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Atari Second Half and Full Year 2009/2010 consolidated results

- **Second half fiscal year 2009/2010 current operating loss of -€2.1 million, representing a €39.9 million improvement as compared to the second half of the last fiscal year; net revenue decreases €34.7 million due to fewer but more profitable releases;**

- **Second half fiscal year 2009/2010 net income of €3.8 million as compared to a net loss of -€171.3 million in the second half of the last fiscal year;**

- **FY 2009/2010 Current operating loss of -€22.0 million, representing a €46.9 million improvement as compared to the last fiscal year; net revenue decreases €20.7 million due to fewer but more profitable releases;**

- **The Group completed a successful rights issuance, raising €43 million, netting ~ €30 million of cash, after the conversion of a portion of existing debt to equity.**

Lyon – France, May 25, 2010 – Atari announces its consolidated second half and full fiscal year 2009/2010 (ended March 31, 2010) results. Atari's Board of Directors, on May 20, 2010, has approved these consolidated results.

Commenting on these results, Jeff Lapin stated: "*I am pleased with the improvement in the Company's results during the second half of the year as compared to the previous semester and last year. Market conditions continue to change rapidly, and we are constantly adapting by continuing to build our on-line focused strategy. Our brands are well suited for extension into the fast growing on-line gaming sector. I am proud of the team we have assembled, and we will continue to focus on achieving profitability.*"

KEY FINANCIAL DATA

in €m - IFRS 5	Actual - Full Year				Actual - Second Half			
	2009/2010	**2008/2009 restated**	**Change in €m**		**2009/2010**	**2008/2009 restated**	**Change in €m**	
Revenues, net	115.7	136.4	(20.7)		47.2	81.9	(34.7)	
Current operating income / (loss)	(22.0)	(68.9)	46.9		(2.1)	(42.0)	39.9	
Net income (loss)	(19.4)	(221.9)	202.5	(1)	3.8	(171.3)	175.1	(1)

(1) Prior fiscal year financial statements have been restated for the correction of income tax expense (€4.2 million)

SECOND SEMESTER FY 2009/2010 RESULTS

Revenue analysis

For the second semester of fiscal 2009/2010, consolidated revenues amounted to €47.2 million, down 42% from the previous year. Foreign exchange impact was -€3.9 million. The decrease was primarily due to lower publishing revenue in fiscal year 2009/2010, partially offset by increased online and licensing revenue. During this period, Atari focused on selling fewer but more profitable games. Sales were driven by Atari's major releases over the period (*Star Trek Online and Backyard Football 2010)* and subscription revenue from *Star Trek Online* and *Champions Online*. The prior year included the major releases *The Chronicles of Riddick: Assault on Dark Athena, Backyard Football 2009, Alone in the Dark, and Dragon Ball Z.*

Online revenue, comprised primarily of subscription and digital distribution revenue, was €10.8 million – an increase of €9.2 million over the prior year. This increase was primarily due to subscription and digital distribution revenue from Star Trek Online and Champions Online MMO games. Online revenues were 23% of total net revenue as compared to 2% in the second half of the prior fiscal year.

Retail and other revenues, comprised primarily of sales to retail stores, decreased by €39.3 million to €36.4 million as compared to the prior year semester due to fewer titles released and price pressure in a weak economic environment. Retail and other revenues were 77% of total net revenue as compared to 98% in the second half of the prior fiscal year.

Net income analysis

Current operating loss for the second half of FY 2009/2010 was -€2.1 million, in line with the guidance (slightly negative current operating loss for the period) released earlier in the year. This was an improvement of €39.9 million over the current operating loss of -€42.0 million in the second half of the prior year. This improvement compared to the same period last year can mainly be explained by:

- Higher margin revenue due to better performing retail titles and a larger percentage of higher margin online revenue in the current semester,
- Lower research and development costs primarily due to significant intangible impairments in the prior year semester,
- Sharp reduction of general & administrative expense from cost savings initiatives,
- Lower share based non cash incentive expense.

Net income for the second half of FY 2009/2010 was €3.8 million, an improvement of €175.1 million over the net loss of -€171.3 million in the second half of the prior year. This improvement is primarily due to:

- Current operating loss improvement of €39.9 million,
- €40.3 million goodwill impairment from the restructuring of the publishing unit in the fiscal year 2008/2009,
- €79.1 million loss from discontinued operations from the sale of the European distribution unit in the prior year.

FULL YEAR 2009/2010 RESULTS

Revenue analysis

For fiscal year 2009/2010, consolidated revenues were €115.7 million, down 15% as compared to fiscal year 2008/2009. Foreign exchange impact was minimal. The decrease was primarily due to lower publishing revenue in FY 2009/2010, partially offset by increased online and licensing revenue. For FY2009/2010, Atari focused on selling fewer but more profitable games. Sales were driven by Atari's major releases over the period (*Ghostbusters: The Video Game, Backyard Football 2010, Champions Online and Star Trek Online).*

Online revenue, comprised primarily of subscription and digital distribution revenue, was €12.5 million – an increase of €9.9 million over the prior year. This increase was primarily due to subscription and digital distribution revenue from the launch of the Star Trek Online and Champions Online MMO games. Online revenues were 11% of total net sales as compared to 2% in the prior fiscal year.

Retail and other revenues, comprised primarily of sales to retail stores, decreased by €30.6 million to €103.2 million, due to a lower number of titles and price pressure in a weak economic environment. Retail and other revenues were 89% of total net revenue as compared to 98% in the prior fiscal year.

Net income analysis

Current operating loss for the fiscal year 2009/2010 was -€22.0 million, an improvement of €46.9 million over the current operating loss of -€68.9 million in the prior year. This improvement compared to the previous year can mainly be explained by:

- Higher margin revenue due to better performing retail titles and a larger percentage of higher margin online revenue in the current year,
- Lower research and development costs primarily due to significant intangible impairments in the prior year,

- Reduction of general & administrative expense from cost savings initiatives,
- Lower share based non cash incentive expenses.

Net loss for the fiscal year 2009/2010 was -€19.4 million, an improvement of €202.5 million from the net loss of -€221.9 million in the prior year. This improvement is primarily due to:

- Current operating loss improvement of €46.9 million,
- €40.3 million goodwill impairment from the restructuring of the publishing unit in the fiscal year 2008/2009,
- €90.8 million loss from discontinued operations from the sale of the European distribution unit in the fiscal year 2008/2009.

Cash and Debt

As of March 31, 2010, **cash and cash equivalents** amounted to €10.3 million, versus €5.9 million at the end of March 31, 2009. This improvement is mainly explained by cash generated by operations and €30 million net proceeds received from the equity raise in January 2010. The Group repaid a substantial portion of its credit facility debt with the proceeds of the equity raise. At March 31, 2010, the Group had €44 million available from its credit facility with BlueBay.

Net cash flow from operations for fiscal year 2009/2010 improved to €30.3 million, an improvement of €84.0 million over fiscal year 2008/2009 primarily from the improved use of working capital.

As of March 31, 2010, net debt amounted to €9.2 million, compared to €56.4 million as of March 31, 2009.

OUTLOOK FOR 2010/2011

The Group expects to report considerable improvement in current operating income (loss) in each of the semesters in fiscal year 2010/2011 as compared to the equivalent periods in fiscal year 2009/2010.

Below is an indicative timeline of projected and already announced releases for later this fiscal year and 2011:

- *Test Drive Unlimited 2* for Xbox 360, PlayStation3 and PC is expected for Fall 2010,
- *Backyard Sports: Sandlot Sluggers* will be released in May 2010 and the next installment of *Backyard Football* is expected to release for Holiday 2010,
- A series of retail, XBLA, PSN and PC download releases based upon Atari's classic video game brands in the second half of the year,
- *The Witcher 2: Assassins of Kings*, planned to be released for PC in Spring 2011,
- Numerous casual and social online game releases based upon Atari's classic video game brands in the fiscal year.

SIGNIFICANT ACTIONS IMPLEMENTED DURING FY 2009/2010

Significant actions have been undertaken during fiscal year 2009/2010 to strengthen the implementation of Atari's strategy:

- Changes in the management team, including Jeff Lapin being appointed CEO of the Group, In addition at the beginning of FY 2010/2011 two new members joined the board of Directors: Atari's co-founder Nolan Bushnell and online entrepreneur Tom Virden;
- A change of the Company name to Atari, to capitalize on the global recognition of the Atari brand;
- Additional cost cutting measures to reduce administrative expenses and needs for working capital, primarily through the sale of the Group's entire interest in Namco Bandai Partners in Europe and a more efficient organization of Group offices worldwide;
- The successful financial transaction launched in December 2009 and finalized in January 2010, raising €43 million to strengthen shareholder equity. The Group received €30 million of net cash and converted €13 million of its existing debt to equity.

Atari financial announcement calendar:
- 1st quarter 2010/2011 revenues will be released on or about July 26th, 2010

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Forward looking statements:
This press release contains forward-looking statements with respect to the financial condition, results of operations, business, strategy and plans of Atari. Although Atari believes that such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside Atari's control, and notably some risks described in the 2008/2009 Document de référence of the group filed by Atari with the Autorité des marchés financiers (French securities regulator) under number D.09-0600 and which is also available in English on Atari's corporate web site (http://corporate.atari.com) and the Supplement of the Document de reference also filed with the Autorité des marchés financiers under number D.09-0600-A01. The present forward-looking statements are made as of the date of the present press release and Atari disclaims any intention or obligation to provide, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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About Atari:

Atari group is a global creator, producer and publisher of interactive entertainment for interactive game platforms that include PC, online, consoles from Microsoft, Nintendo and Sony and advanced smart phones (i.e. iPhone). Divisions of Atari, S.A. include Cryptic Studios, Eden Studios, Atari Interactive, Inc. and Atari, Inc.

Atari benefits from its global brand and an extensive catalogue of popular games based on classic owned game franchises (Asteroids, Centipede, Missile Command, Lunar Lander), original owned franchises (Test Drive, Backyard Sports, Deer Hunter), MMO games from Cryptic Studios (Star Trek Online, Champions Online) and third party franchises (Ghostbusters, Project Runway, Dungeons and Dragons).

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Preliminary note to the appendix

Notes to the readers:

- 2008/2009 and 2009/2010 figures are under IFRS and have been restated where applicable under IFRS 5.

- The net income of Namco Bandai Partners business, disposed as of July 7, 2009, is reported on the line "discontinued operations" as of April 1, 2007. 2008/2009 and 2009/2010 Group sales and current operating income exclude Namco Bandai Partners business.

APPENDIX I

Segment details

(as restated by IFRS 5)

Breakdown of revenues by quarter

in € million	Actual 2009/2010	Actual 2008/2009
1st Quarter (April - June)	54,5	41,9
2nd Quarter (July - Sept.)	14,0	12,6
3rd Quarter (Oct. - Dec.)	24,0	39,1
4th Quarter (Jan. - March)	23,2	42,8
TOTAL	**115,7**	**136,4**

Fourth quarter 2009/2010 revenues

Fourth quarter revenues amounted to €23.2 million compared to €42.8 million for the comparable period last year, representing an approximately 46% decrease, mainly resulting from a lower number of releases over the period.

Breakdown of revenues by segment

IFRS 8.2 defines an operating segment as a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

The Group has adopted the provisions of IFRS 8.2 and will present segment information in accordance with how the Group's chief operating decision maker reviews financial operations. The Group has focused its future operations on the expansion of its online businesses and will report its segments as online, retail and other. In addition, management believes that geographic and platform revenue analyses are not relevant to the operations of its business. Therefore, the Group has discontinued the past practice of disclosing these analyses.

in €m	FY 2009/2010	*% revenues*	FY 2008/2009	*% revenues*	Change in €m	Change in %
Revenue	**115,7**	***100,0%***	**136,4**	***100,0%***	**-20,7**	**-15,2%**
Online	*12,5*	*10,8%*	*2,6*	*1,9%*	*9,9*	*380,8%*
Retail and other	*103,2*	*89,2%*	*133,8*	*98,1%*	*-30,6*	*-22,9%*

APPENDIX II

Atari Statement of Income

(as restated by IFRS 5)

in €m - IFRS 5	Actual - Full Year 2009/2010	Actual - Full Year 2008/2009 restated		Actual - First Half 2009/2010	Actual - First Half 2008/2009	Actual - Second Half 2009/2010	Actual - Second Half 2008/2009 restated	
Revenues, net	115,7	136,4		68,5	54,5	47,2	81,9	
Cost of Goods Sold	(58,1)	(87,9)		(32,7)	(25,5)	(25,4)	(62,4)	
Gross Margin	**57,6**	**48,5**		**35,8**	**29,0**	**21,8**	**19,5**	
% margin	*50%*	*36%*		*52%*	*53%*	*46%*	*24%*	
Research & development expenses	(48,9)	(67,0)		(35,9)	(29,7)	(13,0)	(37,3)	
Marketing & selling expenses	(17,0)	(19,0)		(10,1)	(9,0)	(6,9)	(10,0)	
General & administrative expenses	(15,3)	(25,0)		(7,5)	(12,5)	(7,8)	(12,5)	
Share based non cash incentive	1,6	(6,4)		(2,2)	(4,7)	3,8	(1,7)	
Current Operating Income (loss)	**(22,0)**	**(68,9)**		**(19,9)**	**(26,9)**	**(2,1)**	**(42,0)**	
Restructuring expenses	(2,6)	(13,9)		(2,0)	(6,8)	(0,6)	(7,1)	
Impairment of Goodwill	-	(40,3)		-	-	-	(40,3)	
Other	(0,1)	(0,1)		-	-	(0,1)	(0,1)	
Operating Income (loss)	**(24,7)**	**(123,2)**		**(21,9)**	**(33,7)**	**(2,8)**	**(89,5)**	
Cost of debt	(4,4)	(7,7)		(4,8)	(2,8)	0,4	(4,9)	
Other financial income (expenses)	(0,4)	(4,1)		(2,3)	(3,0)	1,9	(1,1)	
Income tax	2,6	3,1	(1)	0,1	(0,1)	2,5	3,2	(1)
Profit (loss) from continued operations	**(26,9)**	**(131,9)**	(1)	**(28,9)**	**(39,6)**	**2,0**	**(92,3)**	(1)
Profit (loss) from discontinued operations	3,7	(90,8)		1,9	(11,7)	1,8	(79,1)	
Consolidated Net Income (loss)	**(23,2)**	**(222,7)**	(1)	**(27,0)**	**(51,3)**	**3,8**	**(171,4)**	(1)
Minority Interests	3,8	0,8		3,8	0,7	-	0,1	
Net income (loss)	**(19,4)**	**(221,9)**	(1)	**(23,2)**	**(50,6)**	**3,8**	**(171,3)**	(1)

(1) Prior fiscal year financial statements have been restated for the correction of income tax expense (€4.2 million)

Actual net income to Adjusted net income reconciliation (in million of euros)

Atari considers Adjusted net income, a non-IFRS/GAAP measure, as a relevant indicator of the Group's operating and financial performance. Atari's Management uses Adjusted net income, because it provides a better illustration of the performance from continuing operations, especially for the second half of FY 08/09 (which is the most relevant comparative period accounting for most of the cost related to the transformation) by excluding most non-recurring and non-operating items related to costs of transformation.

Adjusted net income/loss should be considered in addition to, and not as a substitute for, other IFRS/GAAP measures.

	FY 2009/2010	FY 2008/2009 restated	
Actual net loss	**(19,4)**	**(221,9)**	(1)
<u>Adjustments</u>			
Write offs related to transition	-	30,9	
Restructuring expenses	2,6	13,9	
Profit (loss) from discontinued operations	(3,7)	90,8	
Impairment of Goodwill	-	40,3	
Minority interest related to NBP	(3,8)	-	
Adjusted net loss	**(24,3)**	**(46,0)**	(1)

(1) Prior fiscal year financial statements have been restated for the correction of income tax expense (€4.2 million)

APPENDIX III

Balance Sheets

in €m	Atari March 31, 2010	Atari March 31, 2009 restated		Change over the period
Goodwill	24.5	34.9		(10.4)
Intangible assets	31.3	44.6		(13.3)
Tangible assets	4.0	4.9		(0.9)
Other non current assets	3.2	3.5		(0.3)
Non current assets	**63.0**	**87.9**		**(24.9)**
Inventories	2.4	3.0		(0.6)
Trade receivable	9.8	19.1		(9.3)
Other current assets	6.2	8.7		(2.5)
Cash and cash equivalents	10.3	5.9		4.4
Current assets classified as held for sale	-	85.3		(85.3)
Current assets	**28.7**	**122.0**		**(93.3)**
Total Assets	**91.7**	**209.9**		**(118.2)**
Shareholders' equity attributable to the Group	**1.8**	**(13.3)**	(1)	**15.1**
Minority interest	0.1	(8.8)		8.9
Total shareholders' equity	**1.9**	**(22.1)**		**24.0**
Provision, non-current	-	0.2		(0.2)
Borrowings, non-current	10.9	11.2		(0.3)
Other non-current liabilities	18.5	22.7	(1)	(4.2)
Non current liabilities	**29.4**	**34.1**		**(4.7)**
Provision, current	7.7	8.0		(0.3)
Borrowings, current	8.6	51.1		(42.5)
Trade payables	28.1	49.2		(21.1)
Other current liabilities	16.0	21.8		(5.8)
Liabilities classified as held for sale	-	67.8		(67.8)
Current liabilities	**60.4**	**197.9**		**(137.5)**
Total equity and liabilities	**91.7**	**209.9**		**(118.2)**

(1) Prior fiscal year financial statements have been restated for the correction of income tax expense (€4.2 million)

APPENDIX IV

Cash Flow Statements

in €m	FY 09/10	FY 08/09 restated		H2 09/10	H2 08/09 restated	
Consolidated net income (loss)	**(23.2)**	**(222.7)**	(1)	**3.8**	**(171.4)**	(1)
Discountinued operations	(3.7)	90.8		(1.8)	78.1	
Non-cash expenses and revenues	32.9	102.6		4.4	70.7	
Cost of debt	4.4	7.7		(0.4)	5.0	
Taxes (deferred and payable)	(2.5)	(3.1)	(1)	(2.4)	(3.2)	(1)
Cash Flow before net cost of debt servicing and taxes	**7.9**	**(24.7)**		**3.6**	**(20.8)**	
Income taxes paid	0.6	-		0.6	-	
Change in working capital	21.8	(29.0)		(5.1)	2.4	
Net cash flow from (used for) operations - continuing operations	**30.3**	**(53.7)**		**(0.9)**	**(18.4)**	
Net cash flow from (used for) operations- discontinued operations	**(32.5)**	**(22.1)**		**-**	**(23.9)**	
Disbursements for purchases of non-current asset	(24.2)	(47.8)		(11.7)	(32.1)	
Proceeds from disposals of non-current assets	2.0	0.1		0.3	0.1	
Changes in scope	-	(30.9)		-	(30.9)	
Net cash flow from (used for) investing - continuing operations	**(22.2)**	**(78.6)**		**(11.4)**	**(62.9)**	
Net cash flow from (used for) investing- discontinued operations	**22.0**	**22.6**		**-**	**22.6**	
Net funds raised by						
Equity	-	-		-	(0.1)	
ORANE issuance	30.5	38.6		30.5	38.6	
Increase of financial debt	27.2	51.1		7.6	50.7	
Net funds disbursed for						
Net interest and fee expenses	(4.4)	(4.9)		(3.6)	(3.8)	
Debt payment	(57.2)	(17.6)		(30.2)	(14.8)	
Net cash flow from (used for) financing - continuing operations	**(3.9)**	**67.2**		**4.3**	**70.6**	
Net cash flow from (used for) financing- discontinued operations	**(5.3)**	**2.4**		**-**	**2.0**	
Effect of exchange rate	0.8	-		0.9	(0.9)	
Change in net cash	**(10.8)**	**(62.2)**		**(7.1)**	**(10.9)**	

(1) Prior fiscal year financial statements have been restated for the correction of income tax expense (€4.2 million).