82	€9.20	€10.25	€9.20
Arrangements for exercising options	-	25%/year	25%/year	25%/year	-	25%/year	25%/year	25%/year
SHARE SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING THE FISCAL YEAR								
Total number of options exercised	22,998	0	0	0	0	10,793	0	8,394
SHARE SUBSCRIPTION OR PURCHASE OPTIONS CANCELED DURING THE FISCAL YEAR								
Total number of options canceled	221,407	0	0	0	0	0	0	0
OPTIONS TO SUBSCRIBE FOR OR PURCHASE REMAINING SHARES								
Total number of remaining options	0	40,471	318,426	44,605	389,065	342,388	9,220	63,402

**The decision to extend the subscription period was made at the Board meeting held on October 1, 2003.*

STOCK OPTIONS GRANTED TO THE 10 NON-OFFICER EMPLOYEES GRANTED THE MOST OPTIONS, AND OPTIONS EXERCISED BY THEM	Number	Weighted average price	Plan number and maturity date
Options granted during the fiscal year by the issuer (or any company included in the group with the right to grant the issuer's options) that has the largest number of options thus granted (global information)	45,000	€9.20	Plan 10 (10/27/07)
Options held against the issuer and the aforementioned companies and exercised during the fiscal year by the 10 employees having the largest number of shares thus subscribed for (global information)	18,235	€15.49	Plan 3 (2/27/04) Plan 8 (10/15/07) Plan 10 (10/27/07)

No share subscription or purchase options were granted or exercised by the company officers during the fiscal year.

4.2.5 Employee-owned stock as part of the Company Mutual Fund (FCPE)

As of March 31, 2004, employees held 142,558 shares (0.81% of share capital) and 171,770 stock purchase warrants through the "Ubi Actions" Company Mutual Fund (hereafter FCPE).

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 the authorization granted by the Shareholders' Meeting of September 12, 2003, setting the subscription price of the shares to be issued at €13.75 each, and specified that these shares would be subscribed for by the Ubi Actions FCPE.

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

4.2.6 Securities not representing capital

None.

4.2.7 Identification of holders of securities

Article 5 of the Articles of Association authorizes the company to set up a procedure for identifying holders of its securities.

4.2.8 Historical table of changes in share capital

- Date - Nature of transaction	Number of shares	Number of shares (cumulative)	Amount of increase in capital: By cash contribution (in FrF,[1] then €)	Amount of increase in capital: By capitalization (in FrF, then €)	Nominal share value (in FrF, then in €)	Issue premium (in FrF, then in €)	Cumulative amounts in capital (in FrF, then in €)
March 1986 Formation of the company	2,500	2,500			100	-	250,000
September 1990 Capital increase via capitalization of reserves	22,500	25,000		2,250,000	100	-	2,500,000
September 1991 Capital increase via capitalization of reserves	25,000	50,000		2,500,000	100	-	5,000,000
February 1993 Capital increase via capitalization of reserves	30,000	80,000		3,000,000	100	-	8,000,000
January 1994 Capital increase via capitalization of reserves	20,000	100,000		2,000,000	100	-	10,000,000
March 1996 Capital increase v ia capitalization of reserves	50,000	150,000		5,000,000	100	-	15,000,000
March 1996 Capital increase via cash contributions	50,000	200,000	5,000,000		100	-	20,000,000
March 1996 Split of par value from FrF 100 to FrF 10	-	2,000,000			10	-	20,000,000
June 1996 Increase in share capital through introduction	222,300	2,222,300	2,223,000		10	53,352,000	22,223,000
3/31/97 Increase in share capital following the conversion of stock options	818	2,223,118	8,180		10	139,060	22,231,180
3/31/98 Increase in share capital following the conversion of stock options	1,225	2,224,343	12,250		10	208,250	22,243,430
3/31/99 Increase in share capital following the conversion of stock options and conversion of bonds	21,510	2,245,853	215,100		10	11,005,610	22,458,530
3/11/99 Capital increase following issue of shares with warrants, conversion of stock options and conversion of bondss	399,328	2,645,181	3,993,280		10	343,205,937	26,451,810
1/17/00 5-for-1 stock split		13,225,905			2		26,451,810
1/17/00 Capital increase following conversion of stock options, bonds and warrants	191,270	13,417,175			2	18,879,641	26,834,350

[1] *As of July 13, 2001, capital was converted to euros.*

- Date - Nature de l'opération	Nombre d'actions	Nombre cumulé d'actions	Montant de l'augmentation de capital		Valeur nominale de l'action (en F puis en €)	Prime d'émission (en F puis en €)	Montants cumulés du capital (en F puis en €)
			par apport en numéraire (en F)[1] puis €	par incorporation (en F) puis €			
3/14/00 Capital increase following issue of shares and conversion of stock options, bonds and warrants	2,725,363	16,142,538	13,626,815		2	1,190,520,727	32,285,076
3/31/00 Capital increase following conversion of stock options, bonds and warrants	435,830	16,578,368	2,179,150		2	92,594,390	33,156,736
4/11/01 Capital increase following conversion of stock options and bonds and the exercising of warrants	330,754	16,909,122	661,508		2	47,956,367	33,818,244
7/13/01 Capital increase via equity issue reserved for employees (PEE), conversion of stock options and bonds, and exercise of warrants	181,543	17,090,665	25,941,828		2	25,578,742	34,181,330
10/19/01 Conversion of share capital into euros (increase in par value)				87,195,98 €	0.31 €		5,298,106.15 €
4/22/02 Capital increase following conversion of stock options and bonds and the exercise of warrants	278,067	17,368,732	4,292,812.97€		0.31 €	4,206,612.20 €	5,384,306.92 €
12/20/02 Capital increase via equity issue reserved for employees (PEE) and conversion of stock options, bonds and warrants	171,350	17,540,082	1,390,358,850€		0.31 €	1,337,240.35 €	5,437,425.42 €
11/11/03 Capital increase via conversion of bonds and the exercise of options	20,195	17,560,277	283,015.68€		0.31 €	276,755.23 €	5 443,685.87 €
3/31/04 Capital increase via the exercise of options	22,027	17,582,304	363,816.40€		0.31 €	356,988.03 €	5,450,514.24 €
5/18/04 Increase in share capital following the exercise of options and subscription to the Ubi Actions FCPE	101,089	17,683,393	1,381,258.55€		0.31 €	1,349,920.96 €	5,481,851.83 €

[1] *As of July 13, 2001, capital was converted into euros.*

4.3 Changes in capital and voting rights over the past three fiscal years

As of March 31, 2002	Capital		Voting rights	
	Number of shares	Percentage	Number of voting rights	Percentage
Ubi Participations SA	2,314,527	13.33%	4,612,629	24.44%
Claude Guillemot	141,272	0.81%	141,272	0.75%
Yves Guillemot	145,252	0.84%	145,252	0.77%
Michel Guillemot	157,274	0.91%	157,274	0.83%
Gérard Guillemot	157,266	0.91%	157,266	0.83%
Christian Guillemot	124,506	0.72%	124,506	0.66%
Other members of the Guillemot family	40,000	0.22%	40,000	0.22%
Ubisoft Entertainment SA	568,141	3.27%	-	-
Gameloft SA	238,368	1.37%	-	-
Subtotal	**3,886,606**	**22.38%**	**5,378,199**	**28.50%**
Public and group employees	13,482,126	77.62%	13,492,207	71.50%
TOTAL	**17,368,732**	**100%**	**18,870,406**	**100%**

As of March 31, 2003	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%
Subtotal	**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%**

** Guillemot Brothers SA (formerly Ubi Participations SA) took over Guillemot Participations SA on July 22, 2002.*

As of March 31, 2004	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*	141,463	0.805%	230,286	1.278%
Yves Guillemot*	301,304	1.714%	390,128	2.165%
Michel Guillemot*	195,365	1.111%	284,191	1.577%
Gérard Guillemot*	377,507	2.147%	466,333	2.588%
Christian Guillemot*	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%
Subtotal	**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%**

**On April 20, 2003, Messrs. Guillemot acquired double voting rights for an overall 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 March 31, 2004, the Guillemot family as a whole held 14.670% of the share capital and 21.772% of the voting rights.

4.4 Distribution of capital and voting rights as of June 24, 2004

	Capital		Voting rights	
	Number of shares	Percentage	Number of voting rights	Percentage
Guillemot Brothers SA*	1,695,445	9.588%	2,606,791	15.579%
Claude Guillemot	164,463	0.930%	253,286	1.514%
Yves Guillemot	314,304	1.777%	403,128	2.409%
Michel Guillemot	218,365	1.235%	307,191	1.836%
Gérard Guillemot	200,507	1.134%	289,333	1.729%
Christian Guillemot	124,697	0.705%	201,519	1.204%
Other members of the Guillemot family	35,725	0.202%	35,735	0.215%
Guillemot Corporation	300,024	1.697%	300,024	1.793%
Guillemot Suisse SA	38,055	0.215%	38,055	0.227%
Subtotal	**3,091,585**	**17.483%**	**4,435,062**	**26.506%**
Ubisoft Entertainment SA	20,191	0.114%	-	-
Public and group employees**	14,571,617	82.403%	12,297,169	73.494%
TOTAL	**17,683,393**	**100%**	**16,732,231**	**100%**

** This company is wholly held by the Guillemot family.*
*** 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 directly held by all entities on the Board of Directors is 5.87%.
The percentage of voting rights directly held by all entities on the Board of Directors is 8.78%.

Shareholders' pacts

There is no shareholders' pact among Guillemot Brothers SA, Claude, Michel, Yves, Gérard, Christian, Marcel and Yvette Guillemot, nor is there any agreement between the above-mentioned shareholders and outside shareholders.

The following shareholders held more than 5% of the share capital as of March 31, 2004:

Shareholder	Percentage
Talpa Beheer BV	10.47%
Crédit Lyonnais	5.22%
Caisse des Dépôts et Consignation	5.61%

4.5 Securities market

General information on the securities market of the issuer:

- Euroclear code: FR0000054470
- Listing market: Euronext-Paris – Premier Marché
- Number of listed shares as of March 31, 2004: 17,582,304
- Market capitalization as of March 31, 2004: €361 million at the closing price (€20.53)
- Introduction price on July 1, 1996: €38.11 (FrF 250) before 5-for-1 stock split on January 11, 2000

Month	High (in euros)	Low (in euros)	Average price (in euros)	Trading volume	Value of shares traded (in millions of euros)
April 2002	34.04	29.62	31.84	1,829,034	57.311
May 2002	32.51	27.51	30.10	2,764,658	83.475
June 2002	29.49	16.30	22.89	2,508,602	55.81
July 2002	15.06	13.73	14.39	2,248,903	32.513
August 2002	15.54	14.51	15.02	1,618,505	24.218
September 2002	15.90	7.80	11.30	1,722,383	19.98
October 2002	13.60	7.12	9.90	3,242,152	29.21
November 2002	18.75	11.70	14.94	2,448,421	36.15
December 2002	18.67	10.16	14.00	1,930,158	26.81
January 2003	12.07	9.52	10.57	3,113,195	30.72
February 2003	13.09	9.66	12.00	1,595,237	19.15
March 2003	11.80	9.95	10.65	1,357,750	14.34
April 2003	15.34	9.91	11.87	1,995,426	24.113
May 2003	17.71	15.00	15.65	3,592,448	57.52
June 2003	17.90	16.14	17.18	2,195,221	37.199
July 2003	18.89	16.00	16.88	1,917,409	32.96
August 2003	18.78	16.40	17.81	1,550,738	24.83
September 2003	19.87	18.13	18.96	2,137,219	40.71
October 2003	28.35	18.01	23.04	4,648,835	106.31
November 2003	29.49	24.30	27.00	3,823,862	102.17
December 2003	26.77	20.03	22.87	4,144,836	95.512
January 2004	23.54	18.65	22.12	3,021,373	65.53
February 2004	19.94	15.34	17.24	7,759,826	130.55
March 2004	21.29	18.10	19.54	5,337,471	105.20

Source : Euronext Paris

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

5.1 Group Management and Composition of the Board of Directors

- Chairman and Chief Executive Officer	**Mr. Yves Guillemot**
- Vice Presidents	**Mr. Claude Guillemot** (Operations) **Mr. Michel Guillemot** (Development – Strategy and Finance) **Mr. Gérard Guillemot** (Publishing and Marketing) **Mr. Christian Guillemot** (Administration)

The Board of Directors enjoys the most far-reaching powers to determine the policies guiding the business and ensures that they are implemented within the limits of the corporate purpose and the powers expressly granted by law to General Meetings.

The company's administration is entrusted to a Board of Directors consisting of six members who have a renewable term of six years.

Pursuant to Article L. 225-51 of the French Commercial Code, at its meeting of October 22, 2001 the Board of Directors established the manner in which the company's general management would carry out its duties. It decided not to separate the duties of the Chairman of the Board of Directors from general management duties.

As a result, the statutory mission of Mr. Yves Guillemot, in his capacity as Chairman of the Board of Directors, is to represent the company's Board of Directors, to organize the work and report to the General Shareholders' Meeting, 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 Shareholders' Meetings and the Board of Directors, he enjoys the most far-reaching powers to act in all circumstances on behalf of the company and to represent it in its relations with third parties.

The conditions under which the work of the Board is prepared and organized, as well as internal audit 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.

Additional management information:

Managing Director, EMEA Territories:	Alain Corre
Managing Director, North America:	Laurent Detoc
Chief Financial Officer:	Alain Martinez
Managing Director, International Production:	Christine Burgess-Quemard
Editor-in-Chief:	Serge Hascoet

Composition of the Board of Directors

Name	Appointment date	Term of office renewal date	Appointment expiration date
Yves Guillemot Director Chairman and Chief Executive Officer	February 28, 1988	Ordinary General Meeting of September 29, 2001	Ordinary General Meeting called to vote on the financial statements for the fiscal year ending March 31, 2007
Claude Guillemot Director	February 28, 1988	Ordinary General Meeting of September 29, 2001	Ordinary General Meeting called to vote on the financial statements for the fiscal year ending March 31, 2007
Michel Guillemot Director	February 28, 1988	Ordinary General Meeting of September 29, 2001	Ordinary General Meeting called to vote on the financial statements for the fiscal year ending March 31, 2007
Gérard Guillemot Director	February 28, 1988	Ordinary General Meeting of September 29, 2001	Ordinary General Meeting called to vote on the financial statements for the fiscal year ending March 31, 2007
Christian Guillemot Director	February 28, 1988	Ordinary General Meeting of September 29, 2001	Ordinary General Meeting called to vote on the financial statements for the fiscal year ending March 31, 2007
Yvette Guillemot Director	January 25, 1996	Ordinary General Meeting of September 29, 2001	Ordinary General Meeting called to vote on the financial statements for the fiscal year ending March 31, 2007

The Board of Directors met approximately 30 times during fiscal year 2003-04.
Each director must hold at least one share in the company.
No options on shares of the company or of its Tier 1 or Tier 2 subsidiaries have been granted to any member of the company's administrative bodies.

5.2 Other offices held by the Directors

Mr. Yves GUILLEMOT

Director, Chairman and Chief Executive Officer of Ubisoft Entertainment SA

His term of office will expire at the Ordinary General Meeting called to vote on the financial statements of the fiscal year ending March 31, 2007.

Other positions:

FRANCE

Director

Gameloft SA

Guillemot Brothers SA

Guillemot Corporation SA

Co-Managing Director

Ludifactory SARL

Managing Director

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

Ubisoft World Studios SARL

Chairman and Chief Executive Officer

Ubi.com SA

Chairman

Ubisoft France SAS

Ubisoft Marketing & Communications SAS

Ubisoft World SAS

Tiwak SAS

ABROAD

Director

Ubisoft Nordic A/S (Denmark)

Ubisoft Pty Ltd. (Australia)

Ubisoft Sweden AB

Managing Director

Ubisoft Entertainment BV (Netherlands)

Ubisoft Sarl (Morocco)

Ubisoft SprL (Belgium)

Chairman

Ubi Computer Software Beijing Company Ltd. (Beijing)

Ubi Soft Entertainment Ltd. (Hong Kong)

Ubi Soft Entertainment GmbH (Germany)

Ubi.com Inc. (San Francisco)

Ubisoft Finland OY

Ubisoft Canada Inc. (Canada)

Ubisoft Divertissements Inc. (Canada)

Ubi Soft Entertainment SA (Switzerland)

Ubisoft Holdings Inc. (San Francisco)

Ubisoft Inc. (San Francisco)

Ubisoft KK (Japan)

Ubisoft Ltd. (United Kingdom)

Ubisoft Norway A/S

Ubi Soft SpA (Spain)

Ubisoft Warenhandels GmbH (Austria)

Blue Byte Software Inc. (Germany)

Red Storm Entertainment Inc. (USA)

Wolfpack Inc. (USA)

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 called to vote on the financial statements of the fiscal year ending March 31, 2007.

Other positions:

FRANCE

Director and Vice President

Gameloft SA

Guillemot Brothers SA

Chairman and Chief Executive Officer

Guillemot Corporation SA

ABROAD

Director

Ubisoft Divertissements Inc. (Canada)

Ubi Soft Entertainment Ltd. (Hong Kong)

Ubisoft Holdings Inc. (San Francisco)

Ubisoft Inc. (San Francisco)

Ubisoft Nordic A/S (Denmark)

Ubisoft SpA (Italy)

Ubisoft Sweden AB

Shanghai Ubi Computer Software Company Ltd. (China)

Ubisoft Canada Inc.

Mr. Michel GUILLEMOT

Director and Vice President of Ubisoft Entertainment SA

His term of office will expire at the Ordinary General Meeting called to vote on the financial statements of the fiscal year ending March 31, 2007.

Other positions:

FRANCE

Director

Ubi.com SA

Director and Vice President

Guillemot Brothers SA

Guillemot Corporation SA

Chairman and Chief Executive Officer

Gameloft SA

ABROAD

Director

Ubi Computer Software Beijing Company Ltd. (Beijing)

Ubi Soft Entertainment Ltd. (Hong Kong)

Ubisoft Canada Inc.

Ubisoft Divertissements Inc. (Canada)

Ubisoft Holdings Inc. (San Francisco)

Ubisoft Inc. (San Francisco)

Ubisoft KK (Japan)

Ubisoft Music Inc. (Canada)

Ubisoft SA (Spain)
Ubisoft SpA (Italy)
Ubisoft Sweden AB
Shanghai Ubi Computer Software Company Ltd. (China)

Vice-President

Ubisoft Divertissements Inc (Canada)

Managing Director

Ubi Studios SL (Spain)
Ubi Studios SrL (Italy)

Mr. Gérard GUILLEMOT

Director and Vice President of Ubisoft Entertainment SA

His term of office will expire at the Ordinary General Meeting convened to vote on the financial statements of the fiscal year ending March 31, 2007.

Other positions:

FRANCE

Director and Vice President

Gameloft SA
Guillemot Brothers SA
Guillemot Corporation SA

Co-Managing Director

Ludifactory SARL

ABROAD

Director

Ubisoft Divertissements Inc. (Canada)
Ubi Soft Entertainment Ltd. (Hong Kong)
Ubisoft Holdings Inc. (San Francisco)
Ubisoft Inc. (San Francisco)
Ubisoft KK (Japan)
Ubisoft SA (Spain)
Ubisoft SpA (Italy)
Shanghai Ubi Computer Software Company Ltd. (China)

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 called to vote on the financial statements of the fiscal year ending March 31, 2007.

Other positions:

FRANCE

Director

Ubi.com SA

Director and Vice President

Gameloft SA
Guillemot Corporation SA

Chairman and Chief Executive Officer

Guillemot Brothers SA

ABROAD

Director

Ubi.com Inc. (San Francisco)
Ubisoft Canada Inc. (Canada)
Ubisoft Divertissements Inc. (Canada)
Ubi Soft Entertainment Ltd. (Hong Kong)
Ubisoft Holdings Inc. (San Francisco)
Ubisoft Inc. (San Francisco)
Ubisoft Ltd. (United Kingdom)
Ubisoft Music Inc. (Canada)
Ubisoft Nordic A/S (Denmark)
Ubisoft SpA (Italy)
Ubisoft Sweden AS
Shanghai Ubi Computer Software Company Ltd. (China)

Ms. Yvette GUILLEMOT

Director of Ubisoft Entertainment SA

Her term of office will expire at the Ordinary General Meeting convened to vote on the financial statements of the fiscal year ending March 31, 2007.

Other position:

ABROAD

Director

Shanghai Ubi Computer Software Company Ltd (China)

5.3 INTERESTS OF OFFICERS

Compensation of corporate officers and of members of the Board of Directors

This information is provided in Section 2.1.7: Compensation of corporate officers.

Share purchase and subscription option plan

The members of the Board of Directors do not benefit from any option for the purchase of or subscription for shares.

6. Report from the Chairman of the Board of Directors,

pursuant to Article L. 225-37 of the Commercial Code, on the conditions under which the work of the Board was prepared and organized and on the internal audit procedures implemented by the company

This report – prepared pursuant to Article L. 225-37, Paragraph 6 of the French Commercial Code, stemming from Article 117 of the Law on Financial Security of August 1, 2003 – concerns the conditions under which the work of the Board of Directors was prepared and organized, as well as the internal audit procedures implemented by the company.

6.1 Conditions under which the work of the Board was prepared and organized

The Board of Directors is composed of six members, four of whom are also vice presidents and managing directors who assist the Chairman and Chief Executive Officer. In this regard, on October 22, 2001 the Board of Directors decided not to separate the functions of Chairman of the Board of Directors from general management functions. Complete details regarding the composition of the Board of Directors can be found in the table that appears in Section 5.1.

The Board of Directors determines the general strategy for the company's activity and supervises its implementation. As often as the company's interests may require, it meets at the registered office or at any other location chosen by the Chairman; no special procedure is required for the summonses. The Chairman provides the directors with all information and documentation required for the performance of their task and for the preparation of deliberations pursuant to Article L. 225-35 of the Commercial Code.

The work of the Board of Directors during the fiscal year primarily consisted of the following:

- Examining and approving the half-yearly and annual statements of the fiscal year ending March 31, 2004. In accordance with Article L. 255-238 of the Commercial Code, the statutory auditors were invited to attend these Board meetings.
- Convening the combined Ordinary and Extraordinary General Shareholders' Meeting and bondholders' meetings, as well as drafting documents to be submitted to the General Meeting (including the agenda).
- Examining strategic questions concerning the Ubisoft group.
- Examining regulated agreements in accordance with Article L. 225-38 of the Commercial Code.
- Examining and approving projections regarding future activity.

The Board met approximately 30 times during the fiscal year and the level of participation was 70% on average.

It is considering whether to establish rules of procedure incorporating the main recommendations on corporate governance contained in the Bouton report, and whether to appoint, in the medium term, one or several independent directors, as indicated in the same report.

6.2 Internal audit procedures

6.2.1 Definition and objectives of the internal audit

Ubisoft has adopted the definition of an internal audit contained in the AFEP/MEDEF report on corporate governance in France.

According to this definition, the objective of an internal audit is to:

- Ensure that the management decisions and operations implemented by the company, as well as the conduct of personnel, comply with current laws and regulations, with the guidelines established by corporate bodies, and with the company's values, standards and internal rules of procedure.
- Monitor the accuracy and reliability of the accounting, financial and management data conveyed to the corporate bodies.
- Take measures to prevent and control risk resulting from the company's activities and the risk of error or fraud.

The procedures implemented create an internal operating framework for the company.

The objective of risk management and internal audit procedures is to:

- Itemize potential risks and evaluate them in terms of their impact on the company's activity.
- 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 categorized. The following documents have been prepared in this regard:

- French accounting procedures for invoicing (to studio and distribution subsidiaries, third-party clients etc.).
- The group consolidation manual.
- The user manual for the consolidation reporting package.

This descriptive analysis reflects a dynamic perspective that, in the long run, will enable Ubisoft to evaluate the relevance and effectiveness of its internal audit procedures.

6.2.2 Principal risks

In order of importance, risks are as follows:

6.2.2.1 Risk related to computer security

In spite of the numerous integrated security systems deployed, Ubisoft is not completely protected from malevolent intent and various other computer problems.

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 security measures are designed to guarantee the confidentiality, integrity and availability of information.

6.2.2.2 Dependence on customers

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

Ubisoft's distribution network is increasingly centralized in most European countries, as it is in the United States and Japan, and Ubisoft delivers its products directly to local retail chains that, in turn, redistribute products to their stores. Only the smallest independent retailers are supplied through distributors or wholesalers, mainly in France and Italy.

Most sales are made to so-called "major accounts”. The risk of non-payment by these clients is relatively low. Furthermore, the main subsidiaries, which account for more than 85% of sales, are covered by credit insurance.

6.2.2.3 Market risk

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

To control interest rate and foreign exchange risk resulting from business financing needs and 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 financial borrowing and reducing exposure to such 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 increases in working capital requirements during particularly active periods.

Currency risk:

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

The group only protects its positions with regard to operating cash flows in the major currencies (i.e. the US, Canadian and Australian dollars and pounds sterling). The strategy is to hedge one fiscal year at a time; 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. the 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.

6.3 Scope of internal audit

The Ubisoft group is composed of 19 French subsidiaries and 31 foreign subsidiaries, broken down as follows: 21 distribution companies, 20 production companies, seven support companies and two Internet companies.

Major strategies and objectives are determined by general management, represented by the Board of Directors and by the general management at 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.

6.4 General organization of internal audit procedures at the group level

6.4.1 General organization

The organization and role of the various bodies that contribute to the internal audit are described below.

The CEO of the group is responsible for preparing the procedures and mobilizing the resources to be deployed with regard to conducting and monitoring the internal audit.

Accounting and Financial departments:

These include operational departments with a dual mission of expert evaluation and auditing..

The following departments exist in all of the group's companies:

The **Controlling and Valuating** department supplies relevant data (sales, margins, costs etc.) to line managers, enabling them to make strategic management decisions for the subsidiary. Its objective is to provide monthly forecasting and reporting tools, adapted to the various levels of responsibility, and to analyze the discrepancies between objectives and actual achievements.

Each **Accounting** department manager draws up the monthly accounts by the 15th of the following month and completes the consolidation reporting package.

The Consolidation department, which reports to Administrative Management, prepares the monthly consolidated accounts for the group by the 30th of the following month; it also monitors the group’s consolidated sales figures on a day-to-day basis.

This department centralizes all of the accounting procedures relating to the preparation and analysis of monthly accounts (harmonization of group accounting standards, preparation of the consolidation manual etc.), and ensures that the consolidated accounts are prepared in accordance with current standards and regulations and that they give a true and accurate picture of group's activity and financial situation.

Financial Management handles operations involving interest rate derivatives and coordinates cash flow management for the French and foreign subsidiaries.

It ensures that policies governing the management of interest rate risk, foreign exchange risk and liquidity correspond with published financial information.

It delegates authority to a limited number of employees, who are the only ones empowered by general management to engage in certain financial operations on behalf of the subsidiaries, in accordance with predefined thresholds and authorizations.

The Financial Communications department distributes 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 deploying, coordinating and developing ERP (enterprise resource planning) within the group, monitors progress on IT projects on a regular basis, and ensures that they correspond to operational needs.

6.4.2 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.

On the operational side (sales and manufacturing), this module has become the common platform between the EMEA team (Europe Zone/Middle East/Asia) and the zone's distribution subsidiaries.

People Soft is a centralized application that draws on a single database and ensures that all the subsidiaries share the same product database and use the same format for their transactions.

This arrangement offers more reliable information for all participants in the logistics 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.).

Audits are required to achieve and maintain a satisfactory level of security in the management of computer networks. These audits must guarantee:

- The security of data circulating within 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 verifications that may be required to protect the confidentiality and integrity of data transmitted via public networks and to protect connected systems.
- The availability of services and connected systems.

6.5
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 the performance of each subsidiary and its contribution to the group results.

Meetings are held among the Administration, Finance and Administrative Audit divisions 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 accounting and financial data.

Reliability of accounting and financial information:

Ubisoft's accounting and financial information is prepared by the Administration division under the control of the Chairman and Chief Executive Officer, with final approval being the prerogative of the Board of Directors.

The accounts of each subsidiary are prepared by the local accounting departments under the responsibility of their director. These accounts are subject to a limited review for the half-yearly accounts and to an audit conducted by local auditors for the annual accounts. Accounting information is submitted to the Consolidation department in accordance with a timetable defined by the Administration division.

The company has invested in resources designed to offer a simpler and more reliable process for producing the consolidated financial statements. The group uses HFM from Hyperion to recover and reconcile accounting data from subsidiaries. This tool offers automatic consistency checks; as a result, it facilitates rapid, reliable data transmission designed to optimize the security of the consolidated accounts.

The consolidated financial statements are subject to a limited review on September 30 and a full audit as of March 31 by the group's statutory auditors. Periodic actions during the course of the fiscal year permit an early analysis of specific accounting issues.

This systematic review process 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 Consolidation department has implemented procedures to help the subsidiaries gain a better understanding of available tools and use them more effectively:

- The establishment of a group accounting plan.
- The deployment of an automatic mapping system between corporate accounts and consolidated accounts.
- The creation of a user manual for the consolidation reporting package.
- The development of a consolidation manual.

A manual of group accounting principles (99-02/IAS) is currently being finalized.

At the subsidiary level, the group is continuing to expand its accounting ERP system within the foreign subsidiaries. The long-term objective is to integrate all significant subsidiaries under People Soft.

Designed to establish a formal, uniform accounting system, this deployment is in keeping with the company's commitment to enhancing the effectiveness and reliability of strategic information processing at all levels.

The system is adapted to the local needs of the subsidiaries, which customize it to the group's standards using the same formats. 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.

Strict authorization rules

The group has established strict rules at both its French and foreign subsidiaries concerning the authority of each subsidiary 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 account operations and so on).

6.6
Limitations on the powers of the Chief Executive Officer

It is hereby specified 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.

6.7
Report from the statutory auditors, prepared pursuant to the final paragraph of Article L. 225-235 of the Commercial Code, on the report from the Chairman of the Board of Directors of Ubisoft Entertainment SA with regard to internal audit procedures for preparing and handling accounting and financial information

Dear Shareholders:

In our capacity as statutory auditors for Ubisoft Entertainment SA, and pursuant to the provisions in the final paragraph of Article L. 225-235 of France's Commercial Code, we present our findings 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 ending March 31, 2004.

The Board of Directors is responsible for ensuring that the company's general management carries out its appointed task of defining and implementing appropriate, effective internal audit procedures. 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 audit procedures for preparing and handling 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 audit procedures for preparing and handling accounting and financial information. Specifically, this due diligence includes:

- Acquiring an understanding of the objectives and general organization of the internal audit process and of the internal audit procedures with regard to preparing and handling 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 criticism to make concerning the information we have received with regard to the company's internal audit procedures in the area of preparing and processing 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 France's Commercial Code.

July 7, 2004

BY THE STATUTORY AUDITORS

KPMG Audit
A division of KPMG SA
Laurent PRÉVOST
Partner

Cabinet André Métayer
André MÉTAYER
Partner

7. Draft resolutions

submitted for approval to the Combined Ordinary and Extraordinary General Meeting on July 23, 2004

7.1 Resolutions for the Ordinary General Meeting

FIRST RESOLUTION

(Approval of the parent company's financial statements for the fiscal year ending March 31, 2004, and auditor's final discharge to the Board members)

Having familiarized itself with the administrative report of the Board of Directors, the report from the Chairman of the Board of Directors (pursuant to Article L. 225-37 of the Commercial Code) and the reports presented by the statutory auditors, the General Meeting approves the parent company's financial statements, dated March 31, 2004, as presented, showing a profit of €1,305,237.48. In addition, the General Meeting approves the transactions recorded in these statements and summarized in these reports. It therefore grants the Board members full, final and unqualified discharge from the performance of their mandate for the fiscal year ending March 31, 2004.

SECOND RESOLUTION

(Appropriation of net income for the fiscal year ending March 31, 2004)

The General Meeting hereby resolves to apply net income for the fiscal year, amounting to €1,305,237.48, to the profit and loss account reserve brought forward. The General Meeting also notes that no dividends have been paid out during the preceding three fiscal years.

THIRD RESOLUTION

(Approval of the consolidated financial statements for the fiscal year ending March 31, 2004)

After hearing the report from the statutory auditors regarding the consolidated accounts, the General Meeting approves the consolidated accounts, dated March 31, 2004, as presented, together with the transactions recorded in these accounts and summarized in the reports by the Board of Directors and the statutory auditors.

FOURTH RESOLUTION

(Approval of contractual agreements of the types specified in Articles L. 225-38 and following of the French Commercial Code)

The General Meeting, having heard the reading of the special report of the statutory auditors concerning the contractual agreements of the types specified in Articles L. 225-38 and following of the French Commercial Code, hereby approves the conclusions of said report and the contractual agreements cited therein.

FIFTH RESOLUTION

(Replacement of a statutory auditor and renewal of an alternate)

The General Meeting hereby resolves that Audit AMLD SARL, 27 A Boulevard Solferino, 35000 Rennes, France, represented by Mr. André Métayer, is appointed primary auditor for a period of six fiscal years or until the General Meeting convened to vote on the financial statements for the fiscal year ending in 2010, to replace Mr. André Métayer, 5 Rue Marie Alizon, 35000 Rennes, France, primary auditor, whose mandate has expired.

The mandate of Mr. Pierre Borie, 15 rue Charles Le Goffic, 35000 Rennes, France, alternate auditor, has also expired, so the General Meeting hereby resolves that his mandate be renewed for an additional period of six fiscal years, or until the General Meeting convened to vote on the financial statements for the fiscal year ending in 2010.

SIXTH RESOLUTION

(Authorization for the company's purchase and sale of its own shares)

Having satisfied the quorum and majority requirements for Ordinary General Meetings, and having acquainted itself with the report by the Board of Directors and the prospectus endorsed by the Autorité des Marchés Financiers (France's securities regulator), the General Meeting authorizes the Board of Directors to trade in its own stock on the stock exchange, pursuant to Articles L. 225-209 and following of the Commercial Code.

The objectives, in order of priority, for the purchase of up to 1,000,000 own shares (depending on the available opportunities) are as follows:

- To stabilize the company's stock price by systematic counterbalancing actions.
- To grant stock options to company employees and/or

officers, or the option of acquiring shares under the conditions stipulated in Articles 443-1 and following of the French Labor Code and the second paragraph of Article L. 225-191 of the French Commercial Code.

The intended objectives, in order of priority, for any purchase of more than 1,000,000 treasury shares are as follows:

- To remit shares in exchange or in payment as part of any financial transaction or transaction involving external growth, by means of a public offering or otherwise.
- To deliver shares on the exercise of rights attached to securities that confer such rights on the holder, by means of repayment, conversion, exchange, presentation of a warrant or any other means.
- To cancel shares by means of a capital reduction, subject to approval of the Fifteenth Resolution of this General Meeting.
- To purchase and sell shares in accordance with changing 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.

The General Meeting authorizes the company to buy back its own shares within the limit of 10% of the share capital, i.e. 1,768,339 shares at present.

The maximum price at which the company may purchase its own shares is fixed at €45 and the minimum selling price per share at €10. The potential maximum investment would therefore amount to €79,575,255.

Shares may be bought, sold or cancelled, subject to approval of the Fifteenth Resolution, or transferred by any means on the market, by private agreement, and, in particular, through transactions involving blocks of shares. Such means include the use of any derivative financial instrument negotiated on a regulated market or by private agreement, always provided that those means do not contribute to any significant increase in the volatility of the share price.

Said shares may be bought, sold or transferred in one or more tranches by any means and at any time, including during public offerings.

The present authorization shall remain valid for 18 months only, as from the date of the present General Meeting. It replaces the authorization granted in the previous General Meeting.

In order to ensure proper execution of the present resolution, all powers are granted to the Board of Directors for the following purposes:

- To draw up any memoranda, make any declarations and carry out necessary formalities with respect to France's Autorité des Marchés Financiers.
- To place any stock orders or sign any agreements for this purpose.
- To comply with all other formalities and, in general, to take whatever action may be necessary.

SEVENTH RESOLUTION

(Vesting of powers for legal formalities)

The General Meeting invests the bearer of a copy or excerpt of the minutes of the present General Meeting with full powers to file all documents and carry out all formalities required by law wherever necessary.

7.2 RESOLUTIONS FOR THE EXTRAORDINARY GENERAL MEETING

EIGHTH RESOLUTION

(Change in company name and corresponding amendments to the Articles of Association)

The Extraordinary General Meeting, having acquainted itself with the report of the Board of Directors, resolves to adopt the following as the new company name as from the present date:

"UBISOFT ENTERTAINMENT".

Consequently, Articles 1, 3, 14 and 18 of the Articles of Association are amended as follows:

"ARTICLE 1: The company known as UBISOFT ENTERTAINMENT is a French société anonyme governed by the provisions of the French Commercial Code and by Implementing Decree 67-236 of March 23, 1967."

The remainder of this Article shall remain unchanged.

ARTICLES 3, 14 and 18: The name "UBISOFT ENTERTAINMENT" shall replace the former name "UBI SOFT ENTERTAINMENT" wherever present in the aforementioned Articles.

NINTH RESOLUTION

(Amendment to Article 6, concerning equity thresholds)

The General Meeting, noting the Report of the Board of Directors, resolves to amend Article 6 of the Articles of Association as follows:

Old version:

"Any shareholder acting alone or in association with others, without prejudice to the thresholds defined in Article L. 233-7 of the French Commercial Code, who may come to hold, directly or indirectly, at least 1% of the share capital or voting rights in the company, or any multiple thereof up to and including 4%, is bound to inform the company, by registered letter with acknowledgment of receipt, within the period stipulated in Article L. 233-7 of the aforementioned statute.

The notification required under the previous paragraph, when the threshold of a multiple of 1% of the capital or voting rights is exceeded, is also required whenever such a share in the capital or voting rights drops below the aforementioned threshold.

Failure to report the attainment of these thresholds, as established by law and in the Articles of Association, shall result in the withdrawal of voting rights under the conditions set forth in Article L. 233-14 of the French Commercial Code, if so requested by one or more shareholders who together hold at least 5% of the capital or voting rights in the company."

New version:

"Any shareholder acting alone or in association with others, without prejudice to the thresholds defined in Article L. 233-7 of the French Commercial Code, who may come to hold, directly or indirectly, at least 4% of the share capital or voting rights in the company, or any multiple thereof up to and including 28%, is bound to inform the company, by registered letter with acknowledgment of receipt delivered to its registered office within the period stipulated in Article L. 233-7 of the French Commercial Code, of the total quantity of shares, voting rights or securities granting access on maturity to the share capital of the company, held directly or indirectly by that individual shareholder or those shareholders acting together.

The notification required under the preceding paragraph, when the threshold of a multiple of 4% of the share capital or voting rights is exceeded, is also required whenever such a share in the capital or voting rights drops below the aforementioned threshold.

Failure to report the attainment of these statutory thresholds shall result in the withdrawal 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 capital or voting rights in the company."

TENTH RESOLUTION

(Authorization granted to the Board of Directors to issue shares in connection with the corporate savings plan)

The General Meeting, having acquainted itself with the report of the Board of Directors and the special report of the statutory auditors, hereby authorizes the Board of Directors, subject to the condition precedent of adoption of the Twelfth Resolution and in accordance with Article L. 225-138-1 of the French Commercial Code, to increase the total amount of share capital on one or more occasions by the issuance of shares, to be applied for in cash and reserved for members of the salaried workforce of the company and affiliated companies under the conditions established in Article L. 225-180 of the French Commercial Code, where such employees are members of a corporate group savings plan. The subscription price for shares issued pursuant to this resolution will be determined under the conditions set forth in Article L. 443-5 of the French Labor Code.

The total number of shares that may be applied for under this resolution on the date on which the Board decision is adopted shall not exceed 2.5% of the total shares making up the share capital, on the understanding that the face value of the shares to be issued pursuant to this resolution will be included in the nominal amount of €8,000,000 envisioned in the Twelfth Resolution below.

Under this resolution, the pre-emptive right of shareholders to subscribe for the shares to be issued pursuant to the foregoing authorization is waived.

This authorization shall be valid for eighteen (18) months from the present General Meeting.

The General Meeting delegates full powers to the Board of Directors, including the option of delegation to the Chairman, under the conditions provided by law, to:

- Decide, on the occasion of each capital increase, whether the shares should be subscribed for directly by employees enrolled in the savings plan or subscribed for via a mutual fund.
- Establish all terms and conditions of the transaction(s) to take place, including the application price of the new shares, in accordance with Article 443-5 of the Labor Code.
- Carry out any actions and formalities that may be necessary to record the increase(s) in capital made by virtue of this authorization, amend the Articles of Association accordingly and, in general, do whatever else may be advisable or necessary.

ELEVENTH RESOLUTION

(Authorization given to the Board of Directors to grant options for applying for and/or purchasing stock)

Having satisfied the quorum and majority requirements for Extraordinary General Meetings, and having acquainted itself with the report of the Board of Directors and the special report of the statutory auditors, the General Meeting – subject to the condition precedent of adoption of the Twelfth Resolution – hereby authorizes the Board of Directors, pursuant to Articles L. 225-177 and following of the French Commercial Code, to grant, on one or more occasions, to the employees and officers of the company and affiliated companies, subject to the conditions set forth in Article L. 225-180 of the French Commercial Code, options granting the right to apply for stock in the company (stock application options) and to purchase stock in the company (stock purchase options).

The present authorization is valid within a maximum period of thirty-eight (38) months from the date of the present General Meeting.

Under this authorization, the shareholders explicitly waive their pre-emptive right to subscribe for the shares issued as the beneficiaries of stock subscription options exercise those options.

It is specified, however, that the Board of Directors may not grant options to officers or employees of the company or affiliated companies, under the conditions laid down in Article L. 225-180 of the French Commercial Code, whenever they hold more than 10% of the total share capital in accordance with the provisions of Article L. 225-182 of the French Commercial Code.

The total number of new shares that may be applied for or purchased by the beneficiaries of the options granted by the Board of Directors under this authorization shall not exceed 5% of the total amount of stock comprising the share capital of the company on the date such options are allocated by the Board, and prior to the inclusion of shares that may potentially be issued as a result of the exercise of the stock application options granted, taking into account any adjustments that may be made. The face value of the shares to be issued pursuant to this resolution will be included in the nominal amount of €8,000,000 envisioned in the Twelfth Resolution below.

The application or purchase price to be paid by beneficiaries of the options shall be set by the Board of Directors on the date on which it grants such options; however:

- The price of subscription options shall not be less than 80% of the average opening price during the twenty (20) trading sessions preceding the day of the Board meeting at which such options are granted.
- The price of purchase options shall not be less than 80% of the average purchase price for shares held by the company under Articles L 225-208 and L 225-209 of the French Commercial Code.

The price set for the application for or purchase of shares may not be modified during the term of the option, other than to effect the adjustments that must be performed by the Board of Directors in the various cases specified in Article L. 225-181 of the French Commercial Code.

Such options cannot be granted by the Board of Directors:

- During the period of the ten (10) trading sessions preceding and following the date on which the consolidated financial statements – or, failing these, the annual company financial statements – are published.
- During the period between the date on which the management of the company becomes aware of information that, if it were in the public domain, could have a significant impact on the market price of stock in the company, and a date ten (10) trading sessions after that on which such information is made public.

The General Meeting hereby grants all necessary powers to the Board of Directors to set the maximum period for the exercise of options, which shall not exceed ten (10) years from the date of allocation, and the period from the date of exercise of the option during which the stock must be retained by the beneficiaries, which shall not exceed three (3) years from the date of the option being exercised.

In accordance with Article L. 225-184 of the French Commercial Code, the Board of Directors shall inform the shareholders each year, in a special report to the Annual General Meeting, of all transactions carried out pursuant to the present resolution.

In the event that the options for the application for and/or the purchase of stock are allocated to individuals domiciled or resident abroad, or to individuals domiciled or resident in France but subject to foreign tax systems, the Board may amend the terms applicable to such applications and/or purchase options in order to ensure that they comply with the provisions of the foreign law concerned and allow for the most favorable tax treatment possible. To this end, the Board may, at its sole discretion, adopt one or more sub-plans for each category of employee subject to foreign law. In particular, some of these options may be intended as incentive stock options as defined by the United States Internal Revenue Code and may be made subject to further conditions that are consistent in spirit with this type of plan in order to meet the requirements of this specific tax system.

The increase in the share capital of the company resulting from the exercise of application options shall be deemed to have been duly effected on the sole basis of a statement that the option has been exercised, accompanied by the application form and payment of the applicable amount either in cash or offset against debts due.

All necessary powers are hereby granted to the Board of Directors for the performance of the required formalities and to make the corresponding amendments to the specific article in the Articles of Association that specifies the amount of the company's share capital.

TWELFTH RESOLUTION

(Comprehensive authorization granted to the Board of Directors to make increases in the share capital, with accompanying maintenance of preferential share application rights, up to a maximum nominal amount of €8,000,000)

Having satisfied the quorum and majority requirements for Extraordinary General Meetings, and having acquainted itself with the report of the Board of Directors and the special report of the statutory auditors, the General Meeting:

1- Delegates to the Board of Directors, in accordance with all legal provisions and applicable regulations, in particular Articles L. 225-129 and L. 225-129-2 and Articles L. 228-91 through L. 228-106 of the French Commercial Code, the necessary powers to proceed with the issue, on one or more occasions, in the proportions and at the times that it deems appropriate, with maintenance of preferential share application rights for shareholders both in France and abroad, of the following:

(a) Shares to which warrants for applying for stock in the company may or may not be attached.

(b) Securities giving a right – by subscription, conversion, exchange, redemption, presentation of a warrant, a combination of these means or in any other way – to the allocation, at any time or on a fixed date, of securities representing a share in the company's capital and issued or to be issued for this purpose.

(c) Warrants granting their holders the right to apply for securities representing a share in the company's capital, and, in order to permit said warrants to be exercised, hereby authorizes the Board of Directors to increase the company's share capital. Said warrants may be issued by subscription offers on the above terms or in the form of bonus warrants issued free of charge to shareholders of record.

2- Resolves that the maximum nominal amount of capital increases that may be completed immediately and/or subsequently by virtue of the above delegation shall not exceed €8,000,000, not including any adjustments made in accordance with the law, on the understanding that the nominal amount of shares issued pursuant to the Tenth, Eleventh and Thirteenth Resolutions will be included in this maximum nominal amount of €8,000,000. Transferable securities other than shares issued pursuant to this resolution may be issued either in euros or in a foreign currency or in any other currency unit established with reference to several currencies.

3- Hereby decides that the shareholders may exercise their preferential right as shareholders of record in accordance with the law on a fixed basis. In addition, the Board of Directors is hereby empowered to confer upon shareholders the right to enter applications for an adjustable number of shares above their basic fixed entitlement, in proportion to the rights of application available to them, and, in any event, up to the limit of the application made.

If subscriptions by virtue of the pre-emptive right of shareholders of record and, where applicable, a subsidiary right do not absorb the entire issue of shares or securities stipulated above, the Board may use one or more of the following options in the sequence it considers the most appropriate:

- It may limit the issue to the amount of applications, provided that said amount reaches at least three-fourths of the approved issue.
- It may freely allocate all or some of the shares and/or other securities not subscribed for.
- It may make a public offering of all or some of the shares and/or other securities not subscribed for.

4- Hereby stipulates that, where applicable, the above authorization granted shall automatically entail, for the benefit of holders of securities that may be issued with accompanying deferred entitlement to stock in the company, the relinquishment by the shareholders of the preferential rights of application to which such securities entitle them.

5- Hereby decides that the maximum principal of debt securities shall not exceed €300,000,000, or its equivalent value if they are issued in a foreign currency or a currency unit based on several currencies on the date when the issue is approved, on the understanding that said amount shall apply to all debt securities whose issue is delegated to the Board of Directors by this General Meeting.

6- Hereby resolves that the present powers are conferred upon the Board of Directors, in accordance with the provisions of Article L. 225-129-2 of the French Commercial Code, for a period of twenty-six (26) months.

The Board of Directors shall have full powers, including the right of delegation to its Chairman in accordance with the law, to implement the present delegation, and, in particular, the power to set the dates and determine the conditions of such issues and the form and characteristics of the securities to be created; to set the prices and terms of the issues; to fix the amounts to be issued; to set the subscription dates and dated dates of the securities to be issued, including retroactively; to determine the method of payment for the shares or other securities issued; where applicable, to define their buyback terms on the stock market and, in general, to take any action that may be necessary and sign any agreements needed to float the contemplated issues successfully; to note completion of the capital increase(s) resulting from issues floated by virtue of this delegation; and to amend the Articles of Association accordingly. Furthermore, the Board of Directors or the Chief Executive Officer may, where appropriate, charge all expenses to the issue premium(s), particularly the expenses, dues and fees generated by such issues.

In the case of issues of debt securities, the Board of Directors shall have full powers, including the right of delegation to the Chief Executive Officer, to decide whether said securities shall be subordinated or not; to set their interest rates, maturity date, fixed or variable redemption price, with or without premium, and amortization terms based on market conditions; and to set the terms under which such securities will give their holders a right to the company's shares.

7- Hereby resolves that this authorization supersedes any earlier authorization with respect to the immediate and/or subsequent issue of company shares with maintenance of preferential stock application rights.

THIRTEENTH RESOLUTION

(Comprehensive authorization granted to the Board of Directors to make increases in the share capital, with cancellation of preferential share application rights, up to a maximum nominal amount of €8,000,000)

Having satisfied the quorum and majority requirements for Extraordinary General Meetings, and having acquainted itself with the report of the Board of Directors and the special report of the statutory auditors, the General Meeting, subject to the condition precedent of adoption of the preceding resolution:

1- Delegates to the Board of Directors – in accordance with all legal provisions and applicable regulations, in particular Articles L. 225-129, L. 225-129-2, L. 225-135 and following and L. 228-91 through L. 228-106 of the French Commercial Code – the necessary powers to proceed with the issue, on one or more occasions, in the proportions and at the times that it deems appropriate, with elimination of preferential share application rights for shareholders both in France and abroad, of the following:

(a) Shares to which warrants for applying for stock in the company may or may not be attached.

(b) Securities giving a right – by subscription, conversion, exchange, redemption, presentation of a warrant, a combination of these means or in any other way – to the allocation, at any time or on a fixed date, of securities representing a share in the company's capital and issued or to be issued for this purpose.

(c) Warrants granting their holders the right to apply for securities representing a share in the company's capital, and, in order to permit said warrants to be exercised, hereby authorizes the Board of Directors to increase the company's share capital. Said warrants may be issued by subscription offers on the above terms or in the form of bonus warrants issued free of charge to shareholders of record.

2- Resolves that the maximum nominal amount of capital increases that may be completed immediately and/or subsequently by virtue of the above delegation shall not exceed €8,000,000, not including any adjustments made in accordance with the law. Securities other than shares issued pursuant to this resolution may be issued either in euros or in a foreign currency or in any other monetary unit established with reference to several currencies.

3- Hereby resolves that the maximum nominal amount indicated above shall be included in the maximum nominal amount of any issues that may be decided upon and implemented by the Board of Directors pursuant to the Twelfth Resolution of this General Meeting, as defined in Section 2 of the aforementioned resolution.

4- Hereby resolves to cancel the preferential application rights for shareholders with respect to the transferable securities to be issued, it being understood that the Board of Directors may grant shareholders an entitlement to priority application of all or part of the issue during a period and on the terms it shall determine, subject to legislative provisions in force at the time of the issue.

5- Hereby decides that, if applications by the shareholders and other investors do not absorb the entire share or securities issue stipulated above, the Board may use one or more of the following options in the sequence it considers most appropriate:

- It may, where applicable, limit the issue to the amount of applications, provided that said amount reaches at least three-quarters of the approved issue.
- It may freely allocate all or some of the shares and/or other securities not subscribed for.
- It may make a public offering of all or some of the shares and/or other securities not subscribed for.

6- Hereby stipulates that, where applicable, the above authorization granted shall automatically entail – for the benefit of holders of securities that may be issued with accompanying deferred entitlement to stock in the company – the express relinquishment by the shareholders of their preferential rights of application to which such securities entitle them.

7- Hereby decides that the maximum principal of debt securities shall not exceed €300,000,000, or its equivalent value if they are issued in a foreign currency or a currency unit based on several currencies on the date when the issue is approved, on the understanding that said amount shall apply to all debt securities whose issue is delegated to the Board of Directors by this General Meeting.

8- Hereby decides that the Board of Directors may use this delegation to issue, on one or several occasions, equity and/or investment securities granting immediate or deferred entitlement to a share of the company's share capital in compensation for securities contributed to any public takeover bid undertaken by the company pursuant to Article L. 225-148 of the French Commercial Code, involving the exchange of company stock for the securities of another company listed on one of the markets indicated in the aforementioned Article L. 225-148 of the Commercial Code, and decides to remove, to the benefit of the holders of these securities, the preferential share application right of shareholders regarding these shares and securities.

Under this resolution, the pre-emptive right of shareholders to subscribe for the shares to which these securities may entitle them is waived.

Retaining the option of delegation in accordance with applicable law, the Board of Directors may:

- Establish the exchange parity and, if applicable, the amount of the compensation to be paid in cash.
- Record the number of shares contributed to the exchange.
- Establish the amounts to be issued and determine the terms of the issue and the form of the securities.
- Post the difference between the issue price of the new shares and their face value to a "share premium" account on the balance sheet liabilities, to which the rights of all shareholders will apply.

- If necessary, charge all costs and fees generated by the authorized transaction to this "share premium" account.
- In general, take all necessary steps and sign any agreements to ensure that the authorized transaction is successfully completed.

9- Hereby resolves that the present powers are conferred upon the Board of Directors, in accordance with the provisions of Article L. 225-129-2 of the French Commercial Code, for a period of twenty-six (26) months.

The Board of Directors shall have full powers, including the right of delegation to its Chairman in accordance with the law, to implement the present delegation, and, in particular, the power to set the dates and determine the conditions of such issues and the form and characteristics of the securities to be created; to set the prices and terms of the issues; to fix the amounts to be issued; to set the subscription dates and dated dates of the securities to be issued, including retroactively; to determine the method of payment for the shares or other securities issued; where applicable, to define their buyback terms on the stock market, and in general to take any action that may be necessary and sign any agreements needed to float the contemplated issues successfully; to note completion of the capital increase(s) resulting from issues floated by virtue of this delegation; and to amend the Articles of Association accordingly. Furthermore, the Board of Directors or the Chief Executive Officer may, where appropriate, charge all expenses to the issue premium(s), particularly the expenses, dues and fees generated by such issues.

In the case of issues of debt securities, the Board of Directors shall have full powers, including the right of delegation to the Chief Executive Officer, to decide whether said securities shall be subordinated or not; to set their interest rates, maturity dates, fixed or variable redemption prices, with or without premium, and amortization terms based on market conditions; and to set the terms under which such securities will give their holders a right to the company's shares.

10- Hereby decides that this authorization supersedes any earlier authorization with respect to the immediate and/or subsequent issue of company shares with cancellation of the preferential right of application and the option of granting a priority period.

FOURTEENTH RESOLUTION

(Maintenance of authorizations for the issuance of securities granting entitlement to stock in the company in the event of a public takeover bid involving the acquisition or exchange of company stock)

Having satisfied the quorum and majority requirements for Extraordinary General Meetings and having acquainted itself with the report of the Board of Directors, and in accordance with the provisions of Article L. 225-129 IV of the French Commercial Code, the General Meeting expressly resolves that the delegations and authorizations conferred on the Board in the foregoing Twelfth and Thirteenth Resolutions – for the purpose of issuing, with or without a preferential right of application, any securities of any kind that give their holder immediate or deferred access to the company's share capital – will be maintained in the event of a public takeover bid involving the acquisition or exchange of company stock.

This maintenance of the powers conferred on the Board of Directors in the event of a public takeover bid involving the acquisition or exchange of company stock shall be valid as from the date hereof and shall remain valid until the next Annual General Meeting of company shareholders called to approve the financial statements of the current fiscal year.

FIFTEENTH RESOLUTION

(Authorization granted to the Board of Directors to reduce the company's share capital via the cancellation of shares)

Having acquainted itself with the report of the Board of Directors and the special report of the statutory auditors, The General Meeting hereby authorizes the Board of Directors:

- To cancel its own shares up to a maximum of 10% of the company's capital per twenty-four-month period and to reduce the share capital accordingly, charging the difference between the purchase price for the cancelled shares and their face value to an entry for premiums or available reserves.
- To make any such reduction(s) in share capital resulting from cancellations of stock authorized under the present resolution, to make corresponding amendments to the Articles of Association and, more generally, to carry out any necessary formalities.

The present authorization is given for a maximum period of eighteen (18) months.

SIXTEENTH RESOLUTION

(Vesting of powers for legal formalities)

The General Meeting invests the bearer of a copy or excerpt of the minutes of the present General Meeting with full powers to file all documents and carry out all formalities required by law wherever necessary.

8. Persons responsible for the reference document and statutory auditors

8.1 Declaration of the Party Responsible for the Reference Document

To the best of my knowledge, the data contained in the present reference document is consistent with the facts; it includes all the information needed by investors to form a knowledgeable opinion about the assets, activity, financial position, performance and outlook of Ubisoft Entertainment SA; and there are no omissions that would affect its scope.

Mr. Yves Guillemot
Chairman and Chief Executive Officer

8.2 Declaration of the statutory auditors bearing on the financial position and the past and present accounts provided in the reference document

In our capacity as the statutory auditors for Ubisoft Entertainment SA, and pursuant to COB regulation 98-01 and in accordance with the professional standards applicable in France, we have verified the information concerning the financial position and past and present accounts provided in the present reference document.

This reference document was prepared under the responsibility of Mr. Yves Guillemot, Chairman of the Board of Directors. It is our task to express an opinion on the accuracy of the information contained therein bearing on the financial position and financial statements.

In accordance with the professional standards applicable in France, our mission consisted of assessing the accuracy of the information concerning the financial position and annual accounts and to verify their consistency 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 the annual accounts, and to point out any clearly erroneous information that we may have identified on the basis of the general knowledge of the company we have acquired during the performance of our mission. The forecast data presented in the reference document represent the objectives of company management rather than isolated projections resulting from a structured process of data preparation.

The annual and consolidated financial statements for the fiscal years ending March 31, 2002, 2003 and 2004, as closed by the Board of Directors, were audited by Mr. André Métayer and by the Compagnie Consulaire d'Expertise Comptable Jean Delquié (for the fiscal years ending March 31, 2002 and 2003) and by Mr. André Métayer and KPMG Audit (for the fiscal year ending March 31, 2004), in accordance with the professional standards applicable in France, and were certified without reservation or observation.

Pursuant to the provisions of Article L. 225-235 of the French Commercial Code, which is applicable for the first time to this fiscal year, our reports on the annual and consolidated financial statements for the fiscal year 2003 include evidence for our assessments. With regard to the annual financial statements, this evidence applies to the method of depreciating equity investments and procedures for calculating any additional depreciation of commercial software and advances and installments; with regard to the consolidated financial statements, this evidence applies to the method of calculating depreciation on goodwill and trademarks and patents and the procedures for calculating additional depreciation of commercial software and advances and installments.

Our evaluations were conducted within the context of our audit of the annual and consolidated accounts as a whole and served as a partial basis for the unqualified opinion that we expressed in the initial portion of our reports.

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.

September 27, 2004

BY THE STATUTORY AUDITORS

KPMG Audit
A division of KPMG SA

Laurent PRÉVOST
Partner

Cabinet André Métayer

André MÉTAYER
Partner

Related information:

- An exhaustive list of the evidence on which our opinion is based appears on page 93 for the parent company accounts and on page 92 for the consolidated accounts.
- This reference document includes, on page 121, the report from the statutory auditors, prepared pursuant to the final paragraph of Article L. 225-235 of the Commercial Code, on the report from the Chairman of the Board of Directors of Ubisoft Entertainment SA with regard to internal audit procedures for preparing and handling accounting and financial information.

8.3 Names, addresses and professional fees of the statutory auditors

NAMES	Date of first appointment	Expiration of current term
Primary auditor: **Mr. André METAYER** Cabinet André METAYER 27 A Boulevard Solferino - 35000 RENNES - France	1986	2004
Deputy auditor: **Mr. Pierre BORIE** 15, rue Charles Le GOFFIC - 35700 RENNES - France	1996	2004
Primary auditor: **KPMG SA** **represented by Mr. Laurent PRÉVOST** 15, rue du Professeur Jean Becker – CS 24227 - 35042 RENNES Cedex - France	2003	2007
Deputy auditor: **Mr. Pierre BERTHELOT** 15, rue du Professeur Jean Becker – CS 24227 - 35042 RENNES Cedex - France	2003	2007

In euros	Cabinet Métayer	KPMG
AUDIT	2003-2004	2003-2004
Statutory audit, certification, examination of individual and consolidated accounts	232,525	141,884
Incidental assignments	0	4,687
TOTAL	**232,525**	**146,571**

8.4 Information policy

Party responsible for information:

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8.5 Schedule of financial announcements for fiscal year 2004-05

	Date
First-quarter sales	Tuesday, July 27, 2004
Second-quarter sales	Week of October 25
Half-yearly results	Week of December 13
Third-quarter sales	Week of January 31, 2005
Annual sales	Week of April 25
Year-end results	Week of June 13

These dates are provided for information purposes only and are to 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.

Add-on: An official program for a game consisting of additional levels, new characters, improved features, etc. An add-on extends the life of a product. Users must often pay to acquire the add-on and must have the original game as well.

Avatar: A semi-imaginary character who represents the player in graphic form as he or she moves through virtual reality (in MMO games, for example).

Blockbuster: A game that has been highly successful and/or shows very strong sales potential (several million units).

Dreamcast: Sega game console. It contains a 128-bit processor and was the first console to include a built-in 56K modem for network play over the Internet. The Dreamcast was introduced in Japan in November 1998 and in the United States in 1999. Production was halted in 2001.

DriverA 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 latest 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 late 2003, it was estimated that over 45 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 new 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 2003, nearly 15 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.

Matching: A process by which gamers are brought together to play the same game online.

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.

N64 (Nintendo 64): A 64-bit game console designed by Nintendo in 1995.

Nintendo DS (Dual Screen): Nintendo's newest portable console, which will be introduced in the United States in late 2004.

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 60 million units on the market worldwide by late 2003.

PlayStation® Portable™ (PSP): The first portable console manufactured by Sony, with a release scheduled for the first quarter of 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.).

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.

Sources: Sciences en Ligne, "Editions 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 Regulation n°98-01 of the Autorité des Marchés Financiers (the French Securities and Exchange Commission) was recorded on September 28, 2004.
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.

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