



2012 Annual Results

Full-year sales reach €208.3M, up 27%

Operating income of €14.9M, up 2%

Net profit of €9.3M, down 49%

Record net cash of €55.6M, up 50%

Launch of a share buy-back program
Partnership deal with Disney Interactive

Paris (France), April 15, 2013 - Gameloft's consolidated profit and loss statement for the year ending December 31, 2012, breaks down as follows:

(M€)	2012	2011
Sales	208.3	164.4
Cost of sales	- 32.6	- 19.4
Gross margin	175.8	145.0
R&D	- 103.1	- 78.0
Selling and marketing	- 35.5	- 30.0
Administration	- 17.2	- 14.5
Other operating income and expenses	0.5	- 0.4
Current operating income	20.4	22.0
Stock-based compensation	- 4.0	-2.1
Other income and expenses	- 1.6	- 5.3
Operating income	14.9	14.5
Financial income	- 0.5	- 1.1
Net income before tax	14.3	13.4
Tax expense	- 5.0	4.8
Net income	9.3	18.2
Net income per basic share	0.12	0.24
Net income per diluted share	0.11	0.23

In 2012, Gameloft's consolidated sales reached €208.3 million, up by 27% year on year. North America represented 31% of 2012 sales; EMEA, 27%; APAC, 22%; and LATAM, 20%. On a constant exchange rate basis, the full-year growth was 25% in 2012 compared with 19% in 2011. Gameloft's sales are

driven by the massive success of its games on smartphones and tablets for which the installed base is increasing rapidly. The company's 2012 smartphone and tablet game sales grew by 90% year on year. They represented 51% of total Group sales compared with only 34% a year earlier.

Costs of sales have increased significantly in 2012 due to the considerable success of Gameloft's licensed games such as *Ice Age Village*, *The Dark Knight Rises™*, *MY LITTLE PONY*, *LITTEST PETCHOP* and *The Amazing Spider-Man™*. This explains the decrease of the gross margin to 84% in 2012 from 88% in 2011.

Gameloft hired close to 800 employees in 2012 in order to complete the full transition of the company towards the "free-to-play" model and to lay the groundwork for future growth. The solid growth in sales and efficient cost control in the company's three departments - R&D, Selling and Marketing and Administration - have allowed Gameloft to limit the impact of its massive hiring plan. The 2012 current operating income stood at €20.4 million, down 7%, and the operating income reached €14.9 million, up 2%.

R&D costs represented 49% of 2012 sales; Selling and Marketing, 17%; and Administration 8%. In 2011 those ratios amounted respectively to 47%, 18% and 9%. R&D costs have therefore increased in 2012 as a percentage of sales while Selling and Marketing and Administration costs decreased as a percentage of sales during the same period.

It is however absolutely key to underline the negative impact on 2012 accounts of two non-cash items that render the immediate comparison of 2012 and 2011 operating income numbers difficult:

- In the course of 2011, Gameloft reassigned its entire console and PC game development staff (whose costs are capitalized on the balance sheet) to the development of smartphone games (whose costs are expensed in the P&L). The net amount of R&D capitalized on the balance sheet rather than expensed in the P&L therefore decreased by €6.5 million between 2011 and 2012. On a like-for-like basis, excluding capitalized R&D, the current operating income increased by 26% in 2012.

- Starting in 2012, compensation costs related to bonus shares awarded to employees are expensed over two years rather than four years. This explains the significant increase in 2012 of the stock-based compensation to €4.0 million from €2.1 million in 2011. It is important to highlight that stock-based compensation costs do not impact negatively the company's equity and cash level and that the amortization over two years rather than four years will benefit to the 2014-2016 operating income.

Other income and expenses are linked essentially to the restructuring of Gameloft's Chinese development studios. The company has decided to focus its Chinese R&D on high value-added activities and closed down its Shanghai studio as well as its QA and porting departments in Beijing and Cheng Du in 2012. Nearly all of Gameloft's staff in China is now exclusively dedicated to the creation of digital games.

Net financial income amounted to -€0.5 million compared with -€1.1 million in 2011 thanks to the interests earned on cash.

The net income before tax therefore stood at €14.3 million, up 7% year on year.

The net income for 2012 reached €9.3 million, down 49% year on year. The net income for 2011 was, however, positively impacted by the recognition of tax loss carry-forwards in France amounting to €9.6 million. This non-cash item renders a basic comparison of 2012 and 2011 net income figures difficult.

On a like for like basis, excluding recognition of French tax loss carry-forwards and net capitalized R&D, the net income for 2012 was up 13% compared with 2011.

The amount of unrecognized consolidated tax loss carry-forwards at the end of December 2012 was €9.4 million.

Earnings per share and fully diluted earnings per share stand at €0.12 and €0.11 respectively.

Healthy financial position and launch of a share buy-back program

For the fourth year in a row Gameloft has improved significantly its financial position. The company's equity stood at €128.0 million and net cash reached an all-time high of €55.6 million at the end of 2012. Cash generation was strong during the year: Gameloft's operating cash flow before change in working capital stood at €28.3 million, up 28% year on year, and net cash increased by €18.7 million in twelve months. Therefore, the company has the financial resources necessary to continue to grow and increase its market shares around the world.

Given its healthy net cash position and the stock's historically low multiples, the company has decided to launch an ambitious share buy-back program totaling 1.5 million shares at a maximum purchase price of €7.0 per share over a period of eight months starting on April 16, 2013.

Multiple Licensing Deals Announced

Gameloft has secured the worldwide rights to several major new franchises in recent months. These agreements with some of the most prestigious players in the entertainment industry illustrate once again the reputation for quality of our development studios as well as the unparalleled distribution reach put in place by Gameloft around the world. The company is in particular very proud to announce its first ever licensing deal with Disney Interactive

Starting in 2013 the company will launch games based on:

Disney•Pixar's upcoming release of "**Monsters University**" for feature phones

Disney•Pixar's "**Cars**" for feature phones, smartphones and tablets

Universal's upcoming movie "**Despicable Me**" for smartphones and tablets

Marvel's upcoming movie "**Iron Man 3**" for feature phones, smartphones and tablets

The rights to several additional franchises have been secured recently and will be announced in the course of 2013 by the company.

Outlook for 2013 and 2014

After three financial years of significant investments which led to the hiring of close to 2,000 additional employees since the beginning of 2010 and which has allowed the company to complete its full transition towards the "free-to-play" model and to accelerate the growth of its revenues, Gameloft is entering an exciting new phase of its development.

The company now has the means to release between twenty and thirty high-quality games on feature phones, smartphones and tablets. These games are launched in thirteen different languages on 1,500 smartphone models and 300 feature phone models. There is, to our knowledge, no equivalent even remotely close in the industry.

All smartphone and tablet games that are now released by Gameloft are freemium or paymium and heavily social. To this day, 515 million of its freemium and paymium games have been installed on iOS

and Android, and during the last thirty days close to 75 million users have played a Gameloft game. The “free-to-play” model has been applied successfully to feature phones as well by the company. This new offer is allowing Gameloft to target new customers on feature phones around the world.

One of the company’s main objectives for the coming months will be to optimize the monetization of its games which increasingly resemble services rather than simple games. The monetization of Gameloft’s games has improved significantly since its first freemium title was launched in March 2011, but there is still a significant margin for improvement which should allow Gameloft to improve the return on investments of its creations.

In 2012, 700 million smartphones were sold compared with 490 million in 2011¹. Gameloft expects strong smartphone and tablet sales in 2013. The momentum of the smartphone and tablet market should therefore continue to sustain Gameloft’s growth in the upcoming quarters. In particular, the company expects, starting in 2013, a flood of low-end smartphones and tablets priced between €50 and €100 across the world. Games on these low-end smartphones and tablets will be radically different from the games that have been developed until now on smartphones and tablets, and Gameloft will be able to leverage its ten-year experience on feature phones in this new segment and take significant market shares.

Therefore, the company is expecting growth in 2013 in terms of sales, profitability and net cash.

As a reminder, sales for the first quarter of 2013 will be published on May 14, 2013, after the market closes.

About Gameloft:

A leading global publisher of digital and social games, Gameloft® has established itself as one of the top innovators in its field since 2000. Gameloft creates games for all digital platforms, including mobile phones, smartphones and tablets, set-top boxes and connected TVs. Gameloft operates its own established franchises such as Asphalt®, Real Football®, Modern Combat and Order & Chaos®, and also partners with major rights holders including Marvel®, Hasbro®, FOX®, Mattel® and Ferrari®. Gameloft is present on all continents, distributes its games in over 100 countries and employs over 5,000 developers.

Gameloft is listed on NYSE Euronext Paris (NYSE Euronext: GFT.PA, Bloomberg: GFT FP, Reuters: GLFT.PA). Gameloft’s sponsored Level 1 ADR (ticker: GLOFY) is traded OTC in the US.

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¹ Strategy Analytics

P&L (K€)	2012	2011
Revenue	208 315	164 357
Cost of sales	-32 555	-19 377
Gross margin	175 759	144 980
R&D	-103 054	-78 011
Sales and Marketing	-35 522	-30 046
Administration	-17 239	-14 508
Other operating income and expenses	504	-432
Current operating income	20 448	21 982
Stock-based compensation	-3 985	-2 139
Other income and expenses	-1 613	-5 311
Operating income	14 850	14 532
Cost of net financial indebtedness	1 327	377
Exchange rate gains	5 869	5 097
Exchange rate losses	-7 730	-6 618
Net financial income	-534	-1 144
Net income before tax	14 316	13 388
Tax expense	-5 036	4 837
Net profit (group share)	9 280	18 225
Earnings per share	0.12	0.24
Fully diluted earnings per share	0.11	0.23

BALANCE SHEET (K€)	31/12/2012	31/12/2011
ASSETS		
Net intangible fixed assets	10 482	11 856
Net tangible fixed assets	9 098	7 509
Non-current financial assets	2 397	2 211
Assets from deferred tax	17 149	14 863
Total non-current assets	39 126	36 439
Client receivables	59 658	50 609
Other receivables	20 520	13 417
Cash and cash equivalents	55 654	38 034
Total current assets	135 832	102 060
TOTAL	174 958	138 499
LIABILITIES		
Capital	4 091	3 855
Issue premium	85 669	71 625
Reserves	28 937	9 209
Net income	9 280	18 225
Shareholder equity	127 977	102 914
Non-current liabilities	4 400	3 086
Current liabilities	42 582	32 499
TOTAL	174 958	138 499

CASH FLOW STATEMENT (€K)	2012	2011
Net income	9 280	18 225
Amortization and provisions	16 390	18 597
Stock-based compensation	3 985	2 139
Capitalized R&D	-1 368	-7 934
Asset sales	347	154
Deferred tax	-294	-9 066
Self-financing capacity	28 340	22 115
Change in trade receivables	-17 380	-12 400
Change in operating liabilities	8 559	6 533
Change in working capital	-8 822	-5 867
Operating cash flow	19 518	16 248
Investment-related cash flow		
License acquisitions	-5 536	-3 695
Acquisitions of intangible fixed assets	-812	-813
Acquisitions of tangible fixed assets	-6 097	-5 190
Acquisition of other fixed financial assets	-546	-810
Repayment of loans and other financial assets	353	912
Asset sales	60	49
Total cash flows linked to investments	-12 578	-9 547
Free cash flow	6 940	6 701
Cash flows from financing activities		
Capital increase related to stock options and bonus shares	13 179	4 274
Other financing flows	0	6
Total cash flows from financing activities	13 179	4 280
Effect of exchange rate changes	-1 461	834
Change in cash	18 658	11 815
Net cash at the beginning of the year	36 948	25 133
Net cash at the end of the year	55 606	36 948