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EDITED TRANSCRIPT

UBI.PA - Half Year 2013/2014 Ubisoft Entertainment SA Earnings Conference Call

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CORPORATE PARTICIPANTS

Yves Guillemot *Ubisoft Entertainment - Chairman and CEO*

Alain Martinez *Ubisoft Entertainment - CFO*

CONFERENCE CALL PARTICIPANTS

Mike Hickey *The Benchmark Company - Analyst*

Jean-Christophe Liaubet *Exane BNP Paribas - Analyst*

San Fun *BMO Capital Markets - Analyst*

Nicolas Dubourg *JPMorgan - Analyst*

John Tayor *Arcadia Investment Corporation - Analyst*

Thomas Alzuyeta *Kepler Cheuvreux - Analyst*

John Taylor

PRESENTATION

Operator

Ladies and gentlemen, welcome to the Ubisoft H1 2013-2014 Earnings and Sales Conference Call. I now hand over to Yves Guillemot, CEO. Please go ahead, sir.

Yves Guillemot - *Ubisoft Entertainment - Chairman and CEO*

Good afternoon and good morning, everybody. Thank you for joining our conference call. Before going into the details of our first half performance, I would like to highlight a few things.

More and more the video game industry is dominated by games that offer players an unparalleled level of freedom and the capacity to define their own experience. In the last three years, massive open world games have taken an even bigger share of the console market. It has been true with Skyrim in RPG, recently with GTA in action racing, with Assassin's Creed in action-adventure and with Far Cry in the shooter genre. This deep-seated market trend is not going to stop and we believe it will receive a major boost with the next generation of consoles.

To succeed in this environment, publishers need to execute at many levels. We need to deliver high quality games, we need to regularly release massive open worlds, and we need to integrate all the online and social innovations that will [board] on PC and mobile into the next generation of titles.

This means the companies that will benefit the most will be the ones that have built excellently received development capacities, it will be the one with a strong and efficient organization that has a deep experience in creating open worlds, and it will be the ones that have made the necessary investments to master all digital skills.

We believe Ubisoft is ready to deliver on all those key metrics. We have 8,000 developers collaborating efficiently through our multi-studio organization. This proven industrial model has enabled us to significantly ramp up the quality of our titles. We are demonstrating its [programs] this year with Splinter Cell, Raymon, Rocksmith and Assassin's Creed whose aggregate average rating on Metacritic.com is 87. This is a great achievement. This consistency in releasing high quality games really sets us apart this year.

Our organization has also enabled us to release eight open world games in seven years and despite the recent delays, we have demonstrated our execution capacity by releasing five massive Assassin's Creed titles in five years.

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This year we are again very proud of what our creative teams achieved. Assassin's Creed IV black flag is indeed the best-rated game of the four major Christmas titles released in the past week.

Finally, we have been growing regularly our digital business which is expected to represent around 18% of our total revenues this year. That progression has been achieved in parallel with the ramp up of our digital infrastructure and expertise. Their internal development of online and mobile games comes through very well-targeted acquisition.

For example, studios like Redlinks or the recently acquired Future Games of London, have built significant expertise in mobile gaming and free-to-play business models.

We are today integrating all those digital learnings in our triple-A consoles and PC titles. The reason why Watch Dogs, The Crew and The Division have earned so much attention is that they exemplify what next gen will offer to gamers. They are massive open world games that deeply and seamlessly integrate online and social innovations, offering players the best of consoles and online entertainment.

We are committed to the long-term success of Ubisoft. It is an industry that is constantly and rapidly evolving and where powerful brands are offering unrivaled visibility. We believe this long-term approach is what will drive value creation for our shareholders.

On a related note, we continue to grow the potential addressable market of our brands by reaching a wider audience through movies and TV shows. The recent release of Rabbids Invasion TV show on the Nickelodeon Channel in the US has cumulated an estimated 100 million viewers in three months. This series has led the 2- to 11-years-old category six times out of nine. This is a major achievement which could ultimately reduce the cost per acquisition for the games.

We believe these early results as well as the different movie deals we have signed, demonstrate that video-games brands has an even bigger importance in the global entertainment and media worlds and that we are very well-positioned to benefit from it.

Alain will now go through our first half earnings.

Alain Martinez - *Ubisoft Entertainment - CFO*

Thank you, Yves. First half sales came in at EUR293 million, up 5% or 8% at constant exchange rate. The semester's growth was driven by the release of Splinter Cell black list and Raymond legend and by back-catalog sales which were up 16% to EUR113 million, driven by solid sales from title for co-gamers, namely Assassin's Creed 3 and Far Cry 3. We continue to expect back-catalog sales for the full fiscal year to be flat versus last year.

Digital sales were up 29% to EUR71 million, representing 24% of our total revenue, supported by digital distribution of our triple-A titles and the sales of items and DLC. We expect digital sales to be up approximately 20% for the full year versus our prior expectation of plus 50% to plus 70% growth. The difference is mainly related to the postponement of Watch Dogs and The Crew. Digital sales are expected to represent now around 18% of our total sales for the year versus 12% last year.

Non-IFRS operating loss ended up at EUR98 million, versus EUR58 million last year. The gap is explained mostly by a EUR42 million increase in our R&D due to higher depreciation of H1 titles and cancellation of projects.

Cash flow from operations was stable at negative EUR145 million, thanks to a reduced gap between R&D investment and R&D charges.

Let me now review those figures in more details.

Looking at our non-IFRS P&L on the slide number 18 of our presentation, the major changes of H1 fiscal year 2014 versus H1 fiscal year 2013 are the following. We had a EUR10 million increase in gross margin, flat in percentage, supported by strong back-catalog and digital sales. We also had a EUR42 million increase in R&D expenses, up 13 points, that I will detail in the following slides.

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SG&A were up EUR7 million, also flat in percentage points, with variable marketing expenses up EUR5 million which was lower than expected due to some (inaudible) differences on forecasted expenses related to our Q3 titles.

Structured costs ended up EUR2 million up, again flat in percentage.

Overall these resulted in a negative EUR98 million non-IFRS EBIT representing a EUR40 million higher loss versus last year.

Non-IFRS earnings per shares stood at minus EUR0.59 versus minus EUR0.40 in H1 fiscal year 2013.

If we now look at our R&D activity on the next slide, what we can see in the following. Depreciation expenses of internal and external games plus licenses were up EUR44.7 million, reflecting as said before, high depreciation of H1 titles as well as the cancellation of several projects.

Royalties were down EUR3 million on the back of lower casual sales.

Non-capitalized expenses were flat at EUR15.2 million. Globally, R&D investment was up EUR14.8 million, which represents a 7% increase at current exchange rate or 10% at constant exchange rate.

Finally, the gap between R&D expense and R&D investment went significantly down from EUR122 million last year to EUR94 million. This explains the stability of cash flow from operations in spite of the reduced EBIT.

To conclude our P&L review, slide number 20 shows the reconciliation between non-IFRS and IFRS results. H1 fiscal year 2014 IFRS net result of EUR62.3 million negative, includes on the charge a EUR4.3 million stock-based compensation charge, which is up EUR2 million versus last year, and also a EUR11.7 million goodwill amortization and brand depreciation; both charges are non-cash.

On the revenue side, the IFRS result includes a EUR4.4 million profit on the sales of Gameloft shares, down EUR2.8 million versus fiscal year 2013. For your information, we no longer hold any Gameloft share in our assets. And it also included a EUR11.4 million non-cash gain related to the adjustment of earlier booked earn out liabilities.

On the cash flow side, the EUR40 million EBIT drop experienced in H1 fiscal year 2014 versus H1 fiscal year 2013, was compensated by the EUR27 million gap reduction between R&D expense and R&D investment, leading to a flat cash flow from operations at minus EUR145 million.

The traditional H1 working capital increase was EUR17.7 million higher than in H1 fiscal year 2013, due to the Splinter Cell and Rayman launches at the end of Q2.

All in all, these resulted in a negative EUR277 [million] net free cash flow, a EUR20 million increase versus fiscal year 2013.

Below the free cash flow line, we had a EUR3 million outflow on acquisition, a EUR6 million inflow from the sales of Gameloft shares, and a EUR36 million proceeds from the issue of capital with EUR32 million related to the exercise warrants, the rest coming from employee stock plan and stock options.

This led to a net debt position of EUR142 million at the end of September, fiscal year 2014; compared with EUR152 million net debt last year.

For your information, on October 10, we had 97% of our warrants exercised, adding to EUR59 million the total cumulative additional liquidity brought by this warrant program, which represent an inflow of EUR27 million in H2.

Before I give the lead to Yves, I would like to mention the ordinary general meeting of shareholders that will be held on November 28th; this meeting will deliberate on the appointment of two independent directors, Pascale Mounier and Didier Crespel. They both have extensive international experience in small and large groups and in a variety of areas. These include corporate finance for Didier Crespel and IT infrastructure for Pascale Mounier.

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Their nomination will lead to a Board of Independence level of over 44%. This concludes my presentation.

Yves Guillemot - *Ubisoft Entertainment - Chairman and CEO*

Thank you, Alain. Let's now look at our third-quarter guidance. We are targeting sales of between EUR500 million and EUR540 million. It is down versus last year's Q3 which has seen the successful release of Far Cry 3. On the contrary, we expect Q4 to be bigger than last year with the combined effect of the launch of South Park and strong orders on next gen's (inaudible).

We are entering the most important part of the year and the following weeks will define our full-year performance. We are excited by the arrival of the next-generation of consoles which bodes well for the future of the industry. However, transition years can be challenging and volatile. Currently due to the anticipation of the new hardware launches, many recent triple-A releases are down significantly versus their prior iteration.

In this environment, we believe the fact we are coming with the highest-rated title for the key Christmas season, combined with the arrival of the new consoles should trigger a sharp improvement of sales momentum. That expectation is supported by the positive trend information we are getting from the hardware manufacturers.

What we can already say today is that we are very pleased by the overall quality of our titles. The average ratings from metacritics.com all platforms included for Assassin's Creed is 85, with notably an 88 on PS3. It is a 90 for Rayman, 88 for Rocksmith and 83 for Splinter Cell. And Just Dance has also reached record ratings.

Looking at Assassin's Creed, its first-week sales are down versus last year as players are waiting for the arrival of the next generation of consoles. The game is the best-rated Christmas title. Players and journalists praised its unique setting, the huge freedom and variety of game play, as well as its fantastic open sea pirate adventures.

I would like to quote Game Stop who gave it a nine out of 10. It is the most ambitious Assassin's Creed game in years and an incredible adventure by any standard. Edge Online also gave it a nine and said- black flag's world is built to amaze. The fantasy it delivers sets new benchmarks, not only for Ubisoft series, but for open world gaming.

Finally, ITN gave it an 8.5 and said- no matter which system you decide to play black flag on, you can rest easy knowing that it's one of the best-looking games of 2013.

We will have a clearer picture of its potential once the next-gen consoles are released. We are confident it will be among the top-three best sellers of November and December.

Our casual sales, as usual, will be biased towards the last weeks of the year and they are ranking high in the Christmas present lists.

Finally we confirm today our recent revised target for the year, namely sales comprised between EUR995 million and EUR1.045 billion. The non-IFRS operating loss is expected between minus EUR70 million and minus EUR40 million.

In conclusion, while in the short term transition can be challenging, 2014 will mark the return of lasting growth for the industry. We expect at least 10 million Xbox One and PS4 combined by the end of March 2014, which will more than double on the comparable period for Xbox 360 and PS3.

For Ubisoft, this will be a great opportunity to release highly ambitious games that will define the next generation of gaming and will drive our return to top-line and earnings growth for the coming years.

In fiscal year 2015, we will deliver a much stronger lineup and this will start as soon as the first quarter with the release of Watch Dogs. We plan to provide more information on our financial year 2015 lineup at a later date. We are now ready to take all your questions.

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QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Mike Hickey, Benchmark Company

Mike Hickey - *The Benchmark Company - Analyst*

Hey guys; thank you for taking my questions. I was just curious if you could give us an update on Watch Dogs and The Crew and how those games are progressing.

Yves Guillemot - *Ubisoft Entertainment - Chairman and CEO*

They are progressing very well. The teams are reactive to take advantage of the extra time they have and we see a really good team working hard to achieve a very high quality game. So we are confident with the games and its ability to be one of the best sellers of next year.

Mike Hickey - *The Benchmark Company - Analyst*

Okay, thank you. And then obviously it's still early days here, but just curious your thoughts on the Xbox One in terms of 2014, if you have any concerns for demand for that platform.

Yves Guillemot - *Ubisoft Entertainment - Chairman and CEO*

What we see is that there's a good preorder list on that machine and even if the PS4 is in front in terms of preorders, we see lots of improvement in the orders that-- the preorders that are coming on that machine. So no, we are not worried at all. We think it will be a mega-seller as well.

Alain Martinez - *Ubisoft Entertainment - CFO*

And Mike, I think regarding to your question on Watch Dogs and The Crew; we spoke about the quality. I guess implied you were also meaning about the deadlines that we have set up. We are comfortable that where we should meet the Q1 deadline for Watch Dogs and the Q2 for The Crew.

Mike Hickey - *The Benchmark Company - Analyst*

Okay, guys; thank you. That's very helpful. Good luck over the holiday.

Operator

Jean-Christophe Liaubet, Exane

Jean-Christophe Liaubet - *Exane BNP Paribas - Analyst*

Yes, thank you. Good evening, gentlemen. First question on the gross margin; do you expect for the full year a gross margin roughly flat or should we expect a decline in H2, given the postponement of Watch Dogs?

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Second question on the main new release in Q2 notably Rayman or Splinter Cell; could you give us some more indications about the number of units sold and the same question on the lineup for 2014-2015; could you give us the first flavor of what will be the big titles present on top Watch Dogs and The Crew? Thank you.

Alain Martinez - *Ubisoft Entertainment - CFO*

Okay, so on the gross margin we are expecting a gross margin between minus 1 and flat more or less within that range, because we will have more--- well, we won't have Watch Dogs which would have increased our overall top line and gross margin level. So that's really one impact.

Regarding the sales that we did up to now on Splinter Cell, I think that we are close to about 2 million units and regarding Rayman we are right around 1 million units, more or less.

And for next year, as we said, we will communicate about our lineup in due time.

Jean-Christophe Liaubet - *Exane BNP Paribas - Analyst*

Okay, so maybe a fourth question as you were not able to answer my third one; regarding your guidance for Q3, what are your assumptions regarding the units sold of Assassin's Creed IV?

Alain Martinez - *Ubisoft Entertainment - CFO*

What we said is that for the whole year, we are planning to have Assassin's Creed to be over the 10 million threshold, so we confirm and that's all we can say today.

Jean-Christophe Liaubet - *Exane BNP Paribas - Analyst*

Okay, thank you.

Alain Martinez - *Ubisoft Entertainment - CFO*

But clearly another thing, what Yves has mentioned is that we will have a strong Q4 which is a reflection of two things; one we will have a release of South Park, so this is bringing more sales in Q4. And second, we will have a stronger part of our sales coming from the new-gen games that will be shifting to Q4 versus Q3. This is why we do expect Q4 to be ahead of last year.

Jean-Christophe Liaubet - *Exane BNP Paribas - Analyst*

And is the month of South Park already release set on it?

Alain Martinez - *Ubisoft Entertainment - CFO*

The release date of South Park?

Jean-Christophe Liaubet - *Exane BNP Paribas - Analyst*

Yes.

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Alain Martinez - *Ubisoft Entertainment - CFO*

I think it's something around beginning of March.

Yves Guillemot - *Ubisoft Entertainment - Chairman and CEO*

It has been announced for the beginning of March.

Jean-Christophe Liaubet - *Exane BNP Paribas - Analyst*

Okay, thank you.

Yves Guillemot - *Ubisoft Entertainment - Chairman and CEO*

And Rayman next gen is coming in February.

Alain Martinez - *Ubisoft Entertainment - CFO*

It is mentioned in that.

Jean-Christophe Liaubet - *Exane BNP Paribas - Analyst*

Yeah, that's it. Thank you.

Operator

Edward Williams, BMO Capital Markets.

San Fun - *BMO Capital Markets - Analyst*

Hi. This is actually [San Fun] in for Ed Williams. Can I just get two updates on two things? One is just following up on Mike's question. Can you give us an update on how preorders have changed since the news first came out a few weeks ago at this point? And then secondly just your OpEx expectations for fiscal 2015.

Alain Martinez - *Ubisoft Entertainment - CFO*

What kind of-- what are you talking about- preorders since the news- what kind of news are you talking about?

San Fun - *BMO Capital Markets - Analyst*

The news with the delay; how preorders-

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Alain Martinez - *Ubisoft Entertainment - CFO*

Of Watch Dogs?

San Fun - *BMO Capital Markets - Analyst*

Yes; Watch Dogs and The Crew?

Yves Guillemot - *Ubisoft Entertainment - Chairman and CEO*

Yes. For Watch Dogs we continue to take, to increase the preorders, so we had a first week where people changed their preorders and changed them for other games, including Assassin. But now what we're seeing is that's ramping up again.

Alain Martinez - *Ubisoft Entertainment - CFO*

And regarding fiscal year 2015, what we communicated is that our financial target was for a minimum of EUR150 million EBIT and this is what we stick to.

San Fun - *BMO Capital Markets - Analyst*

All right, great; thank you.

Operator

Nicolas Dubourg, JPMorgan.

Nicolas Dubourg - *JPMorgan - Analyst*

Good evening, just a few questions to confirm your guidance from current operating income; do you still see it above EUR200 million in 2016? Secondly, do you still see cash R&D spending around EUR500 million in 2014? Thirdly, do you still see yourselves slightly net cash positive by the end of 2014, including the warrants? And finally, can you just give us some more detail on what the cancelled projects were in H1? Thank you.

Alain Martinez - *Ubisoft Entertainment - CFO*

Okay, so on the first two questions, the answer is yes. So yes, we confirm the fiscal year 2016 financial target of EUR200 million. The second question- the R&D at EUR500 million, yes we do confirm again around that figure. Regarding the cash situation; we had announced that we were flat or slightly positive at the end of March. The move of South Park at the end of March versus Q3 like we were expecting, is probably going to increase our accounts receivable and therefore decreasing our cash position by as much, so that's what we see.

And for the-- regarding the cancelled project, we cannot give you details today. But for your information, it's more or less what we did in the first half, is more or less what we did last year for the full year, so we have been kind of accelerating our depreciation and amortization.

Nicolas Dubourg - *JPMorgan - Analyst*

Okay, thank you. Just to confirm; so the net cash on that debt position at the end of the year; so you see yourself now slightly net debt at the end of the year rather than slightly net cash?

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Alain Martinez - *Ubisoft Entertainment - CFO*

It might be the case, but we will see. You know, cash flow is probably the most complicated one to anticipate. But based on what we had, if the South Park is coming in late, that means that we will have more accounts receivable that was initially anticipated.

Nicolas Dubourg - *JPMorgan - Analyst*

Thank you very much.

Operator

(Operator Instructions). John Keller, Arcardia Investment Group.

John Taylor

Hi. I've got a couple of questions. One, so it seems like the current gen games are getting off to a little bit of a slow start. Are you seeing a similar pattern in Europe as we're seeing here and what's your level of confidence that unit sales on the next gen format will be enough to sort of fill in the gap on that? That's the first question.

And then the second one is- I wonder if you could give us a sense of what's going on with Just Dance, given that the dominant format for that game was Wii last year and the last couple of years and of course the Wii is much weaker now. Are you seeing-- Wii U pick that up, is 360 picking up? Where is the-- what's the sort of format experience on the new Just Dance? Thank you.

Yves Guillemot - *Ubisoft Entertainment - Chairman and CEO*

So, in Europe, it's not as important as it is in the US, the decrease. In fact, the UK is close to what is happening in the US. But continental Europe is different. It goes from Russia where it's actually growing, to other territories that are at better-- that are doing better performances than the UK. So overall, it doesn't decrease as fast. It's due to two facts.

The first is that first the PS4 is coming at the end of the month and second, they will have less machines in Europe than they will have in the US. So combined between Sony and Microsoft, the number of machines will be lower in Europe than it is going to be in America.

Alain Martinez - *Ubisoft Entertainment - CFO*

And we also see that in territories where the PS4 will not be there; we're seeing a lesser decline.

And regarding Just Dance, we are indeed anticipating a reduction of our sales which doesn't mean that actually-- I don't know if we mentioned, but we think that our casual sales for the year will end up at around 20% of our total sales which is a bit higher than what we had initially said, but it's also on the lower base- total basis. But that already of course includes a reduction of Just Dance 2014.

Yves Guillemot - *Ubisoft Entertainment - Chairman and CEO*

And now for the future we expect Xbox One that will come with a camera to perform. We will also come with other versions of Just Dance that will be able to work without cameras. So we are working hard to make sure the brand can continue to sell on the Wii, Wii U; but also very much on the Xbox One and there are also possibilities with Sony with the camera when they will also decide to put more cameras with their machines, on top of also expectations that we are working on that are actually progressing very well.

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John Taylor

So is there a short-hand way of saying sort of the decline in Wii for Just Dance is being somewhat made up or mostly made up by some other format? Is there another one that's sort of stepping into that breach or is that hard to say?

Alain Martinez - *Ubisoft Entertainment - CFO*

I think it's hard to say at this date, because we won't release-- we won't have the number, the same number of units for this year. But maybe for the future--

Yves Guillemot - *Ubisoft Entertainment - Chairman and CEO*

And the Xbox One is not launched yet and it has a camera. We still do very good sales on Kinect today on top of the Wii and PS3. So I think the Wii is also still performing very well, even if they are selling less machines, there's a good number of machines installed and so people are using a lot of their machines to play Just Dance also this year. So we don't know for how long they will use that machine just to play the game. We have-- the experience is very strong and progressing regularly. They will find a machine that will give them the opportunity to take advantage of it we think to either keep the one they have or find new ones.

John Taylor

Okay, great. Thank you.

Operator

Thomas Alzuyeta, Kepler Cheuvreux

Thomas Alzuyeta - *Kepler Cheuvreux - Analyst*

Good evening, gentlemen; two questions if I may. First one, I just want to come back on depreciation. Can we have the split between cancelled projects and depreciated game? And then the second question on impairment; can we have more details on the brand that has been [impairmented] in H1, please? Thank you.

Alain Martinez - *Ubisoft Entertainment - CFO*

Sorry, for the two questions, the answer is no. Regarding what we can say is that a large amount of the increase in depreciation is due to the fact that we had bigger games like Splinter Cell so it's most of the increase. And the accelerated depreciation we did or the cancellation of projects that we did is a minor part of this 40, but we cannot detail.

And regarding the brand and the goodwill that took in; I would say that we have not detailed here. Generally it will in our annual report where you will see our total amount of goodwill detailed one by one. So it will be at the end of the year.

Thomas Alzuyeta - *Kepler Cheuvreux - Analyst*

Sorry, but is this a part of-- it's linked to Watch Dogs and The Crew?

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Alain Martinez - *Ubisoft Entertainment - CFO*

Oh, no, no, no. No this really as we said, there was two things. One was a profit and one was a charge. As you know, when we make acquisitions, we book earn out that we anticipate to pay and we set it up as a debt and on the other side we set some goodwill on the side from either brand acquisition or from company acquisition. And what happened is that this semester we looked at our earn outs that potentially were going to be paid, and we decided that some of those earn outs were not going to be paid and therefore we decided that we were going to write down some of those debts which was a profit of about EUR11 million something; and at the same time, we cancelled some of the goodwill that we had booked aside. So that's two different things, but so it works-- it's a non-cash issue (multiple speakers).

Thomas Alzuyeta - *Kepler Cheuvreux - Analyst*

So we can guess that it's mainly on mobile on free-to-play game?

Alain Martinez - *Ubisoft Entertainment - CFO*

Not necessarily; it could be other brands that we feel have no longer as much value.

Thomas Alzuyeta - *Kepler Cheuvreux - Analyst*

And do we have any link to Splinter Cell, especially regarding the last figures on this?

Alain Martinez - *Ubisoft Entertainment - CFO*

No. Splinter Cell is mostly the game; we don't have a Splinter Cell brand. We have a Tom Clancy brand, but we don't have a Splinter Cell brand.

Thomas Alzuyeta - *Kepler Cheuvreux - Analyst*

Okay.

Yves Guillemot - *Ubisoft Entertainment - Chairman and CEO*

So we created that brand.

Alain Martinez - *Ubisoft Entertainment - CFO*

Yes.

Thomas Alzuyeta - *Kepler Cheuvreux - Analyst*

Okay, thank you; perfect.

Operator

Jean-Christophe Liaubet, Exane

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Jean-Christophe Liaubet - *Exane BNP Paribas - Analyst*

Yes. Thank you. Two additional questions; first of all on South Park; what are your expectations in terms of units sold? And regarding catalog sales, it was performing well in H1, you expect a kind of slowdown in H2- why- just the volume of further sales increasing or are there specific reasons?

Alain Martinez - *Ubisoft Entertainment - CFO*

So we have been wrong for two quarters, so we hope to be wrong again for the back catalog. But clearly we are entering the new generation cycle so it sounds reasonable to expect that old gen sales will start to slow down, particularly on the back catalog, so that's why we said that.

And regarding South Park-

Yves Guillemot - *Ubisoft Entertainment - Chairman and CEO*

It's between 1 million and 2 million units.

Jean-Christophe Liaubet - *Exane BNP Paribas - Analyst*

Okay, thank you.

Operator

John Keller

John Taylor

Hi. So the audience numbers for Rayman are looking pretty solid, I'd say. What does this do to your plans to change the cadence of product releases for Rayman; maybe adjust the business model, stuff like that? Can you give us any insight in terms of how your product planning is going to be modified now that you've got this kind of large and regular audience that's being exposed? Thanks.

Alain Martinez - *Ubisoft Entertainment - CFO*

I think you were meaning the Rabbids and not Rayman. Sometimes there is confusion.

John Taylor

Sorry; you're right.

Alain Martinez - *Ubisoft Entertainment - CFO*

It's the TV show is the Rabbids--

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Yves Guillemot - *Ubisoft Entertainment - Chairman and CEO*

Yes, what we have already a certain number of products that are underway using the brand and for sure we were expecting to see the results of the TV show to see how fast we would accelerate those investments on the brand and the results are really pushing us to go further with good products for-- not for--one for next year, but the biggest one for the following year.

Alain Martinez - *Ubisoft Entertainment - CFO*

And by the way, we launched a game on tablets and smart phone on the Rabbids in the last weeks.

John Taylor

Okay, great. Thanks.

Operator

(Operator Instructions) . We have no further questions tonight.

Yves Guillemot - *Ubisoft Entertainment - Chairman and CEO*

Okay, so thank you very much for listening to this conference call and have a good evening or good afternoon. Thank you. Bye-bye.

Operator

Ladies and gentlemen, thank you for your attendance. This call is being concluded. You may now disconnect.

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