



UBISOFT® REPORTS FIRST-HALF 2018-19 SALES AND EARNINGS FIGURES

Robust growth and continued solid execution

H1 2018-19: HIGHER-THAN-EXPECTED PERFORMANCE, WITH A SHARP INCREASE IN FINANCIAL RESULTS

- First-half sales of €767.0 million and net bookings up 60.0% to €746.1 million
 - Second-quarter sales: €367.1 million vs a target of between €345.0 million and €355.0 million
 - Second-quarter net bookings: €364.6 million (up 38.0%) vs a target of approximately €345.0 million
- Digital net bookings up 51.5% to €519.2 million (69.6% of total net bookings vs 73.5% in first-half 2017-18)
 - PRI¹ net bookings up 49.5% to €262.0 million (35.1% of total net bookings vs 37.6% in first-half 2017-18)
- Back-catalog net bookings up 48.8% to €564.9 million (75.7% of total net bookings vs 81.4% in first-half 2017-18)
- IFRS operating income of €94.3 million. Non-IFRS operating income of €110.2 million, significantly higher than the €3.1 million recorded for first-half 2017-18
- Sharp improvement in non-IFRS cash flow from operations, coming in at €88.4 million, versus a negative €83.6 million in first-half 2017-18

TARGETS FOR FULL-YEAR 2018-19 CONFIRMED

TRANSACTION IN UBISOFT SHARES

- Buyback of 3,045,455 shares on October 31, 2018 (CACIB swap contract)

¹ Player Recurring Investment includes sales of digital items, DLC, seasonal passes, subscriptions and advertising.

Paris, October 30, 2018 – Today, Ubisoft released its sales and earnings figures for the six months ended September 30, 2018.

Yves Guillemot, Co-Founder and Chief Executive Officer, said *"Thanks to the depth and strength of our back catalog and Live operations, our second quarter 2018-19 performance was above target. This momentum drove up our net bookings and financial results for the first half of the fiscal year.*

The release of Assassin's Creed Odyssey was successful. Community reception has been extremely favorable and player engagement rose once again, confirming the franchise's entry among the very best RPGs.

Led by an increasingly direct relationship with our player communities as well as very high-quality titles, our first-half 2018-19 performance confirms the potential of Ubisoft's many short- and medium-term growth drivers. The steady rise in player engagement is feeding our digital development and the quality of our games is enabling us to achieve top-rate performance. Our mobile segment is growing significantly and our PC segment is experiencing strong momentum, especially across the whole of Asia. Lastly, we are ramping up our presence in e-sports, artificial intelligence and streaming, all of which offer long term opportunities for the video game industry. In light of all of these factors we are confident in our ability to deliver robust growth and to sustainably increase our profitability over the long term."

Note

The Group presents indicators which are not prepared strictly in accordance with IFRS as it considers that they are the best reflection of its operating and financial performance. The definitions of the non-IFRS indicators with a description of the applicable adjustments, as well as a reconciliation table between the IFRS consolidated income statement and the non-IFRS consolidated income statement are provided in an appendix to this press release.

The Group applied the new revenue standard, IFRS 15, for the first time in its financial statements for the six months ended September 30, 2018. The main consequence of applying this standard is that a portion of revenue generated from games is now recognized after the initial delivery date of the game concerned. As the Group has elected to use the cumulative catch-up method for applying IFRS 15, the revenue figure for H1 2017-18 has not been restated.

Income statement and key financial data

In € millions	H1 2018-19	%	H1 2017-18	%
Sales	767.0		466.2	
Deferred services*	(21.0)		n/a	
Net bookings	746.1		466.2	
Gross margin based on net bookings	635.0	85.1%	390.1	83.7%
Non-IFRS R&D expenses	(272.0)	-36.5%	(186.5)	-40.0%
Non-IFRS selling expenses	(182.8)	-24.5%	(138.6)	-29.7%
Non-IFRS G&A expenses	(69.9)	-9.4%	(61.9)	-13.3%
Total non-IFRS SG&A expenses	(252.8)	-33.9%	(200.5)	-43.0%
Non-IFRS operating income	110.2	14.8%	3.1	0.7%
IFRS operating income	94.3		(34.4)	
Non-IFRS diluted EPS (in €)	1.32		0.16	
IFRS diluted EPS (in €)	1.19		(0.19)	
Non-IFRS cash flows from operating activities**	22.0		(81.4)	
R&D investment expenditure***	(385.6)		(322.8)	
Net cash/(debt) position	(337.4)		(186.2)	

* For games with online functions

** Based on the consolidated cash flow statement for comparison with other industry players (not audited)

*** Including royalties but excluding future commitments

Sales and net bookings

Sales for the second quarter of fiscal 2018-19 amounted to €367.1 million (€365.9 million at constant exchange rates²). First half sales amounted to €767.0 million (€781.4 million at constant exchange rates).

Net bookings for the second quarter came to €364.6 million, representing an increase of 38.0% (+37.7% at constant exchange rates) compared with second quarter 2017-18. First-half 2018-19 net bookings came to €746.1 million, representing an increase of 60.0% (+63.0% at constant exchange rates) compared with first-half 2017-18.

Main income statement items

Gross margin based on net bookings rose to 85.1% of net bookings and €635.0 million in absolute value terms (compared with 83.7% and €390.1 million in first-half 2017-18).

² Sales at constant exchange rates are calculated by applying to the data for the period under review the average exchange rates used for the same period of the previous fiscal year.

Non-IFRS operating income came in at €110.2 million versus €3.1 million in first-half 2017-18. This year-on-year jump reflects the following:

- A €244.9 million increase in gross margin based on net bookings.
- An €85.5 million rise in R&D expenses to €272.0 million (36.5% of net bookings) from €186.5 million (40.0%) in first-half 2017-18.
- A €52.3 million increase in total SG&A expenses to €252.8 million (33.9% of net bookings) from €200.5 million (43.0%) in the first six months of 2017-18:
 - Variable marketing expenses amounted to €127.6 million (17.1% of net bookings) compared with €87.9 million (18.9%) in first-half 2017-18.
 - Structure costs totaled €125.2 million (16.8% of net bookings) versus €112.6 million (24.1%) in first-half 2017-18.

Non-IFRS net income came in at €159.0 million, representing non-IFRS diluted earnings per share ("EPS") of €1.32, compared with non-IFRS net income of €19.4 million and non-IFRS diluted EPS of €0.16 for first-half 2017-18.

IFRS net income for the first six months of 2018-19 amounted to €140.7 million, representing IFRS diluted EPS of €1.19 versus an IFRS net loss of €20.8 million and an IFRS loss per share of €0.19 in first-half 2017-18.

The Group's IFRS and non-IFRS net income figures for the first six months of 2018-19 include €76.3 million in financial income related to the total return swap contract signed on March 20, 2018 with Credit Agricole Corporate and Investment Bank.

Main cash flow statement³ and balance sheet items

Non-IFRS cash flows from operating activities represented a net inflow of €22.0 million compared with an €81.4 million net outflow in the first six months of 2017-18. This positive swing reflects an improvement in non-IFRS cash flow from operations (a positive €88.4 million versus a negative €83.6 million in first-half 2017-18) and a €66.4 million increase in non-IFRS working capital requirement (against a €2.2 million decrease in the first six months of 2017-18).

At September 30, 2018, Ubisoft had net debt of €337.4 million versus €548.1 million at March 31, 2018.

Outlook

Full-year 2018-19

Ubisoft is standing by its targets of:

- Sales of around €2,000.0 million.
- Net bookings of around €2,050.0 million.
- Non-IFRS operating income (calculated based on net bookings) of around €440.0 million.
- Free cash flow of around €300.0 million.

³ Based on the consolidated cash flow statement for comparison with other industry players (not reviewed)

Third-quarter 2018-19

Ubisoft expects third-quarter 2018-19 sales to come in at approximately €580 million. Net bookings for the third quarter of 2018-19 are expected to total around €600,0 million, representing a decrease of approximately 17% compared with the third-quarter 2017-18 due to (i) early ship-ins of Assassin's Creed® Odyssey in the second quarter of 2018-19, and (ii) the release of South Park™ The Fractured but Whole™ in the third quarter of 2017-18, although these effects should be partly offset by growth in back-catalog.

Cancellation of 1,565,426 shares

Following a decision by the Board of Directors, on September 12, 2018, 1,565,426 treasury shares were canceled.

Buyback of 3,045,455 shares on October 31, 2018

Ubisoft has decided to buy back 3,045,455 of its own shares on October 31, 2018, thus terminating in advance and in full the swap contract signed with Crédit Agricole Corporate and Investment Bank (CACIB) in March 2018 in connection with Vivendi's exit from Ubisoft's capital. The shares will be bought back at a contractual price of €66 and will be delivered on November 7, 2018. Ubisoft intends to either cancel these shares, with an accretive effect for all shareholders, or to use them for share-based compensation plans or share-indexed compensation plans for employees.

Recent significant events

Ubisoft appoints Frederick Duguet as Chief Financial Officer: Alain Martinez, who has been the Group's Chief Financial Officer for 19 years, will be retiring at the end of 2018. He will be replaced as from January 1, 2019 by Frederick Duguet, who is currently the Group's Chief Financial Planning Officer.

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Disclaimer

This release may contain estimated financial data, information on future projects and transactions and future business results/performance. Such forward-looking data are provided for estimation purposes only. They are subject to market risks and uncertainties and may vary significantly compared with the actual results that will be published. The estimated financial data were presented to and approved by the Board of Directors on October 30, 2018 and have not been audited by the Statutory Auditors. (Additional information is specified in the most recent Ubisoft Registration Document filed on June 6, 2018 with the French Financial Markets Authority (Autorité des Marchés Financiers)).

About Ubisoft

Ubisoft is a leading creator, publisher and distributor of interactive entertainment and services, with a rich portfolio of world-renowned brands, including Assassin's Creed, Far Cry, For Honor, Just Dance, Watch_Dogs, and Tom Clancy's video game series including Ghost Recon, Rainbow Six and The Division. The teams throughout Ubisoft's worldwide network of studios and business offices are committed to delivering original and memorable gaming experiences across all popular platforms, including consoles, mobile phones, tablets and PCs. For the 2017-18 fiscal year Ubisoft generated sales of €1,732 million. To learn more, please visit www.ubisoftgroup.com.

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APPENDICES

Definition of non-IFRS financial indicators

Net bookings corresponds to the "Sales" indicator used prior to fiscal 2018-19.

Non-IFRS operating income calculated based on net bookings corresponds to operating income less the following items:

- Stock-based compensation expense arising on free share plans, group savings plans and/or stock options.
- Depreciation of acquired intangible assets with indefinite useful lives.
- Non-operating income and expenses resulting from restructuring operations within the Group.

Non-IFRS operating margin, calculated based on net bookings, corresponds to non-IFRS operating income expressed as a percentage of net bookings. This ratio is an indicator of the Group's financial performance.

Non-IFRS net income corresponds to net income less the following items:

- The above-described deductions used to calculate non-IFRS operating income.
- Income and expenses arising on revaluations, carried out after the measurement period, of the potential variable consideration granted in relation to business combinations.
- OCEANE bond interest expense recognized in accordance with IAS 39.
- The tax impacts on these adjustments.

Non-IFRS diluted EPS corresponds to non-IFRS net income divided by the weighted average number of shares after exercise of the rights attached to dilutive instruments.

The adjusted cash flow statement includes:

- Non-IFRS cash flow from operations which comprises:
 - The costs of internally developed software and external developments (presented under cash flows from investing activities in the IFRS cash flow statement) as these costs form an integral part of the Group's operations.
 - Current and deferred taxes.
- Non-IFRS change in working capital requirement which includes movements in deferred taxes, thus cancelling out the deferred tax income or expense presented in Non-IFRS cash flow from operations.
- Non-IFRS cash flows from operating activities which includes the costs of internal development and licenses development (presented under cash flows from investing activities in the IFRS cash flow statement and included in Non-IFRS cash flow from operations in the adjusted cash flow statement).
- Non-IFRS cash flows from investing activities which excludes the costs of internal development and licenses development that are presented under Non-IFRS cash flow from operations.

Free cash flow corresponds to cash flows from operating activities after cash inflows/outflows arising on the disposal/acquisition of other intangible assets and property, plant and equipment.

Net cash/(debt) position corresponds to cash and cash equivalents less financial liabilities excluding derivatives.

Breakdown of net bookings by geographic region

	Q2 2018-19	Q2 2017-18	6 months 2018-19	6 months 2017-18
Europe	34%	34%	35%	33%
North America	46%	47%	45%	48%
Rest of world	20%	19%	20%	19%
TOTAL	100%	100%	100%	100%

Breakdown of net bookings by platform

	Q2 2018-19	Q2 2017-18	6 months 2018-19	6 months 2017-18
PLAYSTATION®4	44%	31%	41%	36%
XBOX One™	22%	20%	22%	21%
PC	17%	15%	21%	17%
NINTENDO SWITCH™	3%	19%	4%	12%
MOBILE	9%	8%	8%	8%
XBOX 360™, PS3®, Wii™, Wii U™	0%	2%	0%	2%
Others*	5%	5%	4%	4%
TOTAL	100%	100%	100%	100%

*Ancillaries,...

Title release schedule
3rd quarter (October – December 2018)

PACKAGED & DIGITAL

ASSASSIN'S CREED® ODYSSEY	PC, PLAYSTATION®4, Xbox One, NINTENDO SWITCH™
FOR HONOR® MARCHING FIRE™	PC, PLAYSTATION®4, Xbox One
HASBRO® GAME NIGHT for Nintendo Switch	NINTENDO SWITCH™
JEOPARDY®	NINTENDO SWITCH™
JUST DANCE® 2019	PLAYSTATION®4, Xbox 360, Xbox One, Wii, Wii U, NINTENDO SWITCH™
SPORTS PARTY	NINTENDO SWITCH™
STARLINK BATTLE FOR ATLAS™	PLAYSTATION®4, Xbox One, NINTENDO SWITCH™
STEEP® X GAMES GOLD EDITION	PC, PLAYSTATION®4, Xbox One
WHEEL OF FORTUNE®	NINTENDO SWITCH™

DIGITAL ONLY

ASSASSIN'S CREED® ODSSEY – ARC 1 : Legacy of the First Blade	PC, PLAYSTATION®4, Xbox One
ASSASSIN'S CREED® REBELLION	Google play, App store
BRAWLHALLA®	NINTENDO SWITCH™, Xbox One
CHILD OF LIGHT® ULTIMATE EDITION	NINTENDO SWITCH™
IS IT LOVE? SEBASTIAN	Google play, App store
RISK® THE GAME OF GLOBAL DOMINATION	NINTENDO SWITCH™
SPINNY GUN	Google play, App store
STEEP® X GAMES DLC	PC, PLAYSTATION®4, Xbox One
STEEP® 90'S DLC	PC, PLAYSTATION®4, Xbox One
TOM CLANCY'S GHOST RECON® WILDLANDS SPECIAL OPERATION 3	PC, PLAYSTATION®4, Xbox One
TOM CLANCY'S RAINBOW SIX® SIEGE SAISON 4	PC, PLAYSTATION®4, Xbox One
TRIVIAL PURSUIT LIVE!	NINTENDO SWITCH™
VALIANTS HEARTS THE GREAT WAR®	NINTENDO SWITCH™

Consolidated income statement (IFRS, extract from the accounts which have undergone a limited review by Statutory Auditors)

The Statutory Auditors have completed the procedures for their limited review of the consolidated financial statements. The review report The Statutory Auditors' limited review report is in the process of being prepared.

In thousand of euros	09.30.2018	09.30.2017
Sales	767 034	466 226
Cost of sales	(111 060)	(76 154)
Gross Margin	655 974	390 072
Research and Development costs	(298 505)	(207 237)
Marketing costs	(185 930)	(141 019)
General and Administrative costs	(75 842)	(66 538)
Current operating income	95 697	(24 722)
Other non current operating income & expense	(1 396)	(9 694)
Operating income	94 301	(34 416)
Net borrowing costs	(8 602)	(7 768)
Net foreign exchange gains/losses	(1 915)	(3 965)
Other financial income	76 560	367
Other financial expenses	(30)	0
Net financial income	66 013	(11 366)
Share in profit of associates	0	(102)
Income tax	(19 575)	25 100
Profit for the period	140 739	(20 784)
Earnings per share		
Basic earnings per share (in €)	1,30	(0,19)
Diluted earnings per share (in €)	1,19	(0,19)
Weighted average number of shares in issue	108 558 213	109 512 570
Diluted weighted average number of shares in issue	120 523 034	109 512 570

Reconciliation of IFRS Net income and non-IFRS Net income

In million of euros, except for per share data	H1 2018-19			H1 2017-18		
	IFRS	Ajustements	Non-IFRS	IFRS	Ajustements	Non-IFRS
Sales	767,0		767,0	466,2		466,2
Deferred services		-21,0	-21,0	na	0	na
Net bookings			746,1	466,2		466,2
Total Operating expenses	(672,7)	36,9	(635,8)	(500,6)	37,5	(463,1)
Stock-based compensation	(35,5)	35,5	0,0	(27,8)	27,8	0,0
Non-current expenses and income	(1,4)	1,4	0,0	(9,7)	9,7	0,0
Operating Income	94,3	15,9	110,2	(34,4)	37,5	3,1
Net Financial income	66,0	3,9	69,9	(11,4)	4,1	(7,3)
Share in profit of associates	0,0		0,0	(0,1)		(0,1)
Income tax	(19,6)	(1,6)	(21,1)	25,1	(1,4)	23,7
Net Income	140,7	18,3	159,0	(20,8)	40,2	19,4
Weighted av. nbr of shares in issue	120 523 034		120 523 034	109 512 570	13 041 145	122 553 715
Diluted earnings per share	1,19	0,13	1,32	(0,19)	0,35	0,16

Consolidated balance sheet (IFRS, extract from the accounts which have undergone a limited review by Statutory Auditors)

ASSETS	Net	Net
In thousands of euros	09.30.2018 *	09.30.2017
Goodwill	290 889	205 244
Other intangible assets	893 613	865 347
Property, plant and equipment	128 750	111 730
Investments in associates	(280)	(163)
Non-current financial assets	6 904	6 032
Deferred tax assets	112 083	108 795
Non current assets	1 431 959	1 296 984
Inventory	93 080	53 717
Trade receivables	245 176	151 804
Other receivables	234 101	173 621
Other current financial assets	84 523	12 498
Current tax assets	57 444	44 778
Cash and cash equivalents	1 056 077	697 011
Current assets	1 770 400	1 133 428
Total assets	3 202 360	2 430 412

LIABILITIES AND EQUITY	Net	Net
In thousands of euros	09.30.2018 *	09.30.2017
Capital	8 735	8 885
Premiums	313 493	354 731
Consolidated reserves	683 759	792 495
Consolidated earnings	140 739	(20 783)
Total equity	1 146 726	1 135 328
Provisions	2 667	4 010
Employee benefit	11 593	9 456
Long-term borrowings and other financial liabilities	936 107	600 496
Deferred tax liabilities	97 280	58 679
Non-current liabilities	1 047 647	672 641
Short-term borrowings and other financial liabilities	461 111	282 785
Trade payables	188 669	126 461
Other liabilities	347 596	205 217
Current tax liabilities	10 611	7 980
Current liabilities	1 007 988	622 443
Total liabilities	2 055 635	1 295 084
Total liabilities and equity	3 202 360	2 430 412

* Consolidated financial statements include cumulative impacts of IFRS 15 as at April 1, 2018

Consolidated cash flow statement for comparison with other industry players (non reviewed)

In thousand of euros	09.30.2018	09.30.2017
Non-IFRS Cash flows from operating activities		
Consolidated earnings	140 739	(20 784)
+/- Share in profit of associates	0	102
+/- Net Depreciation on internal & external games & movies	173 859	110 630
+/- Other depreciation on fixed assets	24 402	31 011
+/- Net Provisions	1 664	1 592
+/- Cost of share-based compensation	35 502	27 824
+/- Gains / losses on disposals	139	80
+/- Other income and expenses calculated	(447)	12 868
+/- Cost of internal development and license development	(287 482)	(246 957)
NON-IFRS CASH FLOW FROM OPERATION	88 376	(83 634)
Inventory	(71 487)	(30 818)
Trade receivables	200 964	234 177
Other assets	(114 988)	(75 592)
Trade payables	10 408	(42 348)
Other liabilities	(91 281)	(83 181)
+/- Non-IFRS Change in working capital	(66 384)	2 238
Non-IFRS CASH FLOW GENERATED BY OPERATING ACTIVITIES	21 992	(81 396)
Cash flows from investing activities		
- Payments for the acquisition of intangible assets and property, plant and equipment	(35 022)	(28 353)
+ Proceeds from the disposal of intangible assets and property, plant and equipment	8	17
+/- Payments for the acquisition of financial assets	(1 273)	(28 358)
+ Refund of loans and other financial assets	101 158	27 596
+/- Changes in scope ⁽¹⁾	(4 922)	0
NON-IFRS CASH GENERATED BY INVESTING ACTIVITIES	59 949	(29 098)
Cash flows from financing activities		
+ New borrowings	355 518	132 704
+ New finance leases	21	2 605
- Refund of finance leases	(634)	(537)
- Refund of borrowings	(298 775)	(133 611)
+ Funds received from shareholders in capital increases	128 794	46 066
+/- Sales / purchases of own shares	0	(23 344)
CASH GENERATED BY FINANCING ACTIVITIES	184 924	23 883
Net change in cash and cash equivalents	266 865	(86 611)
Cash and cash equivalents at the beginning of the fiscal year	583 354	632 314
Foreign exchange losses/gains	4 039	(13 883)
Cash and cash equivalents at the end of the period	854 258	531 819
⁽¹⁾ Including cash in companies acquired and disposed of	0	0
RECONCILIATION OF NET CASH POSITION		
Cash and cash equivalents at the end of the period	854 258	531 819
Bank borrowings and from the restatement of finance leases	(965 718)	(651 972)
Commercial papers	(226 000)	(66 000)
NET CASH POSITION	(337 460)	(186 153)

Consolidated cash flow statement (IFRS, extract from the accounts which have undergone a limited review by Statutory Auditors)

In thousand of euros	09.30.2018	09.30.2017
Cash flows from operating activities		
Consolidated earnings	140 739	(20 784)
+/- Share in profit of associates	0	102
+/- Net amortization and depreciation on property, plant and equipment and intangible assets	198 261	141 641
+/- Net Provisions	1 664	1 592
+/- Cost of share-based compensation	35 502	27 824
+/- Gains / losses on disposals	139	80
+/- Other income and expenses calculated	(447)	12 868
+/- Income Tax Expense	19 575	(25 100)
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	395 433	138 222
Cash flows from investing activities		
Inventory	(71 487)	(30 818)
Trade receivables	200 965	234 177
Other assets	(123 102)	(56 855)
Trade payables	10 408	(42 348)
Other liabilities	(90 588)	(70 222)
+/- Change in working capital	(73 804)	33 933
+/- Current Income tax expense	(12 155)	(6 595)
TOTAL CASH FLOW GENERATED BY OPERATING ACTIVITIES	309 474	165 561
Cash flows from investing activities		
- Payments for the acquisition of internal & external developments	(287 482)	(246 957)
- Payments for the acquisition of intangible assets and property, plant and equipment	(35 022)	(28 353)
+ Proceeds from the disposal of intangible assets and property, plant and equipment	8	17
+/- Payments for the acquisition of financial assets	(1 273)	(28 358)
+ Refund of loans and other financial assets	101 158	27 596
+/- Changes in scope ⁽¹⁾	(4 922)	0
CASH GENERATED BY INVESTING ACTIVITIES	(227 533)	(276 055)
Cash flows from financing activities		
+ New borrowings	355 518	132 704
+ New finance leases	21	2 605
- Refund of finance leases	(634)	(537)
- Refund of borrowings	(298 775)	(133 611)
+ Funds received from shareholders in capital increases	128 794	46 066
+/- Sales / purchases of own shares	0	(23 344)
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