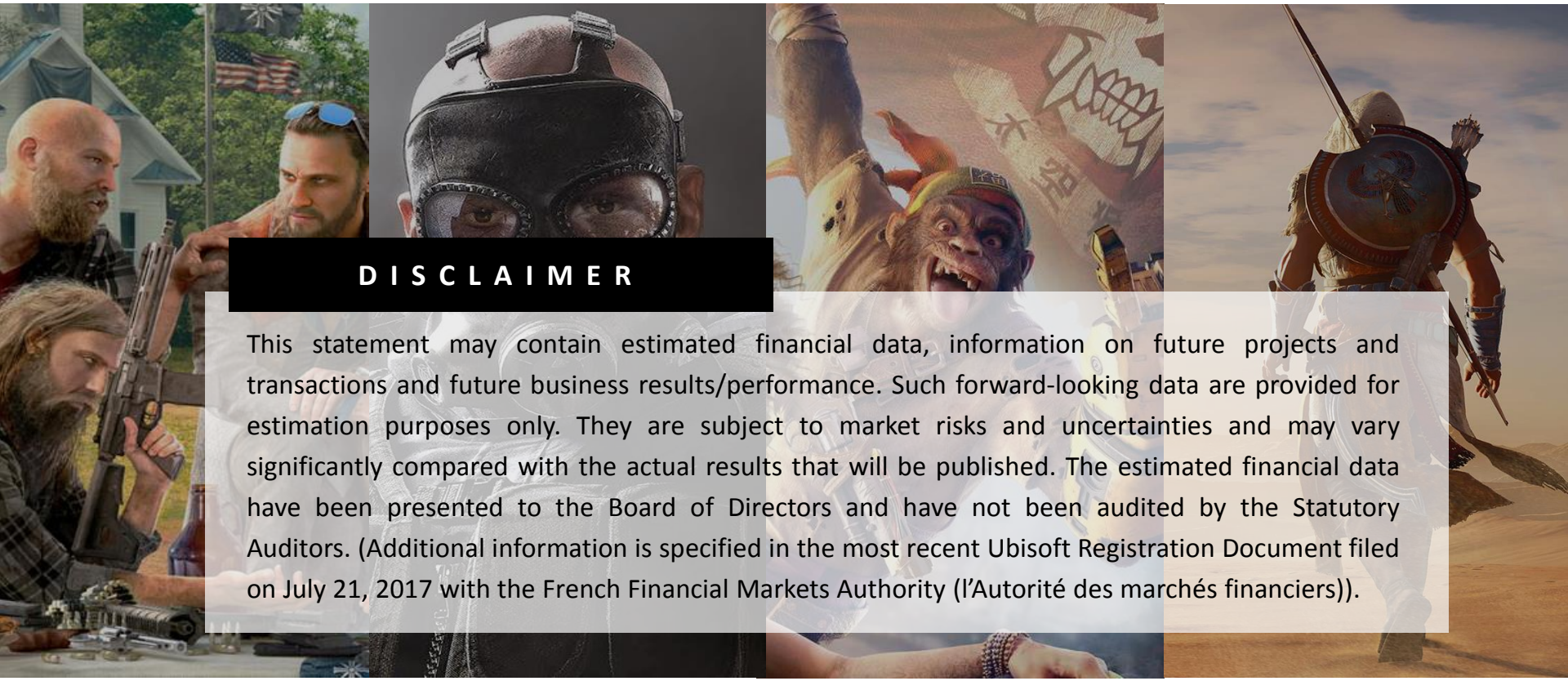
UBISOFT

H1 FY18 EARNINGS

November 7, 2017

Yves Guillemot, President and Chief Executive Officer

Alain Martinez, Chief Financial Officer



DISCLAIMER

This statement 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 have been presented to the Board of Directors and have not been audited by the Statutory Auditors. (Additional information is specified in the most recent Ubisoft Registration Document filed on July 21, 2017 with the French Financial Markets Authority (l'Autorité des marchés financiers)).

KEY TAKEAWAYS

OUTPERFORMANCE DRIVEN BY

HIGH QUALITY OFFERINGS

& **LONG TERM SUPPORT** OF OUR GAMES

A **LOT MORE** TO COME **WELL BEYOND FY19**

AGENDA

OUTSTANDING GAMES XP + LONG TERM SUPPORT DRIVE FINANCIAL OUTPERFORMANCE

H1 FY18 PERFORMANCE

FY18 & FY19 TARGETS

MAJOR NEW RELEASES …

metacritic	amazon
83 *	★★★★☆ *
85	★★★★½
81 *	★★★★½ *

**Weighted average reviews for PS4, Xbox One, PC as of 11/06/17*

… + GREAT CONTENT UPDATE …

SUPPORTING OUR GAMES
FOR THE **LONG TERM**

… AND MORE TO COME …

… ARE DRIVING PERFORMANCE

DIGITAL TRANSFORMATION

↓

PROFITABILITY & **RECURRENCE**

↓

ADDITIONAL **MEANS** FOR CREATION

↓

QUALITY, STRENGTH & REGULARITY OF **CONTENT**

+

PROVEN **MULTISTUDIOS** ORGANIZATION
+ LONG TERM INVESTMENT IN OUR **TEAMS** CAPABILITIES

↓

STRONG & HIGHER-THAN-EXPECTED H1 PERFORMANCE

STRONG VALUE CREATION FOR THE YEARS TO COME

TOTAL SHAREHOLDER RETURN

	Since IPO	5-year	2-year	1-year
UBISOFT	**+3,337%**	**+814%**	**+140%**	**+111%**
NASDAQ	+462%	+140%	+36%	+31%
CAC40 Net Return	+332%	+81%	+18%	+25%
Euro Stoxx Media Supersector Return	+101%	+81%	(1%)	+8%

Source: FactSet as of October 31, 2017
IPO as of July 1, 1996
**Includes net dividends (post-tax)*

AGENDA

OUTSTANDING GAMES XP + LONG TERM SUPPORT DRIVE FINANCIAL OUTPERFORMANCE

H1 FY18 PERFORMANCE

FY18 & FY19 TARGETS

H1 FY18 PERFORMANCE

H1 FY18

H1 SALES: 466 M€, + 66 % yoy

Q2 Sales: 264 M€ (target of 190 M€)

OUTPERFORMANCE FROM

& FROM MOBILE

Ketchapp

Tencent 腾讯

LONG TERM SUPPORT OF OUR GAMES & COMMUNITIES

FOR HONOR

TOM CLANCY'S GHOST RECON WILDLANDS

TOM CLANCY'S RAINBOW SIX SIEGE

TOM CLANCY'S THE DIVISION

ACQUISITION & ENGAGEMENT CONTINUE TO GROW

Total MAUs

up 29 %

(excl. Mobile)

Viewership
+ 525% yoy

Top 7
most watched
on Youtube

~ 25 million players

CLUB

~ 300 M weekly Ubisoft Club challenges played over the past 22 months by R6 players

Mobile DAUs

up 234 %

Ketchapp

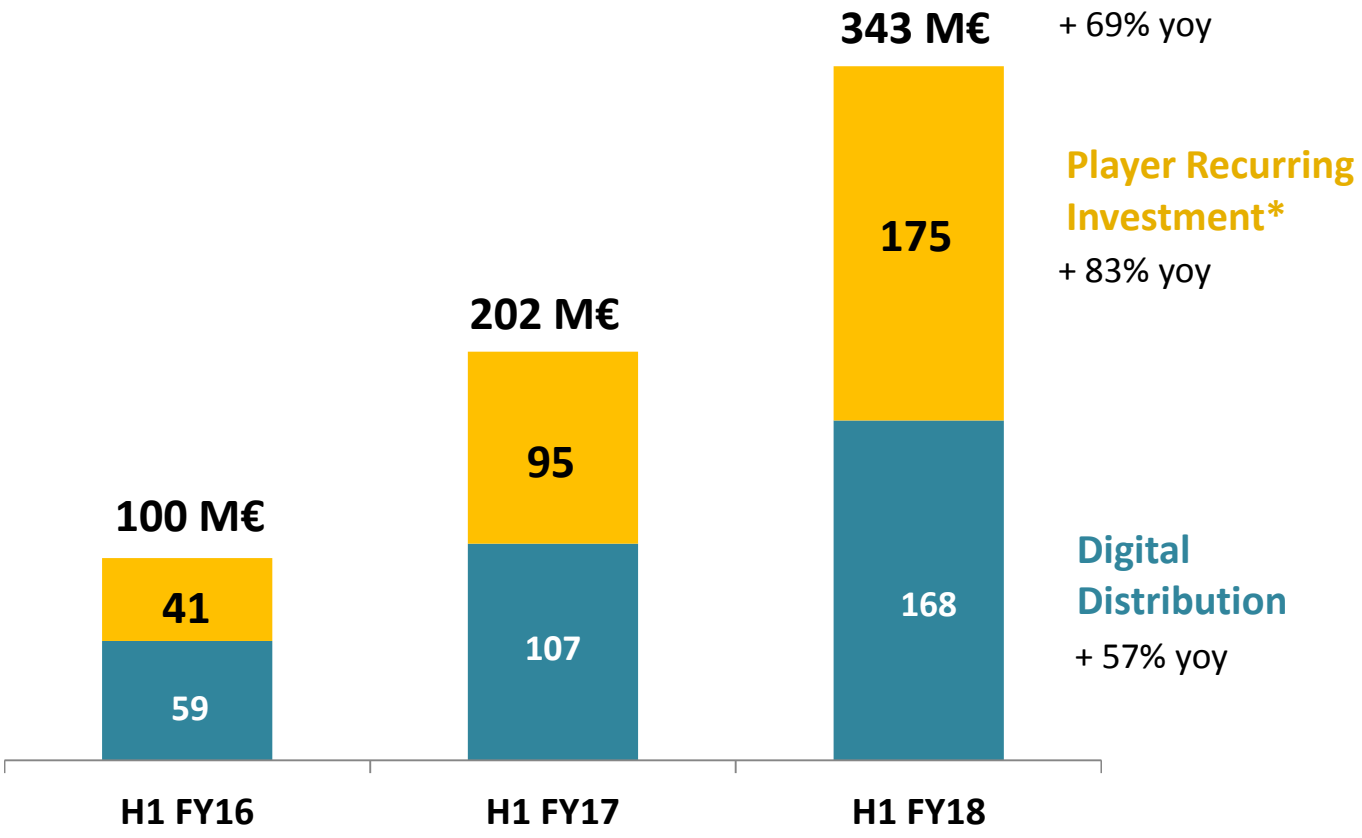
Growtopia

Free weekend
=
Solid conversion rate of new active players

Free Weekend
+
Ghost War PvP mode
=
DAUs ~ x2

H1 FY18 PERFORMANCE - DIGITAL

DIGITAL SPLIT



** Includes ingame items, DLCs/season pass, subscription & advertising*

H1 FY18 PERFORMANCE

H1
FY18

VERY SOLID BACK-CATALOG:

379 M€, + 48%

> FY16 full year back-catalog

INCREASING **RECURRENCE** OF OUR MODEL

H1 FY18 PERFORMANCE

H1 FY18

NON-IFRS OPERATING INCOME: 3 M€, up 65M€ yoy

CASH FLOW FROM OPERATION: - 84 M€, up 97M€ yoy

NET DEBT: 186 M€

Working capital impact

H1 FY18: NON-IFRS P&L

€ million, except for per share data	H1 2017-18		H1 2016-17	
		%		%
Sales	**466,2**		**281,4**	
Gross profit	**390,1**	**83,7**	**226,4**	**80,5**
Non-IFRS R&D expenses	(186,5)	(40,0)	(123,8)	(44,0)
Non-IFRS Selling expenses	(138,6)	(29,7)	(113,4)	(40,3)
Non-IFRS G & A expenses	(61,9)	(13,3)	(51,0)	(18,1)
Non-IFRS SG & A expenses	(200,5)	(43,0)	(164,4)	(58,4)
Non IFRS operating income	**3,1**	**0,7**	**(61,8)**	**(22,0)**
Net Financial Income	(7,3)		(1,6)	
Share in profit of associates	(0,1)		0,0	
Income Tax	23,7		27,4	
Non IFRS Net Income	**19,4**		**(35,9)**	
Non IFRS Diluted earnings per share	**0,16**		**(0,32)**	
Non IFRS nbr of shares fully diluted	**122 554**		**111 393**	

- **Gross margin up 164 M€ & 3 points :** backcatalog (physical & digital) Gross Margin up
- **R&D up 63 M€ & down 4 points :** Live Ops growth, Mario + Rabbids, teams bonus
- **SG&A up 36 M€ & down 15 points** : Mario + Rabbids & change in accounting for bonus
  - variable marketing expenses : 88 M€ (72 M€ in H1 FY17), down 7 points
  - fixed structure costs : 113 M€ (93 M€ in H1 FY17), down 9 points

H1 FY18: R&D

€ million	H1 2017-18	H1 2016-17
Depreciation of in-house software-related production	107,4	72,1
Depreciation of external software-related production and licenses	3,2	7,2
Royalties	4,9	2,8
Non Capitalized R&D & others*	70,9	41,7
Total R&D P&L	**186,5**	**123,8**
Capitalized in-house software-related production	238,9	231,0
Capitalized external software-related production and licenses (excluding future commitments)	8,0	11,2
Royalties	4,9	2,8
Non Capitalized R&D & others*	70,9	41,7
Total R&D Cash	**322,8**	**286,7**

*mostly Post-Launch content

- **63 M€ increase in total R&D P&L** : Mario + Rabbids, Post-Launch content, teams bonus
- **36 M€ increase in total R&D Cash :** Mostly Post Launch Content, teams bonus

H1 FY18: IFRS / NON-IFRS RECONCILIATION

€ million, except for per share data	H1 2017-18			H1 2016-17		
	IFRS	Adjustment	Non IFRS	IFRS	Adjustment	Non IFRS
Sales	**466,2**		**466,2**	**281,4**		**281,4**
Total Operating expenses	**(500,6)**	**37,5**	**(463,1)**	**(371,7)**	**28,5**	**(343,2)**
Stock-based compensation	(27,8)	27,8	0,0	(24,9)	24,9	0,0
Non-current operating income and expenses	(9,7)	9,7	0,0	(3,6)	3,6	0,0
Operating Income	**(34,4)**	**37,5**	**3,1**	**(90,3)**	**28,5**	**(61,8)**
Net Financial income	(11,4)	4,1	(7,3)	(3,9)	2,3	(1,6)
Share in profit of associates	(0,1)		(0,1)	0,0		0,0
Income tax	25,1	(1,4)	23,7	28,1	(0,7)	27,4
Net Income	**(20,8)**	**40,2**	**19,4**	**(66,1)**	**30,2**	**(35,9)**
Diluted earnings per share	(0,19)	0,35	0,16	(0,59)	0,27	(0,32)

- **Non-current operating expenses :** 10 M€ related to brand and goodwill depreciation
- **Net Financial charge adjustment :** 4 M€ related to the implicit convertible bond option costs

H1 FY18: CASH FLOWS & CLOSING CASH POSITION

€ million	H1 2017-18	H1 2016-17
Opening cash position	**(80,4)**	**(41,7)**
Cash flows from operations	**(83,6)**	**(180,2)**
Change in WCR	**2,3**	**189,5**
Cash flows from operating activities	**(81,3)**	**9,2**
Net investment in capital assets	(28,3)	(27,0)
Net free cash flow	**(109,7)**	**(17,7)**
Net acquisitions/disposals	0,0	0,0
Proceeds from issue of capital and other financial flows	45,2	5,2
Net acquisitions/disposals of own shares	(23,3)	54,1
Effect of exchange rate fluctuations	(4,1)	39,6
Equity component	(13,9)	(1,8)
Decrease/(increase) in net debt	**(105,7)**	**79,4**
Closing cash position	**(186,2)**	**37,7**

- **97 M€ increase in CF from operations :** EBIT improvement + narrowing of R&D P&L/Cash gap
- **2 M€ improvement in WCR :** Lower improvement vs last year H1 due mostly to
  - **Trade Receivables** : strong revenue growth & end of August release of Mario + Rabbids Kingdom Battle
  - **Inventories** : End of August Release of Mario + Rabbids Kingdom Battle & mid October release of South Park the Fractured but Whole
  - **Other Receivables** : no factoring of Quebec subsidies in H1

AGENDA

OUTSTANDING GAMES XP + LONG TERM SUPPORT DRIVE FINANCIAL OUTPERFORMANCE

H1 FY18 PERFORMANCE

FY18 & FY19 TARGETS

FY18: FURTHER EARNINGS GROWTH

FY18

REVENUES: 1 700 M€, +16%

Q3: 630 M€

NON-IFRS OPERATING INCOME: 270 M€

Growth driven by:

Stronger new releases

Stronger Player Recurring Investment

6 Live games operated Full Year (vs. 3)

Digital: > 50% of total rev.

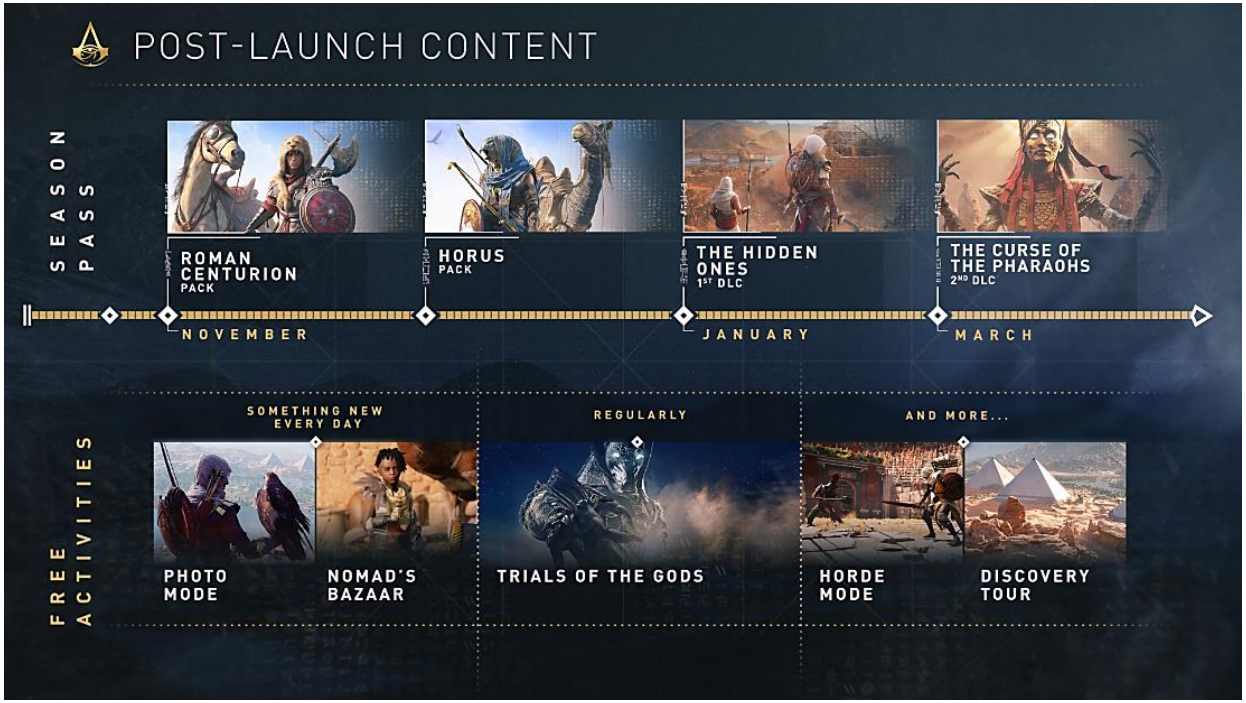
Back-Catalog: > 40% of total rev.

FY18: THE ASSASSIN'S CREED FRANCHISE IS OFFICIALLY BACK

FIRST 10 DAYS UNIT SALES **X2** VS SYNDICATE*

DIGITAL DISTRIBUTION **UP 20 POINTS**

PRI TRENDING **VERY NICELY**

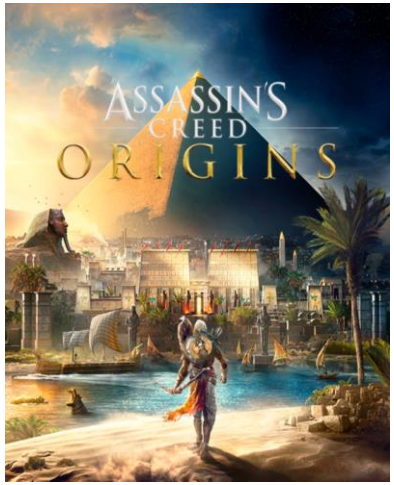


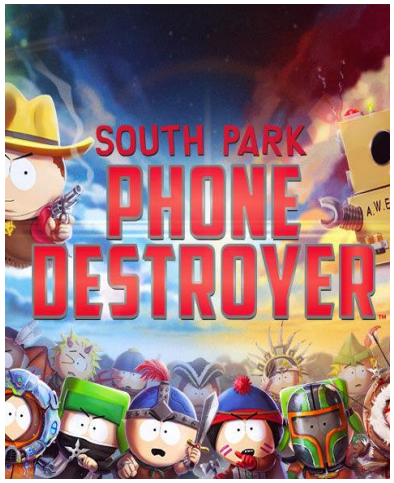
BIGGEST
POST LAUNCH CONTENT
EVER

**sources : Sell-Through, comparable basis, internal estimates based on 10 days of sales*

FY18: H2 LINE-UP

Q3





Q4

EXPANSIONS Q3

FY19: STRONG YEAR CONFIRMED

FY19

REVENUES: ~ 2.1BN€

NON-IFRS OPERATING INCOME: ~ 440 M€

21% MARGIN

FREE CASH FLOW: ~ 300M€

BEYOND FY19

"We are delighted that the 3-year plan we presented to you back in February 2016 is going so well thanks to the strong outperformance from our teams and the humbling support of our growing player communities.

We continue to do what we do best. That is building Ubisoft step by step, with a long term view of what is in the best interest for our players, employees and shareholders.

You can be assured that we will not stop there and that there is a lot more to come well beyond 2019. We are indeed committed to create great value over the long term."

Yves Guillemot, President and Chief Executive Officer

THANK YOU