

**ANNUAL FINANCIAL
REPORT/REGISTRATION
DOCUMENT**

Fiscal year 2008-2009

ATARI (formerly Infogrames Entertainment)





A French *société anonyme* (joint stock company) with share capital of
€12,975,860

Registered office: 1, place Verrazzano, 69252 Lyon Cedex 09 – France
Lyon Trade and Companies Registry number 341 699 106

ANNUAL FINANCIAL REPORT REGISTRATION DOCUMENT



This Registration Document (*document de référence*) was filed with the AMF (French securities regulator) on July 31, 2009, in accordance with Article 212-13 of the AMF's General Regulations. It may only be used for the purpose of a financial transaction if it is accompanied by an information memorandum (*note d'opération*) approved by the AMF.

Pursuant to Article 28 of European Regulation 809/2004, the following information is incorporated by reference in this Registration Document:

- The consolidated financial statements and the corresponding Statutory Auditor's report for the fiscal year ended March 31, 2008, as included on pages 69 to 131 in the French Registration Document filed on August 1, 2008 under no. D 08-0577.
- The consolidated financial statements and the corresponding Statutory Auditor's report for the fiscal year ended March 31, 2007, as included on pages 66 to 130 in the French Registration Document filed on July 31, 2007 under no. D 07-0784.

CONSOLIDATED FINANCIAL STATEMENTS FISCAL YEAR ENDED MARCH 31, 2009

Note to the reader: The English language version of this report is a free translation from the original, which was prepared in French and is available on the company's corporate website (<http://corporate.atari.com>). In the event of any inconsistencies between the original language version of the document in French and this English translation, the French version will take precedence.

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Introductory note to the reader

The 2007-2008 and 2008-2009 financial data were based on IFRS and were restated where applicable in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. The net income (loss) from Namco Bandai Partners SAS (“Namco Bandai Partners”, formerly Distribution Partners), which was in the process of sale as of March 31, 2009, is reported on the line “Profit (loss) from discontinued operations” as from April 1, 2007. Group revenue and current operating income for fiscal year 2007-2008 and 2008-2009 exclude the Namco Bandai Partners business. Atari’s management uses an adjusted net income (loss) measure because it provides a better illustration of the performance from current operations, particularly for fiscal year 2008-2009, which was a year of transformation, by excluding most non-recurring and non-operating items related to costs of transformation. Atari considers the adjusted net income (loss), a non-IFRS/GAAP financial measure, as a relevant indicator of the Group’s operating and financial performance. Atari’s adjusted net income (loss) should be considered in addition to, and not as a substitute for, other IFRS/GAAP financial measures.

The Company also wishes to draw the reader’s attention to the fact that, in May 2009, the Company’s Board of Directors decided to implement the Company’s corporate name change from Infogrames Entertainment to Atari, in accordance with the decision taken by the Shareholders’ Meeting of September 25, 2008. To facilitate the reading of the document, the Company will be referred to herein as “Atari” or “the Group” or “the Company”.

GENERAL INFORMATION

CORPORATE PROFILE

Atari (“the Company” or “the Group”) is listed on the Euronext Paris market, compartment C (ISIN code: FR0010478248, ticker: ATA).

The Atari Group’s main subsidiaries are Atari Inc., Cryptic Studios Inc. and Eden Games (see the Group organization chart on page 17). Its assets include the Atari brand, the Atari catalog of franchises and intellectual property, the assets of Cryptic Studios Inc., Eden Studio and the newly-created London studio. The Group is a producer and publisher of interactive entertainment software for all market segments and all interactive game platforms including consoles from Microsoft, Nintendo and Sony, smartphones, personal computers, web and online. Atari also distributes video games in North America through its US subsidiary Atari Inc. and directly to consumers via www.atari.com.

Atari has an extensive catalog of popular games based on original franchises (Test Drive, Alone in the Dark, V-Rally, My Horse & Me, the Backyard Sports franchise, Total Annihilation, Outcast etc.), Cryptic Studios Inc. titles (Star Trek Online, Champions Online), publishing properties (Ghostbusters, The Chronicles of Riddick, The Witcher, Race Pro etc.), international licenses (Dungeons & Dragons, Jamie Oliver, etc.) and classic games covering the entire history of the video game industry (Pong, Missile Command, Asteroids, etc.).

Fiscal year 2008-2009 was a year of transformation: from a publishing and distribution company to a company focusing on publishing and online operations – particularly through Cryptic Studios Inc. – and US publishing and licensing businesses. As part of this transformation, in May 2009 the Company changed its corporate name from Infogrames Entertainment to Atari. In doing so, it was able to make the best use of the Atari brand by capitalizing on strong worldwide brand recognition and customer loyalty – key drivers to implementing the Company’s online, product and licensing strategies.

Significant action was taken in fiscal year 2008-2009 towards strengthening Atari’s online platform, including:

- The acquisition of Cryptic Studios, a leading MMO (massively multiplayer online) game creator, developer and operator, which owns state-of-the-art games and technology expected to boost Atari’s online business growth;
- The divestiture of distribution operations to accelerate the shift towards online game content, in two steps. First, in February 2009, the completion of the sale to Namco Bandai Games Europe of 34% of the Company’s stake in Namco Bandai Partners as well as the signing of a definitive agreement establishing a strategic retail distribution partnership in Europe, Australia, New Zealand and Africa, with exclusive distribution rights for video games produced by the Namco Bandai group and Atari and, second, in March 2009, Atari Europe’s exercise of its put option to sell its remaining 66% stake in Namco Bandai Partners to Namco Bandai Games Europe – which was finalized in early July (for more details, see Notes 1 and 22 to the consolidated financial statements);
- The finalization of the “Atari Transformation” cost reduction program to restructure the Group’s worldwide operations and the acquisition of the Atari Inc. shares that were not yet held by the Company.

Atari’s strategic plan is designed to create a leading 21st century online gaming company and to transform the publishing business. This transformation entails focusing on profitable online games, particularly from owned franchises including original driving franchises, MMOs and Atari classic games covering the entire history of the video game industry. The Company also announced plans to cut costs to better support its strategy.

FINANCIAL HIGHLIGHTS

For the year ended March 31, 2009, the Company’s total revenue grew by 51.1% to €136.4 million.

The following table presents the Group’s main financial figures prepared in accordance with IFRS 5, where applicable⁽¹⁾:

| (€ millions) | March 31, 2009 | March 31, 2008 | March 31, 2007 ⁽²⁾ |
|--|----------------|----------------|-------------------------------|
| Revenue | 136.4 | 90.3 | 305.3 |
| Current operating loss | (68.9) | (53.4) | (39.3) |
| Atari's adjusted current operating loss ⁽³⁾ | (38.0) | (53.4) | N/A* |
| Operating loss | (123.2) | (52.5) | (61.8) |
| Atari's adjusted operating loss ⁽³⁾ | (38.0) | (53.4) | N/A* |
| Loss from continuing operations | (136.1) | (65.6) | (103.7) |
| Profit (loss) from discontinued operations | (90.8) | 3.1 | (8.8) |
| Net loss | (226.9) | (51.1) | (103.1) |
| Atari's adjusted net income (loss) ⁽³⁾ | (50.1) | (55.1) | N/A* |
| Total assets | 209.9 | 303.8 | 313.6 |
| Shareholders' equity | (17.5) | 153.4 | 65.3 |
| Net cash/net debt ⁽⁴⁾ | (56.4) | 48.7 | (40.5) |
| Cash and cash equivalents ⁽⁴⁾ | 5.9 | 83.4 | 46.6 |
| Number of employees ⁽⁵⁾ | 387 | 288 | 604 |

- (1) The 2007-2008 and 2008-2009 financial data were based on IFRS and were restated where applicable in accordance with IFRS 5. The net income (loss) from the Namco Bandai Partners business, which was in the process of sale as of March 31, 2009, is reported on the line "Profit (loss) from discontinued operations" as from April 1, 2007. Group revenue and current operating income for fiscal year 2007-2008 and 2008-2009 exclude the Namco Bandai Partners business.
- (2) 2006-2007 figures are provided for information only and do not take into account the application of IFRS 5. Namco Bandai Partners is therefore consolidated as of that date.
- (3) Atari considers Atari's adjusted net income (loss), a non-IFRS/GAAP financial measure, as a relevant indicator of the Company's operating and financial performance. Atari's management uses Atari's adjusted net income (loss) because it provides a better illustration of the performance from continuing operations, especially for fiscal year 2008-2009, which was a year of transformation, by excluding most non-recurring and non-operating items related to costs of transformation. Atari's adjusted net income (loss) should be considered in addition to, and not as a substitute for, other IFRS/GAAP financial measures. Please see "Information on management and the financial statements" on page 24 of this document for reconciliation of reported net income and the adjusted net income.
- (4) The figure for fiscal year 2008-2009 excludes cash generated by the completion of the Namco Bandai Partners sale. If the Namco Bandai Partners sale had been completed as of March 31, 2009 for approximately €36.3 million in cash, Atari's adjusted cash balance as of March 31, 2009 would have been €42.2 million and net debt €20.1 million.
- (5) Number of employees for continued operations. The total number of employees for continued and discontinued operations amounted to 679 as of March 31, 2009 and 555 as of March 31, 2008.

*N/A: not applicable.

MAIN FIGURES BY SEGMENT

US distribution revenue nearly doubled while revenue from publishing operations in Europe was stable compared to the previous year. This good performance was achieved despite the challenging economic environment – in particular during the holiday season – and its impact on discretionary consumer spending.

For fiscal year 2008-2009, the main figures by business were as follows:

| (€ millions) | Publishing operations in Europe | US distribution | Other | Total |
|---|---------------------------------|-----------------|--------|---------------|
| Revenue | 42.2 | 93.9 | 0.3 | 136.4 |
| Gross margin | 11.2 | 37.0 | 0.3 | 48.5 |
| Current operating income (loss) | (52.8) | 2.3 | (18.4) | (68.9) |
| Atari's adjusted current operating income (loss) ⁽¹⁾ | (21.9) | 2.3 | (18.4) | (38.0) |

- (1) Atari considers Atari's adjusted current operating income, a non-IFRS/GAAP financial measure, as a relevant indicator of the Group's operating and financial performance. Atari's management uses Atari adjusted current operating income because it provides a better illustration of the performance from continuing operations, especially for fiscal year 2008-2009, which was a year of transformation, by excluding most non-recurring and non-operating items related to the costs of transformation.

The main figures by geographic region were as follows:

| (€ millions) | United States | Europe | Asia* | Corporate | Eliminations | Total |
|---------------------------------|---------------|--------|-------|-----------|--------------|----------------|
| 2008-2009 | | | | | | |
| Revenue | 100.9 | 52.3 | 0.1 | 6.0 | (22.9) | 136.4 |
| Current operating loss | (43.2) | (11.2) | (0.6) | (13.9) | - | (68.9) |
| Operating loss | (46.5) | (16.9) | (0.7) | (59.1) | - | (123.2) |
| 2007-2008 | | | | | | |
| Revenue | 56.9 | 57.5 | 1.0 | 8.7 | (33.8) | 90.3 |
| Current operating income (loss) | (44.7) | 0.8 | (0.8) | (8.7) | - | (53.4) |
| Operating income (loss) | (49.9) | 0.3 | (0.8) | (2.1) | - | (52.5) |
| 2006-2007** | | | | | | |
| Revenue | 105.0 | 210.5 | 26.8 | 11.8 | (48.8) | 305.3 |
| Current operating income (loss) | (46.2) | 10.6 | (0.1) | (3.6) | - | (39.3) |
| Operating income (loss) | (64.0) | 9.3 | (0.1) | (7.0) | - | (61.8) |

* Australia is included in the Asian region.

** The 2006-2007 financial data are provided for information only and do not take into account the application of IFRS 5; Namco Bandai Partners is therefore not reported on the line "Profit (loss) from discontinued operations".

BREAKDOWN OF REVENUE BY PLATFORM

Atari develops and publish its titles on all current platforms, such as Sony's PlayStation 3, PSP and PlayStation 2, Microsoft's Xbox 360, Nintendo's DS, Wii and GameBoy Advance as well as PC.

For fiscal year 2008-2009, the breakdown of revenue by platform was as follows:

| | March 31, 2009 | March 31, 2008 | March 31, 2007 |
|---------------|----------------|----------------|----------------|
| Playstation 2 | 8% | 8% | 37% |
| PC | 22% | 35% | 22% |
| PSP | 2% | 6% | 10% |
| Xbox 360 | 26% | 1% | 10% |
| Nintendo DS | 15% | 32% | 10% |
| Wii | 15% | 18% | 5% |
| Playstation 3 | 12% | 0% | 1% |
| Other | - | - | 5% |

STRATEGY

The major development in fiscal year 2008-2009 was the strategic turnaround as well as the accelerated implementation of the online strategy to focus Atari on future growth areas, specifically online gaming.

During this period the video game market was impacted by three major trends:

- The fastest growing segment is online gaming which generates higher margins than traditional gaming.
- Casual gaming is growing, through online, but also with a "Nintendo Wii effect" reflecting the emergence of a new gaming demographic (such as women and seniors).
- The challenging economic environment has negatively impacted most of the companies in the industry that sell through retail.

In response to these three key trends, Atari decided to accelerate the implementation of its strategic plan, which is designed to create a leading twenty-first century online gaming company by transforming its publishing business. This transformation focuses on profitable online games and owned franchises including original driving franchises, MMOs and classic Atari games covering the entire history of the video game industry. The Company also announced plans to reduce costs to better support the Company's strategy.

The Group's strategy is based on four key priorities:

- 1- Developing and growing online publishing.
- 2- Reorganizing traditional publishing operations.
- 3- Continuing to optimize operations.
- 4- Setting up partnerships to ensure the Company's development.

1. DEVELOPING AND GROWING ONLINE PUBLISHING

Online gaming is the industry's fastest growing segment. The online business model consists in creating compelling online content that builds active communities with enough value to justify:

- a monthly subscription fee;
- micropayments.

This business model will generate recurring revenue with higher margins than business models based on traditional publishing and distribution operations.

The development of online gaming is built around four main pillars:

- **A high-performance online platform:** the acquisition of Cryptic Studios Inc. provides Atari with high-performance, multi-game server-side technology architecture that can be used to develop a range of titles. When combined with a sophisticated customer service infrastructure, it offers very high productivity-per-employee and industry-leading client/server performance and should enable MMO games to be created at reasonable cost in 18- to 24-month cycles.
- **Web-based meta services:** Atari has extensive game experience with a full suite of services leveraged across all its games, such as management of offerings and catalog, user-generated content services, community, forum and contest management, specific game services, etc.
- **A web portal for attracting, retaining and monetizing consumers:** Atari benefits from a unique asset: the Atari brand and global ownership of the www.atari.com URL. This portal is a key driver to develop traffic, with the availability of new Atari games as well as Atari classics spanning the entire history of video games (Pong, Missile Command, Asteroids, etc.).
- **An extended catalog of popular Atari games, based on:**
 - Original franchises (Test Drive, Alone in the Dark, V-Rally, My Horse & Me, the franchises Backyard Sports, Total Annihilation, Outcast, etc.);
 - Cryptic Studios Inc. titles (Star Trek Online, Champions Online);
 - Publishing properties (The Chronicles of Riddick, The Witcher, Race Pro etc);
 - International licenses (Dungeons & Dragons, Jamie Oliver, etc.).

The acquisition of **Cryptic Studios Inc.**, a leading MMO studio, which provides state-of-the-art games and technology, is a key asset to develop this online strategy. Currently, Cryptic Studios Inc. is developing two major games: Champions Online, to be released on PC in September 2009, and Star Trek Online, to be released in spring 2010.

2. REORGANIZING TRADITIONAL PUBLISHING OPERATIONS

The newly implemented reorganization plan seeks to maximize non-online intellectual property revenue through monetization of licenses and development of co-publishing deals.

The first steps of this action plan have already been implemented by the Company. For example, in May 2009, Atari announced its worldwide launch plan for Ghostbusters: The Video Game, including an exclusive deal with Sony Computer Entertainment Europe for Europe and the PAL regions for the launch of the game on the PS3 and PS2 platforms.

In addition, during fiscal year 2008-2009 and at the beginning of fiscal year 2009-2010, the Company decided, in connection with the development of its intellectual property catalog, not to renew certain licenses which do not fit the new publishing strategy, such as Dragon Ball in the United States or Asterix.

3. CONTINUING TO OPTIMIZE OPERATIONS

Transition towards the online segment will be coupled with a centralized, streamlined operating policy to offset potentially protracted weakness in consumer demand and develop online operations. This reorganization plan aims at creating long-term value and better aligning Company revenue and expenses by reducing overhead expenses as well as working capital requirements through:

- The sale of the Company's entire interest in Namco Bandai Partners, which was completed in early July 2009;
- Sharp reductions in overhead expenses driven primarily by further staff reductions and reorganization, mainly at the corporate and publishing level;
- Streamlining of the Group's offices worldwide.

4. SETTING UP PARTNERSHIPS TO ENSURE THE COMPANY'S DEVELOPMENT

The Company is constantly exploring opportunities to develop commercial or equity partnerships in order to derive maximum benefit from its broad portfolio of intellectual properties, its brand and all of its assets.

HISTORY

1983-2003

The Company is created in 1983 and begins trading shares on the *Second Marché* of the Paris Bourse in 1993. In 1996 it moves to the *Premier Marché* and embarks on a major acquisition program with:

- The creation of subsidiaries in Europe;
- The acquisition of publishers and studios (such as the acquisition of GT Interactive Software Corp. in 1999 which becomes Infogrames Inc. then in 2003 Atari Inc. and which has the Driver, Unreal, Unreal Tournament and Deer Hunter franchises; the acquisition of Hasbro Interactive in 2001 which brings with it the Atari brand; and the acquisition of Eden Studio SA in 2002);
- The development of its portfolio of licenses, through agreements signed with Hasbro, the acquisition of Dragon Ball Z publishing rights in the United States, agreements signed with Bioware for worldwide publishing rights to NetWinter Nights (based on the Dungeons & Dragons license) and with C-2 Pictures and Intermedia for exclusive worldwide rights to Terminator 3.

2003-2007

The Group initiates restructuring through:

- A public exchange offer for OCEANE 2004 and 2005 convertible/exchangeable bonds, resulting in a restructuring of some €200 million in convertible bond debt;
- Distribution of warrants to shareholders, raising €39 million in new equity;
- Implementation of an asset disposal program resulting in the sale of Games.com, Timeshift, Driver, Stuntman and others.

In addition, in 2005 the Group enters into a new agreement with Hasbro Inc., covering the sell-back of digital rights to all Hasbro properties for USD 65 million.

2007

Implementation and completion, on March 16, 2007, of the overall debt restructuring plan under which €165 million in debt is refinanced. The plan includes an equity issue of €74 million (proceeds are used to redeem all 2006-2008 notes); an issue of 265.3 million stock warrants, (of which 217.9 million are distributed to the BlueBay Value Recovery Fund and the Sark Fund); and a public exchange offer for the 2003-2009 OCEANE bonds.

BlueBay Value Recovery Master Fund Limited and GLG together hold 29% of the Company's shares, until the expiration of the agreement between them. When that agreement expires (April 20, 2007), BlueBay Value Recovery Master Fund Limited becomes the Group's principal shareholder, with 19.3% of its capital stock; GLG ranks second, with 9.7% of the shares outstanding.

On April 4, 2007, Patrick Leleu is appointed the Company's Chairman and Chief Executive Officer, replacing founding Chairman Bruno Bonnell.

2008

In January 2008, the Company issues €150 million in ORANE bonds and regains the ability to finance the Group's expansion strategy.

Reverse stock split (March 4, 2008) through the exchange of 1 new share with a par value of €1 for each 100 existing shares with a par value of 0.01.

The Board of Directors puts together a new management team, with the appointment of David Gardner as Chief Executive Officer, Phil Harrison as Chief Operating Officer and Michel Combes as non-executive Chairman. Fabrice Hamaide is appointed Chief Financial Officer for the Group.

In April 2008, the Company announces the restructuring of its US subsidiary and purchases in cash all Atari Inc. shares it does not already own, making Atari Inc. a wholly-owned subsidiary. The transaction is completed in October 2008.

In 2008, the Company takes action in numerous areas to implement its strategy, in particular:

- In September 2008, the signing of a strategic partnership between the Company's subsidiary Atari Europe and Namco Bandai Games Europe, under which Namco Bandai Games Europe acquires a 34% stake in the new entity, Namco Bandai Partners (the transaction is completed in February 2009). Namco Bandai Partners is created in December 2008 and brings together Atari's distribution operations in Europe, Asia, Australia, Africa

and New Zealand. Patrick Staar is appointed Chairman of the Board of Directors and Jackie Fromion, Chief Operating Officer of Namco Bandai Partners;

- Acquisition in December 2008 of Cryptic Studios Inc., a leading MMO game creator, developer and operator;
- Creation of an online development studio based in London and directed by Paulina Bozek.

2009

In January 2009, the Company issues bonds convertible into new or existing shares with warrants attached (ORANE-BSA) with a nominal value of €40.5 million principally in order to finance the acquisition of Cryptic Studios Inc. BlueBay entities subscribe for 84% of the issue. As part of this transaction, the Company launches a simplified public exchange offering on the bonds convertible into new or existing shares issued on January 4, 2008 (ORANE 2008) and the warrants issued by the Company on September 22, 2006 and January 24, 2007 (2007 warrants).

In March 2009, the Company accelerates its transformation into a content-led online game company through Atari Europe's sale of its remaining 66% stake in Namco Bandai Partners to Namco Bandai Games Europe, by exercising its put option. The transaction is completed in early July 2009.

In March 2009, Frank E. Dangeard is appointed non-executive Chairman of the Board of Directors, replacing Michel Combes who remains a member of the Board.

In April 2009, the Company implements a liquidity agreement designed to improve share liquidity and reduce excessive long-term volatility.

In May 2009, the Board decides to implement the Company's corporate name change from Infogrames Entertainment to Atari. The change was decided by the Shareholders' Meeting of September 25, 2008. This decision will enable the Company to make the best use of the Atari brand by capitalizing on strong worldwide brand recognition and customer loyalty – key drivers to implementing the Company's online, product and licensing strategies.

In May 2009, Jeff Lapin joins the Atari Group as Chief Operating Officer. In parallel, Phil Harrison gives up his operational responsibilities to devote his energies to his role as a Group director.

In early July 2009, Atari completes the sale to Namco Bandai Games Europe of Atari Europe's remaining 66% stake in Namco Bandai Partners for a cash consideration of approximately €36.3 million.

THE MARKET FOR INTERACTIVE ENTERTAINMENT SOFTWARE

The interactive entertainment software industry primarily comprises software for dedicated game consoles or platforms (such as PlayStation 2, PlayStation 3, Xbox 360 and Wii), handhelds (such as Game Boy Advance, Nintendo DS and DSi and Sony PSP) and PCs. Publishers of video game software include console manufacturers, which publish games for their own consoles, or "first-party publishers", and third-party publishers, such as Atari, whose primary role is to develop, publish and distribute video game software for existing platforms. Additionally, the use of wireless devices (such as mobile phones and personal digital assistants) as a gaming platform, known as "mobile gaming", is growing rapidly. According to International Development Group (IDG), an independent company specializing in the analysis of statistical data in the fields of technology, media, etc., aggregate sales of PC, console and handheld games (excluding wireless) in North America, Europe and Japan totaled USD 26.9 billion in 2008, representing a 17% increase when compared to 2007.

THE CONSOLE AND HANDHELD MARKET

Console platforms have made significant technological advances since the introduction of the first generation of modern consoles by Nintendo in 1985. Hardware manufacturers have historically introduced a new and more technologically advanced gaming console platform every four to five years. So-called portable consoles have also evolved since they first came out, although the cycles have generally been longer (10 years for the portable GameBoy and 6 years for the GameBoy Advance, versus 4 to 5 years for fixed consoles). With each new cycle, the customer base for video game software has expanded as gaming enthusiasts mature and advances in video game hardware and software technology engage new participants, generating greater numbers of console units purchased than in the prior cycle. The beginning of each cycle is largely dominated by hardware (console) sales as consumers upgrade to the next-generation technology.

Sony was the first manufacturer to introduce the last generation of console hardware with the introduction of the Playstation 2 platform in 2000. Nintendo introduced its GameCube and Game Boy Advance a year later. That generation also saw the entry of Microsoft into the industry with the introduction of the Xbox console.

At the end of 2005, Microsoft initiated a new generation of console hardware (often referred to as "nextgen") when it introduced Xbox 360 on a market dominated by Sony's Playstation 2 (released in 2000). Nintendo's Wii was released in December 2006 and Sony's PS3 at the end of 2006. These "next-generation" systems represent a significant advance in gaming technology, with the potential to reach broader audiences. While Microsoft and Sony add power and online features to their hardware to create an ever more realistic and advanced gaming experience (as well as entertainment

video capabilities with the new HD laser disc), Nintendo has experimented with new playing techniques by replacing the classic gamepad with a remote control and motion sensor.

In addition to the advantages of these technological innovations, there has been greater competition for shelf space and creative talent as well as increased buyer selectivity. As a result, the video game industry has become increasingly hit-driven, which has led to higher per-game production budgets, longer, more expensive development processes that are more difficult to amortize, and generally shorter product life cycles. The importance of the timely release of hit titles, as well as the increased scope and complexity of the projects have increased the need for disciplined product development processes that control cost and production schedules. This in turn has increased the importance of leveraging the technologies, characters and storylines of existing hit titles into additional video game software franchises in order to spread development costs among multiple products.

Innovation also continues in the handheld market with manufacturers offering more sophisticated units, such as Sony's PSP and Nintendo DS and DSi, which offer multiple features and capabilities in addition to game play functionality and wireless connectivity.

PERSONAL COMPUTERS

Advances in personal computer technology occur in a more linear manner than advances in console and handheld technology. Advances in microprocessors, graphics chips, hard-drive capacity, operating systems and memory capacity have greatly enhanced the ability of the PC to serve as a video game platform. These technological advances have enabled developers to introduce video games for PCs with enhanced game play technology and superior graphics. The PC market has typically not been marked by technological cycles and, coupled with the fact that publishers are not required to pay hardware royalties and high manufacturing costs for PC products, this is an attractive market for video game publishers.

Although retailers have been allocating diminished shelf space to PC products, this trend may be offset by demand for Massively Multiplayer Online Games, or MMO. Additionally, advances in high-speed connectivity have increased the casual online gaming community. Bringing with it dramatically lower development costs, casual gaming is a new market which will gain in importance in the future.

ONLINE

Online gaming is comprised of several types of games, from casual gaming to hardcore gaming. The two main types of online games are:

- MMO games, which are high-quality games where many gamers interact with each other. Their content is regularly updated by development teams.
- Casual games, which are simple to use and can be played quickly and free of charge on web browsers. They include games with traditional contents as well as free games and games that can be tested before buying the full version.

The online segment is the industry's fastest growing segment. On top of online games on PC, more and more customers connect to the web via consoles. Internet is a good way to offer customers new weekly services and contents.

Three main types of online gaming revenue are:

- Subscriptions, on a monthly or quarterly basis;
- Micropayment systems, where gamers who already own a paying or free game are offered additional content. The most common type of content consists of specific new functions or access to additional zones or levels;
- Income generated by online advertising.

Video game business is increasingly becoming a service that gamers can access whenever they wish and where contents are available through online services.

CASUAL GAMES

Developed for a mass audience, casual games are non-violent, quick and easy to play. At between two and ten minutes a game on average, they take less time to play than standard video games. Less than 100MB in size and made for all media, casual games have become a highly popular Internet feature.

Casual games on PC

The growth of casual gaming is evident today in the PC sector. In 2008, the main casual games portal generated more than USD 100 million in revenue (source: PC Gaming Alliance). Casual games, most of which are simple, fun and entertaining, can be downloaded from many websites, including Yahoo! Games, King.com, Big Fish, Real Networks, MSN, Pogo, Miniclip, Hasbro Hotel, Club Penguin, etc. They generate revenue from advertising, micropayments, subscriptions and other fees on the Internet.

Companies such as PlayFirst and PopCap have developed successful franchises such as Diner Dash and Bejeweled, that attract traditionally non-gamer demographics, such as adult women. In addition, in 2008, social gaming grew on community platforms such as Facebook.

Casual games on consoles

The gamer demographic on consoles has changed in recent years. The traditional targets of publishers and distributors were males between 18 and 34-years old and pre- and early-teen male gamers. However, with the development of Nintendo DS and Wii, gamer demographics have moved towards new populations such as women and over 34-year old gamers, implying less hardcore and more family-oriented casual games.

According to International Development Group (IDG), in 2009, casual gaming companies that have traditionally focused on PCs will try to develop on the console market. Casual games are currently considered primarily as PC or smartphone games, but with the increased popularity of Wii, consoles are increasingly attractive for online gaming companies.

BUSINESS

The Group publishes, produces and distributes interactive entertainment software for the leading interactive systems on the market.

PUBLISHING, PRODUCTION, DEVELOPMENT AND MONETIZATION OF LICENSES

Publishing requires analyzing and segmenting markets, identifying consumer expectations and assembling a product catalog consistent with demand, and then marketing products accordingly.

Atari's production and development operations are mainly focused around online games. In addition, Atari's publishing business strategy seeks to maximize non-online intellectual property revenue through monetization of licenses and development of co-publishing deals.

Within the publishing division, production and development involve combining all factors needed to develop interactive software content, including setting a game's future performance standards, technical development, the coordination of human resources and quality control, production schedules and financial management. Interactive games start with an original idea provided by the Group or a third-party studio, and require a variety of artistic contributions (script writing, graphics, musical composition, photo realism, etc.) as well as the development of various software technologies.

The Group's technical and creative expertise enables it to exploit existing licenses as well as to create new franchises. To this end, the Group works on a regular basis with leading entertainment and interactive software firms.

As of March 31, 2009, the Group's production resources were divided between:

- Cryptic Studios Inc., an online studio based in Los Gatos, California. Founded in 2000, Cryptic Studios Inc. pioneered the super hero MMO with the success of two PC MMOG titles (City of Heroes and City of Villains, sold to NCSoft) that generated more than USD 100 million in lifetime revenue and won up to 180,000 subscribers. Cryptic Studios Inc. is currently developing two games: Champions Online and Star Trek Online, which are expected to be launched in September 2009 and spring 2010, respectively. In addition, Cryptic Studios Inc. is working on the development of a series of new games based on Atari's existing and historically successful intellectual properties.
- An in-house development studio: Eden Games (Lyon, France). Eden Games is the original developer of the successful V-Rally franchise, which has sold nearly four million units, and is currently working on the development of a major Group title: Test Drive Unlimited for Xbox 360 and PC.
- An online development studio based in London and created in 2008.
- Independent partner studios, which in 2009 mainly included:
 - Q Entertainment (Qubed);
 - Tigon Studios (The Chronicles of Riddick: Assault on Dark Athena);
 - Starbreeze Studios (The Chronicles of Riddick: Assault on Dark Athena).

US DISTRIBUTION

Distribution consists in selling and delivering products published by the Group or by third parties, and providing technical support for them, through distribution entities in various countries with a dedicated sales force and expertise in logistics.

Atari distributes games in the US via its US subsidiary Atari Inc. and online, through its web portal www.atari.com. For retail distribution, the Group's distribution network makes it possible for it to supply virtually all national retailers directly and to do business with the major retail chains.

The Group usually applies its own terms and conditions of sale. In certain countries where it does not have a distribution operation, its products are sold through licensing agreements.

FRANCHISES AND LICENSES

The Group's strategy consists in publishing and distributing products for all mass-market interactive systems (game consoles, PCs, online), based on its own original franchises or prestigious licenses, but also optimally monetizing these licenses.

Games are developed based on themes or characters owned by or licensed to the Group. In most instances, the Group is the owner of the product software. Intellectual properties that become highly popular are considered "franchises" with a built-in value that can be used for various purposes. As of March 31, 2008, the Group's development and publishing operations had enabled it to acquire a full portfolio of exclusive brands and well-known intellectual properties such as V-Rally, Backyard, Alone in the Dark, Test Drive, The Chronicles of Riddick and Champions Online. The Group also develops and publishes software under key theme licenses, such as Star Trek, NeverWinter Nights, and Dungeons & Dragons.

Depending on the agreement reached, license fees paid to copyright owners may be stated as a fixed amount or a percentage of sales. Most licensors require that royalties be paid in advance, in installments spread over the entire life of an agreement and subject to guaranteed minimums. Advances are generally deducted from the total consideration payable, so that the licensee can be in a position to earn the equivalent of advances paid before having to pay additional consideration. This is standard practice in the industry.

The acquisition of such licenses provides the Group with an edge in terms of product development and marketing:

- During the product development stage, licenses give access to valuable, preexisting content without the need for prior research.
- From a marketing standpoint, the popularity of existing themes or characters helps sell games. Consumer recognition thus reduces the risk that a game will fail. Furthermore, products benefit from all advertising and promotion conducted on behalf of those characters or themes outside the video game sector.

In order to develop games that are compatible with Nintendo, Microsoft or Sony consoles, the Group enters into agreements with those manufacturers, covering such issues as:

- The right to use the manufacturer's technology.
- Prior approval of the game's editorial content.
- Approval of the game's final version before production gets underway.
- Financial and technical terms and conditions governing the duplication of games by the manufacturer.

These contracts are master agreements covering a specific type of console. They are generally entered into for terms of three to five years and are automatically renewable.

Licenses on content and technology entail compliance with certain ethical, graphic and technical standards. A product's release is contingent on prior approval by the copyright holder or the hardware manufacturer.

MATERIAL CONTRACTS

The principal agreements entered into by the Group over the past two years concern the use of intellectual property and hardware (consoles). In brief, they consist of the following:

ONLINE AGREEMENT

On December 8, 2008, the Company signed a Stock Purchase and Transfer Agreement subject to US law relating to the acquisition of Cryptic Studios Inc. ("Cryptic"). Cryptic is a California-based publisher of Massively Multiplayer Online ("MMO") games.

Under the Stock Purchase and Transfer Agreement the existing shareholders of Cryptic transferred all their Cryptic shares to Atari and cancelled all stock options related to Cryptic shares.

As consideration, Atari has undertaken to pay a maximum amount estimated at USD 75.1 million (approximately €59.1 million), based on the Reference Price of Atari share. This amount breaks down as follows:

- A purchase price, payable in cash of USD 27.6 million (approximately €21.6 million), of which USD 26.5 million payable on completion of the transaction and USD 1.1 million payable on March 1, 2011.
- A potential earn-out payment representing a maximum estimated amount of USD 27.5 million (approximately €21.6 million), determined based on the achievement of targets for online revenue generated by the Champions Online and Star Trek Online video games. This earn-out payment will be made either in cash or in cash and newly-issued Atari common stock, based on a contractually pre-defined number of shares which will depend on the level of revenue targets reached (there is no settlement option). The earn-out is partly payable in October 2010 (in cash only) and partly in March 2011 (in cash and newly-issued Atari common stock).
- A bonus representing a maximum amount of USD 20 million (approximately €15.7 million), if online revenue generated by the Champions Online and Star Trek Online video games exceeds the targets set by Cryptic. The bonus is payable in cash or in newly-issued Atari shares at Atari's option. In the event of a share-based payment the number of shares will be contingent on Atari's share price.

The Stock Purchase and Transfer Agreement includes the customary warranties as well as specific non-commitment warranties for (i) the three shareholders selling their Cryptic shares and (ii) the Chief Executive Officer of Cryptic, who all hold stock options.

Based on the Company's most recent estimates as of March 31, 2009, the initial cash payment and the entire earn-out (representing €35.1 million) was recognized in the Group's accounts, before taking into account transaction costs.

In order to finance the purchase of Cryptic and meet Cryptic's working capital requirements, on December 3, 2008 Atari's Board of Directors authorized a €30 million shareholder loan granted to Atari by BlueBay bearing annual interest of 15%. This loan was repaid by the Company on January 13 and January 23, 2009, and fees totaling 3% of the amount of the loan (i.e. €900,000) were paid to BlueBay.

For further information see Note 23 to the 2008-2009 consolidated financial statements.

INTRA-GROUP DISTRIBUTION AGREEMENT

This agreement sets forth the terms and conditions for the distribution by Group subsidiaries of products published by the Group or third parties. Among other provisions, Atari Inc. and Atari Europe SAS have granted each other reciprocal exclusive distribution rights to the games they publish in their respective regions.

In September 2008, Atari Europe and Namco Bandai Games Europe SAS (Namco Bandai) signed a letter of intent to set up a strategic distribution partnership. The transaction was completed in February 2009, with Namco Bandai acquiring a 34% interest in Namco Bandai Partners, an Atari Europe subsidiary that houses Atari's distribution operations for Europe, Asia, Africa, the Middle East and South America. Atari Europe held the remaining 66% stake in Namco Bandai Partners. The agreement also gave Namco Bandai Partners exclusive retail distribution rights for video games produced by Namco Bandai in Europe, Australia, New Zealand and Africa as well as by Atari in these same regions plus Asia and South America.

In March 2009, Atari Europe announced that in accordance with the terms of the strategic partnership agreement entered into with Namco Bandai, it intended to exercise its option to sell its 66% interest in Namco Bandai Partners to Namco Bandai. For the purpose of exercising this option, the enterprise value of Namco Bandai Partners was set at €60 million with the transaction to be carried out on a cash-free, debt-free basis, as provided for in the partnership agreement.

In addition, for a period of five years from the transaction's completion date (early July 2009), Namco Bandai Partners has exclusive retail distribution rights for video games produced by Atari in Europe, Asia (excluding Japan), Africa, the Middle East, Central and South America, Australia and New Zealand.

As Atari Europe exercised its put option prior to March 31, 2009, income and expenses relating to Namco Bandai Partners have been recorded on separate lines in the income statement for the years ended March 31, 2009 and March 31, 2008, under "Profit (loss) from discontinued operations".

For further information see Notes 1 and 22 to the 2008-2009 consolidated financial statements.

HASBRO LICENSING AGREEMENT

Previously, the Company had entered into various agreements with Hasbro to which it sold most of its historical rights in June 2005. On July 18, 2007, the Company signed its latest agreement with Hasbro, pertaining to:

- The extension until 2017 of the rights to the Dungeons & Dragons theme, under an exclusive license for all interactive formats, including online and wireless. The agreement covers all existing and future products based on that theme, which include NeverWinter Nights and Baldur's Gate;
- The repurchase by Hasbro of online and wireless rights attached to various licenses (Monopoly, Scrabble, Risk, Game of Life, Clue, Yahtzee, Battleship, Boggle and Simon), for €14.1 million (USD 19.3 million). This transaction had only a negligible impact on revenue for fiscal year 2007-2008.

BANDAI NAMCO DISTRIBUTION AGREEMENTS

The Namco Bandai Group is one of Atari's main business partners.

In Europe and Asia (in the PAL regions) the distribution operations were sold to Namco Bandai Games Europe, as part of the sale of Namco Bandai Partners. Consequently, this business is no longer significant for the Group in Europe or in Asia (PAL regions).

In North America, Atari Inc. entered into a exclusive agreement with FUNimation Productions on January 11, 2005 for the Dragon Ball license, which also covers Australia, New Zealand and South Africa. Under the four-year agreement, which can be extended for one year, Atari Inc. has the exclusive right to develop, publish and distribute interactive video games based on the Dragon Ball, Dragon Ball Z[®] and Dragon Ball GT[®] cartoon series and characters, for all current game consoles and handheld game systems.

In October 2007, because of a dispute concerning previous royalty payments, Atari Inc. was served a notice by FUNimation Productions terminating two Dragon Ball Z licenses. Following negotiations, the parties agreed that the licenses would continue to run normally until their expiration date.

In May 2009, Atari Inc. entered into an agreement with Namco Bandai under which Namco Bandai would buy the next releases of Dragon Ball Z for USD 1.9 million in cash and cover the royalties paid to FUNimation, as well as the localization and production expenses.

AGREEMENTS WITH CONSOLE MANUFACTURERS

The special relationship between the Group and console manufacturers is governed by agreements entered into by the Company and/or its subsidiaries with Nintendo, Sony Computer Entertainment and Microsoft. The agreements concretely authorize the Company to use these manufacturers' technology for the purpose of manufacturing products compatible with their respective hardware. The agreements include detailed provisions regarding the use of development kits, publishing authorization procedures, royalties payable by the publisher to the manufacturer, the term of the relationship, the territories concerned, manufacturing cost and the related logistics, payment terms and the parties' respective confidentiality obligations.

AGREEMENTS WITH MAJOR RETAILERS AND DISTRIBUTORS

The Group distributes its products through a centralized network made up of a series of major accounts. As of March 31, 2009, no single customer accounted for more than 24% of trade receivables outstanding. Risks stemming from excessive dependency on certain customers are examined in the section of this Registration Document dealing with risks to which the Group is exposed (see "Contractual risks").

CAPITAL PROJECTS

The Group's capital expenditures are primarily for purchasing licenses (to acquire the right to exploit a theme or a trademark on the formats available in interactive entertainment), developing franchises (creation of attractive themes for users of video games) and designing games (specialized software), or purchasing distribution licenses.

The Group may invest through acquisitions (of companies, franchises, games – particularly in the form of "pickups", i.e., games that have already been significantly developed by a studio and require additional development and marketing efforts) or through capitalization of development expenditures.

Additionally, the Group invests in conventional manufacturing capacity as necessary to carry out its activities (premises, equipment, management software, etc.)

CAPITAL PROJECTS – RESEARCH AND DEVELOPMENT

Since April 1, 2005, the Company has been capitalizing its own game development costs incurred after the end of the pre-production stage. The costs are then amortized on a declining balance basis over the six quarters that follow the release of these games.

Spending over the past three fiscal years was as follows:

| (€ millions) | March 31, 2009 | | March 31, 2008 | | Change | | March 31, 2007 (non-IFRS 5) | |
|---|----------------|--------------|----------------|--------------|-------------|--------------|--------------------------------|--------------|
| | | % of revenue | | % of revenue | | % of revenue | | % of revenue |
| Capitalized in-house R&D | 10,9 | 8,0% | 8,0 | 8,9% | 2,9 | 36,3% | 11,5 | 4,0% |
| Capitalized outsourced R&D | 18,4 | 13,5% | 17,1 | 18,9% | 1,3 | 7,6% | 7,4 | 2,5% |
| Other R&D expenditures in the income statement* | 12,7 | 9,3% | 20,2 | 22,4% | -7,5 | -37,1% | 27,5 | 9,5% |
| Total R&D expenditures | 42,0 | 30,8% | 45,3 | 50,2% | -3,3 | -7,3% | 46,4 | 16,0% |

(*) This item includes mainly the operating expenses of studios, pre-production on initiated development, the publishing division's organizational costs and the cost of all projects whose feasibility has not been demonstrated.

Group research and development policy: the Group has developed a spending policy aimed at offering a catalog of games for all platforms. Capital projects in publishing are examined in accordance with a strict procedure, project by project, including with regards to the compatibility between the game's concept, the technical expertise of the development studio, the size and prospects of the installed base of the platform concerned, the targeted consumer segment and an estimated income statement.

Production is handled by the Group's own development studios and by third parties selected on the basis of their technological, content and creative expertise. Risk exposure is reduced by allocating projects among several platforms. For the current technology cycle (XBox 360, Wii, PS3, PSP and Nintendo DS and DSi), the Company has maintained its strategy and plans to continue its policy of allocation among existing platforms.

Principal capital projects completed during the fiscal year ended March 31, 2009: included continued investments by the Group in the development of major titles released during the year or scheduled for release this year including *Legendary*, *Test Drive Unlimited 2*, *Alone in the Dark* on the PS3, *Champions Online*, *Star Trek Online*, *My Horse & Me 2*, *Ready 2 Rumble*, *The Chronicles of Riddick: Assault on Dark Athena*, *Ghostbusters* and *NeverWinter Nights 2*, expansion pack 2. These investments have been financed either with the Company's own cash and/or through the use of credit facilities. In fiscal year 2008-2009, the Group's research and development expenditures amounted to €42.0 million.

In October 2008, Atari purchased the Atari Inc. shares not yet held by the Company. In December 2008 it acquired Cryptic Studios Inc. and on this account it acquired games in development (in particular *Champions Online* and *Star Trek Online*) and a game development engine for a total amount of €14 million. These events are described in Note 1 to the consolidated financial statements. There were no material acquisitions of shareholdings during fiscal years 2006-2007 and 2007-2008.

The Board of Directors' report on the Group's management, section 2.2, contains detailed information regarding research and development expenses for the year.

FUTURE PROSPECTS

Information on this topic is included under "Information on management and the financial statements" in subsection 12 on "Company prospects".

RISK EXPOSURE

In the course of its business, the Group faces risks which could have a material adverse effect on the Company, its business, financial position or income. The main risks identified by the Company are reviewed in section 8 of the Board of Directors' report on the Group's management. This review should not be considered exhaustive as other risks, not yet identified or not considered material by Atari when this report was filed may also have a material adverse effect. Investors should take such risks into consideration before deciding to subscribe for or acquire the Company's shares.

OTHER RISKS

To the best of the Company's knowledge, no specific factors other than those referred to in section 8 of the Board of Directors' report on the Group's management are likely to have a material impact on its business.

MEASURES TAKEN TO PROTECT THE BUSINESS

PROTECTION OF INTELLECTUAL PROPERTY

In order to minimize its exposure to the above risks and to maintain a relationship of trust with its partners, the Group has implemented procedures for formalizing and validating all production and operating steps for individual products, from both a legal and a technical standpoint. An international team of specialized lawyers in Europe and the United States looks after the management, oversight and acquisition of intellectual property by the Group, which also works with leading copyright law firms. Where appropriate, the Group registers its product names and copyrights in as many countries as possible, besides Europe and the United States. In addition, all console manufacturers incorporate protective features in their systems to prevent unlicensed usage.

A pragmatic approach to fighting piracy is used, based on the degree of risk exposure and the countries concerned. In France and elsewhere in Europe, Atari works closely with the anti-piracy unit set up by institutions such as SELL (the French association of entertainment software manufacturers), the Entertainment Leisure Software Publishing Association (ELSPA) and customs authorities.

The Group works with customs authorities in the US in the fight against piracy and with specialized companies to fight against unlawful downloading of its products.

Furthermore, its products incorporate software designed to prevent unlawful duplication.

The Group does not file patents for its games and its business does not depend on a specific patent.

SUPPLY SHORTAGES

The Group seeks to reduce the risk of supply shortages by diversifying its manufacturing sources. In the case of products for PCs (22% of the Group's sales worldwide as of March 31, 2009), the risk is limited due to the large number of manufacturing companies in Europe and the United States and their adaptability. On the other hand, the Group does not have control over the manufacture of products for proprietary platforms, as this is an area in which console

manufacturers have exclusive rights. Its exposure is limited, however, by the fact that manufacturing facilities generally have a dual structure.

INSURANCE

The Group is insured worldwide against property damage, business interruption and civil and professional liability, and insures its intellectual properties. It also purchases liability insurance for its corporate officers and directors. In general, the Group's business does not expose it to any special or unusual risks, with the exception of the possible failure of a supplier or the general recall of a game. Insurance purchased by the Group is complemented by local policies (in particular in North America) that take into consideration the specific nature of the relevant market. The table below shows current coverage provided under the main policies.

| | (€) |
|---|--|
| Property damage/Business interruption | Replacement value up to 19.9 million |
| Business liability | Ceiling of 10 million |
| Of which: Intellectual property liability | Ceiling of 5 million (excluding the United States) Ceiling of 2 million (the United States) |
| Operating liability | Ceiling of 12 million |
| Liability of officers and directors | Ceiling of 20 million |

During the fiscal year ended March 31, 2009, Atari paid a total of €590,000 in insurance premiums on the above policies on its own behalf and on behalf of subsidiaries.

NON-RECURRING EVENTS AND LITIGATION

The main non-recurring events and litigation in fiscal year 2008-2009 were as follows:

- The changes in the Board of Directors and senior management.
- The Group's ongoing restructuring process.
- The signing of a strategic distribution partnership with Namco Bandai Games Europe SAS in September 2008, and the sale to Namco Bandai Games Europe SAS of 34% of its stake in the entity resulting from this partnership, Namco Bandai Partners. In March 2009 the Company exercised its option to sell the remaining 66% stake and the transaction was completed in early July 2009.
- The creation of a new in-house studio in London to develop online games announced in September 2008.
- The acquisition in October 2008 of the Atari Inc. shares not yet held by the Company.
- The acquisition in December 2008 of the development studio Cryptic Studios Inc.
- The issue of bonds redeemable in new or existing shares and subscription warrants in January 2009.
- The public exchange offer finalized in February 2009.

In the ordinary course of business, Group entities may be involved in various court, arbitration, administrative and tax proceedings. The settlement of these proceedings is not expected to have a material impact on the Company's financial statements.

The material legal risks to which the Group is exposed are described in this Registration Document, in the "Legal risks" section of "Information on management and the financial statements".

HUMAN RESOURCES AND PERSONNEL

Over the past three fiscal years, the Group's average headcount was as follows:

- Fiscal year 2006-2007:

Average headcount: 719.

As of March 31, 2007, the Group had an aggregate headcount of 604.

- Fiscal year 2007-2008:

Average headcount: 596.

As of March 31, 2008, the Group had an aggregate headcount of 555.

- Fiscal year 2008-2009:

Average headcount: 595.

As of March 31, 2009, the Group's headcount was 387 for continuing operations and 679 for discontinued operations and continuing operations.

AGREEMENT ON WORKING HOURS

An agreement on the 35-hour working week was signed in July 2000 for French employees, who ratified it in September of that year thereby bringing it into effect in October 2000. The agreement provides employees with 12 days of additional "working hour reduction" paid leave, flextime for non-supervisory and certain supervisors, as well as an agreement on annual time allowances for other executives.

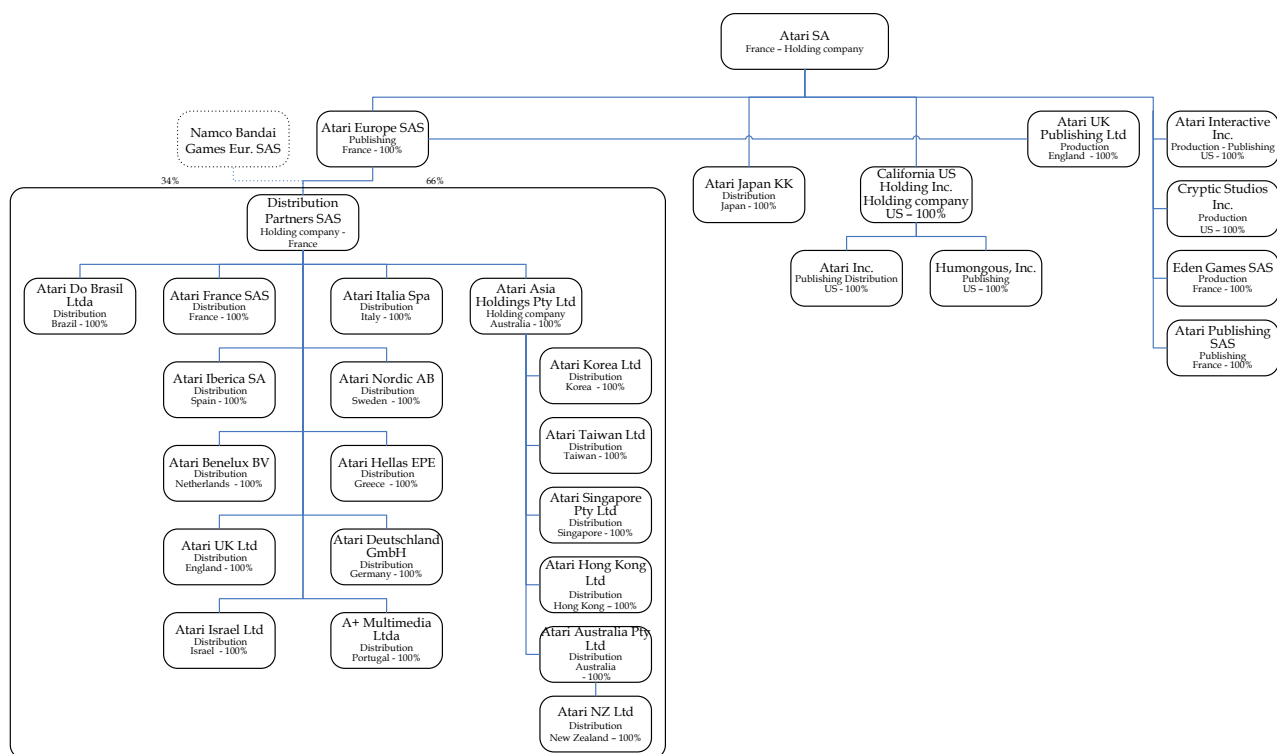
In addition, the agreement provides for the compensation of overtime with time-off.

Other information regarding labor relations at the Group's French entities is provided in section 9 "Information concerning the workforce" of the "Board of Directors' report on the Group's management".

GROUP PREMISES

The Group has been operating in France out of its Vaise rented premises in Lyon since 2001 and is committed to staying there for nine years. Group subsidiaries also lease premises. The lessors of all rented premises are third parties that have no other relationship with the Group or its shareholders.

SIMPLIFIED GROUP ORGANIZATION CHART AS OF MARCH 31, 2009



In its press release dated March 25, 2009, Atari SA announced that, in accordance with the terms and conditions of the strategic partnership entered into with Namco Bandai Games Europe SAS, Atari Europe SAS exercised its option to sell its 66% stake in Distribution Partners SAS. This transaction was completed at the beginning of July 2009 and Namco Bandai Games Europe SAS currently holds 100% of Distribution Partners SAS.



INFORMATION ON MANAGEMENT AND THE FINANCIAL STATEMENTS

Year ended March 31, 2009

BOARD OF DIRECTORS' REPORT ON THE GROUP'S MANAGEMENT

1. ECONOMIC ENVIRONMENT AND HIGHLIGHTS OF THE YEAR

1.1. ECONOMIC ENVIRONMENT

Atari ("the Company" or "the Group") is one of the world's foremost developers and publishers of interactive game software. Most of its revenue is generated by sales in North America and Europe, where the trends observed in 2008 are described below.

Worldwide market (Source: IDG)

According to research conducted by IDG, during 2008, the video game industry as a whole (including hardware and interactive games in North America, western Europe and Japan) grew 18% in value terms from USD 39.5 billion to USD 46.5 billion. Software sales advanced 11.3% in value terms to USD 26.9 billion, and 4.0% in volume to 648.7 million units sold. IDG acknowledges the "Nintendo effect", which has provided a major impetus to market growth.

IDG believes that lower prices for hardware and software, combined with a near-maturity consoles cycle and worldwide recession, are likely to impact revenue generated by the industry and that the industry as a whole is set to retreat by 4% in 2009 compared to 2008.

North America (Source: IDG)

IDG's research suggests that in 2008, software sales for consoles and portable platforms in the United States grew 16% in volume terms and 27% in value compared to 2007. Wii software sales surged 122% in volume terms and 124% in value. PS3 software sales more than doubled, with growth in that market reaching 115% in volume terms and 105% in value.

According to IDG, software revenue should edge up 2% year-on-year to €12.8 billion in 2009.

Europe (Source: IDG)

IDG's research indicates that the European video game market was resilient in 2008, with a 13% rise in volumes and an 11% increase in value compared to the previous year. Wii and PS3 software sales more than doubled in almost every country. In the countries analyzed by IDG, Xbox 360 software sales leapt 54% on average.

According to IDG, software revenue should advance 8% year-on-year to €12 billion in 2009.

Software market (Source: IDG)

According to IDG, software sales volumes broke down as follows in 2008:

| <i>(millions of units sold)</i> | North America - Software | Europe - Software |
|---------------------------------|--------------------------|-------------------|
| PlayStation 2 | 42.5 | 32.2 |
| Xbox 360 | 52.2 | 26.4 |
| Wii | 75.1 | 44.8 |
| Playstation 3 | 30.0 | 27.9 |
| Sony PlayStation Portable (PSP) | 18.8 | 15.3 |
| Nintendo DS/DSi | 63.4 | 56.9 |
| PC (retail sales) | 33.6 | 56.5 |
| Other | 5.5 | 1.6 |
| Total software | 321.1 | 261.6 |

According to IDG, software sales values broke as follows in 2008:

| <i>(USD billions)</i> | North America - Software | Europe - Software |
|---------------------------------|--------------------------|----------------------|
| | 2008 (calendar year) | 2008 (calendar year) |
| PlayStation 2 | 1.3 | 1.1 |
| Xbox 360 | 2.9 | 1.6 |
| Wii | 3.6 | 2.4 |
| Playstation 3 | 1.7 | 1.8 |
| Sony PlayStation Portable (PSP) | 0.5 | 0.5 |
| Nintendo DS/DSi | 1.7 | 2.1 |
| PC (retail sales) | 0.8 | 1.5 |
| Other | 0.1 | 0.1 |
| Total software | 12.6 | 11.1 |

1.2. HIGHLIGHTS OF THE YEAR

Changes to the senior management team and the Board of Directors

During the last two fiscal years, Atari restructured its senior management team with the appointment of David Gardner – a leading figure in the video game industry – as Chief Executive Officer. Phil Harrison also joined the Company as Chief Operating Officer, along with Fabrice Hamaide (Chief Financial Officer), with Mathias Hautefort completing the senior management line-up as Executive Vice-President for worldwide distribution. However, Mathias Hautefort and Phil Harrison gave up their operating positions in the Company in October 2008 and May 2009 respectively and Jeff Lapin joined the Group in May 2009 as Chief Operating Officer. Consequently, Atari's senior management team lined up as follows as of May 30, 2009:

- David Gardner, Chief Executive Officer and member of the Board of Directors
- Jeff Lapin, Chief Operating Officer
- Fabrice Hamaide, Chief Financial Officer
- Jim Wilson, Chief Executive Officer of Atari Inc.
- John Needham, Chief Executive Officer of Cryptic Studios Inc.

The membership structure of the Board of Directors was also changed during the year, with Pascal Cagni appointed as a director to replace Evence-Charles Coppée who resigned. As of the date of his appointment, Pascal Cagni met the independence criteria set down in the Board of Directors' internal rules. In addition, at the Board meeting of March 15, 2009, the Company's directors brought Frank E. Dangeard into the Board of Directors and then appointed him as Chairman, to replace Michel Combes who remains a director. Consequently, as of May 30, 2009, the members of Atari's Board of Directors were as follows:

- Frank E. Dangeard, non-executive Chairman
- Dominique D'Hinnin, Vice-Chairman (independent director)
- Pascal Cagni (independent director)
- Michel Combes (independent director)
- Didier Lamouche (independent director)
- David Gardner, director and Chief Executive Officer
- Gina Germano, director
- Phil Harrison, director
- BlueBay Value Recovery (Master) Fund Limited, represented by Jeff Lapin, Chief Operating Officer

Restructuring of the Group

In 2007, the Group launched a project to restructure its operations with a view to simplifying its worldwide organization, legal form and cost base. The first phase of the plan has been carried out in the United States, with the restructuring of Atari Inc.

Buyout of Atari Inc. minority shareholdings

On April 30, 2008 the Company and Atari Inc. signed an agreement relating to the purchase of Atari Inc. shares not yet owned by the Company. The transaction – which offers new opportunities for expansion in the United States – was completed on October 9, 2008 and resulted in the Company's interest in Atari Inc. being raised from 51.4% to 100%, with Atari Inc. becoming a wholly-owned subsidiary of the Company. Jim Wilson was appointed Chief Executive Officer of Atari Inc. in March 2008.

In accordance with the agreements signed in April 2008, the Company paid USD 1.68 for each outstanding share of Atari Inc. common stock that was not already owned by the Company, representing a total of approximately USD 11 million. This transaction generated a cash payment of €11.8 million including transaction costs and led to a reduction in administrative expenses for the Group, particularly share-listing costs in the United States. It also gives the Group the ability to develop its video game retail distribution activities through new distribution partnerships in the US region, and to strengthen its online distribution business.

For accounting purposes, the transaction represents the acquisition of the minority interests of a Company subsidiary. In accordance with the Group's accounting policies (see Note 2.8. "Goodwill" to the 2008-2009 consolidated financial statements), no additional adjustment has been made to reflect the remeasurement at fair value of the assets and liabilities. The difference between the purchase price and the carrying amount of the assets and liabilities concerned is recognized as goodwill in the amount of €5.8 million, and was allocated to the US Distribution cash-generating unit.

The “Atari Transformation” plan and other cost-saving measures

In June 2008, the Company's senior management team announced the “Atari Transformation” plan aimed at restructuring all global operations. In addition to buying out the minority interests in Atari Inc, the Company has restructured its worldwide operations. As of March 31, 2009, restructuring costs for continuing operations, mainly within the scope of Atari Transformation, amounted to €13.9 million. For further information see Note 17 to the 2008-2009 consolidated financial statements.

In the fourth quarter of 2008-2009, Atari put in place another restructuring plan in order to offset the potential continuation of lackluster demand and to boost its online operations. This reorganization will enable the Company to reduce its administrative expenses and working capital requirements, through the following:

- The sale of the entire stake in Namco Bandai Partners (see Note 1.5 to the 2008-2009 consolidated financial statements), which was completed in early July 2009.
- Major cuts in administrative expenses, notably by further reducing staffing levels and restructuring the Company's corporate and publishing operations.
- Streamlining the Group's offices throughout the world.

This cost-saving plan is expected to be completed by the third quarter of the 2009-2010 fiscal year.

Sale of distribution operations in Europe and Asia (PAL)

In September 2008, Atari Europe and Namco Bandai Games Europe SAS (Namco Bandai) signed a letter of intent to set up a strategic distribution partnership. The transaction was completed in February 2009, with Namco Bandai acquiring a 34% interest in Namco Bandai Partners (formerly Distribution Partners), an Atari Europe subsidiary housing Atari's distribution operations for Europe, Asia, Africa, the Middle East and South America. Atari Europe held the remaining 66% stake in Namco Bandai Partners. The agreement also gives Namco Bandai Partners exclusive retail distribution rights for video games produced by Namco Bandai in Europe, Australia, New Zealand and Africa as well as by Atari in these same regions together with Asia and South America. The sale of the 34% stake in Namco Bandai Partners was completed in February 2009 for approximately €27million on a cash-free, debt-free basis.

In March 2009, Atari Europe announced that in accordance with the terms of the strategic partnership agreement entered into with Namco Bandai, it intended to exercise its put option to sell its 66% interest in Namco Bandai Partners to Namco Bandai. For the purpose of exercising the put, the enterprise value of Namco Bandai Partners was set at €60 million on a cash-free, debt-free basis, as provided for in the partnership agreement.

On completion of the transaction in early July 2009, Atari received a cash payment of approximately €36.3 million, net of certain existing intra-group loans. In addition, for a period of five years from the completion date, Namco Bandai Partners will have exclusive retail distribution rights for video games produced by Atari in Europe, Asia (excluding Japan), Africa, the Middle East, Central and South America, Australia and New Zealand.

As Atari Europe exercised its put option prior to March 31, 2009, income and expenses relating to Namco Bandai Partners have been recorded in separate lines in the income statement for the years ended March 31, 2009 and March 31, 2008 under “Profit (loss) from discontinued operations”.

For further information see Notes 1 and 22 to the 2008-2009 consolidated financial statements.

Expansion of the Group's online publishing operations

In September 2008, Atari announced the creation of a new in-house game development studio placed under the creative and production leadership of Paulina Bozek, one of the games industry's most pioneering and successful producers. The new studio will focus on innovating and developing mass-market consumer games and services for online-enabled devices including PCs and games consoles.

Acquisition of Cryptic Studios Inc.

On December 8, 2008, the Company signed a Stock Purchase and Transfer Agreement subject to US law relating to the acquisition of Cryptic Studios Inc. (“Cryptic”). Cryptic is a California-based publisher of Massively Multiplayer Online (“MMO”) games.

Under the Stock Purchase and Transfer Agreement the existing shareholders of Cryptic transferred all their Cryptic shares to Atari and cancelled of all stock options related to Cryptic shares.

As consideration, Atari has undertaken to pay a maximum amount estimated at USD 75.1 million (approximately €59.1 million), based on the Reference Price of Atari share. This amount breaks down as follows:

- A purchase price, payable in cash of USD 27.6 million (approximately €21.7 million), of which USD 26.5 million payable on completion of the transaction and USD 1.1 million payable on March 1, 2011;
- A potential earn-out payment representing a maximum estimated amount of USD 27.5 million (approximately €21.6 million), determined based on the achievement of targets for online revenue generated by the Champions Online and Star Trek Online video games. This earn-out payment will be made in cash and newly-issued Atari common stock, based on a contractually pre-defined number of shares which will depend on the level of

revenue targets reached (there is no settlement option). The earn-out is partly payable in October 2010 (in cash only) and partly in March 2011 (in cash and newly-issued Atari shares);

- A bonus representing a maximum amount of USD 20 million (approximately €15.7 million), if online revenue generated by the Champions Online and Star Trek Online video games exceeds the targets set by Cryptic. Half of the bonus is payable by the end of November 2010 and the balance by mid-May 2011. It will be paid in cash or in newly-issued Atari shares, or in cash and newly-issued Atari shares at Atari's option. In the event of a share-based payment the number of shares will be contingent on Atari's share price at the payment date.

The Stock Purchase and Transfer Agreement includes the customary warranties as well as specific non-commitment warranties for (i) the three shareholders selling their Cryptic shares and (ii) the Chief Executive Officer of Cryptic, who all hold stock options.

In addition, the Stock Purchase and Transfer Agreement provides for early payment of the earn-out and the bonus in the event of one of the following:

- The change in control of Cryptic;
- The change in control of the Company, if such change affects the ability of the Company or the absorbing entity (in the case of a merger) to meet the Company's commitments in relation to the Stock Purchase and Transfer Agreement;
- The Company not meeting a certain number of its commitments provided for in the Stock Purchase and Transfer Agreement; in particular, that of financing Cryptic's working capital up to USD 17.5 million (this amount may be adjusted under certain conditions) until the release of Champions Online and Star Trek Online as well as a commitment with regard to the sales terms and conditions of games on the market and a commitment to maintain Cryptic's key assets and employees needed for games development.

The Stock Purchase and Transfer Agreement provides that a delisting of the Company's shares before payment of the earn-out which is not due to a change in the control of the Company in favor of a financial investor would result, at the option of the beneficiaries of the earn-out and the bonus, in an all cash payment of the earn-out and the bonus.

Based on the Company's most recent estimates at March 31, 2009, the initial cash payment and the entire earn-out (representing €35.1 million) was recognized in the Group's accounts, before taking into account transaction costs.

In order to finance the purchase of Cryptic and meet Cryptic's working capital requirements, on December 3, 2008 Atari's Board of Directors authorized a €30 million shareholder loan granted to Atari by BlueBay bearing annual interest of 15%. This loan was repaid by set-off by the Company on January 13 and January 23, 2009, and fees totaling 3% of the amount of the loan (i.e. €900,000) were paid to BlueBay.

For further information see Note 23 to the 2008-2009 consolidated financial statements.

Amendment to the credit facility agreement entered into with Banc of America

Atari and its main European subsidiaries entered into a credit facility agreement with Banc of America on April 21, 2006 aimed at refinancing all of the Group's the short- and medium-term debt. Eight amendments have been made to this agreement. In the fourth quarter of 2008-2009 the seventh and eighth amendments were signed on February 27, 2009 and March 31, 2009 respectively, for the purposes of (i) extending the facility's expiration date to December 31, 2009 and (ii) increasing the total amount of the facility from €46.8 million to €61.8 million.

As far as the Company is aware an agreement has been signed between Banc of America and BlueBay under which BlueBay has an interest in the credit facility. At March 31, 2009 the credit facility had been drawn down in an amount of €47 million and there was no letter of credit to be recovered. Negotiations with Banc of America are currently in progress to extend the expiration date of this credit facility until July 2010.

With regard to the financial ratios, on March 31, 2008 Banc of America waived its rights in the event of non-compliance with the financial ratios and new financial ratios were set to be negotiated for subsequent quarters. As of March 31, 2009 and the filing date of this document, these negotiations were not yet completed. Consequently the Group does not have financial ratios to meet in relation to the Banc of America credit facility. For further information see Note 13 to the 2008-2009 consolidated financial statements.

Issue of bonds redeemable for new or existing shares with stock warrants attached (ORANE-BSA) for €40.5 million

In January 2009 Atari issued €40.5 million worth of bonds redeemable for new or existing shares with stock warrants attached (ORANE-BSA).

This issue enabled the Company to finance:

- The acquisition of Cryptic Studios Inc. in the amount of USD 27.6 million (approximately €21.7 million) before taking into account any earn-out or bonus payment, through the repayment of a €30 million bridging loan granted by BlueBay on December 3, 2008 for the purpose of financing (i) the initial purchase price for Cryptic Studios Inc. (including transaction fees and commissions) and (ii) Cryptic Studio Inc.'s future working capital requirement;
- The repayment by the Company of a USD 14.0 million loan (approximately €11 million) granted by BlueBay to Atari Inc.

A total of 405,438 ORANE bonds were issued, each with a nominal value of €100 and bearing annual interest of 0.5%. Subject to possible adjustments, each ORANE bond will be redeemed in 26.26 new or existing shares, at the Company's option. The ORANE bonds are listed under ISIN code FR0010690081.

A warrant is attached to each ORANE bond which is exercisable for one new share. A total of 405,438 warrants were issued with an exercise price of €6 each and an expiration date of December 31, 2012.

For further information see Note 13 to the 2008-2009 consolidated financial statements.

Simplified public exchange offer for the ORANE bonds issued in 2008 and the stock warrants issued in fiscal year 2006-2007

In February 2009, the Company completed the simplified public exchange offer for the bonds redeemable in new or existing shares issued in January 2008 (ORANE 2008) and the stock warrants issued on December 22, 2006 and January 24, 2007 (2007 warrants). The offer included the following terms:

- The exchange of one hundred 2007 warrants for one newly-issued 2009 warrant and the exchange of one ORANE 2008 bond for one newly-issued "ORANE 2009" bond.
- The ORANE 2009 bonds (listed under ISIN code FR0010696153) are subject to the same conditions as the ORANE 2008 bonds, except for the conversion ratio which has been set at 17 new or existing shares for one ORANE 2009 bond (instead of 8.94 new or existing shares for one ORANE 2008 bond, after adjustments).
- The 2009 warrants are subject to the same conditions as the 2007 warrants except for as follows:
 - The exercise price has been set at €6 per 2009 warrant (instead of €15 per one hundred 2007 warrants following the reverse stock-split);
 - The expiration date has been set at December 31, 2012 (instead of December 31, 2009).

All of the transaction's terms and conditions were examined by an independent appraiser who concluded that they were fair for minority shareholders.

For further information see Note 13 to the 2008-2009 consolidated financial statements.

SUBSEQUENT EVENTS

Liquidity agreement

In April 2009, the Company used the authorization given at the Shareholders' Meeting of September 25, 2008 to enter into a liquidity agreement for an automatically renewable one-year term. The purposes of the agreement are to improve the liquidity of the Company's shares and reduce long-term share price volatility. A cash amount of €200,000 has been allocated to the liquidity account in connection with this agreement. As of June 30, 2009, the liquidity agreement covered 25,000 shares and €84,808.28.

Changing the Company's corporate name from Infogrames Entertainment to Atari

In May 2009, the Board of Directors decided to implement the change in the Company's corporate name from Infogrames Entertainment to Atari, in accordance with the decision taken by the Shareholders' Meeting of September 25, 2008. This change will enable the Company to make the best use of the Atari brand by capitalizing on strong worldwide brand recognition and customer loyalty – key drivers for implementing the Company's online, product and licensing strategies. The Atari share is still listed on Euronext Paris under the same ISIN code (FR0010478248) but its ticker has been changed to ATA.

Changes in senior management

In May 2009, the Company announced a series of changes in its senior management team, with Phil Harrison leaving his position as President of Atari but retaining a seat on the Board of Directors of the Company, and the appointment of Jeff Lapin as Chief Operating Officer.

New publishing strategy

In May 2009, the Company announced a reorganization plan for its publishing operations with the aim of maximizing revenue generated by non-online intellectual property through the monetization of licenses and by entering into publishing partnership agreements.

The first stages of this plan have already been implemented. For example, in May 2009, Atari announced its new worldwide launch program for Ghostbusters: The Video Game, which includes an exclusive agreement with Sony Computer Entertainment Europe for the launch of the game on the PS3 and PS2 in Europe and the PAL regions.

Completion of the sale of Atari Europe's 66% stake in Namco Bandai Partners

In early July 2009, Atari completed the sale of the remaining 66% interest held by Atari Europe in Namco Bandai Partners. As consideration for the assets sold, Atari received a cash payment from Namco Bandai Games Europe totaling approximately €36.3 million, based on an enterprise value for Namco Bandai Partners of €60 million, adjusted for cash, debt, price adjustments and repayments of intra-group loans.

Extension of the Banc of America credit facility

In addition to obtaining Amendment to the credit facility agreement entered into with Banc of America and described in “Highlights of the year” above, and in order to cover its operating financing needs for fiscal year 2009-2010, the Company has entered into negotiations to extend the maturity of said facility from December 31, 2009 to July 2010. Based on the negotiations that have taken place so far, management considers it likely that Banc of America will grant this extension.

2. ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. ADJUSTED NET INCOME (LOSS)

The Company considers adjusted net income (loss), a non-GAAP measure, as a relevant indicator of the Group's operating and financial performance. Atari's Management uses adjusted net income (loss), because it provides a better illustration of the performance from continuing operations, especially for fiscal year 2008-2009, which was a year of 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.

| | Actual - Atari (ex-Infogrames Entertainment) | | Main costs of transformation | | Adjusted - Atari | |
|--|--|---------------|------------------------------|------------|------------------|---------------|
| | 2008-2009 | 2007-2008 | 2008-2009 | 2007-2008 | 2008-2009 | 2007-2008 |
| (€ millions - IFRS 5) | | | | | | |
| Revenue | 136.4 | 90.3 | - | - | 136.4 | 90.3 |
| Cost of goods sold | (87.9) | (47.6) | (3.8) | - | (84.1) | (47.6) |
| Gross margin | 48.5 | 42.7 | (3.8) | - | 52.3 | 42.7 |
| Gross margin (%) | 36% | 47% | | | 38% | 47% |
| Research and development expenses | (67.0) | (46.5) | (27.1) | - | (39.9) | (46.5) |
| Marketing and selling expenses | (19.0) | (15.6) | - | - | (19.0) | (15.6) |
| General and administrative expenses | (25.0) | (30.5) | - | - | (25.0) | (30.5) |
| Share-based payment expense | (6.4) | (3.5) | - | - | (6.4) | (3.5) |
| Current operating income (loss) | (68.9) | (53.4) | (30.9) | - | (38.0) | (53.4) |
| Gains (losses) from disposals of assets | (0.1) | 13.3 | (0.1) | 13.3 | - | - |
| Restructuring costs | (13.9) | (12.3) | (13.9) | (12.3) | - | - |
| Impairment of goodwill | (40.3) | - | (40.3) | - | - | - |
| Other operating income (expenses) | 0.0 | (0.1) | - | (0.1) | - | - |
| Operating income (loss) | (123.2) | (52.5) | (85.2) | 0.9 | (38.0) | (53.4) |
| Cost of debt | (7.7) | (11.6) | - | - | (7.7) | (11.6) |
| Other financial income (expense) | (4.1) | (1.4) | - | - | (4.1) | (1.4) |
| Income tax | (1.1) | (0.1) | - | - | (1.1) | (0.1) |
| Profit (loss) from continuing operations | (136.1) | (65.6) | (85.2) | 0.9 | (50.9) | (66.5) |
| Profit (loss) from discontinued operations | (90.8) | 3.1 | (90.8) | 3.1 | - | - |
| Consolidated net income (loss) | (226.9) | (62.5) | (176.0) | 4.0 | (50.9) | (66.5) |
| Minority interests | 0.8 | 11.4 | - | - | 0.8 | 11.4 |
| Net income (loss) for the year attributable to equity holders of the parent | (226.1) | (51.1) | (176.0) | 4.0 | (50.1) | (55.1) |

- (1) 2007/2008 and 2008/2009 figures have been prepared in accordance with IFRS and have been restated, where applicable, in accordance with IFRS 5. The net income/(loss) from the Namco Bandai Partners business, which as of March 31, 2009 was in the process of being disposed of, is reported on the line “Profit (loss) from discontinued operations” as of April 1, 2007. 2007-2008 and 2008-2009 Group revenue and current operating loss exclude the Namco Bandai Partners business.
- (2) Atari considers Atari's adjusted net loss, a non-IFRS/GAAP financial measure, as a relevant indicator of the Company's operating and financial performance. Atari's management uses Atari's adjusted net loss because it provides a better illustration of the performance from continuing operations, especially for fiscal year 2008-2009 which was a year of transformation, by excluding most non-recurring and non-operating items related to costs of transformation. Atari's adjusted net loss should be considered in addition to, and not as a substitute for, other IFRS/GAAP financial measures. Please see the table below for a reconciliation of the net income as reported in the income statement and adjusted net income (loss).

Analysis of adjusted net income (loss)

Excluding the main costs of the transformation, Atari adjusted net losses for fiscal year 2008-2009 amounted to €50.1 million, compared to a loss of €55.1 million for the previous fiscal year. A reconciliation of the actual net income of Atari (formerly Infogrames Entertainment) and Atari's adjusted net income (loss) is provided below.

This €5.0 million improvement can be explained by:

- **An improvement in Atari current operating income (adjusted)** (+€15.4 million). This improvement is mainly from the growth of our US distribution and European publishing businesses supplemented by reduced operating expenses in general and administrative and research and development overhead from Atari Transformation and improved cost management. These savings have been offset by an increased share-based compensation cost and increased marketing spending for certain new major releases in the year such as Alone in the Dark. Gross margin declined (down from 47% of revenue to 38% of revenue, primarily due to the growth in the US distribution business which carries lower margins);
- **Lower cost of debt** (+€3.9 million) as a result of the restructuring of the debt in the beginning of calendar year 2007 with the issuance of ORANE bonds.

These improvements were partially offset, however, by:

- **An increase in net loss related to minority interests** (- €10.6 million), due to reduced losses at Atari Inc. and the Group's 100% ownership of Atari Inc. since October 2008;
- **An increase in other financial expense** (-€2.7 million) mainly due to currency impact;
- **Higher income tax expense** (-€1 million).

Details of main costs of transformation (reconciliation of actual net income to adjusted net income)

| 2008-2009 | Main costs of transformation | | | | Total |
|---|---|------------------------|---|-------------------------|--------------|
| | Write-offs and depreciations due to publishing reorganization | Impairment of goodwill | Restructuring costs | Discontinued operations | |
| (€ million) - IFRS 5 | | | | | |
| Revenue | - | - | - | - | - |
| Cost of goods sold | 3.8 | - | - | - | 3.8 |
| Gross margin | 3.8 | - | - | - | 3.8 |
| Research and development expenses | 27.1 | - | - | - | 27.1 |
| Marketing and selling expenses | - | - | - | - | - |
| General and administrative expenses | - | - | - | - | - |
| Share-based payment expense | - | - | - | - | - |
| Current operating income (loss) | 30.9 | - | - | - | 30.9 |
| Gains (losses) from disposals of assets | - | - | - | 0.1 | 0.1 |
| Restructuring costs | - | - | 13.9 | - | 13.9 |
| Impairment of goodwill | - | 40.3 | - | - | 40.3 |
| Operating income (loss) | 30.9 | 40.3 | 13.9 | - | 85.2 |
| Cost of debt | - | - | - | - | - |
| Other financial income (expenses) | - | - | - | - | - |
| Income tax | - | - | - | - | - |
| Profit (loss) from continued operations | 30.9 | 40.3 | 13.9 | - | 85.2 |
| Profit (loss) from discontinued operations | - | - | - | 90.8 | 90.8 |
| Consolidated net income (loss) | 30.9 | 40.3 | 13.9 | 90.8 | 176.0 |
| Minority interests | - | - | - | - | - |
| Net income (loss) attributable to equity holders of the parent | 30.9 | 40.3 | 13.9 | 90.8 | 176.0 |
| 2007-2008 | Main costs of transformation | | | | |
| | Write-offs and depreciations | Impairment of goodwill | Restructuring costs/Gains (losses) from disposals of assets | Discontinued operations | Total |
| (in € million) - IFRS 5 | | | | | |
| Revenue | - | - | - | - | - |
| Cost of goods sold | - | - | - | - | - |
| Gross margin | - | - | - | - | - |
| Research and development expenses | - | - | - | - | - |
| Marketing and selling expenses | - | - | - | - | - |
| General and administrative expenses | - | - | - | - | - |
| Share-based payment expense | - | - | - | - | - |
| Current operating income (loss) | - | - | - | - | - |
| Gains (losses) from disposals of assets | - | - | (13.3) | - | (13.3) |
| Restructuring costs | - | - | 12.3 | - | 12.3 |
| Impairment of goodwill | - | - | - | - | - |
| Other non Current Operating Income (expense) | - | - | 0.1 | - | 0.1 |
| Operating income (loss) | - | - | (0.9) | - | (0.9) |
| Cost of debt | - | - | - | - | - |
| Other financial income (expenses) | - | - | - | - | - |
| Income tax | - | - | - | - | - |
| Profit (loss) from continued operations | - | - | (0.9) | - | (0.9) |
| Profit (loss) from discontinued operations | - | - | - | (3.1) | (3.1) |
| Consolidated net income (loss) | - | - | (0.9) | (3.1) | (4.0) |

2.2 SUMMARY ACTUAL INCOME STATEMENT

| (€ millions) | March 31, 2009 | | March 31, 2008 | | Change | |
|---|----------------|---------------|----------------|---------------|--------------|---------------|
| Revenue | 136.4 | | 90.3 | | 46.1 | 51.1% |
| Cost of goods sold | (87.9) | -64.4% | (47.6) | -52.7% | -40.3 | 84.7% |
| Gross margin | 48.5 | 35.6% | 42.7 | 47.3% | 5.8 | 13.6% |
| Research and development expenses | (67.0) | -49.1% | (46.5) | -51.5% | -20.5 | 44.1% |
| Marketing and selling expenses | (19.0) | -13.9% | (15.6) | -17.3% | -3.4 | 21.8% |
| General and administrative expenses | (25.0) | -18.3% | (30.5) | -33.8% | 5.5 | -18.0% |
| Share-based payment expense | (6.4) | -4.7% | (3.5) | -3.9% | -2.9 | 82.9% |
| Current operating income (loss) | (68.9) | -50.5% | (53.4) | -59.1% | -15.5 | 29.0% |
| Restructuring costs | (13.9) | | (12.3) | | -1.6 | |
| Gains (losses) from disposals of assets | (0.1) | | - | | -0.1 | |
| Sale of Hasbro license | - | | 13.3 | | -13.3 | |
| Impairment of goodwill | (40.3) | | - | | -40.3 | |
| Other operating income (expenses) | - | | (0.1) | | 0.1 | |
| Operating income (loss) | (123.2) | -90.3% | (52.5) | -58.1% | -70.7 | 134.7% |

Revenue

Revenue from ordinary operations was €136.4 million for the year ended March 31, 2009, compared with €90.3 million for the previous fiscal year, an increase of 51.1%.

The principal reasons for the growth in revenue are as follows:

- The release of *Alone in the Dark* and *The Chronicles of Riddick: Assault on Dark Athena* in the US;
- Growth of distribution of third-party publishers' products in the US, which increased by approximately €30 million to reach approximately €31 million.

| | March 31, 2009 | March 31, 2008 |
|---------------------|----------------|----------------|
| US Distribution | 68.8% | 57.0% |
| European Publishing | 31.0% | 42.7% |
| Other | 0.2% | 0.3% |
| Total | 100.0% | 100.0% |

- **US distribution**, representing 68.8% of total revenue (versus 57.0% in the prior fiscal year), led all other businesses by almost doubling its revenue to reach €93.9 million (representing 82.3% growth at constant exchange rates), primarily driven by the growth in distribution of third-party publishers' products (such as *Zoo* and *CDV US*) as well as increased revenue from Group product sales (in particular *Alone in the Dark*, *The Chronicles of Riddick: Assault on Dark Athena*);
- **The publishing business in Europe** represented 31.0% of the Group revenue and was up slightly at €42.2 million. This growth was driven by fewer titles when compared to fiscal year 2007-2008. The top five selling titles, which included *Alone in the Dark*, *Legendary*, *What's Cooking? Jamie Oliver*, *My Horse & Me2* and *Race Pro*, represented approximately 67% of publishing revenue (the previous year's top five selling titles represented 56% of European publishing revenue).

The breakdown of revenue by format for the year ended March 31, 2009 continued to reflect the strong contribution of next generation console products with growth in Microsoft Xbox 360 and Playstation 3. Although the percentage for mass-market consoles - Nintendo's Wii and DS - is down year-on-year (due to the growth of next generation products), that segment continued to make a major contribution, representing 30% of total revenue. Consolidated revenue breaks down as follows:

| | March 31, 2009 | March 31, 2008 |
|--------------|----------------|----------------|
| XBOX 360 | 26% | 1% |
| PC | 22% | 35% |
| Nintendo DS | 15% | 32% |
| Wii | 15% | 18% |
| PS3 | 12% | 0% |
| PS 2 | 8% | 8% |
| PSP | 2% | 6% |
| Total | 100% | 100% |

Gross margin

Gross margin for the year ended March 31, 2009 was 35.6% as a percentage of revenue, compared with 47.3% for the previous year. The decline was due to the strong growth in third party business which carries lower margins than our standard publishing product. In the US, third party distribution business accounted for 31.5% of net revenue during fiscal year 2008-2009 versus 3.5% in the previous year.

Research and development expenses

Research and development expenses amounted to €67.0 million, compared with €46.5 million for the previous period. These expenses include amortization allowances and write-downs on intangible assets (mainly games and licenses)

amounting to €53.7 million compared to €23.4 million for fiscal year 2007-2008 and includes €27.1 million in write-downs on games and licenses related to the reorganization of the publishing business. Other expenses included the pre-production cost of projects that had not yet achieved technical feasibility, the cost of the online business, tests and localization as well as certain start-up costs.

Marketing and selling expenses

Marketing and selling expenses amounted to €19.0 million, compared with €15.6 million for the previous period. The additional €3.4 million went into supporting major new publishing releases such as *Alone in the Dark*, *The Chronicles of Riddick*, *Race Pro* and others. As a percentage of net revenue, marketing and selling costs were down approximately 3.3% due to improved cost control measures in the US.

General and administrative expenses

General and administrative expenses decreased approximately 18% from €30.5 million to €25.0 million. These savings are primarily attributable to the Atari Transformation plan announced in May 2008 plus incremental savings from purchasing the remaining minority shares of Atari Inc. and eliminating, as from October 2008, Atari Inc.'s US share-listing costs.

Share-based incentive payment expense

Share-based payments amounted to €6.4 million versus €3.5 million in the prior period. This increase is primarily due to (i) the cost of profit sharing for certain members of senior management for a full fiscal year as opposed to a partial year as was the case in the previous period and (ii) additional management hired during the fiscal year.

Restructuring costs

Restructuring costs for the year ended March 31, 2009 amounted to €13.9 million versus €12.3 million in the previous period. Approximately €8.9 million of the costs in fiscal year 2008-2009 were related to the Atari Transformation plan announced in May 2008 while €5.0 million related to the publishing and corporate restructuring announced in the last quarter of fiscal year 2008-2009. The previous year's restructuring costs related to prior year layoffs and unused company premises.

Impairment of goodwill

The poor performance of the publishing unit resulted in the recognition of a goodwill impairment for the Retail Development/Publishing cash-generating unit of €40.3 million for the year ended March 31, 2009. Impairment tests performed on March 31, 2009 did not result in any other write-downs.

Operating income (loss)

There was an operating loss at the consolidated level of €123.2 million, compared with €52.5 million the previous year. It reflected the combined impact of a loss on ordinary operations of €68.9 million (including an additional €23.2 million amortization charge stemming from the reorganization of the publishing business), restructuring charges of €13.9 million and goodwill amortization of €40.3 million.

OTHER INCOME STATEMENT ITEMS

| <i>(in € millions)</i> | March 31, 2009 | | March 31, 2008 | | Change | |
|---|-----------------------|----------------|-----------------------|---------------|---------------|---------------|
| Operating income (loss) | (123.2) | -90.3% | (52.5) | -58.1% | -70.7 | 134.7% |
| Cost of debt | (7.7) | | (11.6) | | 3.9 | -33.6% |
| Other financial income (expense) | (4.1) | | (1.4) | | -2.7 | 192.9% |
| Income tax | (1.1) | | (0.1) | | -1.0 | N/A |
| Profit (loss) from continuing operations | (136.1) | -99.8% | (65.6) | -72.6% | -70.5 | 107.5% |
| Profit (loss) from discontinued operations | (90.8) | | 3.1 | | -93.9 | N/A |
| Consolidated net income (loss) | (226.9) | -166.3% | (62.5) | -69.2% | -164.4 | 263.0% |
| Minority interests | 0.8 | | 11.4 | | -10.6 | -93.0% |
| Net income (loss) attributable to equity holders of the parent | (226.1) | -165.8% | (51.1) | -56.6% | -175.0 | 342.5% |

Cost of debt

Cost of debt was down approximately €3.9 million or 33% because in the first six months of the fiscal year the Company carried little debt as most of the debt had been restructured during fiscal year 2007-2008.

Other financial income (expenses)

Other financial expense and investment losses increased by approximately €2.7 million. This increase was primarily due to fluctuations in the exchange rates for pounds sterling and US dollars during the period.

Income tax

A corporate income tax expense of €1.1 million was recognized for the year as compared to €0.1 million for fiscal year 2007-2008. This income tax expense is mainly due to an increase in the deferred tax liabilities of Cryptic Studios Inc.

Discontinued operations

The Company recorded a loss €90.8 million from discontinued operations as compared to a profit of €3.1 million in the previous fiscal year following the decision to sell its European and Asian distribution businesses to Namco Bandai Games Europe. The €90.8 million loss represented approximately €59.4 million in operating losses from these businesses, a goodwill impairment provision of approximately €24.8 million and a loss on disposal of approximately €6.6 million. In the previous year discontinued operations generated a profit of €3.1 million.

Minority interests

In fiscal year 2008-2009, this item primarily represent minority interests in Atari Inc.'s results up until October 8, 2008, when the Company bought up these interests, as well as a small amount related to the sale of 34% of the European and Asian distribution business to Namco Bandai Games Europe. In previous periods, this item mainly concerned minority interests related to Atari Inc.

Net income (loss) for the year attributable to equity holders of the parent

The Group had a consolidated net loss of €226.1 million for the year to March 31, 2009, compared with an attributable loss of €51.1 million for the previous fiscal year.

2.3. CONTRIBUTIONS BY REGION

The table below shows the contribution by each region to consolidated revenue and operating results.

| March 31, 2009 | Revenue | | Operating income (loss) | Net income (loss)* |
|-----------------------|----------------|---------------|------------------------------------|-------------------------------|
| United States | 100.9 | 74.0% | (46.5) | (52.3) |
| Europe | 52.3 | 38.3% | (16.9) | (110.0) |
| Asia | 0.1 | 0.1% | (0.7) | (7.8) |
| Corporate | 6.0 | 4.4% | (59.1) | (56.0) |
| Eliminations | (22.9) | -16.8% | - | - |
| Total | 136.4 | 100.0% | (123.2) | (226.1) |

| March 31, 2008 | Revenue | | Operating income (loss) | Net income (loss)* |
|-----------------------|----------------|---------------|------------------------------------|-------------------------------|
| United States | 56.9 | 63.0% | (49.9) | (47.1) |
| Europe | 57.5 | 63.7% | 0.3 | (13.5) |
| Asia | 1.0 | 1.1% | (0.8) | 2.3 |
| Corporate ** | 8.7 | 9.6% | (2.1) | 7.2 |
| Eliminations | (33.8) | -37.4% | - | - |
| Total | 90.3 | 100.0% | (52.5) | (51.1) |

(*) Net loss attributable to equity holders of the parent

(**) Including proceeds from the sale of digital rights to Hasbro

The United States region generated revenue of €100.9 million during fiscal year 2008-2009 and accounted for 74.0% of the Group total, compared with €56.9 million the previous fiscal year (41.7% of total revenue). For the year ended March 31, 2009, the Group incurred an operating loss of €46.5 million and a net loss of €52.3 million for the US region, compared with an operating loss of €49.9 million and a net loss of €47.1 million for the year ended March 31, 2008.

The Europe region generated revenue of €52.3 million during fiscal year 2008-2009 and accounted for 38.3% of the Group total, compared with €57.5 million the previous fiscal year (42.2% of total revenue). For the year ended March 31, 2009, the Group incurred an operating loss of €16.9 million and a net loss of €110.0 million for the Europe region, compared with an operating income of €0.3 million and a net loss of €13.5 million for the year ended March 31, 2008.

The Asia region generated revenue of €0.1 million during fiscal year 2008-2009, compared with €1.0 million during the previous fiscal year. For the year ended March 31, 2009, the Asia region incurred an operating loss of €0.7 million and a consolidated loss of €7.8 million, compared with an operating loss of €0.8 million and a consolidated net income of €2.3 million for the year ended March 31, 2008.

The Corporate Division posted a loss of €56.0 million for the year ended March 31, 2009, reflecting Group overhead expenses as well as certain restructuring costs. Attributable net income for the year ended March 31, 2008 amounted to €7.2 million and included the gain on the sale of the Hasbro License.

Eliminations represented intragroup transactions among and within the regions. The eliminations primarily consisted of revenue received from a regional distribution unit by a regional publishing unit and management fees charged by the Corporate unit.

2.4. ADJUSTED CONSOLIDATED BALANCE SHEET

In the balance sheet as of March 31, 2009, Namco Bandai Partners is recognized under discontinued operations. The balance sheet as of March 31, 2008 has not been restated in accordance with IFRS 5.

Atari's adjusted balance sheet does not include the Namco Bandai Partners business and assumes that Namco Bandai Partners' sale had been completed as of March 31, 2009.

Atari's adjusted balance sheet should be considered in addition to, and not as a substitute for, the IFRS/GAAP balance sheet. The Atari balance sheet's adjusted numbers are estimates for information purposes only. The Namco Bandai Partners transaction was completed on July 7, 2009 and Atari received approximately €36.3 million in cash.

| | Infogrames Entertainment March 31, 2008 | Atari (formerly Infogrames Entertainment) + March 31, 2009 | Adjustments = | Atari adjusted (1) March 31, 2009 |
|-------------------------------------|---|--|---------------|--|
| <i>(€ million)</i> | | | | |
| Goodwill | 77.9 | 34.9 | - | 34.9 |
| Intangible assets | 43.1 | 44.6 | - | 44.6 |
| Property, plant and equipment | 5.5 | 4.9 | - | 4.9 |
| Other non-current assets | 8.4 | 3.5 | - | 3.5 |
| Non-current assets | 134.9 | 87.9 | - | 87.9 |
| Inventories | 24.5 | 3.0 | - | 3.0 |
| Trade receivables | 43.1 | 19.1 | 8.8 | 27.9 |
| Other current assets | 17.9 | 8.7 | - | 8.7 |
| Cash and cash equivalents | 83.4 | 5.9 | 27.5 | 33.4 |
| Assets held for sale | - | 85.3 | (85.3) | - |
| Current assets | 168.9 | 122.0 | (49.0) | 73.0 |
| Total assets | 303.8 | 209.9 | (49.0) | 160.9 |
| Shareholders' equity | 153.4 | (17.5) | 10.0 | (7.5) |
| Minority interests | 6.5 | (8.8) | 8.8 | - |
| Total equity | 159.9 | (26.3) | 18.8 | (7.5) |
| Non-current financial liabilities | 11.8 | 11.2 | - | 11.2 |
| Other non-current liabilities | 6.9 | 27.1 | - | 27.1 |
| Non-current liabilities | 18.7 | 38.3 | - | 38.3 |
| Current financial liabilities | 22.9 | 51.1 | - | 51.1 |
| Trade payables | 79.3 | 49.2 | - | 49.2 |
| Other current liabilities | 23.0 | 29.8 | - | 29.8 |
| Liabilities held for sale | - | 67.8 | (67.8) | - |
| Current liabilities | 125.2 | 197.9 | (67.8) | 130.1 |
| Total equity and liabilities | 303.8 | 209.9 | (49.0) | 160.9 |

Details on balance sheet adjustments related to Infogrames Entertainment carried over to Atari

| | Adjustments | | Total Atari adjustments |
|-------------------------------------|--|--|----------------------------|
| | Cash and trade receivables related to the sale of the 66% of NBP | Sale of NBP- elimination of assets and liabilities | |
| <i>(in € million)</i> | | | |
| Goodwill | | | - |
| Intangible assets | | | - |
| Property, plant and equipemnt | | | - |
| Other non-current assets | | | - |
| Non-current assets | - | - | - |
| Inventories | | | - |
| Trade receivables | 8.8 | | 8.8 |
| Other current assets | | | - |
| Cash and cash equivalents | 27.5 | | 27.5 |
| Assets held for sale | | (85.3) | (85.3) |
| Current assets | 36.3 | (85.3) | (49.0) |
| Total assets | 36.3 | (85.3) | (49.0) |
| Shareholders' equity | - | 10.0 | 10.0 |
| Minority interests | | 8.8 | 8.8 |
| Total equity | - | 18.8 | 18.8 |
| Non-current financial liabilities | | | - |
| Other non-current liabilities | | | - |
| Non-current liabilities | - | - | - |
| Current financial liabilities | | | - |
| Trade payables | | | - |
| Other current liabilities | - | - | - |
| Liabilities held for sale | | (67.8) | (67.8) |
| Current liabilities | - | (67.8) | (67.8) |
| Total equity and liabilities | - | (49.0) | (49.0) |

2.5. CONSOLIDATED BALANCE SHEET

SIMPLIFIED CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2009 AND MARCH 31, 2008

| <i>€ in millions</i> | March 31, | |
|---|---------------|--------------|
| | 2009 | 2008 |
| Goodwill | 34.9 | 77.9 |
| Intangible assets | 44.6 | 43.1 |
| Property, plant and equipment | 4.9 | 5.5 |
| Other non-current assets | 3.5 | 8.4 |
| Non-current assets | 87.9 | 134.9 |
| Current assets | 30.8 | 85.5 |
| Assets held for sale | 85.3 | 0 |
| Cash and cash equivalents | 5.9 | 83.4 |
| Current assets | 122.0 | 168.9 |
| Total assets | 209.9 | 303.8 |
| Shareholders' equity | (17.5) | 153.4 |
| Minority interests | (8.8) | 6.5 |
| Total shareholders' equity | (26.3) | 159.9 |
| Non current financial liabilities | 11.2 | 11.8 |
| Other non-current liabilities | 27.1 | 6.9 |
| Non-current liabilities | 38.3 | 18.7 |
| Current financial liabilities | 51.1 | 22.9 |
| Current liabilities | 79.0 | 102.3 |
| Liabilities held for sale | 67.8 | 0 |
| Current liabilities | 197.9 | 125.2 |
| Total Liabilities and net shareholders' equity | 209.9 | 303.8 |

Shareholders' equity

Consolidated shareholders' equity amounted to a negative €26.3 million as of March 31, 2009, down from €159.9 million on March 31, 2008. The table below shows the changes in equity during the year:

| | |
|--|---------------|
| Total equity as of March 31, 2008 | 159.9 |
| Net loss before minority interests | (226.9) |
| Issuance of ORANE bonds | 36.5 |
| Acquisition of Cryptic Studios | 4.4 |
| Loss on the sale of 34% of Distribution Partners | (8.8) |
| Acquisition of the remaining Atari Inc. shares | (5.9) |
| Other | 14.5 |
| Total equity as of March 31, 2009 | (26.3) |

Changes for the year mainly reflected the attributable net loss for €226.9 million, the ORANE bond issue for €36.5 million and the impact of the various transactions initiated during the period (concerning Atari Inc., Cryptic Studios Inc. and Namco Bandai Partners).

Net cash

As of March 31, 2009, the Group had a net debt of €56.4 million, compared with a net cash surplus of €48.7 million as of the end of the previous fiscal year. The cash and debt positions were as follows:

| <i>€ in millions</i> | March 31, | | |
|---------------------------------|--------------|--------------|---------------|
| | 2009 | 2008 | Change |
| OCEANE 2011 and 2020 | -5,9 | -5,9 | 0 |
| ORANE | -3 | -2,9 | -0,1 |
| Banc of America credit facility | -46,9 | 0 | -46,9 |
| BlueBay credit facility | 0 | -8,5 | 8,5 |
| Other | -6,5 | -17,4 | 10,9 |
| Total debt | -62,3 | -34,7 | -27,6 |
| Cash and Cash equivalents | 5,9 | 83,4 | -77,5 |
| Net cash (net debt) | -56,4 | 48,7 | -105,1 |

Net cash (net debt) is defined as cash and cash equivalents less current and non-current liabilities.

The deterioration in the Group's cash position was primarily due to the operating loss; the Company recognized a consolidated net loss of €226.1 million for the fiscal year and fully drew down its Banc of America credit facility.

| Debt maturity | (€ million) |
|-----------------------------------|-------------|
| Fiscal year ending March 31, 2010 | 51,1 |
| Fiscal year ending March 31, 2011 | 1,0 |
| Fiscal year ending March 31, 2012 | 6,3 |
| Fiscal year ending March 31, 2013 | 0,3 |
| Beyond | 3,6 |
| Total debt | 62,3 |

The €51.1 million in liabilities maturing prior to March 31, 2010 consist primarily of the following:

- current liabilities of €46.9 million related to the Banc of America credit facility;
- interest payments of approximately €3.1 million.

The Banc of America credit facility was drawn down by €46.9 million as of March 31, 2009 and the Company had no letters of credits outstanding. On March 31, 2009, the Company amended this facility and its ceiling was raised by €15 million. The Company has borrowed this additional amount and is in the process of extending this facility's maturity date to July 2010.

The table below shows the ratio of net cash (net debt) to equity:

| (€ million) | March 31, 2009 | March 31, 2008 |
|---|----------------|----------------|
| Net cash (net debt) | (56,4) | 48,7 |
| Shareholders' equity | (17,5) | 153,4 |
| Total equity | (26,3) | 159,9 |
| Ratio of net cash (net debt) to shareholders' equity | -322,3% | 31,7% |
| Ratio of net cash (net debt) to total equity | -214,4% | 30,5% |

Other balance sheet items

Goodwill amounted to €34.9 million as of March 31, 2009, against €77.9 million as of March 31, 2008. The change reflects (i) the €30.5 million addition to goodwill resulting from the purchase of Cryptic Studios Inc., (ii) the purchase of Atari Inc.'s minority shares for €5.6 million, (iii) the recognition of a €40.3 million goodwill impairment provision on the retail publishing business and (iv) the transfer of Europe/Asia Distribution goodwill amounting to €38.8 million (after taking into account the currency effect) to a separate balance sheet line following Atari Europe's exercise of its put option on Namco Bandai Partners.

Intangible assets stood at €44.6 million as of March 31, 2009, compared with €43.1 million as of March 31, 2008. The assets recognized as of March 31, 2009, primarily consisted of Cryptic Studio Inc. intangible assets for €22.2 million, €14.5 million recorded for Ghostbuster, Riddick and other games scheduled for future release, and €3.1 million for trademarks, including the Hasbro license. As of March 31, 2008, intangible assets primarily consisted of Alone in the Dark and other games planned for future release and valued at €23 million, and €20.1 million in trademarks including the Hasbro license.

Other non-current assets, consisting primarily of security deposits, amounted to €3.5 million as of March 31, 2009, compared with €8.4 million as of March 31, 2008. At the end of fiscal year 2007-2008, other non-current assets consisted of €5.5 million in deferred tax assets (which were included in "assets held for sale" on March 31, 2009) and security deposits.

Working capital (which represents current assets less current liabilities, excluding any short-term interest-bearing liabilities) amounted to a negative €48.2 million as of March 31, 2009 as compared to a negative €16.8 million one year earlier. This deterioration was primarily due to the Company's operating loss.

Other non-current liabilities (including non-current provisions) amounted to €27.1 million on March 31, 2009 (€6.9 million on March 31, 2008). This primarily consisted of €11.0 million related to contingent payments for the purchase of Cryptic Studios Inc. and €6.2 million in guaranteed minimums under the Hasbro license.

2. 6. CONSOLIDATED CASH FLOW

The Group had a cash balance of €5.9 million on March 31, 2009, compared with €83.4 million on the previous year-end date. The balance sheet item "assets held for sale" included approximately €15.3 million in cash on March 31, 2009; taking this amount into account would have increased the total cash balance to approximately €21.2 million. The Group's sources of funds during the fiscal year consisted primarily of the following:

- €38.6 million in cash financing through the issue of ORANE bonds;
- €22.6 million in cash from the sale of the 34% interest in Namco Bandai Partners to Namco Bandai Games Europe;
- Borrowings amounting to €51.1 million, primarily through the Banc of America credit facility, and €2.4 million from local credit facilities granted to discontinued operations (Namco Bandai Partners and its subsidiaries).

Funds were used principally for the following:

- Cash disbursements of €53.7 million for continuing operations;
- Cash disbursements of €22.1 million for discontinued operations;
- Expenditures of €46.9 million for research and development (in-house and outsourced) and licenses;
- Investments related to the acquisition of Cryptic Studios Inc. and the minority interests of Atari Inc. for a total amount of €30.9 million;
- Debt repayments of €17.6 million, including the full repayment of the BlueBay credit facility (€9.8 million), repayments related to the Banc of America credit facility (€4.2 million) and repayments of sums owed to production funds (€2.3 million);
- Net interest expense of €4.9 million.

3. PARENT COMPANY BUSINESS AND FINANCIAL RESULTS (ATARI, FORMERLY INFOGRADES ENTERTAINMENT)

3.1. BUSINESS

The Company is the parent entity and head of the Atari Group. It derives most of its revenue (other than investment and interest income) from services performed on behalf of its subsidiaries and rebilled to them (corporate management, financial and legal management, cash management, data systems, general resources, etc.). Its business is accordingly not at all representative of that of the Group as a whole.

3.2. HIGHLIGHTS OF THE YEAR

No significant event occurred at the parent company level other than those referred to in 1.2 above.

3.3. SUMMARY INCOME STATEMENT

| (€ millions) | March 31, 2009 | March 31, 2008 |
|--------------------------------|----------------|----------------|
| Operating income (loss) | (10) | (6.5) |
| Net financial income (expense) | (151.8) | (53.3) |
| Non-current income (expense) | (3.3) | 6.7 |
| Income tax | - | 1.9 |
| Income (loss) for the year | (165.1) | (51.2) |

Operating revenue amounted to €18.5 million, compared to €23.5 million the previous year, and was primarily derived from services billed to Group subsidiaries and transfers of operating expenses.

Operating expenses totaled €28.5 million, compared with €30 million the previous fiscal year.

The operating loss was €10 million, compared to €6.5 million one year ago, i.e., down €3.5 million. It reflected an imbalance between expenses incurred by the parent company and management fees charged.

Net financial expense amounted to €151.8 million, versus €53.3 million the previous year. The net financial expense for the year primarily resulted from:

- Provisions (net of reversals) recognized on investments in and receivables from subsidiaries for €119.8 million and €59.6 million, respectively;
- Interest expense of €0.5 million on the €30 million loan extended to the Company by BlueBay;
- Provisions for contingencies and losses (net of reversals) of €5.5 million;
- Interest on Group advances (net of interest) of €8.8 million;
- Net proceeds from the sale of marketable securities of €0.5 million;
- Net reversals of the provision for foreign exchange losses amounting to €23.5 million.

Net financial expense for the year ended March 31, 2008 mainly consisted of:

- Provisions (net of reversals) recognized on investments in and receivables from subsidiaries for €30.6 million and €9.0 million, respectively;
- Interest income of €8.5 million, including €8.1 million in interest on loans extended to Group entities;
- Interest expense of €2.3 million on loans extended to the Company by other Group entities;
- Debt servicing costs of €0.3 million (for bond and bank debt);
- The recognition of a loss provision on a loan for €0.9 million;
- A net addition of €20.5 million to provisions for foreign exchange losses.

There was **non-recurring expense** in fiscal year 2008-2009 of €3.3 million, compared with non-recurring income of €6.7 million the previous fiscal year. It reflected mainly:

- Restructuring costs of €4.2 million;
- A capital loss of €1.3 million on the sale of Atari Brasil and Atari Italia securities;
- An extraordinary gain of €2.4 million on the return-to-profit clawback with respect to a part of a debt cancellation granted in 2005 to Atari Publishing (formerly IDRS).

In fiscal year 2007-2008 the Company reported **non-current income** of €6.7 million which reflected:

- A net gain of €10.9 million on the sale of the Hasbro license to Hasbro Inc.;
- An expense of €2.7 million for severance benefits;
- A charge of €1.4 million for the restructuring of Atari Inc.

After taking into account the operating loss and financial and non-recurring items, the **net loss** amounted to €165.1 million for the year ended March 31, 2009 compared to a loss of €51.2 million for the previous year.

3.4. CONDENSED BALANCE SHEET

| (€ millions) | March 31, 2009 | March 31, 2008 |
|---|----------------|----------------|
| Intangible assets and property, plant and equipment | 0.8 | 0.8 |
| Financial assets | 225.9 | 280.8 |
| Operating receivables | 7.0 | 3.5 |
| Cash and marketable securities | 0.1 | 61.3 |
| Accruals | 29.5 | 50.4 |
| Total assets | 263.3 | 396.8 |
| Shareholders' equity | (4.4) | 159.2 |
| Other equity | 189.2 | 150.0 |
| Provisions for contingencies and losses | 33.3 | 51.4 |
| Debt | 23.4 | 25.6 |
| Other liabilities and accruals | 21.8 | 10.6 |
| Total shareholders' equity and liabilities | 263.3 | 396.8 |

The Company has **total assets** of €263.3 million, consisting primarily of financial fixed assets.

As of March 31, 2009, **financial fixed assets** comprised investment securities (€82.2 million) and receivables from subsidiaries (€120.7 million). The €54.9 million decrease in the value of financial fixed assets from March 31, 2008 to March 31, 2009 was essentially due to:

- The increase in provisions for impairment of investment securities (net provision €119.8 million);
- The acquisition of Cryptic Studios Inc. shares for €37.3 million;
- The net increase in receivables from subsidiaries of €68.9 million (after the currency impact of €23.9 million);
- The increase in provisions for impairment of receivables from subsidiaries (net provision €59.3 million).

Shareholders' equity amounted to a negative €4.4 million, versus €159.2 million as of March 31, 2008. The €163.6 million deterioration mainly reflected the €165.1 million loss for the year. Therefore, as of March 31, 2009, shareholders' equity was less than half of the Company's legal capital and, in accordance with the law, a proposed resolution will be submitted to the Shareholders' Meeting called to approve the financial statements for the year ended March 31, 2009 asking shareholders to decide whether or not to dissolve the Company.

Other equity of €189.1 million (compared to €150 million as of March 31, 2008) includes the proceeds from the January 2009 issue of ORANE bonds, which mature on April 1, 2014.

Provisions for contingencies and losses primarily concerned:

- Foreign exchange risks for €20.3 million;
- €12 million in provisions for financial risk stemming from its Atari Europe subsidiary's negative net worth;
- A provision for employee risk for €0.8 million concerning the layoffs carried out as part of the Company's restructuring.

The Company had **debt** of €23.4 million as of March 31, 2009, of which €10.9 million was owed to subsidiaries and €12.1 million consisted of bond debt. The bonds:

- Mature in full on April 1, 2020 in the case of the OCEANE 2003-2020 (formerly 2003-2009) bonds (€0.6 million);
- Mature in full on July 1, 2011 in the case of the OCEANE 2000-2011 bonds (€5.3 million);
- Are eligible for paragraph 12.6 treatment in the case of the category A and B convertible bonds (€6.1 million).

The debt reduction of €2.2 million compared with March 31, 2008 mainly reflects the decrease in amounts owed to Group subsidiaries.

3.5. CASH FLOW STATEMENT

| (€ millions) | March 31, 2009 12 months | March 31, 2008 12 months |
|---|-----------------------------|-----------------------------|
| Net cash flow from operating activities | (2.8) | 3.1 |
| Net cash flow from investing activities | (42.2) | (1.3) |
| Net cash flow from financing activities | (16.2) | 40.6 |
| Net cash flow for the year | (61.2) | 42.4 |
| Cash at the beginning of the year | 61.3 | 18.9 |
| Cash at the end of the year | 0.1 | 61.3 |

Net cash decreased by €61.2 million and the Company had positive cash balances of €0.1 million on March 31, 2009.

The negative net cash flow of €2.8 million reflected a negative cash flow from operations of €4.6 million, combined with a increase in working capital of €1.8 million.

The negative **net cash flow from financing activities** of €16.2 million as of March 31, 2009 represented:

- A €52.8 million decrease in intragroup advances and loans;
- Proceeds of €35.1 million (net of fees) from the issue of ORANE bonds;
- Proceeds of €1.4 million (net of fees) from share issues.

4. BUSINESS AND FINANCIAL RESULTS OF SUBSIDIARIES

The section below covers only the significant subsidiaries still held by the Company. Their results are presented in the form of statutory financial statements.

ATARI INC.

US-based Atari Inc. is incorporated in the state of Delaware and was previously listed on the NASDAQ stock exchange. It has been a wholly-owned subsidiary since October 2008 when the Company bought up the remaining minority interests. Atari Inc.'s business is mainly focused on distributing video games in the United States, Canada and Mexico.

For the year ended March 31, 2009, Atari Inc. posted revenue of €135.9 million (versus €80.1 million in fiscal year 2007-2008), an operating loss of €4.4 million (compared with an operating loss of €21.1 million in the previous fiscal year) and a net loss of USD 7.3 million (compared with a net loss of USD 22.5 million in fiscal year 2007-2008).

ATARI INTERACTIVE INC.

Atari Interactive Inc. is a wholly-owned subsidiary of the Company that develops and publishes video games, notably those from the Hasbro catalog. It also holds the rights to the Atari brand. For the fiscal year ended March 31, 2009, Atari Interactive Inc. reported revenue of USD 33.2 million, chiefly from licensing agreements with other Group entities. It ended the year with a net loss of USD 31.5 million. The loss resulted chiefly from the higher level of development expenses incurred during the period compared to the revenue received, either due to the poor market acceptance of products or to the timing of project development expenses. Fiscal year 2007-2008 reported revenue of USD 8.5 million and a net loss of USD 43.8 million.

EDEN GAMES SAS

Eden Games, a wholly-owned subsidiary of the Company, is a French video game development studio with a workforce of more than 110, for the most part developers. For the fiscal year ended March 31, 2009, Eden Games reported revenue of €7.9 million (versus €11.4 million in fiscal year 2007-2008), an operating income of €0.2 million and a net loss of €0.9 million (compared to net income of €0.2 million in fiscal year 2007-2008). All of the company's revenue comes from research and development activities billed to other Group entities.

ATARI EUROPE

Atari Europe is a wholly-owned subsidiary that previously oversaw and coordinated the European and Asian distribution operations prior to Namco Bandai Partners' sale to Namco Bandai. As of March 31, 2009, Atari Europe held a 66% stake in Namco Bandai Partners and its subsidiaries based in Europe and Asia. Atari Europe also managed most of the Company's European publishing business. However, as part of the restructuring announced in the fourth quarter of fiscal 2009, the European publishing business will be completely reorganized and most of the remaining publishing activity will be centralized in the United States. For the 12 months ended March 31, 2009, Atari Europe had revenue of €70.5 million (versus €61.3 million in fiscal year 2007-2008), an operating loss of €23.9 million (compared with a €2.6 million loss in fiscal year 2007-2008) and a net loss of €70.4 million (versus a net loss of €15.3 million in fiscal year 2007-2008).

CRYPTIC STUDIOS INC.

Cryptic Studios Inc., a wholly-owned subsidiary of the Company, is a US-based video game development company with a workforce of more than 200. Cryptic was purchased by the Company in December 2008 (See Note 23 to the consolidated financial statements). From the acquisition date until March 31, 2009, Cryptic Studios Inc. recorded €0.0 million revenue, an operating loss and a net loss of €2.5 million. No financial data are given for the previous fiscal year as Cryptic Studios Inc. was purchased in December 2008.

5. SHAREHOLDERS

5.1. SHARE OWNERSHIP AND VOTING RIGHTS

As of March 31, 2009, the Company's shareholders were entitled to an aggregate of 12,990,321 votes. The data below were prepared on the basis of information obtained from the registrar.

To the best of the Company's knowledge, share ownership and voting rights broke down as follows as of March 31, 2009:

| | Number of shares | (%) | Number of voting rights | (%) |
|-----------------------------|-------------------|---------------|-------------------------|---------------|
| BlueBay Asset Management[1] | 4,044,891 | 31.17 | 4,044,891 | 31.14 |
| GLG[2] | 644,323 | 4.97 | 644,324 | 4.96 |
| Public | 8,286,646 | 63.86 | 8,301,106 | 63.90 |
| Total | 12,975,860 | 100.00 | 12,990,321 | 100.00 |

[1] The BlueBay Value Recovery (Master) Fund Limited and The BlueBay Multi-Strategy (Master) Fund Limited

[2] GLG Partners Fund

The Company was also notified that, as of the close of the fiscal year:

- GLG reported to the Company that it had sold a portion of its interest on May 8, 2009, reducing its interest to 483,245 shares and 483,245 voting rights (representing as of June 30, 2009, 3.66% of the shares and 3.32% of the voting rights). GLC also reported that as of May 8, 2009, it held 144,875 ORANE bonds and 15,241 warrants.
- BlueBay Asset Management held 1,663,292 warrants issued in 2009 (exercisable for 1,663,292 shares), 1,327,731 ORANE bonds issued in 2009 as part of the public exchange offer in January 2009 (exercisable for 22,571,426 shares), and 342,095 ORANE bonds issued in 2009 and acquired as part of the issue of ORANE bonds with warrants attached (ORANE-BSA) in January 2009 (exercisable for 8,983,414 shares).

The Company's principal shareholders have the same voting rights as all other shareholders.

To the best of the Company's knowledge, as of March 31, 2009, no other shareholder owned, alone or in concert, 5% or more of the shares or voting rights.

5.2. CHANGES IN OWNERSHIP DURING THE FISCAL YEAR

As required by the Company's Articles of Incorporation, which provide that any ownership of 2% or more of the shares or voting rights must be reported, the Company was notified of the following changes in share ownership during the period:

- By letter dated April 8, 2008, BlueBay Asset Management reported that as of April 7, 2008 it held 31.49% of the shares and 31.40% of the voting rights.
- By letter dated May 7, 2008, GLG Partners LP reported that on April 29, 2008 it had increased its holdings to more than 5% of the shares and voting rights and that it held 5.02% of the Company's shares and 5.002% of the voting rights.
- By letter dated September 19, 2008, GLG Partners LP reported that on September 15, 2008 it had decreased its holdings to less than 5% of the shares and voting rights and that it held 4.97% of the Company's shares and 4.96% of the voting rights.
- By letter dated July 6, 2009, GLG Partners LP reported that on May 8, 2009 it had decreased its holdings to less than 4% and that it held 483,245 shares and 483,245 voting rights representing 3.66% of the Company's shares and 3.32% of the voting rights. GLC also reported that as of May 8, 2009 it held 144,875 ORANE bonds and 15,241 warrants.

5.3. TRADING BY THE COMPANY IN ITS OWN STOCK

The Company did not trade in its own shares during the year ended March 31, 2009.

The Company held 2,470 of its own shares on March 31, 2009 and 2008 (not taking into account the liquidity agreement).

5.4. SHARE BUYBACK PROGRAM

Pursuant to Article L.451-3 of the French Monetary and Financial Code (*Code monétaire et financier*) and Articles 241-1 *et seq.* of the General Regulation of the AMF, a share buyback program was implemented on April 7, 2009, within the scope of the authority granted by the Ordinary and Extraordinary Shareholders' Meeting of September 25, 2008 in its nineteenth resolution which, effective immediately, terminated the authority granted by the Shareholders' Meeting of September 27, 2007 in its ninth resolution to purchase Company shares.

The buyback program is limited to a maximum of 10% of the outstanding shares. The program extends until March 25, 2010.

The program's objectives are:

- Deliver shares (through sale, transfer, exchange or otherwise) as part of acquisition, merger, spinoff or contribution transactions.

- Grant shares at the time of exercise of the rights attached to securities providing entitlement to existing Company shares through redemption, conversion, exchange, presentation of a warranty, or otherwise.
- Grant or sell shares to employees or corporate officers and directors with respect to their sharing in the benefits of the Company's expansion, or the implementation of stock option plans, free share plans, an employee savings plan or any other means provided for by current legislation.
- Improve the share's liquidity as part of a liquidity agreement entered into with a provider of investment services;
- Implement any market practice recognized by law or the AMF.
- Cancel shares in accordance with the twenty-third resolution approved by the Shareholders' Meeting of September 25, 2008.

5.5. LIQUIDITY AGREEMENT

On April 8, 2009, Atari implemented a liquidity agreement, in accordance with the AMF's decision of October 1, 2008 concerning liquidity agreements as an accepted market practice and in accordance with the AMAFI's code of conduct. The agreement was for an automatically renewable one-year term and was authorized by the Shareholders' Meeting of September 25, 2008. A cash amount of €200,000 was allocated to the liquidity account in connection with the agreement. As of June 30, 2009, the liquidity agreement covered 25,000 shares and €84,808.28.

5.4. EMPLOYEE SHARE OWNERSHIP

As of March 31, 2009, the Company's employees owned approximately 0.05% of its shares through the Employee Savings Plan.

6. ALLOCATION OF NET LOSS

The next Shareholders' Meeting will be asked to allocate the loss of €165.1 million for the year ended to retained earnings.

6.1. DIVIDENDS AND DIVIDEND TAX CREDITS FOR THE PAST THREE FISCAL YEARS

The Company did not pay out dividends for the past three years and does not anticipate proposing the distribution of a dividend for fiscal year 2008-2009.

6.2. NON-DEDUCTIBLE EXPENSES

In accordance with the provisions of Article 223 *quater* of the French Tax Code (*Code général des impôts*), we state that the financial statements for the fiscal year ended include €12.6 thousand in non tax-deductible expenses which corresponds to depreciation allowances on private vehicles.

7. CORPORATE OFFICERS

Information on the list of corporate officers and the composition of senior management are provided in the section on "Corporate Governance" in this Registration Document.

COMPENSATION OF CORPORATE OFFICERS

(Information disclosed in accordance with Article L. 225-102-1 of the French Commercial Code)

Atari's corporate officers are its directors, among whom only the Chief Executive Officer and the Chief Operating Officer hold executive positions.

Compensation of the Chairman of the Board of Directors

- Michel Combes (April 1, 2008 – March 15, 2009)

At its meetings of February 27 and July 29, 2008, the Board of Directors set the Chairman's annual compensation at €50,000 a year (including directors' fees), with an additional variable compensation of up to €50,000, the amount and payment of which are contingent on the achievement of certain performance objectives, both quantitative (60%) and qualitative (40%).

In addition to this compensation, the Chairman may receive up to 295,518 free shares, subject to meeting the following conditions:

- The expiration of a vesting period of three (3) years from February 27, 2008, unless a change in the control of Atari occurs before that date, in which case the vesting period would end at the later of: (y) the expiration of a period of two years from February 27, 2008 and (z) the date of the change in control;
- The continued service of Michel Combes with Atari as Chairman of the Board of Directors or the termination of his appointment for a reason other than serious misconduct or gross negligence, disability or retirement, in which case he would be entitled to only a portion of the free shares;
- The partial or full achievement at the end of each year of certain annual performance objectives set by the Board of Directors.

Michel Combes would be granted some or all of those free shares in three installments each fiscal year during the vesting period, based on the degree to which performance objectives were achieved. The Board of Directors also decided that, following a lock-up period of two years subsequent to the vesting period, Michel Combes would have to hold on to at least 15 percent of the shares granted to him for his entire term of office.

Indemnity in the event of termination

The Company's Board of Directors decided that the Chairman would be entitled to severance benefits if his appointment were terminated due to a change in control of Atari, subject to certain performance objectives being achieved. The amount payable would be calculated on the basis of the degree to which performance objectives applicable to the payment of variable compensation were achieved in the period or periods preceding termination and the percentage of variable compensation paid to the Chairman. This percentage would be applied to his aggregate (fixed and variable) compensation, with the understanding that only the fixed compensation would be taken into consideration if termination occurred prior to February 27, 2009. If the performance objectives set forth above were not achieved, no severance compensation would be payable.

At the Board of Directors' meeting of March 15, 2009, Michel Combes presented his resignation, effective March 16, 2009. The above-described indemnity does not therefore apply.

- Frank E. Dangeard (March 15, 2009 – March 31, 2009)

On March 15 and March 22, 2009, the Board of Directors established the Chairman's annual fixed compensation at €100,000 (excluding directors' fees).

In addition, in his capacity as Chairman of the Finance and Resources Committee and the Strategy Committee, for which it is expected that he shall devote up to 10 days per month he will receive a monthly cash compensation of €30,000.

Lastly, Frank E. Dangeard is entitled to reimbursement of any reasonable expense incurred through the performance of his duties.

Indemnity in the event of termination

In the event of termination before the end of his term as non-executive Chairman for any reason other than gross negligence, Frank E. Dangeard will be entitled to receive severance compensation corresponding to his annual fixed compensation of €100,000. Payment of this compensation will be contingent on the achievement of qualitative and quantitative objectives set by the Board of Directors.

These performance objectives comprise the quality of governance, strategic orientation, the preparation of the Board's work determined by the Board of Directors during the Chairman's term of office, as well as the change in the Company's relative position in its business sector in terms of market share, financial performance and market capitalization. Equal weight will be given to all these considerations.

Compensation of the Chief Executive Officer and Chief Operating Officer

Fixed and variable compensation

Following proposals by the Appointment and Compensation Committee, the Board of Directors, at its meetings of January 30, 2008 and March 2, 2008, decided that compensation paid to the Chief Executive Officer and the Chief Operating Officer would consist of a fixed and a variable portion. The variable portion of their compensation depends on the degree to which certain annual objectives, set by the Board of Directors based on proposals by the Appointment and Compensation Committee, are fulfilled. These objectives are both quantitative and financial (change in the Group's Current operating income before share-based payments) or are qualitative, linked to the completion of specific projects. The degree to which these objectives have been achieved and the amount of variable compensation are then determined by the Board of Directors when it approves the financial statements for the year, based on proposals by the Appointment and Compensation Committee.

Quantitative and financial objectives are used to determine 60% of variable compensation and qualitative objectives serve as a basis for the other 40%.

Gross fixed compensation of €400,000 was paid to David Gardner (CEO) in fiscal year 2008-2009, for twelve months. For fiscal 2009-2010, David Gardner's annual fixed compensation decided by the Board of Directors at its meeting of January 30, 2008 will remain unchanged at €400,000. If all objectives are fully achieved, David Gardner's variable compensation will amount to €600,000. He is also entitled to the payment of travel and representation expenses.

Gross compensation of €450,000 was paid to Phil Harrison (Chief Operating Officer) in fiscal year 2008-2009, for twelve months. Phil Harrison is also entitled to the payment of travel and representation expenses.

Grants of stock options

At the time they joined the Group, the Chief Executive Officer and the Chief Operating Officer became entitled to conditional and unconditional grants of stock options. The Board of Directors decided that, while they served in their respective positions, the Chief Executive Officer and the Chief Operating Officer would be required to hold on to at least 15% of shares for which such options were exercised.

Additional bonuses

At the proposal of the Appointment and Compensation Committee, the Board of Directors also decided to provide for additional bonuses, based on the Company's market capitalization, of up to €20 million for David Gardner and up to €15 million for Phil Harrison. Those bonuses would become payable, on one or more occasions, in the event that the Company's average market capitalization, on a fully diluted basis, should exceed €500 million for three successive months before March 31, 2013. The amount of the bonuses would be calculated as follows:

- For David Gardner: by linear interpolation, from zero euros for a market capitalization of €500 million to €20 million for a market capitalization of €900 million or more;
- For Phil Harrison: by linear interpolation, from zero euros for a market capitalization of €500 million to €15 million for a market capitalization of €900 million or more.

In order to be eligible for those additional bonuses, David Gardner and Phil Harrison would have to be in the Company's employ on the last day of the half-year period (meaning September 30 and March 31) on which the Company's average market capitalization triggers the bonus payment.

The additional bonuses would be paid either in cash or in common stock of the Company, decided at the Company's discretion at the time of payment (the number of shares being determined on the basis of their average price over the ten trading days immediately preceding the Board of Directors' decision to award the bonuses), in accordance with the applicable provisions of the French Commercial Code governing share grants. At this point in time, management anticipates paying bonuses in the form of newly-issued shares.

Indemnity in the event of termination

The Company's Board of Directors has also made certain commitments to the Chief Executive Officer and Chief Operating Officer concerning indemnities to which they would be entitled if their appointment with the Company were to be terminated, subject to the achievement of performance objectives. The amount of severance pay would be calculated on the basis of the degree to which performance objectives applicable to the payment of variable compensation were fulfilled in the period or periods preceding termination and the percentage of variable compensation paid to the Chief Executive Officer and Chief Operating Officer. That percentage would be applied to the aggregate of (i) their last annual fixed compensation and (ii) 50% of their maximum annual variable compensation for the year in which termination occurred.

Accordingly, in the case of severance from the Company, David Gardner and Phil Harrison would be entitled to severance compensation equal to:

- The percentage of variable compensation to which they would have been entitled if they had remained in their position for all of fiscal 2009-2010, if they were to leave prior to April 1, 2010;
- The average of the percentages of variable compensation paid to them for the periods preceding their departure, if they were to leave after April 1, 2010.

The amount of any severance compensation paid to David Gardner and Phil Harrison would in any event not be less than 50% of their last annual compensation (fixed and variable), subject to the express condition that the Company's current operating income before share-based payments for the year ending March 31, 2009 equals or exceeds that for the year ended March 31, 2008, with the understanding that this condition would be applicable in the case of terminations prior to April 1, 2009 and that it will be adjusted for subsequent years. If the performance objectives set forth above are not achieved, no severance compensation will be payable.

On May 25, 2009, Phil Harrison's term of office as Chief Operating Officer was terminated. As of the date of this document's filing, discussions were in progress concerning the applicable financial terms and conditions.

Table 10 of AMF recommendations

| Executive corporate officer | Employment contract | | Supplementary pension plan | | Indemnities and/or benefits due or likely to be due in the event of termination or a change of position | | Consideration due under a covenant not to compete | |
|---|---------------------|----|----------------------------|----|---|----|---|----|
| | Yes | No | Yes | No | Yes | No | Yes | No |
| David Gardner Chief Executive Officer Appointed: January 30, 2008 Expiration: | | X | | X | X | | | X |
| Phil Harrison Chief Operating Officer Appointed: March 2, 2008 Expiration: May 25, 2009 | | X | | X | X | | | X |
| Michel Combes Non-executive Chairman of the Board of Directors Appointed: January 30, 2008 Expiration: March 15, 2009 | | X | | X | X | | | X |
| Frank E. Dangeard Non-executive Chairman of the Board of Directors Appointed: March 15, 2009 Expiration: | | X | | X | X | | | X |

DIRECTORS' FEES

The Company's directors are not entitled to compensation other than directors' fees, with the exception of the Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officer.

The Shareholders' Meeting of September 25, 2008 resolved that aggregate directors' fees payable in any year should not exceed €500,000.

Rules applicable to the allocation of directors' fees are decided by the Board of Directors on the basis of proposals by the Appointment and Compensation Committee. The Board of Directors may allocate directors' fees among its members at its discretion. Compensation may be paid in special cases by the Board of Directors to members with specific assignments or duties. Such compensation is governed by Articles L. 225-28 to L. 225-42 of the French Commercial Code.

Whenever members of committees are also Company directors, they may be paid special compensation for their assignment, as provided for in Article L. 225-46 of the French Commercial Code. They may not be granted compensation on a permanent basis but may be entitled to a larger share of directors' fees than other directors, as permitted by Article R.225-33 of the French Commercial Code.

For fiscal year 2008-2009, no directors' fees were paid between April 1, 2008 and March 31, 2009 (compared with €233,333 for the previous fiscal year).

Table 3 of AMF recommendations

| Directors' fees and other compensation received by non-executive corporate officers (€ thousands) | | |
|---|--|--|
| Non-executive corporate officer | Amount paid during fiscal year 2007-2008 | Amount paid during fiscal year 2008-2009 |
| Dominique D'Hinnin, non-executive Vice-Chairman | | |
| Directors' fees | 55,0 | - |
| Other compensation | - | - |
| Pascal Cagni, independent director | | |
| Directors' fees | - | - |
| Other compensation | - | - |
| Eugene Davis, director from January 23, 2009 to March 15, 2009 | | |
| Directors' fees | - | - |
| Other compensation | - | - |
| Didier Lamouche, independent director | | |
| Directors' fees | 17,0 | - |
| Other compensation | - | - |
| Gina Germano, director | | |
| Directors' fees | - | - |
| Other compensation | - | - |
| BlueBay Value Recovery (Master) Fund Limited, represented by Jeff Lapin | | |
| Directors' fees | 17,0 | - |
| Other compensation | - | - |
| Christophe Sapet, director until December 5, 2007 | | |
| Directors' fees | 25,0 | - |
| Other compensation | - | - |
| BlueBay Asset Management, represented by Eli Muraidekh until December 3, 2007 | | |
| Directors' fees | - | - |
| Other compensation | - | - |
| TOTAL | 114 | - |

In his capacity as non-voting director until April 24, 2008, Benoit de Maulmin received directors' fees of €25,000 for fiscal year 2007-2008.

COMPENSATION EFFECTIVELY PAID TO OFFICERS AND DIRECTORS IN FISCAL 2008-2009

(Disclosure pursuant to Article L. 225-102-1 of the French Commercial Code)

For the fiscal year ended March 31, 2009, the Group's corporate officers and directors received aggregate compensation from all Group entities of €929,000, i.e. the entire amount in fixed compensation compared with €7.6 million for the year ended March 31, 2008 (€1.3 million in fixed compensation and €6.3 million in variable compensation).

The tables below show the gross compensation, before tax, effectively paid to corporate officers in fiscal years 2008-2009 and 2007-2008, as required by Article L. 225-102-1 of the French Commercial Code.

Table 1 of AMF recommendations

| Compensation, stock options and free shares granted to each executive corporate officer | | |
|---|--------------------------|--------------------------|
| (€ thousands) | Fiscal year 2007-2008 | Fiscal year 2008-2009 |
| David Gardner, Chief Executive Officer | | |
| Compensation due for the year (see table 2) | 601,1 | 619,8 |
| Value of stock options granted during the fiscal year (see table 4) | 3 835,8 | - |
| Value of performance shares granted during the fiscal year (see table 6) | - | - |
| Phil Harrison, Chief Operating Officer | | |
| Compensation due for the year (see table 2) | 538,0 | 469* |
| Value of stock options granted during the fiscal year (see table 4) | 4 040,0 | - |
| Value of performance shares granted during the fiscal year (see table 6) | - | - |
| Michel Combes, Chairman of the Board of Directors until March 15, 2009 | | |
| Compensation due for the year (see table 2) | 25,0 | 100,0 |
| Value of stock options granted during the fiscal year (see table 4) | -** | - |
| Value of performance shares granted during the fiscal year (see table 6) | - | - |
| Frank E. Dangeard, Chairman of the Board of Directors since March 15, 2009 | | |
| Compensation due for the year (see table 2) | - | 43,2 |
| Value of stock options granted during the fiscal year (see table 4) | - | - |
| Value of performance shares granted during the fiscal year (see table 6) | - | - |
| Patrick Leleu, Chairman and Chief Executive Officer from April 4, 2007 to January 30, 2008 | | |
| Compensation due for the year (see table 2) | 951 | - |
| Value of stock options granted during the fiscal year (see table 4) | - | - |
| Value of performance shares granted during the fiscal year (see table 6) | - | - |
| Bruno Bonnell, Chairman and Chief Executive Officer until April 4, 2007 | | |
| Compensation due for the year (see table 2) | 2 403 | - |
| Value of stock options granted during the fiscal year (see table 4) | - | - |
| Value of performance shares granted during the fiscal year (see table 6) | - | - |
| Thomas Schmider, Chief Operating Officer until April 4, 2007 (1) | | |
| Compensation due for the year (see table 2) | 1 400 | - |
| Value of stock options granted during the fiscal year (see table 4) | - | - |
| Value of performance shares granted during the fiscal year (see table 6) | - | - |
| Evence-Charles Coppée, Chief Operating Officer until April 4, 2007 (2) | | |
| Compensation due for the year (see table 2) | 679 | - |
| Value of stock options granted during the fiscal year (see table 4) | - | - |
| Value of performance shares granted during the fiscal year (see table 6) | - | - |
| Jean-Michel Perbet, Chief Operating Officer until April 4, 2007 (3) | | |
| Compensation due for the year (see table 2) | 450 | 716 |
| Value of stock options granted during the fiscal year (see table 4) | - | - |
| Value of performance shares granted during the fiscal year (see table 6) | - | - |

(1) Employment contract terminated on March 21, 2008.

(2) Directorship expired on March 4, 2008.

(3) Employment contract terminated on August 18, 2008.

* On the date of filing of this document, discussions were in progress regarding the financial conditions of the termination of Phil Harrison's duties as Chief Operating Officer.

** On February 27, 2008, Michel Combes was granted 295,518 free shares, which he declined upon his resignation as Chairman of the Board of Directors.

Table 2 of AMF recommendations

| Summary of amounts due and paid to each executive corporate officer | | | | |
|---|-----------------------|--------------|-----------------------|---------------|
| | Fiscal year 2007-2008 | | Fiscal year 2008-2009 | |
| (€ thousands) | Amount due | Amount paid | Amount due | Amount paid |
| David Gardner, Chief Executive Officer | | | | |
| Fixed compensation | 68,0 | 68 | 400,0 | 400,0 |
| Variable compensation | 33,1 | - | 198,8 | - |
| Special compensation | 500 | 500 | - | - |
| Directors' fees | - | - | - | - |
| Benefits in kind | - | - | 21,0 | 21,0 |
| Total | 601 | 568 | 620 | 421 |
| Phil Harrison, Chief Operating Officer | | | | |
| Fixed compensation | 38 | 38 | 450,0 | 450,0 |
| Variable compensation | - | - | -* | - |
| Special compensation | 500 | 500 | - | - |
| Directors' fees | - | - | - | - |
| Benefits in kind | - | - | 19 | 19,0 |
| Total | 538 | 538 | 469 | 469 |
| Michel Combes, Chairman of the Board of Directors until March 15, 2009 | | | | |
| Fixed compensation | - | - | 50,0 | 50,0 |
| Variable compensation | - | - | 12,5 | 12,5 |
| Special compensation | - | - | 37,5** | 37,5** |
| Directors' fees | 25 | 25 | - | - |
| Benefits in kind | - | - | - | - |
| Total | 25 | 25 | 100 | 100*** |
| Frank E. Dangeard, Chairman of the Board of Directors since March 15, 2009 | | | | |
| Fixed compensation | - | - | 4,2 | 4,2 |
| Variable compensation | - | - | - | - |
| Special compensation | - | - | 39 | 39,0 |
| Directors' fees | - | - | - | - |
| Benefits in kind | - | - | - | - |
| Total | 0 | 0 | 43 | 43 |
| Patrick Leleu, Chairman and Chief Executive Officer from April 4, 2007 to January 30, 2008 | | | | |
| Fixed compensation | 341 | 341 | - | - |
| Variable compensation | - | - | - | - |
| Special compensation (severance payment) | 600 | 600 | - | - |
| Directors' fees | 10 | 10 | - | - |
| Benefits in kind | - | - | - | - |
| Total | 951 | 951 | 0 | 0 |
| Bruno Bonnell, Chairman and Chief Executive Officer until April 4, 2007 | | | | |
| Fixed compensation | 1 | 1 | - | - |
| Variable compensation | - | - | - | - |
| Special compensation (including severance payment) | 2 400 | 2 400 | - | - |
| Directors' fees | - | - | - | - |
| Benefits in kind | 2 | 2 | - | - |
| Total | 2 403 | 2 403 | 0 | 0 |
| Thomas Schmider, Chief Operating Officer until April 4, 2007 (1) | | | | |
| Fixed compensation | 276 | 276 | - | - |
| Variable compensation | - | 200 | - | - |
| Special compensation (severance payment) | 1 110 | 1 110 | - | - |
| Directors' fees | 10 | 10 | - | - |
| Benefits in kind | 4 | 4 | - | - |
| Total | 1 400 | 1 600 | 0 | 0 |
| Evence-Charles Coppée, Chief Operating Officer until April 4, 2007 (2) | | | | |
| Fixed compensation | 4 | 4 | - | - |
| Variable compensation | - | 150 | - | - |
| Special compensation (severance payment) | 650 | 650 | - | - |
| Directors' fees | 25 | 25 | - | - |
| Benefits in kind | - | - | - | - |
| Total | 679 | 829 | 0 | 0 |
| Jean-Michel Perbet, Chief Operating Officer until April 4, 2007 (3) | | | | |
| Fixed compensation | 301 | 301 | 114 | 114 |
| Variable compensation | 120 | 180 | - | 120 |
| Special compensation (severance payment) | - | - | 600 | 600 |
| Directors' fees | 25 | 25 | - | - |
| Benefits in kind | 4 | 4 | 1 | 1 |
| Total | 450 | 510 | 716 | 836 |

(1) Employment contract terminated on March 21, 2008.

(2) Directorship expired on March 4, 2008.

* On the date of filing of this document discussions are in progress regarding the financial conditions applicable to the termination of Phil Harrison's term of office as COO.

** Additional allocation for Michel Combes' attendance at the Board's ad-hoc Committees and the time devoted to finding his successor.

*** Payment of €100,000 to Michel Combes in 2009-2010.

NB. All compensation referred to in this table was paid either directly by the Company or indirectly by its Atari Europe subsidiary.

STOCK OPTION PLANS

Under each of the plans, the exercise price set by the Board of Directors on the date options are granted carries no discount to the price of shares. It corresponds to the shares' average price over the twenty trading days immediately preceding the date of the Board of Directors' meeting. Options expire eight years from their grant date and can generally be exercised only after a vesting period of one to four years from their grant date. In France, beneficiaries of stock options must hold on to the shares for which they are exercised until four years after the grant date.

RESTRICTIONS ON THE SALE OF SHARES BY OFFICERS AND DIRECTORS

In accordance with applicable regulations, the Board of Directors has adopted rules restricting the sale of shares acquired during fiscal year 2007-2008 by the Chief Executive Officer and the Chief Operating Officer under stock option plans and by Michel Combes under conditional free share grants. In fiscal year 2008-2009, no corporate officers were granted new stock option plans by the Company.

The beneficiaries of grants are required to keep at least 15% of the shares resulting from the exercise of options or grants of free shares, in registered form, for the entire term of their appointment.

SUMMARY OF THE PRINCIPAL FEATURES OF STOCK OPTIONS GRANTED

As of March 31, 2009, the aggregate number of shares for which existing options could be exercised represented 23.66% of the Company's shares outstanding on that date. The contingent stock options and stock options partly subject to conditions granted during the fiscal year would be exercisable for up to 316,754 new shares (exclusive of future adjustments), or approximately 0.2% of the Company's shares outstanding as of March 31, 2009.

The principal features of all stock options granted by Infogrames Entertainment/Atari and still outstanding are summarized in the table below. No other options exercisable for shares of Atari have been granted by other Group companies.

Table 8 of AMF recommendations

| | Plan no. 6 | Plan no. 7 | Plan no. 8 | Plan no. 9 | Plan no. 10 | Plan no. 11 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Date of Shareholders' Meeting | 16/12/1999 | 15/12/2000 | 15/12/2000 | 17/12/2001 | 17/12/2001 | 29/05/2002 |
| Date of Board of Directors' meeting | 30/10/2000 | 24/10/2001 | 24/10/2001 | 15/03/2002 | 07/11/2002 | 16/09/2003 |
| Number of stock options granted (1) | 543,341 | 2,266,706 | 343,340 | 304,767 | 4,174,992 | 2,793,699 |
| Of which, to members of the Executive Council and Board of Directors (2) | - | - | - | - | - | - |
| Starting date of the stock option exercise period | 30/10/2000 | 24/10/2001 | 24/10/2001 | 15/03/2002 | 07/11/2002 | 16/09/2003 |
| Expiration date of stock options | 30/10/2008 | 24/10/2009 | 24/10/2009 | 15/03/2010 | 07/11/2010 | 16/09/2011 |
| Exercise price of stock options (€) (1) | 806.83 | 293.48 | 522.3 | 428.78 | 98.49 (3) | 180.07 |
| Vesting of stock options granted | 20% per year | 25% per year | 25% per year | 25% per year | 25% per year | 25% per year |
| Total number of stock options outstanding on March 31, 2008 | 54,401 | 1,738,455 | 266,908 | 245,452 | 3,485,765 | 2,372,925 |
| Stock options exercised between April 1, 2008 and March 31, 2009 | - | - | - | - | - | - |
| Stock options cancelled between April 1, 2008 and March 31, 2009 | 54,401 | - | - | - | - | - |
| Total number of stock options outstanding on March 31, 2009 | - | 1,738,455 | 266,908 | 245,452 | 3,485,765 | 2,372,925 |
| Of which, to members of the Executive Council and Board of Directors (2) | - | - | - | - | - | - |

| | Plan no. 12 | Plan no. 13 | Plan no. 14 | Plan no. 15 | Plan no. 16 | Plan no 17 |
|---|--------------|--------------|--------------|-------------|-------------|------------|
| Date of Shareholders' Meeting | 29/05/2002 | 29/05/2002 | 19/01/2005 | 27/09/2007 | 27/09/2007 | 27/09/2007 |
| Date of board of directors' meeting | 03/03/2004 | 27/07/2004 | 07/09/2005 | 30/01/2008 | 02/03/2008 | 09/09/2008 |
| Number of stock options granted (1) | 388,578 | 1,424,786 | 5,460,412 | 142,810,731 | 120,006,608 | 316,754 |
| Of which to members of the Executive Council and Board of Directors (2) | - | - | - | 142,810,731 | 120,006,608 | 316,754 |
| Starting date of the stock option exercise period | 03/03/2004 | 27/07/2004 | 07/09/2005 | 30/01/2008 | 02/03/2008 | 02/03/2008 |
| Expiration date of stock options | 03/03/2012 | 27/07/2012 | 07/09/2013 | 30/01/2016 | 02/03/2016 | 02/03/2016 |
| Exercise price of stock options (€) (1) | 136.3 | 74.61 | 54.72 | 11.39 | 14.33 | 13.12 |
| Vesting of stock options granted | 25% per year | 25% per year | 25% per year | | | |
| Total number of stock options outstanding on March 31, 2008 | 388,578 | 1,097,734 | 3,190,532 | 142,810,731 | 120,006,608 | - |
| Stock options exercised between April 1, 2008 and March 31, 2009 | - | - | - | - | - | - |
| Stock options cancelled between April 1, 2008 and March 31, 2009 | - | - | 307,937 | - | - | - |
| Total number of stock options outstanding on March 31, 2009 | 388,578 | 1,097,734 | 2,882,595 | 142,810,731 | 120,006,608 | 316,754 |
| Of which to members of the Executive Council and Board of Directors (2) | - | - | - | 142,810,731 | 120,006,608 | 316,754 |

(1) All figures have been adjusted as required by law to reflect the following events: (i) stock splits approved by the Shareholders' Meetings of December 15, 1997 and December 16, 1999, (ii) a five-percent stock dividend on January 15, 2002, (iii) the issuance of warrants on January 4, 2005, (iv) the grant of warrants to the Company's shareholders on December 22, 2006, (v) the rights offering and distribution of warrants on January 24, 2007 and (vi) the reverse stock split of March 4, 2008 authorized by the Shareholders' Meeting of November 15, 2006, (vii) the issue of preemptive rights in connection with the ORANE-BSA issue in December 2008.

(2) Members as of March 31, 2009.

(3) €103.46 for holders resident in the United States.

NB. On May 25, 2009, the Company set up two stock option plans for employees of Atari Inc. The first plan was granted to Jeff Lapin (option to buy up to 1.5% of the share capital on a fully-diluted basis (exercise price of €5.18). The second plan was granted to Jim Wilson (option to buy up to 300,000 shares with an exercise price €5.18). These plans are contingent on certain performance objectives being achieved.

STOCK OPTIONS GRANTED TO ATARI CORPORATE OFFICERS DURING FISCAL YEAR 2008-2009 AND OPTIONS EXERCISED

No stock option was granted to corporate officers in fiscal year 2008-2009.

Table 4 of AMF recommendations

| Stock options granted during the fiscal year to each executive corporate officer by the issuer or by any other Group company | | | | | | |
|--|--------------------------|--|---|--|----------------|-----------------|
| Name of the executive corporate officer | No. and date of the plan | Nature of the options (purchase or subscription) | Value of options according to method used in the consolidated financial statements (in €) | Number of options granted during the fiscal year | Exercise price | Exercise period |
| Fiscal 2007/2008 | | | | | | |
| David Gardner | No. 15 Jan 30, 2008 | subscription | 3,835,758 | 142,810,731 | 11.39 | 8 years |
| Phil Harrison | No. 16 March 2, 2008 | subscription | 4,039,963 | 120,006,608 | 14.33 | 8 years |
| TOTAL | | | 7,875,721 | 262,817,339 | | |
| Fiscal 2008/2009 | | | | | | |
| None | | | | | | |

Table 5 of AMF recommendations

| Stock options exercised during the fiscal year by each executive corporate officer | | | |
|--|----------------------------|--|----------------|
| Name of executive corporate officer | No. and a date of the plan | Number of options exercised during the fiscal year | Exercise price |
| Fiscal 2007/2008 | | | |
| None | | | |
| Fiscal 2008/2009 | | | |
| None | | | |

PERFORMANCE SHARES GRANTED TO ATARI CORPORATE OFFICERS DURING FISCAL YEAR 2008-2009 WHICH BECAME AVAILABLE DURING THE FISCAL YEAR

Table 6 of AMF recommendations

| Performance shares granted to each corporate officer | | | | | | |
|---|--------------------------------------|---|---|--------------|----------------------|---------------------------------------|
| Performance shares granted by the Shareholders' Meeting during the fiscal year to each corporate officer by the issuer or any other Group company | No. and date of the plan | Number of shares granted during the fiscal year | Value of options according to the method used in the consolidated financial statements (in €) | Vesting date | Date of availability | Performance conditions |
| Fiscal year 2007/2008 | | | | | | |
| Michel Combes* | No. 2008 A (a) Date: 2/27/2008 | 295 518 | 14 | 2/27/2011 | 2/27/2010 | Quantitative and qualitative criteria |
| Fiscal year 2008/2009 | | | | | | |
| None | | | | | | |

* All free shares granted to Michel Combes were cancelled in fiscal year 2008/2009, since he was no longer Chairman of the Board of Directors

Table 7 of AMF recommendations

No performance shares became available for a corporate officer in fiscal year 2008-2009.

| Performance shares that became available for each corporate officer | No. and date of the plan | No. of shares that became available during the fiscal year | Vesting conditions |
|---|--------------------------|--|--------------------|
| Fiscal year 2007-2008 | | | |
| None | | | |
| Fiscal year 2008-2009 | | | |
| None | | | |

STOCK OPTIONS GRANTED BY THE COMPANY AND ITS SUBSIDIARIES TO EMPLOYEES

The Company granted 316,754 stock options to employees other than corporate officers in fiscal year 2008-2009.

Table 9 of AMF recommendations

| 1) Stock options granted to the 10 non-officer employees who received the most options and 2) the options exercised by these employees | Total number of stock options granted/Total number of subscribed or purchased shares | Weighted average price | Plan 17 |
|---|--|------------------------|---------|
| Options granted during the fiscal year by the issuer or any other company within the scope of the stock option plans, to the 10 employees of the issuer or any other company within this scope, who received the most options | 316,754 | subscription | 316,754 |
| Options to shares of the issuer or the above-described companies which were exercised during the fiscal year by the above-described 10 employees | - | - | - |

BOARD OF DIRECTORS' SPECIAL REPORT ON STOCK OPTIONS TO THE ANNUAL AND SPECIAL SHAREHOLDERS' MEETING CALLED TO APPROVE THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009

(Prepared in accordance with Article L. 225-184 of the French Commercial Code (*Code de commerce*))

To our Shareholders,

In connection with our Shareholders' Meeting and in accordance with Article L. 225-184 of the French Commercial Code (*Code de commerce*), this report informs you of the transactions covered by Articles L. 225-177 to L. 225-186 of the French Commercial Code concerning stock options.

We hereby inform you that, during the year ended March 31, 2009, the Company granted a total of 316,754 options, after adjustments, exercisable for 316,754 of its shares, as follows:

| | Number of options | Number of shares for which the options may be exercised | Exercise price per share (in euros) | Expiration date of the options |
|-------------------------------|-------------------|---|-------------------------------------|--------------------------------|
| Plan of September 9, 2008 (*) | 316,754 | 316,754 | 13.12 | September 9, 2016 |

(*) 100% of which are contingent options

As prescribed by Article L. 225-184 of the French Commercial Code, this special report also provides information on the grants and exercises of options by individual corporate officers and other persons who received the largest grants.

1. Stock options granted by the Company to individual corporate officers

No stock options were granted to corporate officers in fiscal year 2008-2009.

2. Stock options granted by the Company's subsidiaries to its corporate officers

No stock options were granted to corporate officers or directors by any of its subsidiaries in fiscal year 2008-2009.

3. Shares acquired by corporate officers through the exercise of stock options granted by the Company or its subsidiaries

No stock options were exercised by corporate officers in fiscal year 2008-2009.

4. Stock options granted by the Company and its subsidiaries to employees

The Company granted 316,754 stock options to employees other than corporate officers in fiscal year 2008-2009.

5. Shares acquired by Company employees through the exercise of stock options granted by the Company or its subsidiaries to the ten Company employees, other than corporate officers, who subscribed the largest number of options

No shares were acquired by Company employees in fiscal year 2008-2009 through the exercise of stock options granted by the Company or its subsidiaries

Paris, July 22, 2009

The Board of Directors

SUMMARY OF THE PRINCIPAL FEATURES OF PERFORMANCE SHARE PLANS

As of March 31, 2009, a total of 487,417 shares granted free of charge under existing plans were outstanding, representing 3.75% of the Company's outstanding capital as of that date.

The principal features of the Atari free share plans that are still in effect are summarized in the table below. No other Group entity has a free share plan.

| Performance share plans | 2007 A | 2007 B | 2007 C | 2008 A | 2008 B | 2008 C | 2008 D | 2008 E | 2008 F | 2008 G |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Date of Shareholders' Meeting authorizing plan | 11/15/2006 | 11/15/2006 | 11/15/2006 | 11/15/2006 | 11/15/2006 | 11/15/2006 | 11/15/2006 | 11/15/2006 | 11/15/2006 | 11/15/2006 |
| Date of the Board of Directors meeting/Grant date | 06/19/2007 | 06/19/2007 | 06/19/2007 | 02/27/2008 | 03/02/2008 | 03/02/2008 | 03/02/2008 | 09/09/2008 | 09/09/2008 | 09/09/2008 |
| Vesting date | 06/19/2008 | 06/19/2009 | 06/19/2010 | 02/27/2011 | 06/19/2008 | 06/19/2009 | 06/19/2010 | 09/09/2009 | 09/09/2010 | 09/09/2011 |
| Total number of shares originally granted | 49,108 | 49,108 | 49,108 | 295,518 | 100,486 | 100,486 | 100,486 | 157,562 | 157,562 | 157,562 |
| Of which to members of the Board and senior management | 49,108 | 49,108 | 49,108 | 295,518 | 100,486 | 100,486 | 100,486 | 157,562 | 157,562 | 157,562 |
| Trading price of shares (in €) | 24.0 | 24.0 | 24.0 | 14.0 | 15.0 | 15.0 | 15.0 | 7.96 | 7.96 | 7.96 |
| % of performance conditions met | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 100% | 100% | 100% |
| Fair value of shares on the grant date | 24.0 | 24.0 | 24.0 | 14.0 | 15.0 | 15.0 | 15.0 | 7.96 | 7.96 | 7.96 |
| Lock-up period | 2 years after the vesting period | 2 years after the vesting period | 2 years after the vesting period | 2 years after the vesting period | 2 years after the vesting period | 2 years after the vesting period | 2 years after the vesting period | 2 years after the vesting period | 2 years after the vesting period | 2 years after the vesting period |
| Free shares granted between April 1, 2008 and March 31, 2009 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 157,562 | 157,562 | 157,562 |
| Free shares lapsed between April, 2008 and March 31, 2009 | 0 | 49,108 | 49,108 | 295,518 | 30,146 | 100,486 | 100,486 | 0 | 0 | 0 |
| Number of free shares outstanding as of March 31, 2009 | 14,732 | 0 | 0 | 0 | 0 | 0 | 0 | 157,562 | 157,562 | 157,562 |
| Of which held by members of the Board and senior management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 157,562 | 157,562 | 157,562 |
| Number of grant beneficiaries as of March 31, 2009 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 |

Nb: with the exception of Fabrice Hamaide, all of the above beneficiaries of performance shares have left the Company or the positions warranting the grant of performance shares.

BOARD OF DIRECTORS' SPECIAL REPORT ON GRANTS OF PERFORMANCE SHARES TO THE ANNUAL AND SPECIAL SHAREHOLDERS' MEETING CALLED TO APPROVE THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009

(Prepared in accordance with Article L. 225-197-4 of the French Commercial Code)

To our Shareholders,

As required by Article L. 225-197-4 of the French Commercial Code (*Code de commerce*), we hereby submit to you this report with information on transactions covered by Articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code.

In its sixteenth resolution, the Extraordinary Shareholders' Meeting of November 15, 2006 authorized the Board of Directors, in accordance with Articles L.225-197-1 *et seq.* of the French Commercial Code, to grant new or existing Company shares, in one or more transactions, to staff members selected by the Board from among eligible employees and officers of the Company or of its affiliates within the meaning of Article L.225-197-2 of said Code.

Pursuant to the authority granted to it, the Board of Directors decided, at its meeting of September 9, 2008, to grant newly-issued Company shares free of consideration to the individuals listed in the table below, subject to the terms and conditions set forth below.

The vesting criteria for free shares granted have been set individually on the basis of objectives set for each beneficiary of grants.

| Names and positions of beneficiaries | Number of free shares granted (adjusted for the reverse stock split of February 22, 2008) | Grant date | Vesting period | Lock-up period | Vesting criteria |
|--------------------------------------|---|-------------------|--------------------|----------------|------------------|
| Fabrice Hamaide | 472,685 | September 9, 2008 | One to three years | Two years | Yes |

Paris, July 22, 2009

The Board of Directors

8. RISKS TO WHICH THE BUSINESS IS EXPOSED

FINANCIAL RISKS

For further information on financial risks, see Note 25 "Management of market risks" to the consolidated financial statements.

Liquidity, going-concern and operating loss risk

Information on going-concern risk and debt is included in Note 2.1 to the consolidated financial statements in this Registration Document.

The table below shows the cash-flow statements prepared by the Company for the past three fiscal years:

| (€ millions) | Year ended March 31, 2009 | Year ended March 31, 2008 | Year ended March 31, 2007 before application of IFRS 5 |
|---|------------------------------|------------------------------|---|
| Cash flow from (used in) operating activities | (75.8) | (21.4) | (11.5) |
| o/w continuing operations | (53.7) | (17.3) | - |
| Net cash flow from (used in) investing activities | (56.0) | (24.3) | (27.1) |
| o/w continuing operations | (78.6) | (24.8) | - |
| o/w acquisitions of fixed assets | (47.7) | (37.5) | (34.9) |
| Net cash flow from (used in) financing activities | 69.6 | 83.7 | 30.6 |
| o/w continuing operations | 67.2 | 84.8 | - |
| of which net interest expense | (4.9) | (9.7) | (16.0) |
| Other cash flows* | - | (1.2) | 12.0 |
| Net change in cash and cash equivalents | (62.2) | 36.8 | 4.0 |
| Net cash flow used in operating activities – including acquisitions of fixed assets | (123.5) | (58.9) | (46.4) |

* Mainly the Impact of changes in exchange rates.

The table above shows that over the past three fiscal years the Company used €228.8 million to finance its operations and acquire fixed assets.

As of March 31, 2009, the Group has net debt of €40.5 million compared with net cash of €48.7 million one year earlier. As of March 31, 2009, the net debt attributable to the Group's continuing operations was €56.4 million. On July 7, 2009,

the Group received €36.3 million in cash in relation to the sale by Atari Europe of its 66% stake in Namco Bandai Partners.

During and prior to fiscal year 2008-2009 the Group made significant losses that have eroded its equity and cash position. As of March 31, 2009 shareholders' equity amounted to a negative €17.5 million, taking into account the €226.1 million loss posted for 2008-2009. During the year the Group's cash and cash equivalents decreased by a net €62.2 million and net debt increased by €27.6 million.

In view of this situation the Group has undertaken measures to refocus its business on online activities and reduce operating costs in order to return to operating income, generate positive cash flows and improve working capital.

These measures include (all references are to the consolidated financial statements):

- The acquisition in December 2008 of California-based Cryptic Studios Inc., which specializes in developing and publishing Massively Multiplayer Online games (see Note 1.7). The acquisition was financed through an issue of "ORANE-BSA" bonds in January 2009 (see Note 1.9). The management forecast for 2009-2010 includes the impact of the launch of Champions Online – a game developed by Cryptic – scheduled for release in the second quarter of the year.
- Sale of all of the Group's distribution operations in Europe and Asia to Namco Bandai, carried out in two phases: 34% in February 2009 and the remaining 66% in July 2009 (see Notes 1.5 and 22).
- Rollout as from June 2008 of a worldwide restructuring plan (Atari Transformation), together with an additional restructuring plan in the fourth quarter of the year in order to limit the impact of falling demand from end-consumers and facilitate the Group's transition to online business (see Note 1.4);
- Reorganization of publishing operations with the aim of maximizing revenue generated from non-online intellectual property by monetizing licenses and entering into publishing partnership agreements. The first stages of this plan have already been implemented, for example through the worldwide launch program for Ghostbusters: The Video Game, which includes an exclusive agreement with Sony Computer Entertainment Europe for the launch of the game on PS3 and PS2 in Europe and the PAL regions.
- Changing the Company's corporate name from Infogrames Entertainment to Atari. This move will enable the Company to more effectively leverage the Atari brand by capitalizing on its worldwide reputation and its consumer appeal – key drivers to implementing the Group's online, product and licensing strategies.

In order to ensure that it has the requisite funds to finance its operations in 2009-2010, the Company also:

- Secured an additional €15 million credit facility from Banc of America in the fourth quarter of 2008-2009, expiring on December 31, 2009;
- Entered into negotiations to extend the expiration date of its €61.8 million Banc of America credit facility from December 31, 2009 to July 2010 (see Note 28); In light of the negotiations that have taken place so far, management considers it likely that Banc of America will grant this extension.

Based on the above-described measures and assumptions, as well as the forecast for fiscal 2009-2010 as approved by the Board of Directors, management believes that the Group's financial resources – including the extension of the Banc of America credit facility – will be sufficient to cover the Group's operating expenses and capital expenditure for the year ending March 31, 2010.

On this basis, the Group has applied the going concern principle in preparing the consolidated financial statements.

Management believes that the assumptions it has used are reasonable. However, in view of the uncertainties inherent in negotiating credit facilities and carrying out a strategic refocusing within a difficult economic environment, actual results may differ from management's forecasts. Such a situation could limit the Group's ability to finance its recurring operations and lead to adjustments in the value of its assets and liabilities, notably goodwill and intangible assets whose total value in the consolidated balance sheet as of March 31, 2009 amounted to €34.9 million and €44.6 million respectively.

Risks related to potential conflicts of interest

The Company is party to an agreement with Banc of America entered into on April 21, 2006 and to which eight amendments have been made. Under the terms of the agreement Banc of America granted the Company a credit facility currently amounting to €61.8 million. According to the agreement as modified by the seventh and eighth amendments dated February 27, 2009 and March 31, 2009 respectively, the credit facility will expire on December 31, 2009. To the Company's knowledge, the entire amount of this loan has been the subject of a sub-participation agreement with BlueBay. Negotiations with Banc of America are currently in progress to extend the expiration date of this credit facility until July 2010.

As of March 31, 2009 BlueBay was the sole underwriter of the Banc of America credit facility for which Banc of America acted as an agent.

On October 18, 2007, funds affiliated to BlueBay High Yield Investments (Luxembourg) SARL, a Company director, bought out loans outstanding previously extended by Guggenheim Corporate Funding LLC to Atari Inc., with an aggregate value of USD 3 million. On October 23, 2007, Atari Inc. secured a credit facility of USD 10 million from BlueBay High Yield Investments (Luxembourg) SARL, a Company director. The facility expires December 31, 2009 and replaces the Guggenheim Corporate Funding LLC facility. The credit facility was increased to USD 14 million by way of an addendum dated December 4, 2007. As part of the ORANE-BSA issue carried out in January 2009 the Company undertook to pay off the €14 million loan granted by BlueBay to Atari Inc. under this facility. This loan was therefore fully repaid as of March 31, 2009.

As of March 31, 2009, BlueBay Asset Management held 31.17% of the Company's shares and 31.14% of the voting rights, on behalf of the BlueBay Value Recovery (Master) Fund and the BlueBay Multi-Strategy (Master) Fund Limited, both of which it manages. BlueBay Asset Management also held 1,663,292 warrants issued in 2009 (exercisable for 1,663,292 shares), 1,327,731 ORANE bonds issued in 2009 and exchanged as part of the public exchange offer in January 2009 (exercisable for 22,571,426 shares) and 342,095 ORANE bonds issued in 2009 and acquired as part of the issue of ORANE bonds with warrants attached (ORANE-BSA) in January 2009 (exercisable for 8,983,414 shares). During the fiscal year, BlueBay Asset Management Plc. and BlueBay High Yield Investments (Luxembourg) SARL were members of the Company's Board of Directors. As of May 25, 2009, only BlueBay Value Recovery (Master) Fund Limited was a member of the Board of Directors.

The fact that companies belonging to the same group are, at the same time, a principal shareholder, a director and a major creditor of the Company is liable to give rise to conflicts of interest.

It should also be noted that Frank E. Dangeard is Chairman of the Board of Directors and BlueBay's special advisor and that Jeff Lapin is the Company's Chief Operating Officer and BlueBay Value Recovery (Master) Fund Limited's representative on the Board of Directors.

Risks related to the enforcement of guarantees provided by the Group

See Note 13.4 to the consolidated financial statements.

In connection with short- and medium-term financing provided to the Company and its European and Asian subsidiaries within the framework of the refinancing of its bank debt, in April 2006 the Group had to renew and provide guarantees and senior pledges to Banc of America, involving essential assets of the Group (securities accounts, shares, industrial property rights, intragroup receivables).

Should the Group default on the debt, Banc of America could enforce guarantees securing it, which would very significantly reduce the Group's assets and jeopardize its ability to continue as a going concern.

Under the seventh and eighth amendments to the April 21, 2006 credit agreement with Banc of America, dated February 27, 2009 and March 31, 2009, respectively, the Company provided additional security interests and confirmed the security interests given earlier and extended their application to new outstanding amounts for a maximum amount of €61.8 million.

The extension of the guarantees given significantly increases the risk of a reduction in the Company's assets, as referred to above.

RISKS RELATED TO THE GROUP'S ABILITY TO DISTRIBUTE DIVIDENDS

The Company did not pay out dividends for fiscal year 2008-2009 and does not envisage paying any in the near future. Its ability to distribute dividends depends on the distributable earnings generated (which depend in turn on its operating income, cash balances and financial position). In addition, certain financing agreements to which the Company is a party prohibit or limit the payment of dividends under certain circumstances.

CONTRACTUAL RISKS

Risks related to licenses

The Group does not hold title to all of the assets it needs to conduct its business. It depends to a large extent on licensing agreements for themes (characters, stories, trademarks, etc.). The success of its publishing business is largely dependent on its ability to acquire intellectual property and to develop it in full compliance with applicable agreements. Accordingly, apart from financial considerations, the term and renewal of licenses for themes obtained by the Group depend on the conditions applicable to the reproduction and exploitation of the theme features concerned. In particular, the Group is bound by confidentiality rules concerning the technology of patent holders and the financial terms of contracts signed with them.

Given the fact that no single license used by the Group accounted for more than 20% of consolidated revenue in fiscal year 2008-2009, the Group considers that the loss of a license (non-renewal or cancellation) would not by itself have a material impact on the Group's business or income. Nevertheless, the simultaneous loss of several licenses would be likely to have a material adverse impact on the Group's financial position, business and income if such loss was not offset by new licenses with an equivalent economic impact on its business.

The Group relies for much of its business on licenses granted by hardware (console) manufacturers. These agreements are for average terms of three years and enable the Group to develop products for use on a proprietary medium (Game Boy Advance, Nintendo DS, PS2, PSP, Xbox 360, PS3, Wii, iPhone, etc.). Licensing agreements require that the Group provide a guarantee against claims that may be lodged against the manufacturers in connection with these products. The guarantees cover the content, marketing and distribution of its products, including infringements of intellectual property rights held by third parties. On the other hand, no licenses are required for products in PC-compatible format.

Risks related to third-party editors

During the year ended March 31, 2009, 23% of the Group's revenue came from sales of games produced by third-parties, who contract with it for the distribution or joint publishing of their products, either worldwide or for given regional or local markets. Most distribution agreements with third parties are for specific games, so that the products available for distribution are guaranteed only on a short-term basis. In addition, the effective release of games depends on final decisions made by the publishers and may not occur on the anticipated date.

Should collaboration between the Company and its major publishers come to an end, the loss of revenue from this distribution business would have a material adverse effect on the Group's financial position.

Risks related to dependency on game console manufacturers

The Group is dependent on console manufacturers, from which it purchases cartridges and other game media, as do all other makers of console games. The distribution of the Group's console games is accordingly contingent on the production and supply of such media by their manufacturers. There is no particular dependency in the case of PC games.

Risks related to dependence on customers and the delisting of products

The Group has historically distributed its products primarily through a centralized network of distributors consisting of a series of "major accounts". A limited number of customers account for the bulk of sales by most of the Group's distribution subsidiaries, making them strongly dependent on those customers.

The sale completed on July 7, 2009 of the all European and Asian distribution operations to Namco Bandai Games Europe will concentrate this risk on the American distribution subsidiary Atari Inc.

The transition towards the online segment, in which the business model is based on a subscription taken out directly by the final customer, will significantly reduce the Group's risk relating to dependence on customers and delisting risk.

As of March 31, 2009 no single customer accounted for more than 24% of trade receivables outstanding.

Risks related to the deferred release of key games

The Group's plan to give new impetus to its publishing business depends in part on the release of a certain number of key franchises. The Group's own development studios and those to which it outsources development projects under contracts may not be able to have a game ready for release on schedule or may be forced to suspend work on a product. The Group pays considerable attention to the selection of third-party developers and the oversight of production processes, although this does not entirely eliminate the risk that a game will be released late, or not at all. There can be significant repercussions whenever the game whose release has been deferred was originally scheduled to be released at the same time as the movie on which it is based. The delayed release of key games or their cancellation could have a material adverse effect on the transformation plan and on the Group's financial position.

RISKS RELATED TO THE VIDEO GAME MARKET

Risks related to new generation consoles

Publishers must make large capital investments in research and development in order to produce titles for the new generation of consoles such as the current Microsoft Xbox 360 and Sony Playstation 3 (PS3), which have increased power and online gaming features, or the Nintendo Wii, which has successfully introduced a new way of playing. Increased production costs are due in part to the larger workforces assigned to develop games and the time it takes to bring them to completion. Publishers seek to anticipate correctly and to make the right choice of formats in which to develop games. This is a very important decision and strategic choice in view of the sums at stake. A wrong choice or a delayed release of the console for which the game is made could have adverse repercussions on projected sales. Likewise, the cost of promoting and marketing games is constantly increasing.

In order to minimize the risk of consumers opting for given systems, the Group intends to continue pursuing a strategy of not depending on specific technological formats, but instead offering software for all of the leading game platforms on the market.

Risks related to the life span and success of games

The main intrinsic risks to which video game publishers are exposed have to do with the inherently short life span of individual games and the speed at which technology evolves. In the highly-competitive interactive entertainment market, where having a hit product is becoming of ever greater importance, the Company's financial position and outlook depend on its ability to regularly offer new titles that reflect what players want and to obtain commercial success on these products, particularly hit products. The commercial success of games depends on their popularity, a factor that is not easily predictable.

Besides using creative and technical resources to ensure that each new game released is of the highest quality, Atari seeks to minimize its exposure to market risks by offering a balanced and diversified product line containing a mix of original titles, its own franchises and games based on licensed popular themes.

Risks related to piracy

A pragmatic approach to fighting piracy is used, based on the degree of risk exposure and the countries concerned. In France and elsewhere in Europe, Atari works closely with the anti-piracy unit set up by institutions such as SELL (the French association of entertainment software manufacturers), the Entertainment Leisure Software Publishing Association (ELSPA) and customs authorities.

The company works with customs authorities in the US in the fight against piracy.

It works with specialized companies to fight against unlawful downloading of its products and includes software in its products designed to prevent unlawful duplication.

Risks related to the seasonal nature of the business

Sales of video games are subject to sharp seasonal fluctuations, with most revenue being generated in the second half of the year and more specifically during the third quarter of the Company's fiscal year, around the Christmas holiday period. These fluctuations are likely to affect the Group's interim and annual financial results.

LEGAL RISKS

In the ordinary course of business, Group entities may be involved in various court, arbitration, administrative and tax proceedings. The significant legal risks to which the Group is exposed are presented below.

Other than litigation referred to in this document, there are no other administrative, legal or arbitration proceedings, including pending or threatened proceedings of which the Company is aware, that could have or in the last twelve months have had a material impact on the financial position or income of the Company and/or the Group.

The Company considers that, given the status of the proceedings and based on the information at its disposal, contingent liabilities should be classified as contingent liabilities within the meaning of IAS 37, and that accordingly no provisions need to be set aside.

Disputes to which the Company is a party

1) Former employee

A significant case arose in a previous year, in which the Company was sued by a former employee who claimed that he had co-authored one of the Group's best-selling franchises. The plaintiff claimed approximately €17 million in damages for financial and non-financial loss suffered as a result of the Group's allegedly unlawful distribution of games based on that theme. At this stage of the proceedings, the Company is categorically rejecting the plaintiff's claim of authorship and/or co-authorship and considers the grounds and amount of his claim to be unfounded.

The parties have filed their pleadings with the court but no significant progress was made in fiscal year 2008-2009. No hearing date has been set and judgment is not expected before November 2009.

In view of the status of the proceedings and based on the information available, the Company considers that this dispute should be accounted for as a contingent liability within the meaning of IAS 37. Consequently no provision has been recorded in relation to this matter.

2) Stanley v. IESA, Atari Inc. and the members of the Atari Inc. Board of Directors

On April 18, 2008, an Atari Inc. minority shareholder filed a Verified Class Action Complaint against Atari Inc., certain of its directors and former directors, and the Company in the Delaware Court of Chancery. The plaintiff alleges that the Atari Inc. director defendants breached their fiduciary duties to Atari Inc.'s minority shareholders by entering into an agreement that allowed the Company to acquire the outstanding shares of Atari Inc.'s common stock at an unfairly low price. The plaintiff asked the court to enjoin the proposed merger transaction, or alternatively, to rescind it in the event that it was consummated, and was seeking damages.

On April 29, 2009, the Delaware Court of Chancery approved the settlement negotiated by the parties, pursuant to which the Company agreed to pay USD 310,000 to the plaintiff.

Disputes to which Atari Europe SAS is party

BVT production fund v. Atari Europe SAS

This dispute concerns two German entities, BVT productions fund, which, pursuant to a series of agreements entered into with various Group companies, financed the production of certain interactive game titles.

Following exchanges of correspondence and an audit in December 2008, the BVT fund instituted proceedings in March 2009 in Germany, claiming the breach by Atari Europe of several contractual obligations arising from publishing agreements linking the fund to Atari Europe. The claims made by the fund before the German courts amount to €2 million.

Atari Europe has recently filed its pleadings with the Munich Court, contesting each of the plaintiff's allegations. A hearing is scheduled to take place in November 2009.

Disputes to which Atari Inc. is a party

1) Bouchat v. Champion Products, et al (Accolade)

In 1999, Bouchat filed a suit with the District Court of Maryland against the National Football League (NFL) and 500 other defendants, including Accolade Inc. (a predecessor entity of Atari Inc.), all of which were licensees of the NFL, claiming copyright infringement of a logo used by the Baltimore Ravens that the plaintiff allegedly designed.

In 2003, the District Court dismissed the plaintiff's claim for damages. The plaintiff has appealed the District Court's ruling.

2) Ernst & Young Inc v. Atari Inc

On July 21, 2006 Atari Inc. was served with a complaint filed by Ernst & Young as Interim Receiver for HIP Interactive Inc. This suit was filed with the New York State Supreme Court, New York County. HIP is a Canadian company that has gone into bankruptcy and with which Atari Inc. had contracted to act as its distributor for various software products in the US. HIP is alleging breach of contract based on the fact that Atari Inc. failed to pay HIP for products in the amount of USD 0.7 million. Atari Inc. has decided to file counter-claims against HIP, as HIP owes it for products distributed in Canada, via Atari's Canadian Agent, Hyperactive.

Atari Inc. filed its answer and counterclaim in August 2006 and initiated discovery against Ernst & Young at the same time.

The parties have since entered into an out-of-court settlement pursuant to which Atari Inc. paid USD 60,000 to Ernst & Young on June 30, 2008 and Ernst & Young abandoned its claims.

3) Research in Motion Limited v. Atari Inc. and Atari Interactive Inc.

On October 26, 2006, Research in Motion Limited ("RIM") filed a claim against Atari Inc. and Atari Interactive Inc. (together referred to as "Atari") with the Ontario Superior Court of Justice. RIM is seeking that it be established that (i) the game BrickBreaker, as well as the copyright, distribution, sale and communication to the public of copies of the game in Canada and the United States, does not infringe any Atari copyright for Breakout or Super Breakout (collectively "Breakout") in Canada or the United States, (ii) the audio-visual displays of Breakout do not constitute a work protected by copyright under Canadian law, and (iii) Atari holds no right (notably intellectual property) in Breakout under US or Canadian law. RIM also submitted a claim for legal costs.

In August 2007, the Court ruled against Atari's December 2006 motion to have the RIM claims dismissed on the ground that the Canadian courts did not have jurisdiction.

On January 19, 2007, RIM added claims to its case requesting that it be established that (i) its game Meteor Crusher does not infringe Atari copyright for its game Asteroids in Canada, (ii) the audio-visual displays of Asteroids do not constitute a work protected under Canadian law, and (iii) Atari holds no right (notably intellectual property) in Asteroids under Canadian law.

Plazmic Inc., a subsidiary of RIM, has joined the proceedings. Atari Inc. decided to file a counterclaim for breach of copyright on Breakout, SuperBreakout, Asteroids and Asteroids Deluxe in Canada.

In December 2006, Atari Interactive Inc. initiated proceedings before the Federal Court for breach of copyright in Canada. Insofar as the proceedings before the Ontario Superior Court of Justice are in progress, Atari Interactive has

accepted that the proceedings before the Federal Court be suspended pending the decision of the Ontario Superior Court of Justice.

No further progress has been made in the proceedings. In August 2008, RIM offered to pay USD 250,000 by way of an out-of-court settlement. Negotiations between the parties are ongoing.

4) Stanley v. IESA, Atari Inc. and the members of the Atari Inc. Board of Directors

This dispute is described above.

RISKS RELATED TO CHANGES IN REGULATIONS APPLICABLE TO VIDEO GAMES

The Group's operations are not governed by specific rules or regulations and are not subject to government licensing. Nevertheless, if the public image of video games, and in particular action games, were to become negative, this could result in more regulations concerning the classification and distribution of such products.

Risks related to the Group's regulatory environment

Because the Group's shares are publicly traded in France, it is subject to a variety of securities exchange and financial disclosure requirements. In the ordinary course of its business, the Group may therefore be required to disclose information or become the target of investigations by the AMF, the outcome of which could have an impact on its share price.

On January 19, 2006, the AMF chairman served the Company with a complaint (*lettre de griefs*), concerning the Company's trading in its own shares on the market. On January 16, 2008, the AMF Disciplinary Committee (*Commission des Sanctions*) brought the proceeding to an end by finding that the complaint was justified and imposing a penalty of €40,000 on the Company. The Company has not appealed the decision.

RISKS RELATED TO HUMAN RESOURCES

Risks related to the departure of key executives

In the event that key executives leave, the Group may find it difficult to replace them, which could cause its business to slow down, with an adverse impact on its financial position, income and ability to achieve objectives.

Risks related to personnel requirements, specifically during the restructuring period

The Group's success is to a large extent due to the accomplishments of its technical staff and management. Advances in technology and the need to make more complex and innovative games require increasingly specific expertise.

The Group is currently adapting its corporate structure as it continues to revamp its publishing strategy. It is looking for personnel with key expertise, notably in the online area and in digital operations.

Like most companies in the video game sector, the Group is exposed to the difficulty of finding experienced employees with the specialized technical skills it needs. The success of its growth and restructuring strategy will depend on its ability to retain existing talent and attract new skilled personnel, as the long restructuring period that the Group has undergone caused it to lose certain assets, employees and skillsets. Risks related to these factors could have an impact on the Group's transformation plan and financial position.

Nevertheless, the Company's hands-on approach to human resource management has always enabled it to attract the best talent for its development staff.

RISKS RELATED TO THE COMPANY'S FINANCIAL REPORTING

Risks related to the valuation of goodwill

Reviews of assumptions used to measure the fair value of goodwill can materially affect its valuation. There are two main categories of assumptions:

- Technical assumptions include the weighted average cost of capital, the present value of future cash flows and the perpetuity growth rate for free cash flows.
- Economic assumptions include changes in anticipated economic and financial factors affecting the Group, market conditions, and risk factors relating to the life span and success of games and their delayed releases. Note 3 to the consolidated financial statements contains additional details regarding the methodology used for conducting impairment tests, as well as an analysis of their sensitivity.

FINANCIAL RISKS

Currency risks

The Group has not set up a currency hedging strategy for commercial transactions as there is an overall balance between revenue and expenses in euros and US dollars, which are the Group's main operating currencies.

Exposure to currency risk associated with the financing of subsidiaries is managed by the parent company, which sets up specific hedges as required depending on the type of financing concerned. At March 31, 2009, the Group had not hedged its overall exchange-rate exposure on these sums as they represent long-term financing for its US operations.

Nevertheless, as the Group's financial statements are presented in euros, assets, liabilities, revenue and expenses denominated in other currencies have to be translated into euros at the applicable exchange rate in order to be reported in the Group's consolidated financial statements. Whenever the value of the euro increases in relation to another currency, the value in euros of the Group's assets, liabilities, revenue and expenses originally denominated in that other currency declines. The reverse effect occurs whenever the exchange value of the euro declines. Consequently, fluctuations in euro exchange rates can have an impact on the value in euros of the Group's assets, liabilities, revenue and expenses outside the eurozone, even if their value in local currencies remains unchanged. The Group's highest degree of exposure to currency risks relates to revenue and the earnings of subsidiaries operating in US dollars, as well as to the value of US dollar denominated intangible assets and goodwill.

An unfavorable change in EUR/USD exchange rate would not have a material impact on the Group's overall net currency position. For information purposes, a 1% decline in the value of the US dollar in relation to the euro would have resulted in a €0.9 million decrease in consolidated revenue in the financial statements for the year ended March 31, 2009 and would have had respective positive impacts of €0.6 million and €1.9 million on the consolidated loss for the year and equity.

The table below summarizes the Company's exposure to the US dollar:

| <i>(USD millions)</i> | March 31, 2009 |
|----------------------------|-----------------------|
| Total assets | 138,7 |
| Total liabilities | 74,6 |
| Net | 64,1 |
| Off-balance sheet position | 43,9 |
| Net position after hedging | 64,1 |

Interest rate risks

The Group does not use a dynamic interest rate risk management program. As of March 31, 2009, it had a borrowing position at variable interest rates of €50 million.

In the event of a 100 basis point increase in interest rates, the resulting additional interest expense for the year ended March 31, 2009 would have been approximately €0.4 million or 5.2% of the cost of consolidated debt as of that date.

In view of the afore-described risk sensitivity analysis, the Group considers that a change in interest rates would not have a material impact on its financial position.

Credit risks

As a result of the sale of the retail distribution business in Europe and Asia, the Group's customer base is now concentrated in the United States. The main customers of the American subsidiary Atari Inc. (whose business is the retail distribution of games) are general retailers and retailers specialized in video games such as Gamestop, Wall-Mart, Best-Buy, Toys'R'Us, etc. The risk of insolvency on the part of such retailers is considered low. As Atari Inc.'s customer base is concentrated on a limited number of low-risk customers, the company has not taken out insurance to insure itself against the risk of bad debt.

Exposure to industrial and environmental risks

The Group's business consists of developing, publishing and distributing entertainment software. It has no significant direct environmental impact. In general, the Group subcontracts all of the manufacturing of the digital media (CDs, cartridges, etc.) to third parties.

OTHER RISKS

To the best of the Company's knowledge, no specific factors other than those referred to above are likely to have a material impact on its business.

MEASURES TAKEN TO PROTECT THE BUSINESS

This information is provided in the "General Information" section of the Registration Document.

NON-RECURRING EVENTS AND LITIGATION

This information is provided in the "General Information" section of the Registration Document.

9. INFORMATION CONCERNING THE WORKFORCE

The following information is disclosed pursuant to Act no. 2001-420 of May 15, 2001 on new economic regulations.

This report covers the entities belonging to the Atari *Union d'économie sociale* (UES), meaning the holding entity, Atari SA, Atari Europe SAS and Atari France SAS, exclusive of Eden Games SAS and of corporate officers.

As of December 31, 2008, the above French entities had a combined 144 employees, compared to 160 on December 31, 2007. Of the total workforce of 144, 137 employees were employed on a permanent basis and 7 had temporary contracts.

The table below shows a breakdown of the workforce by gender and category:

| Job category | Number of employees | By gender | | % |
|-----------------------|---------------------|-----------|-------|-------|
| Non-supervisory staff | 11 | M: 3 | F: 8 | 7.6% |
| Technicians | 20 | M: 8 | F: 12 | 13.8% |
| Supervisors | 9 | M: 2 | F: 7 | 6.0% |
| Managerial staff | 104 | M: 70 | F: 34 | 72.2% |
| Total | 144 | M: 83 | F: 64 | 100% |

During 2008, the Group's French subsidiaries hired 20 new permanent employees (including one transferred from another Group entity) and 11 temporary employees. They employed an average of 7.27 temporary employees over the period as a whole, on a full-time equivalent basis.

A total of 46 employees left the payroll of French subsidiaries in 2008 (versus 22 in 2007), including 25 who were laid off, 8 dismissed for personal reasons, 10 whose temporary employment contracts ended, 3 who resigned and 1 whose assignment ended.

ORGANIZATION, WORKING HOURS AND ABSENTEEISM

Work schedules at French subsidiaries that are part of the Group have a fixed portion during which employees must be present and a variable portion that makes it possible for employees to work flexible hours, provided they report their schedules. In the case of autonomous managerial staff (*cadres autonomes*), working time is measured as a maximum number of days per year. The collective agreement in effect at the French entities specifies a 35-hour working week. Employees were absent from work for a cumulative total of 1,459 working days in calendar year 2008 (exclusive of paid leave, compensatory leave, sabbatical leave and work stoppages), out of a total of 40,857 theoretical working days, giving an absenteeism rate of 3.57%, explained primarily by maternity, parental and sick leave.

Non-payroll personnel

The Company uses subcontractors, including for the maintenance of its premises and for reception and telephone services, which are partly shared with other tenants in its building.

Compensation

Gross annual payroll (excluding senior executives and interns) for all of the French subsidiaries attached to the Group amounted to €11,616 thousand in calendar year 2008, compared to €7,155 thousand in 2007.

The Company's employees do not receive overtime pay. All overtime is compensated with time off under the 35-hour working week agreement.

Health and safety

The number of occupational accidents and accidents on the way to and from work involving employees of French entities is extremely low. No accidents occurred at work in 2007, 2006 or 2005 and no accidents on the way to and from work were reported in 2008 or 2007 (1 in 2006). There were no reports of occupational illnesses in 2008, 2007 or 2006.

Training

Funds equal to 1.5% of total payroll were spent on training in 2008.

INFORMATION CONCERNING EMPLOYEE PROFIT SHARING

Profit-sharing plan

An employee profit-sharing agreement was negotiated on December 15, 1999, for the Group's entities in France. Amounts allocated to employees are calculated in accordance with the statutory profit-sharing method and are distributed to the employees of the Group's French entities. The agreement provides that employees have the option to have their benefits paid into the Group Employee Savings Plan (*Plan d'Epargne Entreprise*: PEE) (see below). As of March 31, 2009 no provision had been recognized for employee profit sharing.

There is no optional profit-sharing agreement.

Employee Savings Plan (PEE)

An Employee Savings Plan was also established for the Group's French entities on December 15, 1999. Employees may pay into it the sums they receive under the profit-sharing plan and make additional voluntary deposits as permitted by law.

Stock offerings of €1.3 million and €2.5 million, respectively, were made to employees on December 2001 and June 2003. In March 2005, employees subscribed for €1.9 million in stocks under a reserved offering. As of March 31, 2009, the Group's French employees held 6,300 shares, or approximately 0.05% of the Company's stock, through the Employee Savings Plan.

Amounts deposited in the Employee Savings Plan may be placed, at each employee's option, (1) in an Atari mutual fund invested in Atari stock and up to 5% in money-market fund shares, (2) in a fund invested exclusively in money-market instruments, or (3) in diversified mutual funds (international equities and bonds).

10. CAPITAL PROJECTS – RESEARCH AND DEVELOPMENT

Information concerning the Group is disclosed in the section “General information – capital projects” of this report. The Group does not carry out fundamental research.

11. SUBSEQUENT EVENTS

Liquidity agreement

In April 2009, the Company used the authorization given at the Shareholders' Meeting of September 25, 2008 to enter into a liquidity agreement for an automatically renewable one-year term. The purposes of the agreement are to improve the liquidity of the Company's shares and reduce long-term share price volatility. A cash amount of €200,000 has been allocated to the liquidity account in connection with this agreement. As of June 30, 2009, the liquidity agreement covered 25,000 shares and €84,808.28.

Changing the Company's corporate name from Infogrames Entertainment to Atari

In May 2009, the Board of Directors decided to implement the change in the Company's corporate name from Infogrames Entertainment to Atari, in accordance with the decision taken by the Shareholders' Meeting of September 25, 2008. This change will enable the Company to make the best use of the Atari brand by capitalizing on strong worldwide brand recognition and customer loyalty – key drivers for implementing the Company's online, product and licensing strategies. The Atari share is still listed on Euronext Paris under the same ISIN code (FR0010478248) but the ticker has been changed to ATA.

Changes to the senior management team

In May 2009, the Company announced a series of changes in its senior management team, with Phil Harrison leaving his position as President of Atari but retaining a seat on the Board of Directors of the Company, and the appointment of Jeff Lapin as Chief Operating Officer.

New publishing strategy

In May 2009, the Company announced a reorganization plan for its publishing operations with the aim of maximizing revenue generated by non-online intellectual property through the monetization of licenses and by entering into publishing partnership agreements.

The first stages of this plan have already been implemented. For example, in May 2009, Atari announced its new worldwide launch program for Ghostbusters: The Video Game, which includes an exclusive agreement with Sony Computer Entertainment Europe for the launch of the game on PS3 and PS2 in Europe and the PAL regions.

Completion of the sale of Atari Europe's 66% stake in Namco Bandai Partners

In early July 2009, Atari completed the sale of the remaining 66% interest held by Atari Europe in Namco Bandai Partners. As consideration for the assets sold, Atari received a cash payment from Namco Bandai Games Europe totaling approximately €36.3 million, based on an enterprise value for Namco Bandai Partners of €60 million, adjusted for cash, debt, price adjustments and repayments of intra-group loans.

Extension of the Banc of America credit facility

In addition to signing Amendment to the credit facility agreement entered into with Banc of America and described in “Highlights of the year”, and in order to cover its operating financing needs for fiscal year 2009-2010, the Company has entered into negotiations to extend the maturity date of said facility from December 31, 2009 to July 2010. Based on the negotiations that have taken place so far, management considers it likely that Banc of America will grant this extension.

12. COMPANY PROSPECTS

The video game market in general seems increasingly difficult (pressure on retail sales due to the difficult economic environment, market concentration on a more limited number of games). However, the casual and online segments are growing rapidly and are expected to continue to grow in the years to come. In that context and bolstered by the strategy presented in this document (“General information - Strategy”), the Company possesses major assets, in particular the world-renowned Atari brand, the franchises catalog and the intellectual properties of Atari, Cryptic Studios Inc. – one of the world’s leading developers of MMO games – the Eden studio and the newly created London studio. The Company is planning to accentuate its efforts to reorganize its publishing business, monetize its licenses and develop its online business. These actions, combined with tighter control of research and development budgets (concentrating on fewer titles with higher profitability) will enable the Company to streamline and optimally manage the Group’s portfolio of titles and operating resources.

In light of the uncertainties resulting from the challenging economic environment, the Company will not reiterate its guidance over a 12-month period (second-half of 2009-2010 and first-half of 2010-2011). However, its goal is to bring current operating income at or above breakeven in the second half of this fiscal year excluding non-recurring items.

In addition, the following games are included among those scheduled to be released in 2009-2010 under the current publishing policy:

- Published/Released in the first quarter of fiscal year 2009/2010:
 - The Chronicles of Riddick, Assault on Dark Athena (PS3, X-Box 360 and PC), which was well received by the critics.
 - Ghostbusters: The Video Game (in the US, on X-Box 360, DS, Wii, PC, PS3 and PS2).
 - Ghostbusters: The Video Game (in Europe, on PS3 and PS2).
- Indicative timetable of releases for 2009/2010:
 - Champions Online, the first Massively Multiplayer Online Role-Playing Game (MMORPG) benefiting from Cryptic’s innovative game engine and its team entirely dedicated to working directly with players in order to provide them with an extraordinary game experience (on PC in September 2009);
 - Star Trek Online, with customizable ships and characters from the Klingon Empire and United Federation of Planets, ground, space and shipboard gameplay and unique options for player-generated content set in the Star Trek universe, Star Trek Online is the MMOG that allows gamers to boldly go where no one has gone before. This game is expected to benefit from the success of the newest Star Trek film;
 - Ghostbusters: The Video Game (in Europe on PC, X-Box360, Wii) and The PSP version, in fall 2009.
 - Q3 (Qubed) (X-Box 360, in September 2009)
 - Backyard Football (Wii, PS2, X-Box 360 in October 2009).

13. ATARI SA FIVE-YEAR FINANCIAL SUMMARY

| | 30/06/2004 | 31/03/2005 | 31/03/2006 | 31/03/2007 | 31/03/2008 | 31/03/2009 |
|--|-------------|-------------|-------------|---------------|------------|------------|
| (€ thousands) | 12 months | 9 months | 12 months | 12 months | 12 months | 12 months |
| Share capital | 74,334 | 111,895 | 115,694 | 12,326 | 12,845 | 12,976 |
| Number of common shares outstanding | 121 900 566 | 183,496,508 | 189 726 158 | 1 232 599 421 | 12,844,860 | 12,975,860 |
| Cumulative number of preferred shares (without voting rights) outstanding | - | - | - | - | - | - |
| Maximum number of shares to be issued | 28 738 107 | 28,482,356 | 25 846 320 | 261 018 695 | 18 669 947 | 46,594,974 |
| <i>on conversion of bonds</i> | 19 153 232 | 18,235,065 | 18,235,065 | 3 540 412 | 13 400 379 | 36,783,347 |
| <i>on exercise of stock options</i> | 6 287 437 | 6 802 305 | 7 611 255 | 16 833 361 | 2 742 400 | 3,069,706 |
| <i>on exercise of stock warrants</i> | 3 297 438 | 3 363 386 | - | 240 644 922 | 1 887 584 | 2,288,504 |
| <i>on grants of free shares</i> | - | - | - | - | 639,584 | 487,417 |
| <i>Other (ni the event of payment of earn-out and bonus for Cryptic Studios in shares)</i> | - | - | - | - | 639,584 | 3,967,800 |
| Net revenue before tax | 17,172 | 8,295 | 12,694 | 12,115 | 8,856 | 10,781 |
| Earnings (loss) per share before tax and employee profit sharing and depreciation, amortization and provisions (net charge for the period) | (54 809) | (49 660) | 9,316 | (126 851) | 5,542 | (2,321) |
| Income tax | 1,611 | 185 | 943 | 1,505 | 1,871 | 6 |
| Employees' share of profit for the year (charge for the period) | (49) | 0 | (4) | (14) | (20) | - |
| Net income (loss) after tax, employee profit sharing, depreciation, amortization and provisions | (289,949) | (16,088) | (192 527) | (88,838) | (51 169) | (165,095) |
| Dividends paid | - | - | - | - | - | - |
| Earnings (loss) per share after tax and employee profit sharing but before depreciation, amortization and provisions (net charge for the period) | (0.44) | (0.27) | 0.05 | (0.10) | 0.43 | (0.18) |
| Earnings (loss) per share after tax, employee profit sharing, depreciation, amortization and provisions | (2.38) | (0.09) | (1.01) | (0.07) | (3.98) | (12.72) |
| Dividend per share | - | - | - | - | - | - |
| Average number of employees during the period | 57 | 10 | 16 | 14 | 14 | 14 |
| Total payroll for the year | 3,401 | 1,207 | 2,042 | 2,646 | 6,770 | 5,067 |
| Employee benefits paid during the period (social security, charitable contributions, etc.) | 1,485 | 337 | 576 | 713 | 2,159 | 1,225 |

14. SUMMARY OF AUTHORITY CURRENTLY GRANTED TO INCREASE CAPITAL AND USE MADE OF SAID AUTHORITY DURING FISCAL 2008-2009 (ARTICLE L.225- 100 OF THE FRENCH COMMERCIAL CODE)

| Nature of authority | Date of the AGM | Period | Maximum increase in the nominal value of shares outstanding (€m) | Use during FY 08/09 | Available nominal value (€m) |
|--|-------------------|------------|--|--|------------------------------|
| | Resolution number | Expiration | | | |
| Delegation of authority granted to the Board to issue common stock and securities with rights to shares, with preemptive rights | 01/19/2009 | 26 months | 75 ⁽²⁾ (over the term of the authority) | Unused | 75 |
| | Resolution 1 | 03/18/2011 | | | |
| Delegation of authority granted to the Board to issue common stock and securities with rights to shares, with preemptive rights | 09/25/2008 | 26 months | 15 (over the term of the authority) | AMF visa n°08-279 as of Dec. 9, 2008 Issue of 40,438 ORANE-BSA with nominal value of €100 - Issue of 40 438 ORANE with nominal value of €100 (conversion ratio of 26,26 shares for 1 ORANE) and of 40 438 BSA (exercise price of €6) | |
| | Resolution 23 | 11/24/2010 | | | |
| Delegation of authority granted to the Board to issue common stock and securities with rights to shares, without preemptive rights for existing shareholders | 01/19/2009 | 26 months | 75 ⁽²⁾ (over the term of the authority) | Unused | 75 |
| | Resolution 2 | 03/18/2011 | | | |
| Delegation of authority granted to the Board in case of issue without preemptive rights to shares to set the price thereof as per modalities set by the EGM | 01/19/09 | 26 months | Up to 10% of the share capital ⁽²⁾ | Unused | |
| | Resolution 3 | 03/18/2011 | | | |
| Delegation of authority to issue shares or other securities in the event of a tender offer by the Company for its own shares or for the shares of another company | 01/19/09 | 26 months | 75 ⁽²⁾ (over the term of the authority) | AMF visa n°08-299 of 12/23/08 for simplified public exchange offer on 08 ORANE and 06/07 BSA - As per OPE, issue of 1,479,871 ORANE (conversion ratio of 17 shares for 1 ORANE) and 1,673,502 BSA (exercise price of €6) | 75 |
| | Resolution 4 | 03/18/2011 | | | |
| Delegation of authority to issue shares or other securities as consideration for contributions in kind to the Company | 01/19/09 | 26 months | Up to 10% of the share capital ⁽²⁾ | Unused | |
| | Resolution 5 | 03/18/2011 | | | |
| Delegation of authority to issue shares or other securities as consideration for contributions in kind to the Company | 09/25/08 | 26 months | Up to 10% of the share capital ⁽²⁾ | As part of Cryptic Studios acquisition in Dec. 2008, creation of 2,010,022 OC, incl. 1,055,011 OC "A" and 1,055,011 OC "B" | |
| | Resolution 27 | 11/24/2010 | | | |
| Delegation of authority to the Board for capitalization issues | 09/25/08 | 26 months | 15 (over the term of the authority) | Unused | 15 |
| | Resolution 28 | 11/24/2010 | | | |
| Delegation of authority to the Board to issue shares or securities with rights to shares, one or more time, with a waiver of preemptive rights in favor of a category of persons | 01/19/09 | 18 months | 75 ⁽²⁾ (over the term of the authority) | Unused | 75 |
| | Resolution 6 | 06/18/10 | | | |
| Delegation of authority granted to the Board to issue shares for offering to members if a company savings plan or group pension plan | 01/19/09 | 26 months | 3 ⁽²⁾ (over the term of the authority) | Unused | 3 |
| | Resolution 7 | 03/18/11 | | | |

Summary of authority (continued)

| | | | | | |
|---|---------------|-----------|---|---|-----|
| Delegation of authority to the Board to retire shares purchased under the share buyback program | 09/25/08 | 26 months | Up to 10% of share capital over a 24-month period | Unused | |
| | Resolution 22 | 11/24/10 | | | |
| Delegation of authority to be granted to the Board to distribute bonus shares | 11/15/06 | 38 months | Up to 10% of share capital | Allocation of free shares to Fabrice Hamaide (approved by the Board on 09/09/08) | 0,5 |
| | Resolution 16 | 01/14/10 | | | |
| Delegation of authority to be granted to the Board to issue shares or other securities and to freely set of the price thereof | 11/15/06 | 26 months | Up to 10% of share capital | Not used | |
| | Resolution 11 | 01/14/09 | | | |
| Delegation of authority granted to the Board to grant stock options | 09/27/07 | 38 months | Subject to the restrictions of article L.225-182 of the Commercial Code | Allocation of stock options to Fabrice Hamaide (approved by the Board on 09/09/08) ⁽³⁾ | |
| | Resolution 11 | 11/26/10 | | | |

(1) Nominal value of 1share is €1. As of March 31, 2009 capital of the company amounted to €12 975 860 representing 12 975 860 shares.

(2) The ceilings applicable to resolutions 1, 2, 3, 4, 5, 6 and 7 apply to the aggregate nominal value of securities issued under all those resolutions.

(3) During May 25, 2009 Board meeting, further use of this delegation, with stock option granted to Jeff Lapin (1,5% of capital on a fully diluted basis) and Jim Wilson (300 000 stock options)

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CONSOLIDATED INCOME STATEMENT

| (€ million) | Notes | Year ended March 31, 2009 | Year ended March 31, 2008 (****) |
|--|----------|------------------------------|--|
| Revenue | 16 | 136.4 | 90.3 |
| Cost of goods sold | | (87.9) | (47.6) |
| Gross margin | | 48.5 | 42.7 |
| Research and development expenses | | (67.0) | (46.5) |
| Marketing and selling expenses | | (19.0) | (15.6) |
| General and administrative expenses | | (25.0) | (30.5) |
| Share-based payment expense (**) | 19 | (6.4) | (3.5) |
| Current operating income (loss) | 16 | (68.9) | (53.4) |
| Restructuring costs | 17 | (13.9) | (12.3) |
| Gains (losses) from disposals of assets | | (0.1) | - |
| Proceeds from the sale of the Hasbro license | 1.3 | - | 13.3 |
| Impairment of goodwill | 3 | (40.3) | - |
| Other income (expenses) | | - | (0.1) |
| OPERATING INCOME (LOSS) | 16 | (123.2) | (52.5) |
| Cost of debt | 20 | (7.7) | (11.6) |
| Other financial income (expense) | 20 | (4.1) | (1.4) |
| Net gain (loss) from the public exchange offer | | - | - |
| Income tax | 21 | (1.1) | (0.1) |
| PROFIT (LOSS) FROM CONTINUING OPERATIONS | | (136.1) | (65.6) |
| Profit (loss) from discontinued operations | 1.5 & 22 | (90.8) | 3.1 |
| NET INCOME (LOSS) FOR THE YEAR | | (226.9) | (62.5) |
| Minority interests | | 0.8 | 11.4 |
| NET INCOME (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT | 16 | (226.1) | (51.1) |
| Earnings (loss) per share (in €) | | | |
| From continuing and discontinued operations | | | |
| - basic | 11 | (17.46) | (4.03) |
| - diluted | 11 | (17.46) | (4.03) |
| From continuing operations (***) | | | |
| - basic | 11 | (10.45) | (4.28) |
| - diluted | 11 | (10.45) | (4.28) |
| Weighted average number of shares outstanding (*) | | 12,947,909 | 12,669,162 |
| Weighted average number of shares outstanding, assuming full dilution (*) | | 12,947,909 | 12,669,162 |

(*) The weighted average number of shares outstanding for the years under review has been adjusted to reflect the reverse stock split of March 4, 2008 as if this stock split had been carried out at an earlier date.

(**) Cost of stock options, free shares and incentive bonuses paid in shares.

(***) The net loss per share for the year ended March 31, 2008 reflects the adjustments made to the consolidated income statement in application of IFRS 5.

(****) In accordance with IFRS 5, the consolidated income statement for the year ended March 31, 2008 has been restated to present discontinued operations (Distribution Europe and Distribution Asia) on separate lines (see Note 1.5).

The following notes form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

| (€ million) | Notes | March 31, 2009 | March 31, 2008 |
|---|----------|----------------|----------------|
| Goodwill | 3 | 34.9 | 77.9 |
| Intangible assets | 4 | 44.6 | 43.1 |
| Property, plant and equipment | 5 | 4.9 | 5.5 |
| Non-current financial assets | 6 | 3.5 | 2.9 |
| Other non-current assets | | - | - |
| Deferred tax assets | 21 | - | 5.5 |
| Non-current assets | | 87.9 | 134.9 |
| Inventories | 7 | 3.0 | 24.5 |
| Trade receivables | 8 | 19.1 | 43.1 |
| Current tax assets | | 1.1 | 0.2 |
| Other current assets | 9 | 7.6 | 17.7 |
| Cash and cash equivalents | 10 | 5.9 | 83.4 |
| Assets held for sale | 1.5 & 22 | 85.3 | - |
| Current assets | | 122.0 | 168.9 |
| Total assets | | 209.9 | 303.8 |
| Capital stock | | 12.9 | 12.8 |
| Share premium | | 224.3 | 1,100.1 |
| Consolidated reserves | | (254.7) | (959.5) |
| Shareholders' equity | 11 | (17.5) | 153.4 |
| Minority interests | | (8.8) | 6.5 |
| Total equity | | (26.3) | 159.9 |
| Provisions for non-current contingencies and losses | 12 | 0.2 | 0.7 |
| Non-current financial liabilities | 13 | 11.2 | 11.8 |
| Deferred tax liabilities | | 7.4 | - |
| Other non-current liabilities | 14 | 19.5 | 6.2 |
| Non-current liabilities | | 38.3 | 18.7 |
| Provisions for current contingencies and losses | 12 | 8.0 | 3.4 |
| Current financial liabilities | 13 | 51.1 | 22.9 |
| Trade payables | | 49.2 | 79.3 |
| Current tax liabilities | | 0.4 | 0.9 |
| Other current liabilities | 14 | 21.4 | 18.7 |
| Liabilities held for sale | 1.5 & 22 | 67.8 | - |
| Current liabilities | | 197.9 | 125.2 |
| Total equity and liabilities | | 209.9 | 303.8 |

The following notes form an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

| (€ million) | Year ended March 31, 2009 | Year ended March 31, 2008 (*) |
|--|--------------------------------------|--------------------------------------|
| Loss for the year | (226.9) | (62.5) |
| Profit (loss) from discontinued operations | 90.8 | (3.1) |
| Non-cash expenses and revenue | | |
| Charges to (reversals of) depreciation, amortization and provisions for non-current assets | 89.1 | 32.2 |
| Cost of (revenue from) stock options and related benefits | 6.3 | 2.6 |
| Losses (gains) on disposals of intangible assets and property, plant and equipment | 0.1 | (13.3) |
| Other | 7.1 | 2.7 |
| Cost of debt | 7.7 | 11.6 |
| Income taxes (deferred and current) | 1.1 | 0.1 |
| Cash flow before net cost of debt and taxes | (24.7) | (29.7) |
| Income taxes paid | - | - |
| Changes in working capital | | |
| Inventories | - | 3.5 |
| Trade receivables | (13.1) | 5.8 |
| Trade payables | 5.4 | (16.6) |
| Other current assets and liabilities | (21.3) | 19.7 |
| Net cash used in operating activities – Discontinued operations | (22.1) | (4.1) |
| Net cash used in operating activities – Continuing operations | (53.7) | (17.3) |
| Purchases of/additions to: | | |
| Intangible assets | (46.9) | (34.6) |
| Property, plant and equipment | (0.8) | (2.9) |
| Non-current financial assets | (0.1) | (1.3) |
| Disposals/repayments of: | | |
| Intangible assets | - | 13.1 |
| Property, plant and equipment | - | 0.1 |
| Non-current financial assets | 0.1 | 0.8 |
| Impact of changes in scope of consolidation | (30.9) | - |
| Net cash provided by investing activities – Discontinued operations | 22.6 | 0.5 |
| Net cash used in investing activities – Continuing operations | (78.6) | (24.8) |
| Net funds raised from: | | |
| Share issues | - | 7.5 |
| Issue of ORANE bonds | 38.6 | 144.1 |
| New borrowings | 51.1 | 38.8 |
| Net funds disbursed for: | | |
| Interest and other financial charges, net | (4.9) | (9.7) |
| Debt repayment | (17.6) | (95.9) |
| Net cash provided by (used in) financing activities – Discontinued operations | 2.4 | (1.1) |
| Net cash provided by financing activities – Continuing operations | 67.2 | 84.8 |
| Impact of changes in exchange rates | - | (1.2) |
| Net change in cash and cash equivalents | (62.2) | 36.8 |
| CASH AND CASH EQUIVALENTS | Year ended March 31, 2009 | Year ended March 31, 2008 |
| At beginning of year | 83.4 | 46.6 |
| At end of year (a) | 21.2 | 83.4 |
| Net change | (62.2) | 36.8 |
| (a) Of which: | | |
| Cash | | |
| Discontinued operations | 15.3 | 13.2 |
| Continuing operations | 5.9 | 9.0 |
| Cash equivalents | | |
| Discontinued operations | - | - |
| Continuing operations | - | 61.2 |
| Total | 21.2 | 83.4 |

(*) In accordance with IFRS 5, the consolidated cash flow statement for the year ended March 31, 2008 has been restated to present discontinued operations (Distribution Europe and Distribution Asia) on separate lines (see Note 1.5).

The following notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (€ million) | Capital stock | Share premium | Treasury shares | Consolidated reserves | Cumulative translation adjustments | Shareholders' equity | Minority interests | Total equity |
|---|---------------|----------------|-----------------|-----------------------|------------------------------------|----------------------|--------------------|---------------|
| At April 1, 2007 | 12.3 | 952.0 | - | (891.3) | (7.7) | 65.3 | 19.9 | 85.2 |
| Share issues | - | (0.3) | | | | (0.3) | | (0.3) |
| Exercise of stock warrants (1) | 0.5 | 7.3 | | | | 7.8 | | 7.8 |
| Issue of ORANE bonds (2) | - | 141.1 | | | | 141.1 | | 141.1 |
| Translation adjustments | | | | | (12.0) | (12.0) | (1.9) | (13.9) |
| Share-based payments | | | | 2.7 | | 2.7 | (0.1) | 2.6 |
| Net income /(loss) for the year | | | | (51.1) | | (51.1) | (11.4) | (62.5) |
| Other changes | | | (0.1) | | | (0.1) | | (0.1) |
| At April 1, 2008 | 12.8 | 1,100.1 | (0.1) | (939.7) | (19.7) | 153.4 | 6.5 | 159.9 |
| Share issues | | | | | | - | | - |
| Exercise of stock warrants | 0.1 | (0.1) | | | | - | | - |
| Issue of ORANE bonds and impact of simplified public exchange offer (3) | | 36.5 | | | | 36.5 | | 36.5 |
| Translation adjustments | | | | | 8.0 | 8.0 | 0.2 | 8.2 |
| Share-based payments | | | | 6.3 | | 6.3 | | 6.3 |
| Buyout of minority interests in Atari Inc. (4) | | | | 0.5 | (0.5) | - | (5.9) | (5.9) |
| Acquisition de Cryptic Studios (5) | | | | 4.4 | | 4.4 | - | 4.4 |
| Sale of 34% of Distribution Partners (6) | | | | (0.4) | 0.4 | - | (8.8) | (8.8) |
| Clearance of the "Retained earnings" and "Other reserves" accounts (7) | | (912.2) | | 912.2 | - | - | - | - |
| Profit (loss) for the year | | | | (226.1) | | (226.1) | (0.8) | (226.9) |
| Other changes | | | | | | - | | - |
| At March 31, 2009 | 12.9 | 224.3 | (0.1) | (242.8) | (11.8) | (17.5) | (8.8) | (26.3) |

(1) During the year ended March 31, 2007, 265.331.539 stock warrants were allocated free of consideration to shareholders with 100 warrants exercisable for one new share at a price of €15 each. A total of 51.886.483 warrants were exercised during the year ended March 31, 2008, resulting in the issue of 518.865 new shares and generating issue proceeds of €7.8 million.

(2) On January 4, 2008, the Company issued bonds redeemable for new or existing shares (ORANE), maturing on April 1, 2014. The bonds have an aggregate nominal value of €150 million and comprise both an equity and debt component. The impact of these ORANE bonds on equity and debt can be analyzed as follows:

| | Equity | Debt |
|------------------|--------|-------|
| - Nominal value | 147.1 | 2.9 |
| - Issuance costs | (6.0) | - |
| | ----- | ----- |
| | 141.1 | 2.9 |

The following notes form an integral part of the consolidated financial statements.

(3) In January 2009, the Company issued bonds redeemable for new or existing shares with stock warrants attached (ORANE-BSA), maturing on April 1, 2014 (see Note 1 – Significant events of the year). The bonds have an aggregate nominal value of €40.5 million and comprise both an equity and a debt component. The impact of the ORANE-BSA bonds on equity and debt can be analyzed as follows:

| | Equity | Debt |
|------------------|--------|-------|
| - Nominal value | 39.8 | 0.7 |
| - Issuance costs | (2.9) | - |
| | ----- | ----- |
| | 36.9 | 0.7 |

Additional costs related to (i) the ORANE bonds issued in 2008 and (ii) the simplified public exchange offer have been recognized as a deduction from equity in an amount of €0.4 million.

(4) On October 9, 2008, the Company announced that it had completed the buyout of minority interest in its main US subsidiary, Atari Inc. (see Note 1 – Significant events of the year).

(5) On December 9, 2008, the Group announced that it had signed an agreement to purchase the entire capital of Cryptic Studios Inc. (see Note 1 – Significant events of the year). The resulting €4.4 million impact on equity reflects the amount payable to Cryptic Studios Inc.'s shareholders in the Company's stocks under the earn-out mechanism relating to the acquisition.

(6) In February 2009, the Group sold 34% of its interest in Namco Bandai Partners to Namco Bandai (see Note 1 – Significant events of the year).

(7) In accordance with the third resolution of the Shareholders' Meeting held on September 25, 2008, the Group has cleared its "Retained earnings" and "Other reserves" accounts.

GENERAL INFORMATION ABOUT THE GROUP

Atari SA (hereinafter "Atari" or the "Company"), formerly known as Infogrames Entertainment SA (see Note 28.2), designs, produces, publishes and distributes interactive entertainment software for a wide range of media systems (game consoles, PCs, etc.). The Group's revenue is generated primarily from (i) the sale and licensing of internally developed products and third party products (under publishing agreements), (ii) the distribution of other publishers' products, and (iii) the production of software on behalf of third parties. The Group's customers include general retailers, specialty game software stores, computer superstores, and other publishers and distributors based throughout the world. The Company's registered office is located at 1, place Verrazzano, 69009 Lyon (France).

NOTE 1 – SIGNIFICANT EVENTS OF THE YEAR

1.1. CHANGES TO THE SENIOR MANAGEMENT TEAM AND THE BOARD OF DIRECTORS

During the last two fiscal years, Atari restructured its senior management team after the appointment of David Gardner – a leading figure in the video game industry – as Chief Executive Officer. Phil Harrison also joined the Company as President, along with Fabrice Hamaide (Chief Financial Officer), with Mathias Hautefort completing the senior management line-up as Executive Vice President in charge of worldwide distribution. Mathias Hautefort and Phil Harrison left the Company in October 2008 and May 2009 respectively. Consequently, following the appointment of Jeff Lapin as Chief Operating Officer of the Atari Group in May 2009, the Atari Group's senior management team lined up as follows at May 30, 2009:

- David Gardner, Chief Executive Officer and member of the Board of Directors
- Jeff Lapin, Chief Operating Officer
- Fabrice Hamaide, Chief Financial Officer
- Jim Wilson, Chief Executive Officer of Atari Inc.
- John Needham, Chief Executive Officer of Cryptic Studios Inc.

The membership structure of the Board of Directors was also changed during the year, with Pascal Cagni appointed as a director to replace Evence-Charles Coppée who resigned. At the date of his appointment, Pascal Cagni met the independence criteria set down in the Board of Directors' internal rules. In addition, at the Board meeting of March 15, 2009, the Company's directors appointed Frank E. Dangeard as a director, then as Chairman of the Board, to replace Michel Combes who remains a director. Consequently, at May 30, 2009, the members of Atari's Board of Directors were as follows:

- Frank E. Dangeard, non-executive Chairman
- Dominique D'Hinnin, Vice-Chairman (independent director)
- Pascal Cagni (independent director)
- Michel Combes (independent director)
- Didier Lamouche (independent director)
- David Gardner, director and Chief Executive Officer
- Gina Germano, director
- Phil Harrison, director
- BlueBay Value Recovery Master Fund Limited, represented by Jeff Lapin, Chief Operating Officer

1.2. RESTRUCTURING OF THE GROUP

In 2007, the Group launched a project to restructure its operations with a view to simplifying its worldwide organization, legal form and cost base. The first phase of the plan has been carried out in the United States, with the restructuring of Atari Inc.

1.3. BUYOUT OF ATARI INC. MINORITY SHAREHOLDINGS

On April 30, 2008 the Company and Atari Inc. signed an agreement relating to the purchase of Atari Inc. shares not yet owned by the Company. The transaction – which offers new opportunities for expansion in the United States – was completed on October 9, 2008 and resulted in the Company's interest in Atari Inc. being raised from 51.4% to 100%, with Atari Inc. becoming a wholly-owned subsidiary of the Company. Jim Wilson was appointed Chief Executive Officer of Atari Inc. in March 2008.

In accordance with the agreements signed in April 2008, the Company paid USD 1.68 for each outstanding share of Atari Inc. common stock that was not already owned by the Company, representing a total of approximately USD 11 million. This transaction generated a cash payment of €11.8 million including transaction costs and led to a reduction in administrative expenses for the Group, particularly share-listing costs in the United States. It also gives the Group the ability to develop its video game retail distribution activities through new distribution partnerships in the US region, and to strengthen its online distribution business.

For accounting purposes, the transaction represents the acquisition of the minority interests of a Company subsidiary. In accordance with the Group's accounting policies (see Note 2.8. "Goodwill"), no additional adjustment has been made to reflect the remeasurement at fair value of the assets and liabilities. The difference between the purchase price and the carrying amount of the assets and liabilities concerned is recognized as goodwill in the amount of €5.8 million, and was allocated to the US Distribution cash-generating unit.

1.4. THE "ATARI TRANSFORMATION" PLAN AND OTHER COST-SAVING MEASURES

In June 2008, the Company's senior management team announced the "Atari Transformation" plan aimed at restructuring all operations throughout the world. In addition to buying out the minority interests in Atari Inc., the Company has restructured its worldwide operations. At March 31, 2009, restructuring costs for continuing operations, mainly within the scope of Atari Transformation, amounted to €13.9 million. For further information see Note 17 to the 2008-2009 consolidated financial statements.

In the fourth quarter of 2008-2009, Atari put in place another restructuring plan in order to offset the potential continuation of lackluster demand and to boost its online operations. This reorganization will enable the Company to reduce its administrative expenses and working capital requirements, through the following:

- In Europe, the sale of Namco Bandai Partners (see Note 1.5), which was completed in early July 2009.
- Major cuts in administrative expenses, notably by further reducing staffing levels and restructuring the Company's corporate and publishing operations.
- Streamlining the Group's offices throughout the world.

This cost-saving plan is expected to be completed by the third quarter of fiscal year 2009-2010.

1.5. SALE OF DISTRIBUTION OPERATIONS IN EUROPE AND ASIA (PAL)

In September 2008, Atari Europe and Namco Bandai Games Europe SAS (Namco Bandai) signed a letter of intent to set up a strategic distribution partnership. The transaction was completed in February 2009, with Namco Bandai acquiring a 34% interest in Namco Bandai Partners, an Atari Europe subsidiary that houses Atari's distribution operations for Europe, Asia, Africa, the Middle East and South America. Atari Europe held the remaining 66% stake in Namco Bandai Partners. The agreement also gave Namco Bandai Partners exclusive retail distribution rights for video games produced by Namco Bandai in Europe, Australia, New Zealand and Africa as well as by Atari in these same regions plus Asia and South America. The sale of the 34% stake in Namco Bandai Partners was completed in February 2009 and represented an amount of €27 million on a cash free, debt free basis.

In March 2009, Atari Europe announced that in accordance with the terms of the strategic partnership agreement entered into with Namco Bandai, it intended to exercise its put option to sell its 66% interest in Namco Bandai Partners to Namco Bandai. For the purpose of exercising the put, the enterprise value of Namco Bandai Partners has been set at €60 million and the transaction will be carried out on a cash free, debt free basis, as provided for in the partnership agreement.

Following the completion of the transaction in early July 2009, Atari received a cash payment of approximately €36.3 million, net of certain outstanding intragroup loans. In addition, for a period of five years from the completion date, Namco Bandai Partners will have exclusive retail distribution rights for video games produced by Atari in Europe, Asia (excluding Japan), Africa, the Middle East, Central and South America, Australia and New Zealand.

As Atari Europe exercised its put option prior to March 31, 2009, income and expenses relating to Namco Bandai Partners have been recorded in separate lines in the income statement for the fiscal years ended March 31, 2009 and 2008, under "Profit (loss) from discontinued operations".

For further information see Notes 2 and 22 to the 2008-2009 consolidated financial statements.

1.6. EXPANSION OF THE GROUP'S ONLINE PUBLISHING OPERATIONS

In September 2008, Atari announced the creation of a new in-house game development studio placed under the creative and production leadership of Paulina Bozek, one of the games industry's most pioneering and successful producers. The new studio will focus on innovating and developing mass-market consumer games and services for online-enabled devices including PCs and games consoles.

1.7. ACQUISITION OF CRYPTIC STUDIOS INC.

On December 8, 2008, the Company signed a Stock Purchase and Transfer Agreement subject to US law relating to the acquisition of Cryptic Studios Inc. ("Cryptic"). Cryptic is a California-based publisher of Massively Multiplayer Online ("MMO") games.

Under the Stock Purchase and Transfer Agreement the existing shareholders of Cryptic transferred all their Cryptic shares to Atari and cancelled of all stock options related to Cryptic shares.

As consideration, Atari has undertaken to pay a maximum amount estimated at USD 75.1 million (approximately €59.1 million), based on the Reference Price of Atari share. This amount breaks down as follows:

- A purchase price, payable in cash of USD 27.6 million (approximately €21.7 million), of which USD 26.5 million payable on completion of the transaction and USD 1.1 million payable on March 1, 2011.
- A potential earn-out payment representing a maximum estimated amount of USD 27.5 million (approximately €21.6 million), determined based on the achievement of targets for online revenues generated by the Champions Online and Star Trek Online video games. This earn-out payment will be made in cash and newly-issued Atari ordinary shares, based on a contractually pre-defined number of shares which will depend on the level of revenue targets reached (there is no settlement option). The earn-out is partly payable in October 2010 (in cash only) and partly in March 2011 (in cash and newly-issued Atari shares).
- A bonus representing a maximum amount of USD 20 million (approximately €15.7 million), if online revenues generated by the Champions Online and Star Trek Online video games exceed the targets set by Cryptic. Half of the bonus is payable before the end of November 2010, and the balance before mid-May 2011. At the discretion of Atari, the bonus will be paid in cash, new Atari ordinary shares, or in cash and new Atari shares. The number of Atari shares will be determined based on the price of the Atari share on the payment date.

The Stock Purchase and Transfer Agreement includes the customary warranties as well as specific non-commitment warranties for (i) the three shareholders selling their Cryptic shares and (ii) the Chief Executive Officer of Cryptic, who all held stock options.

Furthermore, the Stock Purchase and Transfer Agreement provides for the early payment of the earn-out and bonus in the event of one of the following occurrences:

- a change in control of Cryptic;
- a change in control of the Company, if this affects the ability of the Company (or merging entity, in the event of a merger) to observe the Company's obligations under the Stock Purchase and Transfer Agreement; and
- breach by the Company of certain commitments provided for in the Stock Purchase and Transfer Agreement, in particular the financing of Cryptic's working capital up to a ceiling of USD 17.5 million (this amount may be adjusted subject to certain conditions), until the release of the Champions Online and Star Trek Online games, as well as a commitment on the sale terms and conditions for games on the market and the retention of Cryptic's key assets and personnel necessary for the development of the games.

The Stock Purchase and Transfer Agreement provides that in the event of the deregistration of the Company's shares before the payment of the earn-out and not subsequent to a change in control of the Company in favor of a financial investor, the earn-out and bonus may be paid in a single cash payment at the discretion of the beneficiaries.

Based on the Company's most recent estimates at March 31, 2009, the initial cash payment and the entire earn-out was recognized in the amount of €35.1 million, before taking into account transaction costs.

In order to finance the purchase of Cryptic and meet Cryptic's working capital requirements, on December 3, 2008 Atari's Board of Directors authorized a €30 million shareholder loan granted to the Company by BlueBay bearing annual interest of 15%. This loan was repaid by the Company by offsetting on January 13 and January 23, 2009, and fees totaling 3% of the amount of the loan (i.e. €900.000) were paid to BlueBay.

For further information see Note 23 to the 2008-2009 consolidated financial statements.

1.8. AMENDMENT TO THE CREDIT FACILITY AGREED WITH BANC OF AMERICA

Atari and its main European subsidiaries entered into a credit agreement with Banc of America on April 21, 2006 aimed at refinancing all of the Group's short- and medium-term debt, to which eight amendments have been made. The seventh and eight amendments to the agreement were signed in the fourth quarter of 2008-2009 (February 27, 2009 and March 31, 2009, respectively) for the purposes of (i) extending the facility's expiration date to December 31, 2009 and (ii) increasing the total amount of the facility from €46.8 million to €61.8 million.

As far as the Company is aware an agreement has been signed between Banc of America and BlueBay under which BlueBay has an interest in the credit facility. At March 31, 2009 the credit facility had been drawn down in an amount of €47 million and there was no letter of credit to be recovered. The Company is currently in the process of negotiating with Banc of America to extend the maturity of this facility to July 2010.

For further information see Note 13 to the 2008-2009 consolidated financial statements.

1.9. ISSUE OF BONDS REDEEMABLE FOR NEW OR EXISTING SHARES WITH STOCK WARRANTS ATTACHED (ORANE-BSA) FOR €40.5 MILLION

In January 2009, Atari issued €40.5 million worth of bonds redeemable for new or existing shares with stock warrants attached (ORANE-BSA).

This issue enabled the Company to finance:

- The acquisition of Cryptic in the amount of USD 27.6 million (approximately €21.7 million) before taking into account any earn-out or bonus payment, through the repayment of a €30 million bridging loan granted by BlueBay on December 3, 2008 for the purpose of financing (i) the initial purchase price for Cryptic Studios (including transaction fees and commissions) and (ii) Cryptic's future working capital requirement.

- The repayment by the Company of a USD 14.0 million loan (approximately €11 million) granted by BlueBay to Atari Inc.

A total of 405.438 ORANE bonds were issued, each with a nominal value of €100 and bearing annual interest of 0.5%. The bonds mature on April 1, 2014 when each ORANE bond will be redeemed by 26.26 new or existing shares, subject to any subsequent adjustments, at the discretion of the Company. The bonds are listed under ISIN code FR0010690081.

A warrant is attached to each ORANE bond which is exercisable for one new share. A total of 405.438 warrants were issued with an exercise price of €6 each and an expiration date of December 31, 2012.

For further information see Note 13 to the 2008-2009 consolidated financial statements.

1.10. SIMPLIFIED PUBLIC EXCHANGE OFFER FOR THE ORANE BONDS ISSUED IN 2008 AND THE STOCK WARRANTS ISSUED IN 2006/2007

In February 2009, the Company completed the simplified public exchange offer for its ORANE bonds convertible for new or existing shares issued in January 2008 (ORANE 2008) and the stock warrants issued on December 22, 2006 and January 24, 2007 (BSA 2007). The offer included the following terms:

- The exchange of one hundred 2007 stock warrants for one newly-issued “BSA 2009” warrant and the exchange of one ORANE 2008 bond for one newly-issued “ORANE 2009” bond.
- The ORANE 2009 bonds (listed under ISIN code FR0010696153) are subject to the same conditions as the ORANE 2008 bonds, except for the conversion ratio which has been set at 17 new or existing shares for one ORANE 2009 bond (instead of 8.94 new or existing shares for one ORANE 2008 bond, after adjustments).
- The BSA 2009 warrants are subject to the same conditions as the BSA 2007 warrants except for as follows:
 - The exercise price has been set at €6 per BSA 2009 warrant (instead of €15 per 100 BSA 2007 warrants); and
 - The expiration date has been set at December 31, 2012 (instead of December 31, 2009).

The terms of the overall transaction were examined by an independent appraiser who concluded that they were fair with respect to minority shareholders.

For further information see Note 13 to the 2008-2009 consolidated financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

Significant events that have occurred since March 31, 2009 are summarized in Note 28.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. GENERAL PRINCIPLES

The consolidated financial statements of Atari Inc. for the year ended March 31, 2009 have been prepared in accordance with IFRS standards as adopted by the European Union and whose application was mandatory at April 1, 2007.

The accounting policies and measurement methods used are the same as those applied for the year ended March 31, 2008.

These financial statements and the related notes are presented in euros. They were approved by the Board of Directors on May 25, 2009.

Application of the going concern principle

During and prior to fiscal year 2008-2009 the Group made significant losses that have eroded its equity and cash position. At March 31, 2009 shareholders' equity amounted to a negative €17.5 million, taking into account the €226.1 million loss posted for 2008-2009. During the year the Group's cash and cash equivalents decreased by a net €62.2 million and net debt increased by €27.6 million.

In view of this situation the Group has undertaken measures to refocus its business on online activities and reduce operating costs in order to return to operating profit, generate positive cash flows and improve working capital.

These measures include:

- The acquisition in December 2008 of the California-based Cryptic Studios, which specializes in developing and publishing Massively Multiplayer Online games (see Note 1.7). The acquisition was financed through an issue of “ORANE-BSA” in January 2009 (see Note 1.9). The management forecast for 2009-2010 includes the impact of the launch of Champions Online – a game developed by Cryptic – scheduled for the second quarter of the year.
- Sale of all of the Group's Distribution operations in Europe and Asia to Namco Bandai, carried out in two phases: 34% in February 2009 and the remaining 66% in July 2009 (see Notes 1.5 and 22).

- Rollout as from June 2008 of a worldwide restructuring plan (Atari Transformation), together with an additional restructuring plan in the fourth quarter of the year in order to limit the impact of falling demand from end-consumers and facilitate the Group's transition to Online business (see Note 1.4).
- Reorganization of publishing operations with the aim of maximizing revenue generated by non-online intellectual property through the monetization of licenses and by entering into publishing partnership agreements. The first stages of this plan have already been implemented, for example through the worldwide launch program for Ghostbusters: The Video Game, which includes an exclusive agreement with Sony Computer Entertainment Europe for the launch of the game on the PS3 and PS2 in Europe and the PAL regions.
- Changing the Company's corporate name from Infogrames Entertainment to Atari. This move will enable the Company to more effectively leverage the Atari brand by capitalizing on its worldwide reputation and its consumer appeal – two factors that are key to implementing the Group's online, product and licensing strategies.

In order to ensure that it has the requisite funds to finance its operations in 2009-2010, the Company also:

- Secured on March 31, 2009, as part of the eighth addendum to the credit agreement with Banc of America on April 22, 2006, an additional €15 million credit facility expiring on December 31, 2009.
- Entered into negotiations to extend the expiration date of its €61.7 million Banc of America credit facility from December 31, 2009 to July 2010 (see Note 28). In light of the negotiations that have taken place so far, management considers it likely that Banc of America will grant this extension.

Based on the above-described measures and assumptions, as well as the forecast for fiscal year 2009-2010 as approved by the Board of Directors, management believes that the Group's financial resources – including the extension of the Banc of America credit facility – will be sufficient to cover the Group's operating expenses and capital expenditure for the year ending March 31, 2010.

On this basis, the Group has applied the going concern principle in preparing the consolidated financial statements.

Management believes that the assumptions it has used are reasonable. However, in view of the uncertainties inherent in negotiating credit facilities and carrying out a strategic refocusing within a difficult economic environment, actual results may differ from management's forecasts. Such a situation could limit the Group's ability to finance its recurring operations and lead to adjustments in the value of its assets and liabilities, notably goodwill and intangible assets whose total value in the consolidated balance sheet at March 31, 2009 amounted to €34.9 million and €44.6 million respectively.

Exemptions to the retrospective application of IFRS opted for on the first-time adoption of IFRS (April 1, 2004)

The Group chose to use the following exemptions permitted under IFRS 1 for its opening IFRS balance sheet on April 1, 2004:

- Business combinations: the Group elected not to apply IFRS 3 retrospectively to business combinations predating April 1, 2004.
- Cumulative translation differences: cumulative translation differences at April 1, 2004 were transferred to reserves.
- Share-based payments: the Group elected to apply IFRS 2, effective April 1, 2004, only to instruments granted after November 7, 2002 and which had not fully vested at January 1, 2005.

New interpretations whose application was mandatory for the 2008-2009 consolidated financial statements

- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 12, Service Concession Arrangements
- Amendments to IAS 39, Financial Instruments
- Amendments to IAS 7, Financial Instruments: Disclosures

The Group considers that the new interpretations adopted by the IFRIC which were applicable for the 2008-2009 consolidated financial statements did not have a material impact on its results or financial position.

New standards and interpretations that have been published but which are effective after the issue date of the 2008-2009 consolidated financial statements

The Group elected not to early adopt the following standards and interpretations in its consolidated financial statements for the year ended March 31, 2009:

- Amendment to IAS 23, Borrowing Costs
- Revised version of IAS 1, Presentation of Financial Statements
- Amendment to IFRS 2, Share-based Payment
- Amendments to IAS 32, Financial Instruments: Presentation and IAS 1, Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendment to IFRS 1, First-time Adoption of International Financial Reporting Standards
- Revised version of IAS 27, Consolidated and Separate Financial Statements
- Revised version of IFRS 3, Business Combinations
- IFRIC 13, Customer Loyalty Programmes
- IFRS 8, Operating Segments
- Amendment to IAS 20, Accounting for Government Grants and Disclosure of Government Assistance
- IFRIC 15, Agreements for the Construction of Real Estate

- IFRIC 16, Hedges of a Net Investment in a Foreign Operation
- IFRIC 17, Distributions of Non-cash Assets to Owners
- IFRIC 18, Transfers of Assets from Customers

The Group is currently analyzing any future impact of these new standards and interpretations on its financial statements.

2.2. CONSOLIDATION METHODS

Full consolidation

All companies over which the Group exercises control, i.e. over which it has the power to govern the financial and operating policies so as to obtain benefits from their activities, are fully consolidated.

Special-purpose entities are consolidated where, in substance, they are controlled by the Group. This is the case where the Group has a right to the majority of the benefits of the special purpose entity's activities, or where it retains the majority of the residual risks related to the entity or its assets.

Equity method

Companies over which the Group exercises significant influence, either directly or indirectly, are accounted for by the equity method.

Significant influence is deemed to exist when the Group holds, directly or indirectly, 20% or more of the voting rights of an entity, unless it can be clearly demonstrated that this is not the case. The existence of significant influence can be evidenced in other ways, such as through (i) representation on the Board of Directors or equivalent governing body of the investee, (ii) participation in policy-making processes, (iii) material transactions with the investee, or (iv) interchange of managerial personnel.

Non-consolidated entities

Equity interests held by the Group in non-consolidated entities are recognized as "Available-for-sale securities" and measured at fair value, or at cost if the Group believes that this represents fair value when the securities concerned are not traded in an active market. They are accounted for in accordance with IAS 32 and IAS 39 relating to financial instruments. Unrealized gains and losses are recognized as a separate component of equity. If the value of an equity interest becomes permanently impaired, the impairment loss is recognized in the income statement for the period. The Group determines whether an equity interest is permanently impaired by reference to its estimated value, which is calculated on the basis of the Group's share in the net assets of the entity concerned, the entity's market capitalization or profit outlook, adjusted to take into consideration the impact for the Group of its ownership of said interest in terms of strategy and synergies with existing activities. Impairment losses cannot be reversed if the estimated value of the securities increases in the future, in which case an unrealized gain is recognized in the above-mentioned separate component of equity.

A list of the Group's main subsidiaries and associates is provided in Note 29, together with the respective consolidation methods used.

2.3. INTRA-GROUP TRANSACTIONS

All material intra-group transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated in consolidation.

2.4. TRANSACTIONS IN FOREIGN CURRENCIES

Foreign currency transactions are initially translated into the Company's functional currency using the exchange rates prevailing at the date of the transactions. At the balance sheet date monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rate. The resulting exchange differences are recognized in the income statement, except for those relating to borrowings in foreign currencies that qualify as a hedge of a net investment in a foreign operation. Such gains and losses are recognized in equity until the net investment is disposed of.

Exchange gains and losses arising from the translation of the Group's net investments in foreign operations are recognized directly in equity.

2.5. TRANSLATION OF FOREIGN SUBSIDIARIES' FINANCIAL STATEMENTS

The functional currency of foreign subsidiaries is the local currency of the country in which they operate.

The assets and liabilities of foreign subsidiaries are translated using the closing exchange rate at the balance sheet date. Their income statements are translated using the average exchange rate for the period. Any resulting exchange

differences are recognized in equity, under "Cumulative translation adjustments" for those attributable to the Group and "Minority interests" for those attributable to third parties. These exchange differences have no impact on profit unless the entity concerned is sold. The table below sets out the exchange rates for the main foreign currencies used by the Group:

| Euros | March 31, 2009 | | March 31, 2008 | |
|-------|----------------|---------------------------|----------------|---------------------------|
| | Closing | Average rate for the year | Closing | Average rate for the year |
| USD | 1.33080 | 1.42163 | 1.58120 | 1.41796 |
| GBP | 0.93080 | 0.83449 | 0.79580 | 0.70551 |
| AUD | 1.92160 | 1.81973 | 1.73340 | 1.63222 |

Goodwill and fair value adjustments resulting from the acquisition of a foreign entity are treated as components of that entity and are therefore denominated in the entity's functional currency. They are translated into euros at the closing exchange rate at the balance sheet date.

2.6. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A non-current asset, or a group of non-current assets and related liabilities (a disposal group), is classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the asset must be available for immediate sale and the sale must be highly probable. Where these assets or groups of assets are material they are recognized on a separate line of the balance sheet, under "Assets held for sale". They are measured at the lower of their carrying amount and estimated sale price less costs to sell.

A discontinued operation is a component of an entity that has either been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations for the Group;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Material income-statement and cash-flow items related to discontinued operations are accounted for separately in the financial statements for all periods presented.

2.7. USE OF ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires the Group to make certain estimates and assumptions it considers reasonable and realistic. These estimates and assumptions have an impact on the value of assets and liabilities, equity, profit and contingent assets and liabilities, as reported at the balance sheet date.

The consolidated financial statements have therefore been prepared taking into account the current financial and economic crisis and on the basis of market inputs at the balance sheet date. The immediate impacts of the crisis have been taken into consideration, in particular as regards the measurement of assets such as inventories, trade receivables and liabilities. Non-current assets such as intangible assets (notably goodwill and trademarks) have been measured on the assumption that the crisis will be limited in time. The value of these assets has been assessed at each period end, on the basis of the long-term economic outlook and on Group Management's best estimate in a context of reduced visibility over future cash flows.

Estimates may be revised following any change in the circumstances on which they were based or when any new information comes to light. Actual results may differ from the estimates and assumptions applied.

The main estimates and assumptions used to prepare the consolidated financial statements generally concern the measurement of goodwill, intangible assets, deferred taxes and provisions for contingencies and losses, returns and discounts and impairment of trade receivables.

Goodwill is tested annually for impairment, on March 31, or more frequently whenever there is an indication that it may be impaired. The discounted future cash flow method that is used to determine the fair value of cash-generating units requires a substantial degree of judgment as it is based on a certain number of factors, including estimates of future cash flows relying on the assumption of business growth, discount rates and other variables.

2.8. GOODWILL

Goodwill arising on a business combination represents the excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Provisional fair values are assigned at the time of the acquisition and any adjustments to these fair values are recognized within twelve months of the acquisition date as a retroactive restatement of goodwill. Beyond this twelve-month period adjustments are recognized directly in the income statement.

Whenever the Group acquires a controlling interest in a company in a single transaction, the portion of assets and liabilities attributable to minority shareholders is also recognized at fair value. If the Group subsequently acquires assets and liabilities from minority shareholders of a controlled entity, no additional adjustment is made to reflect the remeasurement of the fair value of those assets and liabilities. The difference between the purchase price and the carrying amount of the assets and liabilities concerned is recognized as goodwill, unless that difference is negative, in which case it is immediately recognized in the income statement.

Goodwill relating to consolidated entities is recognized under "Goodwill" on the assets side of the balance sheet. As prescribed by IFRS 3, goodwill is not amortized but is subject to impairment tests at least once a year. For the purpose of these tests, goodwill is allocated to cash-generating units (CGUs). A CGU is defined as the smallest identifiable group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets.

The methods used to test impairment of the CGUs are explained in Note 3 below.

When the recoverable amount of a CGU is less than its carrying amount, the corresponding impairment loss is allocated in priority against goodwill and recorded in the income statement under "Impairment of goodwill" which forms part of "Operating income (loss)".

2.9. OTHER INTANGIBLE ASSETS

Items recorded under "Intangible assets" in the balance sheet primarily include purchased management software, rights under purchased licenses, trademarks and video game development costs.

In accordance with the option available under IAS 23, interest on borrowings used to purchase intangible assets is recognized as a financial expense and is not included in the cost of the assets concerned.

Licenses

User licenses for intellectual property are accounted for as intangible assets as from the execution date of the license agreement whenever the licensor is not bound by material obligations; the capitalized value corresponds to the present value of the sum of the minimum annual license payments provided for in the agreement. Amounts paid in excess of the guaranteed minimum fees are recognized as an expense.

Licenses are amortized from their execution date based on the higher of the contractual rate applied to units sold or the straight-line rate based on the term of the license. Amortization expense is recognized under "Cost of goods sold".

The Group verifies the recoverable amount of the capitalized sums on a regular basis and performs impairment tests, as explained in Note 2.12 above, whenever there is an indication that the recognized assets may be impaired. Any corresponding impairment losses are recognized under "Cost of goods sold" if the game to which the license relates has been released and under "Research and development expenses" in other cases.

Video game development costs

The Group recognizes the cost of developing video games (either by its own studios or outsourced) as an intangible asset as soon as the technical feasibility of the game is certain, which corresponds to the end of the pre-production stage. Technical feasibility is determined on a case-by-case basis. Capitalized costs correspond to the "milestone" payments to independent developers and actual costs directly attributable to in-house development projects. Development costs of projects that have not reached the technical feasibility stage are recognized under "Research and development expenses".

Capitalized development costs are amortized through "Research and development expenses" over an 18-month period from the date the games are released, on a quarterly declining-balance basis that reflects the sales prospects of the products concerned. This use of the declining-balance method means that 90% of a game's value is written off in the year following its release.

The Group verifies the recoverable amount of the capitalized sums on a regular basis and performs impairment tests, as explained in Note 2.12 above, whenever there is an indication that the recognized assets may be impaired. For games that are in the development phase these impairment tests are performed at least once a year. Any impairment losses are recognized in the income statement under "Research and development expenses".

Other intangible assets

Other intangible assets include identifiable intangible assets resulting from acquisitions of businesses (such as trademarks and game catalogs) as well as software purchased for internal use (e.g. accounting software). With the exception of trademarks, these assets are amortized through "General and administrative expenses" or "Research and development expenses" on a straight-line basis over a period not exceeding their estimated useful lives (ranging from one to four years).

2.10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at cost, less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets concerned. Leasehold improvements are depreciated over the shorter of their estimated useful life or the term of the lease. The term of the lease takes into account possible extensions. Land is not depreciated. The estimated useful lives of each category of asset are as follows:

| | |
|--|---------------|
| - Buildings | 25 years |
| - Computer equipment | 1 to 3 years |
| - Furniture and fixtures and fittings (including leasehold improvements) and other equipment | 3 to 10 years |

In accordance with the option available under IAS 23, interest on borrowings used to purchase property, plant and equipment is recognized as a financial expense and is not included in the cost of the asset concerned.

2.11. FINANCE LEASES

Assets held under leases which transfer to the Group substantially all of the risks and rewards of ownership (finance leases) are recognized as property, plant and equipment.

They are capitalized at the inception of the lease at the lower of the fair value of the leased asset and the present value of the future minimum lease payments.

Items of property, plant and equipment acquired under finance leases are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset – determined using the same criteria as for assets owned by the Group – and the lease term.

A corresponding liability is recognized in the balance sheet. Rental payments under operating leases are expensed as incurred.

2.12. IMPAIRMENT TESTS

The Group regularly performs impairment tests on its assets, including goodwill, intangible assets and property, plant and equipment. Property, plant and equipment and intangible assets with a finite useful life are tested for impairment whenever there is an indication that they may be impaired.

The tests consist of comparing the carrying amount of the assets with their recoverable amount, which corresponds to the higher of an asset's fair value less costs to sell and its value in use, calculated by reference to the net present value of the future cash flows expected to be derived from the asset.

When the fair value of an intangible asset (other than goodwill) or an item of property, plant and equipment increases during a period and its recoverable amount exceeds its carrying amount, any impairment losses recognized in previous periods are reversed through the income statement.

Goodwill and other intangible assets with an indefinite useful life as well as intangible assets in process are systematically tested for impairment on a yearly basis and more often when there is an indication that they may be impaired. These tests are based on the higher of the following values:

- present value of projected operating cash flows over a four-year period, plus a terminal value;
- the net sale price if there is an active market for the asset.

When the sale price less costs to sell cannot be reliably determined, the carrying amount of the asset is compared with the net present value of future cash flows excluding interest but after tax.

The terminal value is obtained by projecting to perpetuity the present value of future cash flows determined based on the cash flows of the last year of the business plan using a long-term growth rate. The discount rate used to calculate the present value of future cash flows corresponds to the average cost of capital for the Group.

If the annual impairment tests reveal that an asset's recoverable amount is lower than its carrying amount, an impairment loss is recorded to reduce the carrying amount of the asset or goodwill concerned to its fair value.

Any impairment losses recognized on goodwill are not reversed.

2.13. OTHER NON-CURRENT FINANCIAL ASSETS

This item consists of shares in non-consolidated entities, investments in associates, deposits and down-payments made and loans.

The Group's interests in non-consolidated entities are recognized in accordance with the accounting principles described in Note 2.2.

Treasury shares held by the parent company or fully consolidated subsidiaries are deducted from equity on the basis of their purchase price or initial balance sheet value. Gains or losses on sales of treasury shares are eliminated in the consolidated income statement and recorded in equity.

2.14. INVENTORIES

The value of inventories is calculated using the first-in, first-out method. The gross value of inventories corresponds to their purchase price plus incidental expenses. Interest expense is not included in the value of inventories. A provision for impairment is recorded to write down inventories to their net realizable value when their probable market value is less than their cost. This write-down is recorded under "Cost of goods sold" in the income statement.

2.15. TRADE RECEIVABLES

Trade receivables are measured at their fair value, which generally corresponds to their nominal value.

Provisions for impairment are recognized for receivables that are considered doubtful, determined on the basis of the risk of non-recovery.

As provided for in IAS 32 and 39, trade receivables assigned under securitization programs are not derecognized. Consequently they are kept on the balance sheet under receivables with a corresponding liability recorded under short-term debt when substantially all the risks and rewards inherent to the trade receivables are not transferred in substance to the financing institutions.

2.16. CASH AND CASH EQUIVALENTS

In accordance with IAS 7, Statement of Cash Flows, cash and cash equivalents reported in the consolidated cash flow statement respectively include (i) cash on hand and demand deposits and (ii) highly liquid short-term investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Investments with original maturities of more than three months and no possibility of early exit are excluded from cash and cash equivalents.

2.17. SHARE-BASED PAYMENTS

The Group makes share-based payments to certain of its employees in the form of stock options or grants of free shares.

Equity-settled share-based payment transactions are measured at fair value on the grant date (excluding the impact of non market-related conditions). The recognized cumulative expense is based on (i) the fair value of the rights concerned, determined at the grant date and (ii) the estimated number of shares that will ultimately be acquired (taking into account the impact of non market-related acquisition conditions). This expense is recorded in current operating income over the entire vesting period of the rights concerned, with a corresponding adjustment to equity.

As prescribed by IFRS 2, only options granted after November 7, 2002 and not fully vested as of January 1, 2005 are measured and recognized as payroll expenses.

The fair value of stock options is calculated using the Black & Scholes model, which takes into account the exercise price and period of the options, market conditions on the grant date (risk-free interest rate, share price, volatility, expected dividends) and assumptions concerning the behavior of option holders.

No discount has been taken into account when measuring the value of share grants during the lock-up period, as this discount would not have a material impact.

2.18. EMPLOYEE SAVINGS PLANS (PEE)

When the Group carries out employee rights issues, an expense is recognized if the offer price of the shares is lower than the market trading price.

The expense is calculated at the grant date, corresponding to the date on which the Group and its employees agree to the terms and conditions of the offering.

2.19. MINORITY INTERESTS

If the equity of a consolidated entity is negative at the balance sheet date, the share of minority interests in this deficit is charged to the Group, unless the third parties concerned have an express obligation to cover their share of the loss.

If the company returns to profit, the Group's equity in their earnings is recorded by the majority shareholder up to the amount required to cover losses recorded in prior periods.

2.20. PROVISIONS

A provision is recognized when (i) the Group has a legal or constructive obligation toward a third party as a result of a past event, (ii) the amount of the obligation can be reliably estimated, and (iii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, without at least an equivalent return expected from the third party concerned. If the timing or amount of the obligation cannot be measured reliably, it is classified as a contingent liability and is treated as an off-balance sheet commitment.

In the case of an obligation that is expected to be settled in more than one year, the amount of the provision is discounted and the effect of such discounting is recorded as a financial expense.

2.21. PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Defined contribution plans

Group subsidiaries are subject to certain obligations under local laws and practices with respect to employee pensions, life and disability insurance plans and health insurance and other types of employee benefits. Contributions to defined contribution plans are expensed as the contributions fall due.

The Group records accrued contributions as an expense when they relate to operating costs based on the plan beneficiaries.

Defined benefit plans

The Group's estimated obligations under defined benefit plans are calculated on a yearly basis using the projected unit credit method, as prescribed by IAS 19. This method takes into account estimated years of service at retirement, future salary levels, life expectancy, a discount rate, and staff turnover, based on actuarial assumptions.

After initial recognition, if the accumulated unrecognized actuarial gains and losses exceed 10% of the greater of the defined benefit obligation or the fair value of the plan assets, a portion of that net gain or loss is recognized as income or expense (the "corridor" method). The portion recognized is the excess divided by the expected average remaining working lives of the participating employees.

2.22. FINANCIAL LIABILITIES AND INSTRUMENTS

Financial liabilities include bonds and other borrowings, as well as finance lease liabilities and trade payables.

Bonds and other borrowings

Bonds and other interest-bearing borrowings are initially recognized at the fair value of the consideration received, which corresponds to their cost, net of expenses directly attributable to the debt issue. These financial liabilities are subsequently measured at amortized cost, applying the effective interest method. The effective interest rate corresponds to the internal rate of return that exactly discounts estimated future cash flows through the expected life of the borrowings to the net carrying amount of the financial liability.

Some financial instruments – e.g. convertible bonds such as OCEANE bonds and bonds redeemable for new or existing shares (ORANE bonds) – are treated as hybrid financial instruments with a debt component and an equity component. The two components must be measured on the issue date and recognized separately in the balance sheet.

The debt component is included in debt based on the present value of future contractual repayments, discounted using the market rate prevailing on the issue date for standard debt with an identical maturity, plus a margin equal to the credit spread relevant at the issue date for similar bonds. At each balance sheet date this financial liability is measured at amortized cost using the effective interest method.

The value of the equity component is calculated as the difference between the bonds' nominal value on the issue date and their debt component as defined above. Costs are allocated to the two components based on the proportion of the total nominal amount represented by each component.

The renegotiations of credit facility agreements do not cause the initial debt to be extinguished and a new debt to be recognized unless there are material differences between the old and the new agreement. Whenever this is the case, renegotiation costs are included in financial expenses for the period in which the renegotiation took place.

Trade payables

Trade payables are recognized initially at fair value and are subsequently measured at amortized cost.

2.23. REVENUE RECOGNITION

In accordance with IAS 18, Revenue, net revenue is recognized after deducting:

- certain sales incentives such as participation in advertising and promotion;
- certain rebates granted for early payment.

Sales of entertainment software

Revenue from the sale of entertainment software is recognized when products are shipped to customers. A provision is set aside and deducted from sales to provide for estimated returns, so as to calculate net sales. The Group is not contractually obligated to accept returns but it can authorize certain customers to exchange products sold to them. In addition, the Group may provide trade-in guarantees, rebates for unsold products and other concessions to specific customers. Whenever this is the case, management estimates the amount of future credits and sets aside provisions that are deducted from "Trade receivables" in the consolidated balance sheet. The Group also performs ongoing credit assessments of its customers and books provisions for potential losses, which are included in "Marketing and selling expenses" and "Trade receivables".

Licensing

Under various licensing agreements extended by the Group, licensees are entitled to make multiple copies of entertainment software in return for payment of a guaranteed minimum fee. These fees are recognized as revenue when the master software or first copy is delivered. Any additional revenue from sales of units in excess of the number covered by the guaranteed minimum license fee is recognized as and when such sales occur.

Services

Revenue from development and publishing services performed for third parties includes fees and other payments received. They are considered as earned and are recognized as the services are performed.

2.24. RESEARCH AND DEVELOPMENT EXPENSES

This item includes both costs incurred by the Group's own studios and external studios for projects which have not yet reached the technical feasibility stage and any amortization and impairment of capitalized video game development costs. It also includes the cost of adapting (localizing) and testing products sold.

2.25. MARKETING AND SELLING EXPENSES

Advertising costs are recognized as expenses as they are incurred and are included in "Marketing and selling expenses" in the income statement.

2.26. CURRENT OPERATING INCOME AND OPERATING INCOME

Current operating income corresponds to gross margin less current operating expenses. Current operating expenses include research and development, marketing and selling and General and administrative expenses as well as the costs of share-based payments.

Operating income corresponds to current operating income after:

- gains and losses from disposals of assets;
- restructuring costs;
- impairment of goodwill;
- the impact of litigation and other non-recurring items.

2.27. FINANCIAL INCOME AND EXPENSES

Cost of debt

Net debt is the aggregate of current and non-current borrowings and other financial liabilities, less cash and cash equivalents. The cost of debt is the excess of expenses over income generated by items making up the net debt over the period, including income and expense from related interest-rate and currency hedges. The cost of debt includes:

- Interest expense on consolidated debt, consisting of bond debt, the debt portion of hybrid financial instruments, other financial liabilities (including obligations under finance leases), and interest income from cash and cash equivalents;
- Fees paid to banks on financial transactions.

In accordance with IAS 23, interest on borrowings used to purchase intangible assets is recognized as a financial expense and not included in the cost of the assets concerned.

Other financial income (expense)

The following items are included under "Other financial income (expense)":

- Dividends received from non-consolidated entities
- The effect of discounting provisions
- Foreign-exchange gains and losses

2.28. TAXES

Deferred taxes are recognized in the income statement and balance sheet to reflect temporary differences between the accounting and tax value of certain assets and liabilities.

Deferred taxes are accounted for in accordance with the liability method and are measured taking into account tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. The impact of changes in tax rates on deferred taxes previously recognized in the income statement or in equity are recognized in the income statement or in equity, respectively, in the period in which the rate changes become effective.

Deferred taxes are recognized either in income or in equity, depending on whether they pertain to items that are recognized in income or in equity.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced if it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilized. Any such reduction is reversed if it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and deferred tax liabilities are offset if, and only if, subsidiaries have a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied in the same period by the same taxation authority.

Deferred tax assets and liabilities are not discounted.

2.29. EARNINGS PER SHARE

The Group reports both basic and diluted earnings per share.

Basic earnings per share correspond to attributable net income for the period divided by the weighted average number of shares outstanding, net of any treasury shares.

Diluted earnings per share are calculated by dividing the adjusted attributable net income for the year by the weighted average number of shares outstanding, plus all potentially dilutive ordinary shares. Potentially dilutive ordinary shares include those to be issued on the exercise of stock options or warrants, grants of free shares and the conversion of convertible bonds and bonds redeemable in shares (equity notes) issued by the Group.

NOTE 3 – GOODWILL

3.1. CHANGES DURING THE PERIOD

Goodwill arising on business combinations is recognized in the currency of the acquired entity as prescribed in IAS 21 and allocated to cash-generating units (CGUs) at the acquisition date.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The table below shows changes in goodwill for the period:

| (€ million) | Total |
|--|-------------|
| March 31, 2007 | 89.0 |
| Changes in scope of consolidation | - |
| Increase | - |
| Impairment for the year | - |
| Disposals for the year | - |
| Translation adjustments | (11.1) |
| Other changes | - |
| March 31, 2008 | 77.9 |
| Changes in scope of consolidation* | 21.2 |
| Increase | - |
| Impairment for the year** | (65.1) |
| Reclassification of assets held for sale | (3.8) |
| Translation adjustments | 4.7 |
| Other changes | - |
| March 31, 2009 | 34.9 |

* Including the goodwill arising on the acquisition of (i) Cryptic Studios (€30.5 million) and (ii) minority interests in Atari Inc. (€5.6 million), as well as a negative €14.9 million resulting from the derecognition of a portion of the goodwill allocated to the Europe and Asia Distribution CGUs due to the sale of 34% of Namco Bandai Partners (see Note 1 – Significant events of the year).

** Goodwill allocated to the Retail Development/Publishing CGU was written down in full during the year – representing an amount of €40.3 million – following the restructuring of the Group's publishing business and strategic refocusing. An additional €24.8 million in goodwill impairment was recorded for the Europe and Asia Distribution CGUs following the Group's divestment of its distribution operations in those regions.

3.2. GOODWILL BY CASH-GENERATING UNIT

In accordance with the accounting principle described in Note 2.12, the Group has allocated its goodwill to cash-generating units (CGUs). The CGUs correspond to the Group's core businesses and do not therefore represent legal entities. Net goodwill per CGU is as follows:

| (€ million) | Retail Development/ Publishing | Online Development/ Publishing | US Distribution | Europe Distribution | Asia Distribution | TOTAL |
|----------------|-----------------------------------|--------------------------------------|--------------------|------------------------|----------------------|-------|
| March 31, 2009 | - | 29.1 | 5.8 | - | - | 34.9 |
| March 31, 2008 | 34.8 | N/A | - | 33.9 | 9.2 | 77.9 |

The Online Development/Publishing CGU represents Cryptic, which was acquired during fiscal year 2008/2009.

Other intangible assets with indefinite useful lives are included in the Retail Development/Publishing CGU and are tested for impairment at the same time as goodwill. Their carrying amount totaled €2.9 million and €7.3 million on March 31, 2009 and March 31, 2008 respectively.

As stated in Note 3.1 above, the goodwill allocated to the Retail Development/Publishing CGU was written down in full during the year ended March 31, 2009, leading to the recognition of a €40.3 million charge under "Impairment of goodwill" in the consolidated income statement.

Additional goodwill impairment amounting to €19.7 million and €5.1 million was recorded during the year for the Europe and Asia Distribution CGUs respectively following the sale of the Group's distribution operations in those regions. The balance of the goodwill allocated to these CGUs has been reclassified to "Assets held for sale" (see Note 22.2 – Assets and liabilities held for sale). The impairment recorded in relation to this goodwill has also been reclassified and is now recorded under "Profit (loss) from discontinued operations" in the consolidated income statement.

3.3. IMPAIRMENT TESTS

In accordance with IFRS 3, Business Combinations, goodwill acquired in a business combination is not amortized. Instead it is tested for impairment annually, or more frequently if events or changes in circumstances indicated that it might be impaired. These tests are performed in March of every year as part of the annual accounts-closing process. If the recoverable amount of a CGU is less than its carrying amount, an impairment loss is recognized in "Impairment of goodwill" which is included under "Operating income (loss)".

The method used to test goodwill for impairment consists essentially of comparing the recoverable amount of each CGU with the carrying amount of the corresponding net assets. At March 31, 2009, for the Online Development/Publishing and US Distribution CGUs, these recoverable amounts corresponded to the value in use of the assets concerned and were generally calculated on the basis of expected operating cash flows for the next three years, the present value of projected cash flows for the subsequent year and a terminal value. For the Europe and Asia Distribution CGUs, recoverable amounts were determined based on the sale prices of the assets concerned, net of transaction costs, in accordance with IFRS 5.

The main assumptions used by management to project future cash flows are a discount rate, growth rates, expected trends in sale prices and operating costs.

The table below sets out the discount rates and perpetuity growth rates used at March 31, 2009 and March 31, 2008:

| | March 31, 2009 | | March 31, 2008 | |
|-------------------------------|----------------|------------------------|----------------|------------------------|
| | Discount rate | Perpetuity growth rate | Discount rate | Perpetuity growth rate |
| Retail Development/Publishing | N/A | N/A | 13,40% | 3,00% |
| Online Development/Publishing | 18,60% | 3,00% | N/A | N/A |
| US Distribution | 18,60% | 3,00% | 13,40% | 3,00% |
| Europe Distribution | N/A | N/A | 13,40% | 3,00% |
| Asia Distribution | N/A | N/A | 13,40% | 3,00% |

Management set the discount rate on the basis of the weighted average cost of capital, reflecting the market's current assessment of the time value of money and the specific risks to which the various cash-generating units are exposed. In view of the current division of the Group's activities, the allocation of goodwill per CGU and the Group's general risk premium included in the discount rate, the use of a single discount rate for all of the Group's CGUs was judged appropriate for the impairment tests. The discount rates used are post tax rates applied to post tax cash flows. They yield the same recoverable amounts as would be obtained by applying pre-tax discount rates to pre-tax cash flows, as required under IAS 36.

The Group prepared its cash flow projections on the basis of the 2009-2010 budget and its business plan. Growth-rate assumptions in the business plan reflect management's best estimates and are based notably on the expectation that business will recover.

At March 31, 2009, the sensitivity of the recoverable amounts of the Group's CGUs to a one-point change in the discount rate or the perpetuity growth rate was as follows:

| Cash-generating unit | Difference between recoverable amount and carrying amount | Impact of a one-point change in: | | | |
|-------------------------------|---|----------------------------------|---------|------------------------|---------|
| | | Discount rate | | Perpetuity growth rate | |
| (€ million) | | + 1 pt. | - 1 pt. | + 1 pt. | - 1 pt. |
| Online Development/Publishing | 22,7 | -3,4 | 4,0 | 2,1 | -1,8 |
| US Distribution | 57,6 | -3,4 | 3,8 | 2,3 | -2,1 |

NOTE 4 – INTANGIBLE ASSETS

Changes in intangible assets for the year ended March 31, 2009 can be analyzed as follows:

| (€ millions) | Games | Trademarks | Licenses | Software | Other | Total |
|--|---------------|---------------|---------------|---------------|--------------|----------------|
| Gross value | | | | | | |
| April 1, 2008 | 69.7 | 13.5 | 42.2 | 44.6 | 3.5 | 173.5 |
| Changes in scope of consolidation | 16.9 | 0.7 | - | 0.3 | 0.8 | 18.7 |
| Acquisitions/Increase | 29.3 | - | 17.0 | 0.6 | - | 46.9 |
| Disposals/Decrease | - | - | - | - | - | - |
| Reclassification of assets held for sale | - | - | - | (2.3) | - | (2.3) |
| Other changes | (31.0) | 2.5 | (4.2) | (10.5) | 0.5 | (42.7) |
| March 31, 2009 | 84.9 | 16.7 | 55.0 | 32.7 | 4.8 | 194.1 |
| Amortization and provisions for impairment in value | | | | | | |
| April 1, 2008 | (46.7) | (6.1) | (31.7) | (42.4) | (3.5) | (130.4) |
| Changes in scope of consolidation | - | - | - | (0.2) | - | (0.2) |
| Charges to amortization and provisions | (39.6) | (6.1) | (22.9) | (1.0) | (0.1) | (69.7) |
| Reversals of amortization and provisions | - | - | 1.5 | - | - | 1.5 |
| Disposals/Decrease | - | - | - | - | - | - |
| Reclassification of assets held for sale | - | - | - | 1.7 | - | 1.7 |
| Other changes | 33.4 | (1.6) | 5.7 | 10.8 | (0.7) | 47.6 |
| March 31, 2009 | (52.9) | (13.8) | (47.4) | (31.1) | (4.3) | (149.5) |
| Net value | | | | | | |
| April 1, 2008 | 23.0 | 7.4 | 10.5 | 2.2 | - | 43.1 |
| Changes in scope of consolidation | 16.9 | 0.7 | - | 0.1 | 0.8 | 18.5 |
| Acquisitions/Charges to amortization and provisions | (10.3) | (6.1) | (5.9) | (0.4) | (0.1) | (22.8) |
| Disposals/Reversals of amortization and provisions | - | - | 1.5 | - | - | 1.5 |
| Reclassification of assets held for sale | - | - | - | (0.6) | - | (0.6) |
| Other changes | 2.4 | 0.9 | 1.5 | 0.3 | (0.2) | 4.9 |
| March 31, 2009 | 32.0 | 2.9 | 7.6 | 1.6 | 0.5 | 44.6 |

The increase in games recognized under intangible assets for the year ended March 31, 2009 primarily reflects:

- the capitalization of €10.9 million worth of in-house development expenditure subsequent to the completion of the pre-production phase;
- the capitalization of €18.4 million in costs relating to development projects outsourced by the Group.

“Changes in scope of consolidation” mainly corresponds to the recognition of Cryptic Studios’ game development engine (€8.0 million), as well as the capitalization of games developed by Cryptic Studios whose technical feasibility has been demonstrated (€5.9 million).

At March 31, 2009, capitalized games-in-progress amounted to €22.9 million (€17.4 million for in-house development expenditure and €5.5 million for costs relating to outsourced development), compared with €19.0 million one year earlier.

The €17.0 million increase in Licenses reflects the acquisition of licenses by the Group’s main US subsidiaries.

Other changes during the period primarily correspond to translation adjustments, retirements and reclassifications.

Charges to amortization and provisions for impairment in value of intangible assets recorded in the consolidated income statement amounted to €69.9 million for the year ended March 31, 2009 compared with €40.1 million for the previous fiscal year.

The table below shows changes in intangible assets during the year ended March 31, 2008:

| (€ million) | Games | Trademarks | Licenses | Software | Other | Total |
|--|---------------|--------------|---------------|---------------|--------------|----------------|
| Gross value | | | | | | |
| April 1, 2007 | 78.3 | 16.0 | 59.0 | 45.7 | 4.5 | 203.5 |
| Changes in scope of consolidation | - | - | - | - | - | - |
| Acquisitions/Increase | 25.0 | - | 8.7 | 0.9 | - | 34.6 |
| Disposals/Decrease | - | - | (8.7) | (0.1) | - | (8.8) |
| Other changes | (33.6) | (2.5) | (16.8) | (1.9) | (1.0) | (55.8) |
| March 31, 2008 | 69.7 | 13.5 | 42.2 | 44.6 | 3.5 | 173.5 |
| Amortization and provisions for impairment in value | | | | | | |
| April 1, 2007 | (59.4) | - | (35.3) | (42.8) | (4.1) | (141.6) |
| Changes in scope of consolidation | - | - | - | - | - | - |
| Charges to amortization and provisions | (17.7) | (6.8) | (14.0) | (1.6) | - | (40.1) |
| Reversals of amortization and provisions | - | - | - | 0.1 | - | 0.1 |
| Disposals/Decrease | - | - | 1.4 | - | - | 1.4 |
| Other changes | 30.4 | 0.7 | 16.2 | 1.9 | 0.6 | 49.8 |
| March 31, 2008 | (46.7) | (6.1) | (31.7) | (42.4) | (3.5) | (130.4) |
| Net value | | | | | | |
| April 1, 2007 | 18.9 | 16.0 | 23.7 | 2.9 | 0.4 | 61.9 |
| Changes in scope of consolidation | - | - | - | - | - | - |
| Acquisitions/Charges to amortization and provisions | 7.3 | (6.8) | (5.3) | (0.7) | - | (5.5) |
| Disposals/Reversals of amortization and provisions | - | - | (7.3) | - | - | (7.3) |
| Other changes | (3.2) | (1.8) | (0.6) | 0.0 | (0.4) | (6.0) |
| March 31, 2008 | 23.0 | 7.4 | 10.5 | 2.2 | - | 43.1 |

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment for the year ended March 31, 2009 can be analyzed as follows:

| (€ million) | Property, plant and equipment | | | | Total |
|--|-------------------------------|-----------|-------------------|--|--------|
| | Land | Buildings | Computer hardware | Other equipment, furniture and fixtures and fittings | |
| <i>Gross value</i> | | | | | |
| April 1, 2008 | 0.4 | 4.7 | 6.3 | 11.8 | 23.2 |
| Changes in scope of consolidation | - | - | - | 1.8 | 1.8 |
| Acquisitions/Increase | - | - | 0.5 | 0.4 | 0.9 |
| Disposals/Decrease | - | - | (0.3) | (0.5) | (0.8) |
| Reclassification of assets held for sale | - | - | (1.3) | (2.0) | (3.3) |
| Other changes | - | 0.9 | 0.2 | (0.2) | 0.9 |
| March 31, 2009 | 0.4 | 5.6 | 5.4 | 11.3 | 22.7 |
| <i>Depreciation and provisions for impairment in value</i> | | | | | |
| April 1, 2008 | (0.4) | (4.7) | (5.6) | (7.0) | (17.7) |
| Changes in scope of consolidation | - | - | - | (1.1) | (1.1) |
| Charges to depreciation and provisions | - | - | (0.5) | (1.1) | (1.6) |
| Disposals/Decrease | - | - | 0.3 | 0.3 | 0.6 |
| Reclassification of assets held for sale | - | - | 1.1 | 1.4 | 2.5 |
| Other changes | - | (0.9) | (0.3) | 0.7 | (0.5) |
| March 31, 2009 | (0.4) | (5.6) | (5.0) | (6.8) | (17.8) |
| <i>Net value</i> | | | | | |
| April 1, 2008 | - | - | 0.7 | 4.8 | 5.5 |
| Changes in scope of consolidation | - | - | - | 0.7 | 0.7 |
| Acquisitions/Charges to depreciation and provisions | - | - | - | (0.7) | (0.7) |
| Disposals/Decrease | - | - | - | (0.2) | (0.2) |
| Reclassification of assets held for sale | - | - | (0.2) | (0.6) | (0.8) |
| Other changes | - | - | (0.1) | 0.5 | 0.4 |
| March 31, 2009 | - | - | 0.4 | 4.5 | 4.9 |

Charges to depreciation and provisions for impairment in value of property, plant and equipment recorded in the consolidated income statement amounted to €2.7 million for the year ended March 31, 2009, compared with €4.2 million for the previous fiscal year.

Other changes during the period primarily correspond to translation adjustments and reclassifications.

The table below shows changes in property, plant and equipment for the year ended March 31, 2008:

| (€ million) | Property, plant and equipment | | | | Total |
|--|-------------------------------|-----------|-------------------|---|--------|
| | Land | Buildings | Computer hardware | Other equipment, furniture and improvements | |
| <i>Gross value</i> | | | | | |
| April 1, 2007 | 0.4 | 9.6 | 10.4 | 10.3 | 30.7 |
| Changes in scope of consolidation | - | - | - | - | - |
| Acquisitions/Increase | - | - | 0.4 | 3.1 | 3.5 |
| Disposals/Decrease | - | - | (4.0) | (4.4) | (8.4) |
| Other changes | - | (4.9) | (0.5) | 2.8 | (2.6) |
| March 31, 2008 | 0.4 | 4.7 | 6.3 | 11.8 | 23.2 |
| <i>Depreciation and provisions for impairment in value</i> | | | | | |
| April 1, 2007 | - | (6.3) | (9.4) | (8.0) | (23.7) |
| Changes in scope of consolidation | - | - | - | - | - |
| Charges to depreciation and provisions | (0.4) | (2.3) | (0.6) | (0.9) | (4.2) |
| Disposals/Decrease | - | - | 3.9 | 4.4 | 8.3 |
| Other changes | - | 3.9 | 0.5 | (2.5) | 1.9 |
| March 31, 2008 | (0.4) | (4.7) | (5.6) | (7.0) | (17.7) |
| <i>Net value</i> | | | | | |
| April 1, 2007 | 0.4 | 3.3 | 1.0 | 2.3 | 7.0 |
| Changes in scope of consolidation | - | - | - | - | - |
| Acquisitions/Charges to depreciation and provisions | (0.4) | (2.3) | (0.2) | 2.2 | (0.7) |
| Disposals/Decrease | - | - | (0.1) | - | (0.1) |
| Other changes | - | (1.0) | - | 0.3 | (0.7) |
| March 31, 2008 | - | - | 0.7 | 4.8 | 5.5 |

NOTE 6 – NON-CURRENT FINANCIAL ASSETS

Non-current financial assets can be analyzed as follows:

| (€ million) | Deposits | Loans | Other | Total |
|--|------------|------------|------------|------------|
| At March 31, 2008 | | | | |
| Gross value | 2.0 | 1.6 | 0.8 | 4.4 |
| Impairment | - | (1.5) | - | (1.5) |
| Net value at March 31, 2008 | 2.0 | 0.1 | 0.8 | 2.9 |
| Increase | 0.1 | 0.1 | 0.2 | 0.4 |
| Changes in scope of consolidation | 0.1 | - | 0.3 | 0.4 |
| Decrease | (0.1) | - | - | (0.1) |
| Net impairment | - | (0.1) | - | (0.1) |
| Reclassification of assets held for sale | (0.2) | - | - | (0.2) |
| Translation adjustments | 0.2 | - | - | 0.2 |
| Share of profit of associates | - | - | - | - |
| Other | - | - | - | - |
| Net value at March 31, 2009 | 2.1 | 0.1 | 1.3 | 3.5 |
| At March 31, 2009 | | | | |
| Gross value | 2.1 | 1.7 | 1.3 | 5.1 |
| Impairment | - | (1.6) | - | (1.6) |
| Net value at March 31, 2009 | 2.1 | 0.1 | 1.3 | 3.5 |

NOTE 7 – INVENTORIES

Inventories broke down as follows at March 31, 2009 and 2008:

| (€ million) | March 31, 2009 | March 31, 2008 |
|--|----------------|----------------|
| Finished products | 33.2 | 27.5 |
| Gross value | 33.2 | 27.5 |
| Provisions for impairment in value | (9.9) | (3.0) |
| Reclassification of assets held for sale | (20.3) | - |
| Net value | 3.0 | 24.5 |

The table below shows changes in provisions for impairment in value:

| (€ million) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|----------------------|------------------------------|------------------------------|
| At beginning of year | 3.0 | 3.9 |
| Charges | 14.3 | 4.6 |
| Reversals | (6.6) | (5.6) |
| Other | (0.8) | 0.1 |
| At end of year | 9.9 | 3.0 |

NOTE 8 – TRADE RECEIVABLES

The table below shows trade receivables net of returns and trade discounts:

| (€ million) | March 31, 2009 | March 31, 2008 |
|--|----------------|----------------|
| Gross value | 50.3 | 45.8 |
| Provisions for impairment in value | (3.4) | (2.8) |
| Reclassification of assets held for sale | (27.8) | - |
| Net value | 19.1 | 43.0 |

No single customer accounted for more than 23.1% of trade receivables at March 31, 2009, or for more than 7.5% at March 31, 2008.

The table below shows changes in provisions for impairment in value:

| (€ million) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|-------------------------|------------------------------|------------------------------|
| At beginning of year | 2.8 | 14.7 |
| Charges | 4.2 | 0.5 |
| Reversals | (3.6) | (2.1) |
| Translation adjustments | - | (0.7) |
| Other (*) | - | (9.6) |
| At end of year | 3.4 | 2.8 |

(*) At March 31, 2008 “Other” corresponded to the write-off of old receivables fully written down.

Under IFRS (IAS 39), trade receivables assigned under a factoring agreement where the risk of default is not transferred must be included in trade receivables and a corresponding debt must be recognized. At March 31, 2009 receivables amounting to €12.0 million had been assigned under factoring agreements, compared with €10.6 million one year earlier. At March 31, 2009 these receivables were reclassified as assets held for sale.

NOTE 9 – OTHER CURRENT ASSETS

Other assets consist of the following:

| (€ million) | March 31, 2009 | March 31, 2008 |
|--|----------------|----------------|
| Prepaid and recoverable taxes and employee-related receivables | 5.4 | 6.9 |
| Prepaid expenses | 1.3 | 6.4 |
| Other | 0.9 | 4.4 |
| Other current assets | 7.6 | 17.7 |

NOTE 10 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents reported in the consolidated cash flow statement respectively include (i) cash on hand and demand deposits, and (ii) highly liquid short-term investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

At March 31, 2009 and 2008, there were no cash balances that could not be freely used.

NOTE 11 – EQUITY**11.1. CAPITAL STOCK****COMMON STOCK**

At March 31, 2009, the Company had 12.975.860 common shares outstanding, fully paid up, with a par value of €1 each.

All shares are of the same class and may be held in either identifiable bearer (TPI) or registered form, at the holder's option. Each share entitles its holder to one vote on resolutions submitted to the Company's shareholders. All paid-up shares held in registered form by the same shareholder for at least two years carry double voting rights, as do any additional shares acquired pursuant to rights attached to registered shares carrying double voting rights.

DIVIDENDS

The Board of Directors may recommend to the Company's shareholders that dividends be paid representing up to the amount of the Company's distributable earnings and reserves. Decisions regarding dividends are made by the Company's shareholders in a Shareholders' Meeting. The Group has not paid any dividends for the past three fiscal years.

The table below shows changes in shares outstanding over the past two fiscal years:

| (number of shares) | March 31, 2009 | March 31, 2008 |
|--|-------------------|-------------------|
| Shares outstanding at the beginning of the year | 12,842,390 | 12,325,994 |
| Share issues | - | - |
| Exercise of stock warrants | 6,605 | 518,865 |
| Conversion of ORANE bonds | 124,395 | - |
| Stock options exercised | - | 1 |
| Treasury shares | - | (2,470) |
| Shares outstanding at the end of the year | 12,973,390 | 12,842,390 |

Changes during the year ended March 31, 2009 reflected the following:

- The exercise of 544.400 stock warrants allocated in 2007, leading to the issuance of 5.444 new shares.
- The exercise of 1.160 stock warrants allocated in 2009, leading to the issuance of 1.161 new shares.
- The conversion of 13.965 ORANE bonds into 124.395 new shares.

For the year ended March 31, 2008, the principal change was due to the exercise of 51.886.483 stock warrants, resulting in the issuance of 518.865 new shares.

11.2. TREASURY SHARES

The Company and its subsidiaries held 2.470 treasury shares at March 31, 2009, unchanged from March 31, 2008.

11.3. STOCK WARRANTS

2007 warrants

At its meeting of December 19, 2006, the Company's Board of Directors decided to issue 47.431.539 stock warrants to the Company's shareholders (the "2007 shareholders' warrants").

In the seventeenth resolution of the Extraordinary Shareholders' Meeting held on November 15, 2006 the shareholders resolved – subject to the condition precedent of the completion of the share issue amounting to €74 million before transaction costs – to allocate 217.900.000 stock warrants, free of consideration, exercisable for newly-issued shares, to the Company's main former bondholders (the "2007 investor warrants", referred to collectively with the "2007 shareholders' warrants" as the "2007 warrants"), namely Boussard & Gavaudant Asset Management LP (36.300.000 "2007 warrants") and GLG Partners LP and The BlueBay Value Recovery (Master) Fund Limited (181.600.000 "2007 warrants").

After adjustments for the March 2008 reverse stock split, one hundred 2007 warrants are exercisable for one new share at a price of €15.

Taking into account the adjustment made to the exchange ratios of the stock warrants on February 4, 2009, one hundred "2007 warrants" are now exercisable for 1.01 new shares at an exercise price of €15.

As of March 31, 2009, a total of 20.863.839 "2007 warrants" remained outstanding and could be exercised at any time until December 31, 2009, resulting in the issuance of 210.725 shares.

2009 warrants

At its meeting of December 3, 2008, the Company's Board of Directors decided to issue 405.438 bonds redeemable for new or existing shares (ORANE bonds) with stock warrants attached (the "2009 warrants"). As part of this transaction a total of 405.438 "2009 warrants" were detached from the bonds as soon as they were issued on January 27, 2009.

Each 2009 warrant is exercisable for one newly-issued share of the Company at an exercise price of €6 until December 31, 2012.

At its meeting of December 3, 2008 the Board of Directors authorized the Company to carry out a public exchange offer for, inter alia, the warrants allocated in 2007 based on an exchange ratio of one "2009 warrant" for one hundred "2007 warrants" tendered to the offer. A total of 167.350.200 of the 2007 warrants were tendered, resulting in the issuance of 1.673.502 "2009 warrants" on February 11, 2009.

As of March 31, 2009, a total of 2.077.780 "2009 warrants" remained outstanding and could be exercised at any time until December 31, 2012, resulting in the issuance of 2.077.780 shares.

11.4. ATARI SA STOCK OPTION PLAN

The Board of Directors has been authorized, until November 27, 2010, to grant options for new or existing common shares of the Company to officers, directors and certain employees of the Group, subject to the ceiling set in Article L.225-182 of the French Commercial Code (*Code de commerce*). The exercise price of these options may not represent less than 95% of the average trading price of the Company's common stock over the twenty trading days immediately preceding the option grant date. The options generally vest ratably over a three-year period from their grant date subject to certain conditions and are exercisable for a period of up to eight years. No options may be granted to Group officers, directors or employees who already own more than 10% of the Company's common stock.

11.5. BASIC AND DILUTED EARNINGS PER SHARE

The table below reconciles basic earnings per share with diluted earnings per share:

| | Attributable profit (loss) for the year (€ millions) | Average number of shares outstanding | Earnings (loss) per share (€) |
|--|--|--------------------------------------|-------------------------------|
| 2008-2009 | | | |
| From continuing and discontinued operations – basic | (226.1) | 12,947,909 | (17.46) |
| From continuing operations – basic | (135.3) | 12,947,909 | (10.45) |
| Dilutive impact of ORANE bonds | - | - | - |
| Dilutive impact of stock options | - | - | - |
| Dilutive impact of stock warrants | - | - | - |
| Dilutive impact of free shares granted | - | - | - |
| Dilutive impact of OCEANE bonds | - | - | - |
| From continuing and discontinued operations – diluted | (226.1) | 12,947,909 | (17.46) |
| From continuing operations – diluted | (135.3) | 12,947,909 | (10.45) |
| 2007-2008 | | | |
| From continuing and discontinued operations – basic | (51.1) | 12,669,162 | (4.03) |
| From continuing operations – basic | (54.2) | 12,669,162 | (4.28) |
| Dilutive impact of stock options | - | - | - |
| Dilutive impact of OCEANE bonds | - | - | - |
| From continuing and discontinued operations – diluted | (51.1) | 12,669,162 | (4.03) |
| From continuing operations – diluted | (54.2) | 12,669,162 | (4.28) |

Convertible instruments, the ORANE bonds, grants of free shares, stock options and stock warrants were not taken into account when calculating diluted earnings (loss) per share for fiscal years 2007-2008 and 2008-2009, as their impact was anti-dilutive.

NOTE 12 – PROVISIONS FOR CURRENT AND NON-CURRENT CONTINGENCIES AND LOSSES

12.1. CHANGES IN PROVISIONS

| (€ million) | Restructuring costs | Pension liabilities | Other | Total |
|---|---------------------|---------------------|------------|------------|
| At March 31, 2008 | | | | |
| Current | 2.5 | 0.2 | 0.7 | 3.4 |
| Non-current | - | 0.4 | 0.3 | 0.7 |
| Provisions at March 31, 2008 | 2.5 | 0.6 | 1.0 | 4.1 |
| Changes during the period | | | | |
| Charges | 9.8 | 0.1 | 1.3 | 11.2 |
| Reversals (surplus provisions) | (0.3) | - | (0.1) | (0.4) |
| Reversals (utilized provisions) | (2.5) | - | (0.4) | (2.9) |
| Changes in scope of consolidation | - | - | - | - |
| Reclassification of liabilities held for sale | (2.8) | (0.6) | (0.5) | (3.9) |
| Other | - | - | (0.1) | (0.1) |
| Translation adjustments | 0.2 | - | - | 0.2 |
| Provisions at March 31, 2009 | 6.9 | 0.1 | 1.2 | 8.2 |
| At March 31, 2009 | | | | |
| Current | 6.9 | - | 1.1 | 8.0 |
| Non-current | - | 0.1 | 0.1 | 0.2 |
| Provisions at March 31, 2009 | 6.9 | 0.1 | 1.2 | 8.2 |

At March 31, 2009 and 2008, the provision for restructuring costs consisted of:

| (€ millions) | March 31, 2009 | March 31, 2008 |
|---------------------------|----------------|----------------|
| Employee-related expenses | 4.8 | 2.4 |
| Rent on unused premises | 1.6 | 0.1 |
| Other | 0.5 | - |
| Total | 6.9 | 2.5 |

The “Atari Transformation” restructuring plan announced on June 17, 2008 was rolled out during fiscal year 2008-2009. The provision for restructuring costs recorded in the balance sheet at March 31, 2009 primarily relates to employee departures (€4.8 million), future rental payments (€1.6 million) and other contingencies.

Other provisions for contingencies and losses consisted primarily of various provisions for litigation.

12.2. POST-EMPLOYMENT BENEFITS

Post-employment benefits are recognized in the financial statements as follows:

| (€ million) | March 31, 2009 | March 31, 2008 |
|---|----------------|----------------|
| Pension liabilities | 0.7 | 0.6 |
| Reclassification of liabilities held for sale | (0.6) | - |
| Other employee benefits | - | - |
| Total | 0.1 | 0.6 |
| Payable in more than five years | 0.1 | 0.6 |

The low totals are due to the fact that most post-employment benefits are provided under defined contribution plans or defined benefit schemes in the form of multi-employer plans. In addition, even in the case of defined contribution plans, the Company's obligations are marginal as staff turnover is high.

Separate actuarial assumptions are made for each company and country to reflect their specific nature. Those used in France are summarized below:

| | March 31, 2009 | March 31, 2008 |
|-------------------------|----------------|----------------|
| Assumptions | | |
| Discount rate | 5.2% | 4.5% |
| Annual salary increases | 3.0% | 3.0% |

The discount rate is calculated by reference to the interest rate on 20-year government bonds.

NOTE 13 – DEBT**13.1. DEBT BY TYPE**

The Group's debt breaks down as follows:

| (€ million) | OCEANE 2011 | OCEANE 2020 | ORANE bonds | Production funds | BOA | Factoring | BlueBay | Bandai | Other debt and borrowings | Bank overdrafts | Total |
|---|----------------|----------------|----------------|---------------------|-------------|------------|------------|----------|---------------------------------|--------------------|-------------|
| Short-term | - | - | - | 2.3 | - | 6.0 | 8.5 | - | 4.0 | 2.1 | 22.9 |
| Long-term | 5.3 | 0.6 | 2.9 | - | - | - | - | - | 3.0 | - | 11.8 |
| Debt at March 31, 2008 | 5.3 | 0.6 | 2.9 | 2.3 | - | 6.0 | 8.5 | - | 7.0 | 2.1 | 34.7 |
| Changes during the period | | | | | | | | | | | |
| New borrowings | - | - | - | - | 51.1 | 2.5 | - | 15.3 | 2.7 | 0.1 | 71.7 |
| Repayments | - | - | - | (2.3) | (4.2) | - | (9.8) | - | (5.8) | - | (22.1) |
| Application of IAS 32 - 39 and increase in accrued interest | - | - | 0.1 | - | - | - | 0.4 | - | 1.3 | - | 1.8 |
| Reclassification of liabilities held for sale | - | - | - | - | - | (8.5) | - | (15.3) | (2.1) | (2.2) | (28.1) |
| Changes in scope of consolidation | - | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | 2.6 | - | 2.6 |
| Translation adjustments | - | - | - | - | - | - | 0.9 | - | 0.8 | - | 1.7 |
| Debt at March 31, 2009 | 5.3 | 0.6 | 3.0 | - | 46.9 | - | - | - | 6.5 | - | 62.3 |
| Short-term | - | - | - | - | 46.9 | - | - | - | 4.2 | - | 51.1 |
| Long-term | 5.3 | 0.6 | 3.0 | - | - | - | - | - | 2.3 | - | 11.2 |
| Debt at March 31, 2009 | 5.3 | 0.6 | 3.0 | - | 46.9 | - | - | - | 6.5 | - | 62.3 |

The principal changes during the period were:

- The use of the Banc of America credit facility in an amount of €51.1 million.
- The repayment of €4.2 million of this Banc of America credit facility.
- €15.3 million in financing from Namco Bandai in respect of the 34% interest acquired in Namco Bandai Partners.
- The repayment of €9.8 million of the BlueBay credit facility.
- An increase in the use of factoring arrangements corresponding to €2.5 million.
- €28.1 million reclassified to liabilities held for sale.

At March 31, 2009, other debt and borrowings totaled €6.5 million and consisted of the following:

- A leaseback liability of €3.2 million.
- Interest payable to Banc of America amounting to €3.1 million.
- Other short-term debt representing €0.2 million.

OCEANE 2011 BONDS

On May 18, 2000, the Company issued 8.941.517 bonds (the "OCEANE 2000-2005 bonds") with a nominal value of €39 each, convertible or exchangeable for new or existing common stock, representing an aggregate nominal value of €412.3 million (including redemption premiums totaling approximately €63.6 million). The bonds, which originally matured on July 1, 2005, carry interest at 1.5% a year (corresponding to a gross yield to maturity of 4.75%, including the redemption premium). Each bond was originally immediately convertible into 1 Atari common share. This conversion ratio was increased to 1.05 shares in January 2002 to take into account the allocation of free shares on that date. The Company has the option of calling the bonds if, prior to their maturity, the price of Atari common stock rises above a pre-defined level. A prospectus was published in connection with the bond issue and was approved by the COB (*Commission des opérations de bourse*, the predecessor of the AMF – French securities regulator) on May 18, 2000 under No. 00-823.

Two successive simplified public offers have been made to exchange these OCEANE bonds:

- The first of the offers ran from November 11 to December 1, 2003 with the Company offering to exchange each tendered OCEANE 2000-2005 bond for 1.05 newly-issued shares and 5 new OCEANE bonds (the "OCEANE 2003-2009 bonds"), each carrying a warrant for new shares in the Company. On December 19, 2003, the AMF issued notice no. 203C2191 in which it stated that 2.191.180 OCEANE 2000-2005 bonds had been tendered under the offer.

At their meeting of March 4, 2005, the OCEANE 2000-2005 bondholders approved the following amendments to the bond indenture:

- extending the bonds' maturity date to July 1, 2011;
- cancelling the redemption premium and setting the redemption amount at nominal value (i.e. €39.0 per bond);
- increasing the conversion ratio to 10.5 Atari shares for each OCEANE bond.

- The second simplified offer for the OCEANE 2000-2005 bonds took place between March 9 and March 31, 2005 with the Company offering to exchange each bond tendered to the offer for €11.20 in cash, 10 new Company shares and one Company note (the 2006-2008 Notes). On April 7, 2005, the AMF issued notice no. 205C0605 reporting that 2.403.772 OCEANE 2000-2005 bonds had been tendered to the offer, which meant that 135.031 OCEANE 2011 bonds were outstanding as of March 31, 2005.

The conversion and/or exchange ratio was adjusted to 21.524 shares for one OCEANE 2011 bond following the rights issue of January 2007, then to 24.718 shares per OCEANE 2011 bond following the distribution of free stock warrants to all shareholders, and lastly to 0.247 shares per OCEANE 2011 bond to reflect the reverse stock split. Lastly, following the issue of the ORANE convertible bonds with stock warrants attached on December 9, 2008 (see Note 1 – Significant events of the year), the ratio was further adjusted to 0.24874 shares per OCEANE 2011 bond in February 2009 in order to take account of the issuance of pre-emptive subscription rights in connection with these ORANE-BSA bonds.

As of March 31, 2009 and 2008, there were a total of 135.031 OCEANE 2011 bonds still outstanding, which could be converted into or exchanged for 33.587 Atari shares, with none of said bonds held by the Company at those dates.

OCEANE 2003-2009 BONDS, NOW OCEANE 2003-2020 BONDS

On December 23, 2003, the Company issued 16.487.489 bonds (the "OCEANE 2020 bonds") with a nominal value of €7 each, convertible or exchangeable for new or existing common stock, representing an aggregate nominal value of €124.30 million (including redemption premiums totaling approximately €8.89 million). The bonds, which originally matured on April 1, 2009, carried interest at 4% a year (corresponding to a gross yield to maturity of 5.31%, including the redemption premium). Each bond could originally be converted into one Atari share. This conversion ratio was increased to 1.02 shares in December 2004 to take into account the allocation of free stock warrants on that date. The Company has the option of calling the bonds if, prior to their maturity, the price of Atari common stock rises above a pre-defined level. A prospectus was published in connection with the bond issue and was approved by the COB on November 6, 2003 under No. 03-971.

Pursuant to the application of IAS 32 and IAS 39, the effective interest rate was 11.94%.

At their meeting of September 29, 2006, the OCEANE 2003-2009 bondholders amended the terms and conditions of the bond indenture as follows:

- the bonds' maturity was extended from April 1, 2009 to April 1, 2020;
- after April 1, 2009, the OCEANE bondholders would no longer be able to convert their bonds into new Atari shares or exchange them for existing shares;
- the nominal interest rate was reduced from 4% to 0.1%;
- the acceleration clause (2.5.10) of the bond indenture was deleted.

The conversion and/or exchange ratio was adjusted to 2.091 shares per OCEANE 2003-2009 bond following the rights issue of January 2007, then to 2.401 shares per OCEANE 2003-2009 bond following the distribution of free stock warrants to all shareholders.

Between February 12 and March 9, 2007, the Company ran a simplified public offer – whose terms and conditions were described in a circular approved by the AMF on February 2, 2007 under notice no. 207CO246 – to exchange each OCEANE 2020 bond tendered for 32 new Company shares. On March 16, 2007, the AMF issued notice no. 207C0515 reporting that 16.403.083 OCEANE 2020 bonds, or 99.5% of those outstanding, had been tendered to the offer.

On March 31, 2008, the conversion and/or exchange ratio was adjusted to 0.024 shares for each OCEANE 2020 bond to reflect the reverse stock split.

Lastly, following the issue of the ORANE convertible bonds with stock warrants attached on December 9, 2008 (see Note 1 – Significant events of the year), the ratio was further adjusted to 0.02416 shares per OCEANE 2011 bond in February 2009 in order to take account of the issuance of pre-emptive subscription rights in connection with these ORANE-BSA bonds.

As of March 31, 2009 and 2008, there were a total of 84.406 OCEANE 2020 bonds still outstanding, which could be converted or exchanged for 2.039 Atari shares, with none of said bonds held by the Company. The OCEANE 2020 bonds not tendered under the offer are redeemable in full on April 1, 2020 for €7.539 each and carry interest at 0.1%.

BANC OF AMERICA (BOA) CREDIT FACILITY

The Company and its main European subsidiaries entered into a master agreement with Banc of America on April 21, 2006 (based on an agreement on terms signed on March 28, 2006) aimed at refinancing all the short- and medium-term debt of the Company and its subsidiaries (excluding Atari Inc.), and to which eight amendments have been made. The seventh and eight amendments to the agreement were signed in the fourth quarter of 2008-2009 (February 27, 2009 and March 31, 2009, respectively) for the purposes of (i) extending the facility's expiration date to December 31, 2009 and (ii) increasing the total amount of the facility from €46.9 million to €61.8 million. The Company is currently in the process of negotiating with Banc of America to extend the maturity of this facility to July 2010.

The credit facility includes specific covenants based on the Group's compliance with financial ratios pertaining to revenue aggregates, EBIT and operating cash flow. As of March 31, 2008, Banc of America waived its rights in the event of a failure to meet the financial ratios and new covenants were scheduled to be negotiated for subsequent quarters. As of

end-March 2009, these negotiations had not been concluded, and accordingly, the Group had no covenants to observe for the Banc of America credit facility at March 31, 2009.

At March 31, 2009, a total of €46.9 million had been drawn down under the credit facility in the form of cash or standby loans. Drawdowns in cash carry interest at the 3-month Euribor +850 basis points and standby loans carry interest at 3%.

Drawdowns under the Banc of America credit facility can be analyzed as follows at March 31, 2009 and 2008:

| (€ million) | March 31, 2009 | March 31, 2008 |
|---|----------------|----------------|
| Short- and medium-term credit facility (historical) | - | - |
| New credit facility (cash) | 46.9 | - |
| Sub-total | 46.9 | - |
| New credit facility (standby) | - | 22.5 |
| Total amount drawn down under the BOA facility | 46.9 | 22.5 |

BlueBay credit facility

On October 25, 2007, BlueBay High Yield Investments (Luxembourg) SARL granted a USD 10 million credit facility to Atari Inc until December 31, 2009 to replace the Guggenheim facility secured on November 3, 2006.

Loans under the new facility carry interest at LIBOR +7% and require specific financial ratios to be met.

On December 4, 2007, the amount available under the facility was raised to USD 14 million.

At March 31, 2008, the facility was fully drawn down. As Atari Inc. was in breach of certain contractually defined covenants this credit facility was presented under short-term debt. However, in view of IESA's plan to buy out the minority interests in Atari Inc, BlueBay agreed to waive certain financial ratio requirements. BlueBay also approved a USD 20 million financing of Atari Inc. by IESA.

As part of the ORANE-BSA issue carried out in January 2009 the Company undertook to pay off the USD 14.0 million loan granted by BlueBay to Atari Inc. under this facility. This loan was therefore fully repaid at March 31, 2009.

ORANE bonds issued in 2008 ("ORANE 2008 bonds")

On January 4, 2008, Atari issued 1.500.000 bonds redeemable for new or existing shares (ORANE bonds), maturing on April 1, 2014. The bonds have a nominal value of €100 each (representing an aggregate amount of €150.0 million) and are redeemable for 8.91 new or existing shares, taking into account the reverse stock split. The gross and net proceeds of the issue came to €150.0 million and €144.1 million respectively.

The bonds bear interest at an annual rate of 0.5% – representing €0.50 per bond – payable in arrears on April 1 each year.

In December 2008, the Company launched a simplified public exchange offer relating to (i) the ORANE bonds issued by Atari on January 4, 2008 and (ii) the stock warrants issued by Atari on December 22, 2006 and by the Company on January 24, 2007. A total of 1.479.871 ORANE 2008 bonds – representing 99.6% of the bonds still outstanding at January 27, 2009 – were tendered to the offer. Consequently, as of March 31, 2009 there were 6.164 ORANE 2008 bonds outstanding which could result in the issue of 55.106 new shares on redemption.

Taking into account the adjustment made to the exchange ratio for the stock warrants on February 4, 2009, each ORANE 2008 bond is now exercisable for 8.94 new shares or existing shares.

ORANE 2009 BONDS (ISIN code: FR0010690081)

On January 27, 2009, the Company issued 405.438 bonds redeemable for new or existing shares (ORANE bonds), maturing on April 1, 2014. The bonds have a nominal value of €100 each (representing an aggregate amount of €40.5 million) and are redeemable for 26.26 new or existing shares. The gross and net proceeds of the issue came to €40.5 million and €37.6 million respectively.

The bonds bear interest at an annual rate of 0.5% – representing €0.5 per bond – payable in arrears on April 1 each year.

As of March 31, 2009 there were 405.438 ORANE 2009 bonds outstanding which could result in the issue of 10.646.801 new shares on redemption.

ORANE 2009 BONDS (ISIN code: FR0010696153)

On February 11, 2009 the Company completed the simplified public exchange offer relating to (i) the ORANE bonds issued by Atari on January 4, 2008 and (ii) the stock warrants issued by Atari on December 22, 2006 and January 24, 2007. A total of 1.479.871 ORANE 2008 bonds – representing 99.6% of the bonds still outstanding at January 27, 2009 – were tendered to the offer, which resulted in the issue of 1.479.871 ORANE 2009 bonds.

The ORANE 2009 bonds are subject to the same conditions as the ORANE 2008 bonds, except for the conversion ratio which has been set at 17 new or existing shares for one ORANE 2009 bond (instead of 8.94 new or existing shares for one ORANE 2008 bond, after adjustment).

The bonds bear interest at an annual rate of 0.5% – representing €0.5 per bond – payable in arrears on April 1 each year.

As of March 31, 2009 there were 1.479.871 ORANE 2009 bonds outstanding which could result in the issue of 25.157.807 new shares on redemption.

In accordance with IAS 32, Financial Instruments: Presentation, the Group's ORANE bonds are accounted for as compound financial instruments. They are recognized in equity, apart from future minimum interest payable until the first date from which IESA can exercise its early redemption option. The present value of the interest payable on the bonds was €3.0 million at March 31, 2009 and was classified as debt at that date.

13.2. DEBT BY MATURITY

The Group's debt breaks down as follows by maturity:

| (€ million) | Amount |
|----------------------------------|-------------|
| Year ended March 31, 2009 | |
| Due by March 2010 | 51.1 |
| Due by March 2011 | 1.0 |
| Due by March 2012 | 6.3 |
| Due by March 2013 | 0.3 |
| Due in subsequent years | 3.6 |
| Total | 62.3 |

The €51.1 million due by March 31, 2010 primarily corresponds to the amount drawn down under the Banc of America credit facility (€46.9 million) as well as the corresponding interest and charges (€3.1 million). The Banc of America (BOA) credit facility is due to mature on December 31, 2009.

13.3. DEBT BY CURRENCY

The Group's debt breaks down as follows by currency:

| (€ million) | March 31, 2009 | March 31, 2008 |
|------------------------------------|----------------|----------------|
| European Monetary Union currencies | 59.1 | 22.8 |
| USD | 3.2 | 11.3 |
| Other currencies | - | 0.6 |
| Total | 62.3 | 34.7 |

13.4. GUARANTEES AND COVENANTS**Guarantees**

The Company has given various guarantees as security for the Banc of America loans to Atari Europe SAS and some of its subsidiaries, consisting of:

- A first-call guarantee.
- Pledges of the entire equity interests in the following subsidiaries: Cryptic Studios, Inc., Eden Games SAS, Atari Interactive Inc., Atari Inc. and Atari Europe SAS.
- Pledge of 66% of the shares in Distribution Partners SAS (waived on July 7, 2009 due to the sale of the remaining 66% interest to Namco Bandai Games Europe SAS).
- Pledges of certain trademarks and rights relating to certain video games published by Atari Europe SAS.
- Pledges of the intragroup receivables of certain Group subsidiaries.

The table below summarizes the acceleration clauses and financial ratios relating to the Group's debt at March 31, 2009:

| Type of debt | Amount at March 31, 2009 (€ millions) | Acceleration clauses/Financial ratios |
|----------------------------------|---------------------------------------|--|
| <i>Bond debt</i> | | |
| ORANE bonds | 3.0 | The ORANE bonds are not subject to any acceleration clauses based on financial ratios. |
| OCEANE 2011 BONDS | 5.3 | The OCEANE 2011 bonds are not subject to any acceleration clauses based on financial ratios. |
| OCEANE 2020 BONDS | 0.6 | <p>The OCEANE 2020 bonds are not subject to any acceleration clauses based on financial ratios.</p> <p>In the first resolution of their meeting of September 29, 2006, the bondholders resolved to delete the acceleration clause applicable to the bonds in the event of default (clause 2.5.10 of the indenture).</p> <p>The bond indenture provides that the rank of the bond debt must remain unchanged and bars Atari from using its real estate properties and rights as collateral, or from pledging its business as security, without the holders of OCEANE 2020 bonds being granted pari passu rights. This obligation only pertains to bond issues and does not restrict Atari's right to grant security interests on its assets in other circumstances.</p> <p>Detailed information regarding these and other terms and conditions of the OCEANE 2020 bond indenture (amended at the bondholders' meeting of September 29, 2006, the minutes of which can be viewed on the Company's website at www.atari.com) is contained in the circular approved by the COB on November 6, 2003 (under notice no. 03-971), which can be downloaded from the Company's website (www.atari.com) or obtained on request.</p> |
| <i>Other debt and borrowings</i> | | |
| BOA facility | 50.0 (incl. interest and charges) | <p>The lending bank may accelerate the maturity of the facility (which may be subject to additional fees), inter alia, in the following cases:</p> <ul style="list-style-type: none"> - Early redemption of the OCEANE 2020 or OCEANE 2011 bonds other than in exchange for securities. - Sale of assets by the Group or new financing arrangements, in which case 50% of the proceeds from (i) the sale of any assets (other than those held by California US Holdings or Atari Inc. and its subsidiaries) or (ii) new financing obtained (other than by California US Holdings or Atari Inc.) must be used to repay sums outstanding in excess of €40 million. <p>As of March 31, 2008, Banc of America waived its rights in the event of a failure to meet the financial ratios and new covenants were scheduled to be negotiated for subsequent quarters.</p> <p>As of end-March 2009, these negotiations had not been concluded, and accordingly, the Group had no covenants to observe for the Banc of America credit facility at March 31, 2009.</p> |
| Finance lease commitments | 3.4 | The Group's finance leases are not subject to any acceleration clauses based on financial ratios. |
| TOTAL | 62.3 | |

13.5. ANALYSIS OF DEBT BY INTEREST RATE (FIXED-FLOATING)

The Group's debt breaks down as follows by type of interest rate:

| (€ million) | March 31, 2009 | March 31, 2008 |
|---------------|----------------|----------------|
| Floating rate | 50.0 | 19.7 |
| Fixed rate | 12.3 | 15.0 |
| Total | 62.3 | 34.7 |

At March 31, 2009, the Group's fixed-rate debt consisted primarily of the OCEANE 2020 and 2011 bonds, ORANE bonds and leaseback liabilities.

In the event of a 100 basis point increase in interest rates, the resulting additional interest expense for the year ended March 31, 2009 would have been approximately €0.4 million.

NOTE 14 – OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities can be analyzed as follows:

| (€ million) | March 31, 2009 | March 31, 2008 |
|--|----------------|----------------|
| Hasbro guaranteed minimum | 6.2 | 5.1 |
| Liability towards the shareholder vendors of Cryptic | 11.0 | - |
| Other | 2.2 | 1.1 |
| Other non-current liabilities | 19.4 | 6.2 |
| Accrued payroll and other taxes | 12.2 | 14.8 |
| Hasbro guaranteed minimum | 0.7 | 0.8 |
| Other | 8.5 | 3.1 |
| Other current liabilities | 21.4 | 18.7 |

At March 31, 2009 other non-current assets chiefly corresponded to a liability recognized in relation to the earn-out payable to the shareholder vendors of Cryptic.

Guaranteed minimums represent the Group's commitments to Hasbro Inc.

NOTE 15 – FINANCIAL ASSETS AND LIABILITIES

The principal measurement methods used are as follows:

- Due to their short maturities the fair value of cash and cash equivalents and trade receivables and payables corresponds to their carrying amount.
- The fair value of listed securities included in debt corresponds to their quoted price.

15.1. RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES IN THE BALANCE SHEET AT MARCH 31, 2009

| | March 31, 2009 | | | Breakdown of carrying amount by category of instrument | | | | |
|-----------------------------------|-----------------|--|--------------|--|-------------------------------------|------------------------------|------------------------------------|-------------|
| | Carrying amount | Of which, carrying amount of financial instruments | Fair value | Fair value through profit | Available-for-sale financial assets | Held-to-maturity investments | Loans, receivables and liabilities | Derivatives |
| (€ million) | | | | | | | | |
| Non-current financial assets | 3.5 | 3.5 | 3.5 | - | - | - | 3.5 | - |
| Other non-current assets | - | - | - | - | - | - | - | - |
| Trade receivables | 19.1 | 19.1 | 19.1 | - | - | - | 19.1 | - |
| Other current assets | 7.6 | 0.7 | 0.7 | - | - | - | 0.7 | - |
| Cash and cash equivalents | 5.9 | 5.9 | 5.9 | 5.9 | - | - | - | - |
| Assets | 36.1 | 29.2 | 29.2 | 5.9 | - | - | 23.3 | - |
| Non-current financial liabilities | 11.2 | 11.2 | 7.8 | - | - | - | 11.2 | - |
| Other non-current liabilities | 19.4 | 19.4 | 19.4 | - | - | - | 19.4 | - |
| Current financial liabilities | 51.1 | 51.1 | 51.1 | - | - | - | 51.1 | - |
| Trade payables | 49.2 | 49.2 | 49.2 | - | - | - | 49.2 | - |
| Other current liabilities | 21.4 | 8.7 | 8.7 | - | - | - | 8.7 | - |
| Liabilities | 152.3 | 139.6 | 136.2 | - | - | - | 139.6 | - |

15.2. RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES IN THE BALANCE SHEET AT MARCH 31, 2008

| | March 31, 2008 | | | Breakdown of carrying amount by category of instrument | | | | |
|-----------------------------------|-----------------|--|--------------|--|-------------------------------------|------------------------------|------------------------------------|-------------|
| | Carrying amount | Of which, carrying amount of financial instruments | Fair value | Fair value through profit | Available-for-sale financial assets | Held-to-maturity investments | Loans, receivables and liabilities | Derivatives |
| (€ million) | | | | | | | | |
| Non-current financial assets | 2.9 | 2.9 | 2.9 | - | - | - | 2.9 | - |
| Other non-current assets | - | - | - | - | - | - | - | - |
| Trade receivables | 43.1 | 43.1 | 43.1 | - | - | - | 43.1 | - |
| Other current assets | 17.7 | 4.3 | 4.3 | - | - | - | 4.3 | - |
| Cash and cash equivalents | 83.4 | 83.4 | 83.4 | 83.4 | - | - | - | - |
| Assets | 147.1 | 133.7 | 133.7 | 83.4 | - | - | 50.3 | - |
| Non-current financial liabilities | 11.8 | 11.8 | 7.9 | - | - | - | 11.8 | - |
| Other non-current liabilities | 6.2 | 6.0 | 6.0 | - | - | - | 6.0 | - |
| Current financial liabilities | 22.9 | 22.9 | 22.9 | - | - | - | 22.9 | - |
| Trade payables | 79.3 | 79.3 | 79.3 | - | - | - | 79.3 | - |
| Other current liabilities | 18.7 | 3.6 | 3.6 | - | - | - | 3.6 | - |
| Liabilities | 138.9 | 123.6 | 119.7 | - | - | - | 123.6 | - |

15.3. RECOGNITION IN THE INCOME STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

| | Interest and charges | Disposals | Provisions for impairment | Discounting | Foreign exchange and other gains and losses | Total contribution to net financial income (expense) for the year ended March 31, 2009 |
|--|----------------------|------------|---------------------------|--------------|---|--|
| (€ million) | | | | | | |
| Financial instruments at fair value through profit | 0.3 | 0.6 | - | - | - | 0.9 |
| Available-for-sale financial assets | - | - | - | - | - | - |
| Held-to-maturity investments | - | - | - | - | - | - |
| Loans, receivables and liabilities at amortized cost | (9.3) | - | (0.1) | (1.0) | (2.3) | (12.7) |
| Derivatives | - | - | - | - | - | - |
| Total | (9.0) | 0.6 | (0.1) | (1.0) | (2.3) | (11.8) |

15.4. RECOGNITION IN THE INCOME STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

| (€ million) | Interest and charges | Disposals | Provisions for impairment | Discounting | Foreign exchange and other gains and losses | Total contribution to net financial income (expense) for the year ended March 31, 2008 |
|--|----------------------|------------|---------------------------|--------------|---|--|
| Financial instruments at fair value through profit | 0.4 | 0.8 | - | - | - | 1.2 |
| Available-for-sale financial assets | - | - | - | - | - | - |
| Held-to-maturity investments | - | - | - | - | - | - |
| Loans, receivables and liabilities at amortized cost | (13.8) | - | (0.9) | (1.2) | 1.7 | (14.2) |
| Derivatives | - | - | - | - | - | - |
| Total | (13.4) | 0.8 | (0.9) | (1.2) | 1.7 | (13.0) |

15.5. RISKS RELATED TO TRADE RECEIVABLES

Risks related to trade receivables broke down as follows at March 31, 2009 and 2008:

| (€ million) | Past due receivables at the balance sheet date | | | | | Impaired receivables | Sound receivables | Total |
|-------------------------------------|--|----------|-----------|------------------|-------|----------------------|-------------------|-------|
| | 0-3 mths | 3-6 mths | 6-12 mths | More than 1 year | Total | | | |
| Trade receivables at March 31, 2009 | 4.1 | - | - | 0.7 | 4.8 | 1.1 | 13.3 | 19.2 |
| Trade receivables at March 31, 2008 | 5.9 | 0.7 | 0.1 | 1.2 | 7.9 | 2.8 | 35.1 | 45.8 |

NOTE 16 – SEGMENT INFORMATION

Based on an analysis conducted by the Group, risk and profitability factors depend mainly on the countries where the Group operates and distributes products, but are otherwise the same Group-wide (e.g. manufacturing processes, marketing strategy and distribution systems).

Accordingly, the Group's primary revenue reporting format is based on geographical segments. No breakdown is provided by business segment within the meaning of IAS 14 as management considers that the whole of the Atari Group operates in the single business segment of "interactive games".

| | March 31, 2009 | | | | | Total |
|--|----------------|----------------|--------------|---------------|---------------|----------------|
| | United States | Europe | Asia* | Corporate | Eliminations | |
| Internal revenue | 7.0 | 10.2 | - | 5.7 | (22.9) | - |
| Finished products | 92.1 | 41.1 | - | 0.3 | | 133.5 |
| Licenses | 1.8 | 1.0 | 0.1 | - | | 2.9 |
| External revenue | 93.9 | 42.1 | 0.1 | 0.3 | | 136.4 |
| Total revenue | 100.9 | 52.3 | 0.1 | 6.0 | (22.9) | 136.4 |
| Current operating income (loss)** | (43.2) | (11.2) | (0.6) | (13.9) | | (68.9) |
| Restructuring costs | (3.3) | (5.7) | (0.1) | (4.8) | | (13.9) |
| Gains (losses) from disposals of assets | - | - | - | (0.1) | | (0.1) |
| Impairment of goodwill | - | - | - | (40.3) | | (40.3) |
| Other income (expenses) | - | - | - | - | | - |
| Operating income (loss) | (46.5) | (16.9) | (0.7) | (59.1) | | (123.2) |
| Net financial income (expense) | (4.6) | (10.2) | (0.1) | 3.1 | | (11.8) |
| Income tax | (2.0) | 0.9 | - | - | | (1.1) |
| Share of profit of associates | - | - | - | - | | - |
| Profit (loss) from continuing operations | (53.1) | (26.2) | (0.8) | (56.0) | | (136.1) |
| Profit (loss) from discontinued operations | - | (83.8) | (7.0) | - | | (90.8) |
| Profit (loss) for the year | (53.1) | (110.0) | (7.8) | (56.0) | | (226.9) |
| Minority interests | 0.8 | - | - | - | | 0.8 |
| Net income (loss) for the year attributable to equity holders of the parent | (52.3) | (110.0) | (7.8) | (56.0) | | (226.1) |
| Balance sheet | | | | | | |
| Goodwill*** | 5.8 | - | - | 29.1 | | 34.9 |
| Intangible assets | 41.0 | 0.4 | - | 3.2 | | 44.6 |
| Other non-current assets | 5.6 | 0.4 | - | 2.4 | | 8.4 |
| Current assets | 21.9 | 4.6 | - | 4.3 | | 30.8 |
| Cash and cash equivalents | 1.9 | 3.5 | 0.4 | 0.1 | | 5.9 |
| Assets held for sale | - | 73.7 | 11.6 | - | | 85.3 |
| Total assets | 76.2 | 82.6 | 12.0 | 39.1 | | 209.9 |
| Debt | 3.2 | 50.0 | - | 9.1 | | 62.3 |
| Other non-current liabilities | 9.5 | - | - | 17.6 | | 27.1 |
| Other current liabilities | 36.4 | 28.9 | 0.2 | 13.5 | | 79.0 |
| Liabilities held for sale | - | 64.6 | 3.2 | - | | 67.8 |
| Non-segment liabilities | | | | | | (26.3) |
| Total equity and liabilities | | | | | | 209.9 |
| Other information | | | | | | |
| Investments during the year | | | | | | |
| • Intangible assets | 38.6 | 8.3 | - | - | | 46.9 |
| • Property, plant and equipment | 0.3 | 0.3 | - | 0.2 | | 0.8 |
| • Financial assets | - | - | - | 0.1 | | 0.1 |
| Depreciation, amortization and impairment | (48.2) | (0.6) | - | (40.3) | | (89.1) |

(*) Australia is included in the Asia region

(**) Including a negative €6.4 million for share-based payments in the Corporate column

(***) Goodwill in the Corporate column corresponds to the portion allocated to the Development/Publishing CGU

| | March 31, 2008 | | | | | Total |
|--|----------------|---------------|--------------|--------------|---------------|---------------|
| | United States | Europe | Asia* | Corporate | Eliminations | |
| Internal revenue | 4.7 | 20.6 | 0.1 | 8.4 | (33.8) | - |
| Finished products | 45.0 | 33.8 | 0.7 | 0.3 | | 79.8 |
| Licenses | 7.2 | 3.1 | 0.2 | - | | 10.5 |
| External revenue | 52.2 | 36.9 | 0.9 | 0.3 | | 90.3 |
| Total revenue | 56.9 | 57.5 | 1.0 | 8.7 | (33.8) | 90.3 |
| Current operating income (loss)** | (44.7) | 0.8 | (0.8) | (8.7) | | (53.4) |
| Restructuring costs | (8.0) | (0.3) | - | (4.0) | | (12.3) |
| Gains (losses) from disposals of assets | 2.8 | - | - | 10.5 | | 13.3 |
| Proceeds from the sale of the Hasbro license | - | - | - | - | | - |
| Impairment of goodwill | - | - | - | - | | - |
| Other income (expenses) | - | (0.2) | - | 0.1 | | (0.1) |
| Operating income (loss) | (49.9) | 0.3 | (0.8) | (2.1) | | (52.5) |
| Net financial income (expense) | (8.1) | (12.0) | (0.3) | 7.4 | | (13.0) |
| Income tax | | (1.9) | (0.1) | 1.9 | | (0.1) |
| Share of profit of associates | | | | | | - |
| Profit (loss) from continuing operations | (58.0) | (13.6) | (1.2) | 7.2 | | (65.6) |
| Profit (loss) from discontinued operations | (0.5) | 0.1 | 3.5 | - | | 3.1 |
| Profit (loss) for the year | (58.5) | (13.5) | 2.3 | 7.2 | | (62.5) |
| Minority interests | 11.4 | - | - | - | | 11.4 |
| Net income (loss) for the year attributable to equity holders of the parent | (47.1) | (13.5) | 2.3 | 7.2 | | (51.1) |
| Balance sheet | | | | | | |
| Goodwill*** | - | 33.9 | 9.2 | 34.8 | | 77.9 |
| Intangible assets | 29.7 | 6.5 | - | 6.9 | | 43.1 |
| Other non-current assets | 4.2 | 3.1 | 5.2 | 1.4 | | 13.9 |
| Current assets | 7.9 | 67.3 | 7.5 | 2.8 | | 85.5 |
| Cash and cash equivalents | 7.4 | 9.9 | 4.8 | 61.3 | | 83.4 |
| Total assets | | | | | | 303.8 |
| Debt | 12.0 | 13.6 | 0.1 | 9.0 | | 34.7 |
| Other non-current liabilities | 1.0 | 0.6 | - | 5.3 | | 6.9 |
| Other current liabilities | 29.5 | 58.8 | 5.8 | 8.2 | | 102.3 |
| Non-segment liabilities | | | | | | 159.9 |
| Total equity and liabilities | | | | | | 303.8 |
| Other information | | | | | | |
| Investments during the year | | | | | | |
| • Intangible assets | 20.5 | 14.0 | - | 0.1 | | 34.6 |
| • Property, plant and equipment | 2.6 | 0.3 | - | - | | 2.9 |
| • Financial assets | - | 0.2 | - | 1.1 | | 1.3 |
| Depreciation, amortization and impairment | (32.5) | - | - | (0.5) | | (33.0) |

(*) Australia is included in the Asia region

(**) Goodwill in the Corporate column corresponds to the portion allocated to the Development/Publishing CGU

The Group's revenue analysis by geographical segment is based on the location of the corresponding assets but an analysis by location of customers would give comparable results.

NOTE 17 – RESTRUCTURING COSTS

Restructuring costs break down as follows:

| (€ million) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|-----------------------------------|------------------------------|------------------------------|
| Employee-related costs | 10.7 | 4.7 |
| Unused office space | 1.8 | 0.3 |
| Assets | - | 2.2 |
| Professional fees and other costs | 1.4 | 5.1 |
| Total | 13.9 | 12.3 |

The “Atari Transformation” restructuring plan announced on June 17, 2008 is reflected in the consolidated financial statements for the year ended March 31, 2009.

NOTE 18 – PAYROLL EXPENSES

Payroll expenses from continuing operations, adjusted in accordance with IFRS 5, can be analyzed as follows:

| | Year ended March 31, 2009 | Year ended March 31, 2008 |
|--------------------------------------|------------------------------|------------------------------|
| Payroll expenses | | |
| Wages and salaries | 9.3 | 13.4 |
| Payroll taxes | 3.9 | 4.6 |
| Incentive and profit-sharing bonuses | - | 0.2 |
| Share-based payments | 6.4 | 3.5 |
| Total payroll expenses | 19.6 | 21.7 |

The Group’s workforce breaks down as follows by employee category:

| Number of employees | March 31, 2009 | March 31, 2008 |
|---|----------------|----------------|
| Managerial staff | 367 | 303 |
| Non-managerial staff | 312 | 252 |
| Total workforce – Continuing and discontinued operations | 679 | 555 |
| Managerial staff | 221 | 190 |
| Non-managerial staff | 166 | 98 |
| Total workforce – Continuing operations | 387 | 288 |

NOTE 19 – SHARE-BASED PAYMENTS**19.1. VALUATION MODEL**

As prescribed by IFRS 2, Share-based Payment, the fair value of employee stock options is recognized in the financial statements at the grant date and corresponds to the fair value of the services rendered by employees in exchange for the options received.

The fair value of stock options is calculated using the Black & Scholes option pricing model, which takes into account the exercise price and period of the options, market conditions on the grant date (risk-free interest rate, share price, volatility, expected dividends) and assumptions concerning the behavior of option holders, such as whether they are likely to exercise their options before the end of the exercise period.

19.2. SHARE-BASED PAYMENT EXPENSE

The share-based payment expense recorded in the consolidated income statement for the years ended March 31, 2009 and 2008 breaks down as follows:

| (€ millions) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|---|------------------------------|------------------------------|
| Grant of free Infogrames Entertainment shares | 0.2 | 1.4 |
| Infogrames Entertainment SA stock option plans | 3.5 | 1.3 |
| Atari Inc stock option plans | 0.1 | (0.1) |
| Employer social security contributions on share grants | - | 0.9 |
| Employer social security contributions on stock options | 0.2 | - |
| Incentive bonus | 2.4 | - |
| Share-based payment expense | 6.4 | 3.5 |

19.3 STOCK OPTIONS GRANTED TO EMPLOYEES

The Company grants stock options to officers and senior executives as well as other employees for their contribution to the Group's performance. At the grant date, the options' exercise price is set close to the trading price of the Company's shares. The options granted have an eight-year life and a vesting period of between zero and four years.

Atari Inc., a subsidiary in which the Company held an indirect interest of 51.39% at March 31, 2008, also has its own stock option plan. On October 9, 2008, the Company announced that it had completed its buyout of minority interests in Atari Inc following which Atari Inc. became a wholly-owned subsidiary of the Company. At the time of this transaction Atari Inc.'s stock options were cancelled in exchange for a cash payment made to the option holders.

The table below summarizes the information concerning the Company's current stock option plans:

| | 2008-2009 | | 2007-2008 | |
|---|-------------------------------------|---------------------------|--|---------------------------|
| | Number of options (in thousands) | Average exercise price | Number of options (in thousands) | Average exercise price |
| Number of options outstanding at the beginning of the year | 275,658 | 19.0 | 16,919 | 207.1 |
| Options granted | 317 | 13.1 | 262,817 | 12.7 |
| Options cancelled | (308) | 54.7 | (1,090) | 56.1 |
| Options exercised | - | - | - | - |
| Options forfeited | (54) | 806.8 | (2,988) | 522.3 |
| Number of options outstanding at the end of the year | 275,613 | 18.2 | 275,658 | 19.0 |
| Of which, exercisable | 70,322 | 36.1 | 69,534 | 36.4 |

Following the reverse stock split carried out on March 4, 2008 and the adjustments made to the stock option exercise ratios on February 4, 2009, the exercise ratio for the Company's stock options now corresponds to 100.51 options for 1 share.

A €3.8 million expense was recorded in relation to these plans in the year ended March 31, 2009, including the cost of employer social security contributions. The expense recorded in relation to these plans for the year ended March 31, 2008 was €1.2 million.

19.4. FAIR VALUE OF OPTIONS GRANTED DURING THE YEAR

As explained in Note 2.17, the fair value of options is calculated on the grant date using the Black & Scholes option pricing model. Subsequent changes in fair value are not recognized.

The Group used the following principal assumptions to determine the fair value of options granted by the Company in fiscal year 2008-2009:

| Principal assumptions | 2008 - 2009 |
|---|-----------------|
| Valuation model | Black & Scholes |
| Price of shares on option grant date | €13.77 |
| Exercise price on option grant date (per share) | €13.12 |
| Expected volatility | 85.00% |
| Risk-free interest rate on grant date | 3.70% |
| Expected dividend rate | 0.00% |
| Fair value of options on grant date | €7.96 |

Volatility relates to the propensity of an asset's value to fluctuate significantly. The more an asset's value experiences substantial changes over a short period of time, the higher its volatility. According to IFRS 2, the period over which historical fluctuations in the price of the underlying shares is taken into consideration to determine volatility must equal the expected life of the options. Based on the Group's dividend history, no dividend is anticipated.

The risk-free interest rate corresponds to the interest rate on government bonds (OAT) with a maturity equal to the estimated life of the options on the various option grant dates.

19.5. GRANTS OF FREE SHARES

In fiscal year 2008-2009 and 2007-2008 the Company used the authorizations given at the Shareholders' Meeting of November 15, 2006 to grant free shares to certain officers and executives.

In order for rights to free shares to vest, their beneficiaries must be part of the Group on the vesting date and grants are generally contingent on the achievement of certain performance conditions. After the vesting period, shares are subject to a two-year lock-up period.

The table below shows a summary of transactions relating to free shares in fiscal year 2008-2009 and 2007-2008:

| | 2008-2009 | 2007-2008 |
|--|-----------|-----------|
| Number of free shares outstanding at the beginning of the year | 639,584 | - |
| Free shares granted during the year | 472,685 | 1,038,948 |
| Shares cancelled | (624,852) | (399,364) |
| Shares vested | - | - |
| Number of free shares outstanding at the end of the year | 487,417 | 639,584 |

The fair value of free shares granted is based on the trading price of the Company's shares at the grant date. The weighted fair value of shares granted in fiscal year 2008-2009 was €7.96 per share.

The related expense recognized in the years ended March 31, 2009 and 2008 (including the cost of employer social security contributions) amounted to €0.2 million and €2.3 million respectively.

The fair value recognized is based on the assumption that all performance conditions will be fulfilled.

19.6. OTHER SHARE-BASED PAYMENTS

In the last quarter of fiscal year 2008-2009, the Company set up an additional incentive bonus scheme for two of its executives, based on the Company's market capitalization. The maximum amount payable under this scheme has been capped at €35 million. In the event that the Company's average market capitalization, on a fully-diluted basis, exceeds €500 million over three successive months before March 31, 2013, each of the two officers would be entitled to an additional bonus representing 3.75% and 5.0% respectively of the excess between €500 million and €900 million. This variable compensation may be settled either in cash or in shares at the Company's discretion and falls within the scope of IFRS 2. The related expense recognized in the year ended March 31, 2009 amounted to €2.4 million.

The main assumptions used to measure this compensation were as follows:

| | |
|-------------------------------------|-------------------|
| Valuation model | Monte Carlo |
| Maturity date | March 31, 2013 |
| Settlement envisaged by management | Payment in shares |
| Share price (in €) | 11.5 |
| Risk-free interest rate | 4.75% |
| Volatility rate | 69% |
| Dividend rate | 0% |
| Fair value of the plan (€ millions) | 10.8 |

NOTE 20 – NET FINANCIAL INCOME (EXPENSE)

| (€ million) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|--|------------------------------|------------------------------|
| Interest on bond debt | - | (0.2) |
| Interest on bank debt | (8.4) | (12.6) |
| Financial restructuring fees | - | (0.1) |
| Other | 0.7 | 1.3 |
| Cost of debt | (7.7) | (11.6) |
| Foreign-exchange gains and losses | (2.3) | 1.7 |
| Impairment of non-current financial assets | - | (0.9) |
| Other | (1.8) | (2.2) |
| Other financial income (expense) | (4.1) | (1.4) |
| Total | (11.8) | (13.0) |

NOTE 21 – INCOME TAX

21.1. ANALYSIS OF THE TAX CHARGE

By destination

| (€ million) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|---|------------------------------|------------------------------|
| Current income tax benefit (expense) | 0.9 | (0.1) |
| French entities | 0.9 | - |
| Foreign entities | - | (0.1) |
| Deferred tax benefit (expense) | (2.0) | - |
| French entities | - | - |
| Foreign entities | (2.0) | - |
| Total income tax expense | (1.1) | (0.1) |
| Effective tax rate | 0.8% | 0.2% |

21.2. DEFERRED TAXES

Deferred tax assets and liabilities are netted in the balance sheet in accordance with the principles described in Note 2.28.

The table below shows changes in net deferred tax assets for the two periods under review:

| (€ million) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|---|------------------------------|------------------------------|
| Net deferred tax assets at April 1 | 5.5 | 5.4 |
| Deferred tax benefit | - | 0.3 |
| Translation adjustments | (0.2) | 0.1 |
| Recognized directly in equity | - | - |
| Reclassification of assets held for sale | (5.3) | (0.3) |
| Changes in scope of consolidation | - | - |
| Deferred tax assets at March 31 | - | 5.5 |

The table below shows changes in deferred tax liabilities for the two periods under review:

| (€ million) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|---|------------------------------|------------------------------|
| Deferred tax liabilities at April 1 | - | - |
| Deferred tax benefit | 2.0 | - |
| Translation adjustments | (0.2) | - |
| Recognized directly in equity | - | - |
| Reclassification of assets held for sale | 0.1 | - |
| Changes in scope of consolidation | 5.5 | - |
| Deferred tax liabilities at March 31 | 7.4 | - |

The sources of deferred tax assets and liabilities were as follows at March 31, 2009 and 2008:

| (€ million) | March 31, 2009 | March 31, 2008 |
|--|----------------|----------------|
| Tax loss carryforwards | - | 3.4 |
| Temporary differences | - | 2.1 |
| Deferred tax assets at March 31 | - | 5.5 |

| (€ million) | March 31, 2009 | March 31, 2008 |
|---|----------------|----------------|
| Tax loss carryforwards | - | - |
| Temporary differences | 7.4 | - |
| Deferred tax liabilities at March 31 | 7.4 | - |

Unrecognized deferred tax assets resulting from tax loss carryforwards amounted to €387.1 million at March 31, 2009 and €356.1 million at March 31, 2008.

Unrecognized deferred tax assets resulting from other temporary differences amounted to €64.5 million at March 31, 2009 and €22.1 million at March 31, 2008.

At March 31, 2009 and 2008, the recognized provision for impairment primarily concerned tax loss carryforwards arising in the United States (Atari Inc.) and in France.

Atari SA and its French subsidiaries set up a consolidated tax group on July 1, 1995. The five-year option for tax consolidation was extended on March 31, 2005. For the years ended March 31, 2009 and 2008 group tax relief amounted to €0.8 million and €2.0 million respectively.

At March 31, 2009 the Group had tax loss carryforwards amounting to €1,133.3 million, compared with €1,077.4 million one year earlier. These losses cannot be used to offset taxable income in countries other than those in which the losses arose.

Tax credits arising from tax loss carryforwards can expire as follows:

| (€ million) | Total | In more than | | |
|-------------|--------------|---------------|------------------------------|--------------------|
| | | Within 1 year | 1 year but less than 5 years | In 5 or more years |
| France | 163.6 | - | - | 163.6 |
| US (*) | 217.4 | - | - | 217.4 |
| UK | 2.3 | - | - | 2.3 |
| Australia | 1.3 | - | - | 1.3 |
| Other | 2.4 | - | - | 2.4 |
| | 387.0 | - | - | 387.0 |

(*) Under tax regulations in the United States, most US tax loss carryforwards are subject to significant restrictions, which the Group is currently examining.

21.3. TAX PROOF

Corporate income tax for the year was calculated by applying the effective tax rate at the balance sheet date to pre-tax profit for the year ended March 31, 2009. In France, deferred taxes were calculated based on a tax rate of 33.33% at March 31, 2009 and 2008.

The table below provides a reconciliation between theoretical tax calculated on the basis of the standard tax rate applicable in France and the Group's actual income tax expense:

| (€ million) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|---|------------------------------|------------------------------|
| Net income (loss) for the year attributable to equity holders of the parent | (226.1) | (51.1) |
| Income tax | 1.1 | 0.1 |
| Minority interests | (0.8) | (11.4) |
| Share of profit of associates | - | - |
| Profit (loss) from discontinued operations | 90.8 | (3.1) |
| Pre-tax profit | (135.0) | (65.5) |
| Theoretical income tax benefit (expense) | 45.0 | 21.8 |
| Impairment of goodwill | (13.4) | - |
| Other permanent differences | 0.3 | - |
| Use of deferred tax assets on prior-year losses | - | - |
| Deferred tax assets recognized on prior-year losses | - | - |
| Deferred tax assets not recognized for the period and restriction of recognition of deferred tax assets | (39.4) | (21.4) |
| Effect of variations in tax rates between countries | 1.3 | 0.9 |
| Effect of changes in tax rates | - | - |
| Use of previously unrecognized deferred tax assets and tax loss carryforwards | - | 0.3 |
| Share-based payments | (2.0) | (0.9) |
| Other (tax credits, etc.) | 7.1 | (0.8) |
| Actual income tax expense | (1.1) | (0.1) |

NOTE 22 – DISCONTINUED OPERATIONS

22.1. PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

As described in Note 1.2, in accordance with IFRS 5, profit (loss) from discontinued operations includes the results of all of the Group's video game retail distribution activities in Europe, Asia, Africa, the Middle East and South America. The income statements of these activities are included in "Profit (loss) from discontinued operations" in Atari SA's consolidated income statement and break down as follows:

| (€ million) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|--|------------------------------|------------------------------|
| Revenue from discontinued operations | 159.6 | 200.4 |
| Cost of goods sold | (140.0) | (132.0) |
| Gross profit | 19.6 | 68.4 |
| Research and development expenses | (6.6) | (4.0) |
| Marketing and selling expenses | (41.8) | (38.7) |
| Overhead and administrative expenses | (15.5) | (17.7) |
| Current operating income (loss) - Discontinued operations | (44.3) | 8.0 |
| Gains (losses) from disposals of assets* | (31.4) | - |
| Restructuring costs | (8.3) | (1.2) |
| Other income (expenses) | (0.2) | (0.1) |
| OPERATING INCOME (LOSS) - Discontinued operations | (84.2) | 6.7 |
| Cost of debt | (1.8) | (2.4) |
| Other financial income (expense) | (4.6) | 0.2 |
| Income tax | (0.2) | (1.4) |
| PROFIT (LOSS) FROM DISCONTINUED OPERATIONS | (90.8) | 3.1 |

* For the year ended March 31, 2009, the item "Gains (losses) from disposals of assets" includes goodwill impairment amounting to €24.8 million relating to the Europe and Asia Distribution CGUs.

22.2. ASSETS AND LIABILITIES HELD FOR SALE

| (€ millions) | March 31, 2009 | March 31, 2008 |
|-----------------------------------|----------------|----------------|
| Goodwill, net | 3.8 | - |
| Intangible assets | 0.6 | - |
| Property, plant and equipment | 0.8 | - |
| Non-current financial assets, net | 0.2 | - |
| Other non-current assets | - | - |
| Deferred tax assets, net | 5.3 | - |
| Non-current assets | 10.7 | - |
| Inventories, net | 20.3 | - |
| Trade receivables | 27.8 | - |
| Current tax assets | 1.0 | - |
| Other current assets | 10.2 | - |
| Cash and cash equivalents | 15.3 | - |
| Current assets | 74.6 | - |
| Assets held for sale | 85.3 | - |

| (€ million) | March 31, 2009 | March 31, 2008 |
|---|----------------|----------------|
| Provisions for non-current contingencies and losses | 0.8 | - |
| Non-current financial liabilities | 15.3 | - |
| Deferred tax liabilities | 0.1 | - |
| Other non-current liabilities | - | - |
| Other non-current financial liabilities | - | - |
| Non-current liabilities | 16.2 | - |
| Provisions for current contingencies and losses | 3.1 | - |
| Current financial liabilities | 12.8 | - |
| Trade payables | 24.9 | - |
| Tax liabilities payable | 0.3 | - |
| Other current liabilities | 10.5 | - |
| Current liabilities | 51.6 | - |
| Liabilities held for sale | 67.8 | - |

22.3. SEGMENT INFORMATION ON DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES HELD FOR SALE

| (€ million) | Year ended March 31, 2009 | | | | Total |
|---|---------------------------|-------------|-------------|--------------|-------------|
| | United States | Europe | Asia | Eliminations | |
| Revenue from discontinued operations | - | 129.8 | 30.2 | (0.4) | 159.6 |
| Current operating income (loss) - Discontinued operations | - | (47.1) | 2.8 | - | (44.3) |
| Profit (loss) from discontinued operations | - | (83.8) | (7.0) | - | (90.8) |
| Balance sheet | | | | | |
| Goodwill | - | 3.0 | 0.8 | - | 3.8 |
| Intangible assets | - | 0.6 | - | - | 0.6 |
| Other non-current assets | - | 4.9 | 1.4 | - | 6.3 |
| Current assets | - | 55.6 | 3.7 | - | 59.3 |
| Cash and cash equivalents | - | 9.7 | 5.6 | - | 15.3 |
| Total assets held for sale | - | 73.8 | 11.5 | - | 85.3 |
| Debt | - | 28.1 | - | - | 28.1 |
| Other non-current liabilities | - | 0.8 | 0.1 | - | 0.9 |
| Other current liabilities | - | 35.7 | 3.1 | - | 38.8 |
| Total liabilities held for sale | - | 64.6 | 3.2 | - | 67.8 |

| (€ million) | Year ended March 31, 2008 | | | | Total |
|---|---------------------------|--------|------|--------------|-------|
| | United States | Europe | Asia | Eliminations | |
| Revenue - Discontinued operations | - | 170.1 | 30.7 | (0.4) | 200.4 |
| Current operating income (loss) - Discontinued operations | (0.2) | 5.7 | 2.5 | - | 8.0 |
| Profit (loss) from discontinued operations | (0.5) | 0.1 | 3.5 | - | 3.1 |

22.4. NET CASH FLOW FROM DISCONTINUED OPERATIONS

| (€ million) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|--|------------------------------|------------------------------|
| Profit (loss) from discontinued operations | (90.8) | 3.1 |
| Non-cash expenses and revenue | 55.7 | 11.5 |
| Cost of debt | 1.8 | 2.4 |
| Income taxes (deferred and current) | 0.2 | 1.4 |
| Cash flow before net cost of debt and taxes | (33.1) | 18.4 |
| Income taxes paid | (0.9) | (1.1) |
| Changes in working capital | 12.0 | (21.4) |
| Net cash used in operating activities | (22.0) | (4.1) |
| Purchases of/additions to non-current assets | (0.2) | (0.6) |
| Disposals/repayments of non-current assets | 22.8 | 1.1 |
| Net cash provided by investing activities | 22.6 | 0.5 |
| Net funds raised from: | | |
| New borrowings | 5.2 | 2.4 |
| Net funds disbursed for: | | |
| Interest and other financial charges, net | (1.4) | (1.3) |
| Debt repayment | (1.4) | (2.2) |
| Net cash provided by (used in) financing activities | 2.4 | (1.1) |
| Impact of changes in exchange rates | (0.9) | (0.5) |
| Net change in cash and cash equivalents | 2.1 | (5.2) |
| CASH AND CASH EQUIVALENTS: | | |
| At beginning of year | 13.2 | 18.4 |
| At end of year (a) | 15.3 | 13.2 |
| Change | 2.1 | (5.2) |
| (a) Of which: | | |
| Cash | 15.3 | 13.2 |
| Cash equivalents | - | - |

NOTE 23 – BUSINESS COMBINATION

On December 12, 2008 the Group acquired Cryptic Studios Inc., one of the world's leading developers, publishers and operators of Massively Multiplayer Online (MMO) games. Located in the United States, this company has a range of state-of-the art games based on leading-edge technology. Between December 12, 2008 and March 31, 2009 Cryptic Studios did not generate any revenue and contributed €4.5 million to the Group's losses. If the acquisition had taken place on April 1, 2008 the Group's revenue for the year ended March 31, 2009 would have totaled €136.4 million and net loss for the year €233.2 million. These amounts were calculated using the Group's accounting principles and methods and adjusting the results of Cryptic Studios for the additional depreciation, amortization and impairment that would have been recognized if the related fair value adjustments and tax impact had been applied to property, plant and equipment and intangible assets at April 1, 2008.

The net assets acquired under the business combination as well as the goodwill arising on the transaction are as follows:

| (€ million) | Year ended March 31, 2009 |
|--|------------------------------|
| Cash payment | 19.7 |
| Earn-out payment | 15.4 |
| Costs directly attributable to the acquisition | 3.6 |
| Total acquisition cost | 38.7 |

| (€ million) | Fair value | Carrying amount in Cryptic's financial statements |
|--|-------------|--|
| Cash and cash equivalents | 2.6 | 2.6 |
| Property, plant and equipment | 0.7 | 0.7 |
| Trademarks | 0.7 | - |
| Capitalized games | 16.9 | 2.9 |
| Other intangible assets and software | 0.9 | 0.1 |
| Other assets | 0.2 | 0.2 |
| Trade payables and other current liabilities | (0.9) | (0.9) |
| Employee-related liabilities | (0.3) | (0.3) |
| Non-current financial liabilities | (7.1) | (4.0) |
| Deferred tax liabilities | (5.5) | - |
| Total fair value of net assets acquired | 8.2 | 1.3 |
| Goodwill | 30.5 | |
| Total acquisition cost | 38.7 | |
| Acquisition price paid in cash (including acquisition costs) | | 23.3 |
| Cash and cash equivalents of the acquired subsidiary | | (2.6) |
| Cash outflow for the acquisition | | 20.7 |

The acquisition cost for the business combination with Cryptic Studios was initially accounted for on a provisional basis. In accordance with IFRS 3, any adjustments to this initial accounting will be made within twelve months of the acquisition date.

As consideration for (i) the sale and transfer to the Company by Cryptic's shareholders of all of their Cryptic shares and (ii) the cancellation of Cryptic stock options by their holders, the Company paid a cash amount of €23.3 million, net of transaction costs. The related Stock Purchase and Transfer Agreement provides for an earn-out payment and a bonus.

The earn-out would amount to a maximum of approximately USD 27.5 million if the revenue generated by Champions Online and Star Trek Online represents USD 7.5 million per game during a reference period of six months. If the revenue targets are achieved, the earn-out payment will be made in cash, or in newly-issued Atari ordinary shares, or in cash and shares, with the settlement procedures determined by the Company. At March 31, 2009 the maximum potential number of new shares to be issued for the earn-out payment was 1.296.844.

The bonus will amount to a maximum of around USD 20 million, based on the assumption that the revenue generated by Champions Online and Star Trek Online represents USD 32.3 million and USD 39.6 million respectively during a reference period of twelve months. If the revenue targets are achieved, the bonus payment will be made in cash and in

newly-issued Atari ordinary shares, with the settlement procedures determined by the Company. At March 31, 2009 the maximum potential number of new shares to be issued for the bonus payment was 3.558.963.

The Group could therefore be required to pay a maximum amount of approximately USD 47.5 million in cash by October 5, 2010 at the earliest under the bonus and earn-out mechanism.

The fair value of the earn-out payment was €15.4 million at March 31, 2009, calculated based on forward-looking revenue assumptions determined by Group management and using a 4% discount rate.

NOTE 24 – OFF-BALANCE SHEET COMMITMENTS

The table below summarizes the Group's off-balance sheet commitments:

| (€ million) | March 31, 2009 | March 31, 2008 | Notes |
|---|----------------|----------------|-------|
| Commitments given | | | |
| Guarantees given to suppliers (letters of credit) | - | 24.0 | 1 |
| Non-cancelable operating leases | 18.8 | 23.5 | 2 |
| Development and licensing agreements | 16.1 | 21.2 | 3 |
| Assignments of receivables (under "Daily Act" arrangements, etc.) | - | - | |
| Total commitments given | 34.9 | 68.7 | |
| Commitments received | | | |
| Bank guarantees (standby credit, letters of credit, documentary credit, etc.) | 15.0 | 36.3 | 4 |
| Other credit facilities secured by trade receivables | - | 8.5 | 5 |
| Total commitments received | 15.0 | 44.8 | |

(1) In the ordinary course of business, the Group provides payment guarantees in the form of letters of credit to its principal suppliers. These guarantees primarily concern purchases from console manufacturers and third-party publishers. Since this commitment essentially concerned the distribution activities at March 31, 2008, and given that these activities have now been discontinued, the commitment represents a value of virtually nil at March 31, 2009.

(2) The Group is a party to non-cancelable leases. The schedule of minimum future lease payments to be made on these leases is as follows:

| | March 31, 2009 | March 31, 2008 |
|--|----------------|----------------|
| Y+1 | 4.6 | 4.9 |
| Y+2 | 2.9 | 5.1 |
| Y+3 | 2.2 | 2.5 |
| Y+4 | 0.9 | 1.2 |
| Y+5 | 0.9 | 1.1 |
| Subsequent years | 7.3 | 8.7 |
| Total minimum future lease payments – Continuing operations | 18.8 | 23.5 |

(3) In the ordinary course of its business, the Group makes royalty payments to third parties under development agreements entered into for certain products or under licensing agreements. At March 31, 2009, the Group had undertaken to pay €16.1 million over the coming year, subject to the fulfillment of all contractually specified production criteria. At March 31, 2008, this commitment represented €21.2 million.

(4) The data at March 31, 2009 reflect the letter received by the Company dated December 5, 2008 in which BlueBay undertook to provide a shareholder loan representing a maximum of €15 million. At March 31, 2008, the €36.3 million in commitments received correspond mainly to the undrawn Banc of America credit facility.

(5) The Group obtains financing for its distribution subsidiaries through the assignment of trade receivables. As this activity has been discontinued, no commitment has been recorded with regard to factoring at March 31, 2009.

Collateral provided as security for debt is disclosed in Note 13.

NOTE 25 – MANAGEMENT OF MARKET RISKS

25.1. RISK MANAGEMENT

Risk exposure is handled by the Group's parent company based on conditions in the financial markets and in accordance with procedures set by management. Foreign currency transactions are carried out in accordance with local regulations and depending on access to the financial markets. Subsidiaries may do business directly with local banks under the supervision of the parent company, provided that they comply with Group procedures and policies.

25.2. CURRENCY RISKS

The Group has not set up a currency hedging strategy for commercial transactions as there is an overall balance between revenue and expenses in euros and US dollars, which are the Group's main operating currencies.

Exposure to currency risk associated with the financing of subsidiaries is managed by the parent company, which sets up specific hedges as required depending on the type of financing concerned. At March 31, 2009, the Group had not hedged its overall exchange-rate exposure on these sums as they represent long-term financing for its US operations.

Nevertheless, as the Group's financial statements are presented in euros, assets, liabilities, revenue and expenses denominated in other currencies have to be translated into euros at the applicable exchange rate in order to be reported in the Group's consolidated financial statements. Whenever the value of the euro increases in relation to another currency, the value in euros of the Group's assets, liabilities, revenue and expenses originally denominated in that other currency declines. The reverse effect occurs whenever the exchange value of the euro declines. Consequently, fluctuations in euro exchange rates can have an impact on the value in euros of the Group's assets, liabilities, revenue and expenses outside the eurozone, even if their value in local currencies remains unchanged. The Group's highest degree of exposure to currency risks relates to revenue and the earnings of subsidiaries operating in US dollars, as well as to the value of US dollar denominated intangible assets and goodwill.

An unfavorable change in EUR/USD exchange rate would not have a material impact on the Group's overall net currency position. For information purposes, a 1% decline in the value of the US dollar in relation to the euro would have resulted in a €0.9 million decrease in consolidated revenue in the financial statements for the year ended March 31, 2009 and would have had respective positive impacts of €0.6 million and €1.9 million on the consolidated loss for the year and equity.

The table below summarizes the Company's exposure to the US dollar:

| <i>(USD millions)</i> | March 31, 2009 |
|-----------------------------------|-----------------------|
| Total assets | 138.7 |
| Total liabilities | 74.6 |
| Net | 64.1 |
| Off-balance sheet position | 43.9 |
| Net position after hedging | 64.1 |

25.3. INTEREST-RATE RISKS

The Group does not have an aggressive interest-rate risk management policy. As of March 31, 2009, borrowings at floating interest rates amounted to €50.0 million.

In the event of a 100 basis point increase in interest rates, the resulting additional interest expense for the year ended March 31, 2009 would have been approximately €0.4 million or 5.2% of the cost of consolidated debt at that date.

In view of the afore-described risk sensitivity analysis, the Group considers that a change in interest rates would not have a material impact on its financial position.

25.4. CREDIT RISKS

The Group has a worldwide customer base and manages its commercial risks so as not to be exposed to excessive concentration of credit risks.

NOTE 26 – CONTINGENT LIABILITIES

In the ordinary course of business, Group companies may be involved in various court, arbitration, administrative and tax proceedings. Although the final outcome of such proceedings is uncertain, the Group considers that any resulting obligations should not have a material impact on its earnings or financial position.

26.1. Litigation between a former employee and the Company

A significant case arose in a previous year, in which the Company was sued by a former employee who claimed that he had co-authored one of the Group's best-selling franchises. The plaintiff claimed approximately €17 million in damages for financial and non-financial loss suffered as a result of the Group's allegedly unlawful distribution of games based on that theme. At this stage of the proceedings, the Company is categorically rejecting the plaintiff's claim of authorship and/or co-authorship and considers the grounds and the amount of the claim to be unfounded.

The parties have filed their pleadings with the court but no significant progress was made in fiscal year 2008-2009. No hearing date has been set and judgment is not expected before November 2009.

In view of the status of the proceedings and based on the information available, the Company considers that this dispute should be accounted for as a contingent liability within the meaning of IAS 37. Consequently no provision has been recorded in relation to this matter.

26.2. Stanley v. IESA, Atari Inc. and the members of the Atari Inc. Board of Directors

On April 18, 2008, an Atari Inc. minority shareholder filed a Verified Class Action Complaint against Atari Inc., certain of its directors and former directors, and the Company with the Delaware Court of Chancery. The plaintiff alleges that the Atari Inc. director defendants breached their fiduciary duties to Atari's minority shareholders by entering into an agreement that allowed the Company to acquire the outstanding shares of Atari Inc.'s common stock at an unfairly low price. The plaintiff asked the court to enjoin the proposed merger transaction, or alternatively, to rescind it in the event that it was consummated, and was seeking damages.

On April 29, 2009, the Delaware Court of Chancery approved the negotiated settlement concluded by the parties, pursuant to which the Company agreed to pay USD 310.000 to the plaintiff.

26.3. Disputes to which Atari Europe SAS is party**26.3.1. BVT production fund v. Atari Europe SAS**

This dispute concerns two German entities, BVT production funds, which, pursuant to a series of agreements entered into with various Group companies, financed the production of certain interactive game titles.

Following exchanges of correspondence and an audit in December 2008, the BVT funds instituted proceedings in March 2009 in Germany, claiming the breach by Atari Europe of several contractual obligations arising from publishing agreements between the funds and Atari Europe. The claims made by the funds before the German courts amount to €2 million.

Atari Europe has filed its pleadings with the Munich Court, contesting each of the plaintiff's allegations. A hearing is scheduled to take place in November 2009.

26.4. Disputes to which Atari Inc. is party**26.4.1. Bouchat v. Champion Products, et al (Accolade)**

In 1999, Bouchat filed a suit with the District Court of Maryland against the National Football League (NFL) and 500 other defendants, including Accolade Inc. (a predecessor entity of Atari Inc.), all of which were licensees of the NFL, claiming copyright infringement of a logo used by the Baltimore Ravens that the plaintiff allegedly designed.

In 2003, the District Court dismissed the plaintiff's claim for damages. The plaintiff has appealed the District Court's ruling.

26.4.2. Ernst & Young Inc. v. Atari Inc.

On July 21, 2006 Atari Inc. was served with a complaint filed by Ernst & Young as Interim Receiver for HIP Interactive, Inc. This suit was filed with the New York State Supreme Court, New York County. HIP is a Canadian company that has gone into bankruptcy and with which Atari Inc. had contracted to act as its distributor for various software products in the US. HIP is alleging breach of contract claims based on the fact that Atari Inc. failed to pay HIP for products in the amount of USD 0.7 million. Atari Inc. has decided to file counterclaims against HIP, as HIP owes it for products distributed in Canada via Atari's Canadian agent, Hyperactive.

Atari Inc. filed its answer and counterclaim in August of 2006 and initiated discovery against Ernst & Young at the same time.

The parties have since entered into an out-of-court settlement pursuant to which Atari Inc. paid USD 60,000 to Ernst & Young on June 30, 2008 and Ernst & Young abandoned its claims.

26.4.3. Research in Motion Limited v. Atari Inc. and Atari Interactive Inc.

On October 26, 2006, Research in Motion Limited ("RIM") filed a claim against Atari Inc. and Atari Interactive Inc. (together referred to as "Atari") with the Ontario Superior Court of Justice. RIM is seeking that it be established that (i) the game BrickBreaker, as well as the copyright, distribution, sale and communication to the public of copies of the game in Canada and the United States, does not infringe any Atari copyright for Breakout or Super Breakout (collectively "Breakout") in Canada or the United States, (ii) the audio-visual displays of Breakout do not constitute a work protected by copyright under Canadian law, and (iii) Atari holds no right (notably intellectual property) in Breakout under US or Canadian law. RIM also submitted a claim for legal costs.

In August 2007, the Court ruled against Atari's December 2006 motion to have the RIM claims dismissed on the ground that the Canadian courts did not have jurisdiction.

On January 19, 2007, RIM added claims to its case requesting that it be established that (i) its game Meteor Crusher does not infringe Atari copyright for its game Asteroids in Canada, (ii) the audio-visual displays of Asteroids do not constitute a work protected under Canadian law, and (iii) Atari holds no right (notably intellectual property), title or interest in Asteroids under Canadian law.

Plazmic Inc., a subsidiary of RIM, has joined the proceedings. Atari Inc. decided to file a counterclaim for breach of copyright on Breakout, SuperBreakout, Asteroids and Asteroids Deluxe in Canada.

In December 2006, Atari Interactive Inc. initiated proceedings before the Federal Court for breach of copyright in Canada. Insofar as the proceedings before the Ontario Superior Court of Justice are in progress, Atari Interactive has accepted that the proceedings before the Federal Court be suspended pending the decision of the Ontario Superior Court of Justice.

No further progress has been made in the proceedings. In August 2008, RIM offered to pay USD 250,000 by way of an out-of-court settlement. Negotiations between the parties are ongoing.

26.4.4. Stanley v IESA, Atari Inc. and the members of the Atari Inc. Board of Directors

This dispute is described above.

NOTE 27 – RELATED PARTY TRANSACTIONS

27.1 RELATIONS WITH BLUEBAY RECOVERY FUND AND ITS AFFILIATES

At March 31, 2009, BlueBay is the Company's principal shareholder and is represented on Atari's Board of Directors by Gina Germano as well as by the BlueBay Value Recovery Master Fund Limited. Moreover, Frank E. Dangeard, non-executive Chairman of the Board of Directors has been appointed as BlueBay's special advisor.

During the period ended March 31, 2009, BlueBay and its affiliated funds performed the following transactions:

- BlueBay granted the Company a three-month bridging loan in an amount of €30 million, bearing interest at a rate of 15%, notably for the purpose of financing the Cryptic Studios acquisition. This loan was fully repaid when the ORANE-BSA 2009 bonds were issued (see Note 1 – Significant events of the year). The interest expense for the year on the BlueBay bridging loan came to €0.5 million. BlueBay also received a €0.9 million arrangement fee for the loan.
- The investments funds, The BlueBay Value Recovery Master Fund Limited and The BlueBay Multi-Strategy (Master) Fund Limited – which are both administered by BlueBay Asset Management Plc – undertook to take up a portion of the ORANE-BSA issue launched on December 10, 2008. In addition, by way of a letter dated December 3, 2008, BlueBay Asset Management Plc gave an irrevocable commitment to take up this issue up to a maximum amount of €40.5 million. Atari undertook to pay the legal and financial fees incurred by BlueBay in connection with this transaction for up to €0.8 million.
- BlueBay had undertaken that if the negotiations with Banc of America to extend the current €15 million credit facility are not successful, it will provide a shareholders' loan in an equivalent amount which would mature on December 31, 2009. The financial terms and conditions of this loan would be substantially the same as those of the Banc of America credit facility.
- By way of a letter dated December 5, 2008 BlueBay undertook to add a further tranche to the above-mentioned shareholder loan representing a maximum of €15 million. If this facility is used an arrangement fee representing 6% of the available amount and a drawdown fee totaling 6% of the amount utilized would be payable to BlueBay. The other financial terms and conditions are similar to those of the Banc of America credit facility. No drawdowns had been made under this additional facility at March 31, 2009.
- On October 25, 2007, BlueBay granted Atari Inc. a USD 10.0 million credit facility which was increased to USD 14.0 million on December 14, 2007. During fiscal year 2008-2009, the Company purchased this facility and repaid in full the amount owed to BlueBay by Atari Inc. at the time of the 2009 ORANE-BSA issue (see Note 1 – Significant events of the year).

27.2 COMPENSATION AND BENEFITS PAID TO EXECUTIVES AND DIRECTORS

The Group's executives and/or directors received the following compensation and benefits for the years ended March 31, 2009 and 2008:

| (€ million) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|---|------------------------------|------------------------------|
| Cash compensation | | |
| Fixed compensation | 2.0 | 1.6 |
| Variable compensation | 0.6 | 1.0 |
| Special bonuses | 0.1 | 1.0 |
| Severance benefits | 1.7 | 2.6 |
| Directors' fees | 0.5 | 0.2 |
| Other compensation | | |
| Employee benefits | - | - |
| Share-based compensation (excl. employer social security contributions) | 6.0 | 2.6 |
| Total | 10.9 | 9.0 |

Two Company officers are eligible for incentive bonuses as described in Note 19.6.

The Company's main officers are entitled to severance benefits if their employment contract and/or corporate office is terminated for reasons other than (i) serious misconduct or gross negligence or (ii) resignation. The aggregate gross maximum amount of these benefits is estimated at €2.5 million.

NOTE 28 – SUBSEQUENT EVENTS

28.1 LIQUIDITY AGREEMENT

In April 2009, the Company used the authorization given at the Shareholders' Meeting of September 25, 2008 to enter into a liquidity agreement for an automatically renewable one-year term. The purpose of the agreement is to improve the liquidity of the Company's shares and reduce long-term share price volatility. A cash amount of €200,000 has been allocated to the liquidity account in connection with this agreement. At June 30, 2009, 25,000 shares and €84,808.28 were covered by the liquidity agreement.

28.2 CHANGE IN CORPORATE NAME

In May 2009 the Board of Directors decided to change the Company's corporate name from Infogrames Entertainment to Atari, pursuant to the decision of the Shareholders' Meeting of September 25, 2008. This change of corporate name will enable the Company to more effectively leverage the Atari brand by capitalizing on its worldwide reputation and its consumer appeal – two factors that are key to implementing the Group's online, product and licensing strategies. The Atari share is still listed on NYSE Euronext Paris under the same ISIN code (FR0010478248) but its ticker has been changed to ATA.

28.3 NEW PUBLISHING STRATEGY

In May 2009, the Company announced a reorganization plan for its publishing operations with the aim of maximizing revenue generated by non-online intellectual property through the monetization of licenses and by entering into publishing partnership agreements.

The first stages of this plan have already been implemented. For example, in May 2009, Atari announced its new worldwide launch program for Ghostbusters: The Video Game, which includes an exclusive agreement with Sony Computer Entertainment Europe for the launch of the game on the PS3 and PS2 in Europe and the PAL regions.

28.4 COMPLETION OF THE SALE OF ATARI EUROPE'S 66% STAKE IN NAMCO BANDAI PARTNERS

In early July 2009, Atari completed the sale of Atari Europe's remaining 66% stake in Namco Bandai Partners to Namco Bandai Games Europe. As consideration for the assets sold, Atari received a cash payment from Namco Bandai Games Europe totaling approximately €36.3 million, based on an enterprise value for Namco Bandai Partners of €60 million, adjusted for cash, debt, price adjustments and repayments of intra-group loans.

28.5 EXTENSION OF THE BANC OF AMERICA CREDIT FACILITY

In addition to the Amendment to the credit facility agreed with Banc of America and described in "Highlights of the year" above and in order to secure the necessary funding for its operations for fiscal year 2009-2010, the Company has entered into negotiations to extend the maturity of said facility from December 31, 2009 to July 2010. In light of the negotiations that have taken place so far, management considers it likely that Banc of America will grant this extension.

NOTE 29 – CONSOLIDATED COMPANIES

| Company | Fiscal year-end | Country | % control | | % ownership | |
|--|-----------------|----------------|----------------|----------------|----------------|----------------|
| | | | March 31, 2009 | March 31, 2008 | March 31, 2009 | March 31, 2008 |
| A+ Multimedia Ltda | June 30 | Portugal | 66.00 | 100.00 | 66.00 | 100.00 |
| Atari Asia Holding Pty Ltd | March 31 | Australia | 66.00 | 100.00 | 66.00 | 100.00 |
| Atari Asia Pacific Pty Ltd | March 31 | Australia | 100.00 | 100.00 | 100.00 | 100.00 |
| Atari Australia Pty Ltd | March 31 | Australia | 66.00 | 100.00 | 66.00 | 100.00 |
| Atari Benelux BV | March 31 | Netherlands | 66.00 | 100.00 | 66.00 | 100.00 |
| Atari Denmark | March 31 | Denmark | 66.00 | 100.00 | 66.00 | 100.00 |
| Atari Deutschland GmbH | March 31 | Germany | 66.00 | 100.00 | 66.00 | 100.00 |
| Atari do Brasil Ltda | December 31 | Brazil | 66.00 | 100.00 | 66.00 | 100.00 |
| Infogrames Entertainment GmbH | March 31 | Germany | 100.00 | 100.00 | 100.00 | 100.00 |
| Atari Europe SAS | March 31 | France | 99.99 | 99.99 | 99.99 | 99.99 |
| Atari France SAS | March 31 | France | 66.00 | 100.00 | 66.00 | 100.00 |
| Atari Hellas EPE | March 31 | Greece | 66.00 | 100.00 | 66.00 | 100.00 |
| Atari Inc. | March 31 | United States | 100.00 | 51.39 | 100.00 | 51.39 |
| Atari Interactive Australia Pty Ltd | March 31 | Australia | 100.00 | 100.00 | 100.00 | 100.00 |
| Atari Interactive Inc | March 31 | United States | 100.00 | 100.00 | 100.00 | 100.00 |
| Atari Israël Ltd | June 30 | Israel | 66.00 | 100.00 | 66.00 | 100.00 |
| Atari Italia SPA | June 30 | Italy | 66.00 | 100.00 | 66.00 | 100.00 |
| Atari Japan KK | March 31 | Japan | 100.00 | 100.00 | 100.00 | 100.00 |
| Atari Korea Ltd | March 31 | Korea | 66.00 | 100.00 | 66.00 | 100.00 |
| Atari Melbourne House Pty | March 31 | Australia | 100.00 | 100.00 | 100.00 | 100.00 |
| Atari Nordic AB | March 31 | Sweden | 66.00 | 100.00 | 66.00 | 100.00 |
| Atari Norway | March 31 | Norway | 66.00 | 100.00 | 66.00 | 100.00 |
| Atari Singapour Pte Ltd | March 31 | Singapore | 66.00 | 100.00 | 66.00 | 100.00 |
| Atari Studio Asia Pty Ltd | March 31 | Australia | 100.00 | 100.00 | 100.00 | 100.00 |
| Atari Taiwan Ltd | March 31 | Taiwan | 66.00 | 100.00 | 66.00 | 100.00 |
| Atari UK | March 31 | United Kingdom | 66.00 | 100.00 | 66.00 | 100.00 |
| California US Holdings Inc. | March 31 | United States | 100.00 | 100.00 | 100.00 | 100.00 |
| Cryptic Studios | June 30 | United States | 100.00 | 0.00 | 100.00 | 0.00 |
| Curved Logic Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Distribution Partners | March 31 | France | 66.00 | N/A | 66.00 | N/A |
| Dynamic System GmbH | June 30 | Austria | 100.00 | 100.00 | 100.00 | 100.00 |
| Eden Studios SAS | March 31 | France | 100.00 | 100.00 | 100.00 | 100.00 |
| Game Nation Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Game Nation Inc | March 31 | United States | 100.00 | 100.00 | 100.00 | 100.00 |
| Gamecity GmbH | March 31 | Switzerland | 90.00 | 90.00 | 90.00 | 90.00 |
| Gremlin Group Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Gremlin Holding Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Hartland Trefoil Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Humongous Inc | March 31 | United States | 100.00 | 100.00 | 100.00 | 100.00 |
| IDRS SA | March 31 | France | 100.00 | 100.00 | 100.00 | 100.00 |
| I-Music SARL | March 31 | France | 100.00 | 100.00 | 100.00 | 100.00 |
| Infogrames Castlefield Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Infogrames Entertainment SA | March 31 | France | 100.00 | 100.00 | 100.00 | 100.00 |
| Infogrames Entertainment Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Infogrames España Unipersonal | March 31 | Spain | 66.00 | 100.00 | 66.00 | 100.00 |
| Infogrames Interactive Direct Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Infogrames Interactive GmbH | March 31 | Germany | 100.00 | 100.00 | 100.00 | 100.00 |
| Infogrames Interactive Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Infogrames Learning Interactive Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Infogrames Learning Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Infogrames Studios Ltd. | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Maritquest Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Microprose Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Microprose Software Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Ocean Europe Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Ocean Holding Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Ocean International Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Ocean Media Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Ocean Software Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Game Nation.net Inc | March 31 | United States | 100.00 | 100.00 | 100.00 | 100.00 |
| Reflection Ltd | March 31 | United Kingdom | 100.00 | 51.39 | 100.00 | 51.39 |
| Stewart Holdings Ltd | March 31 | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 |
| Suomen Infogrames | March 31 | Finland | 66.00 | 100.00 | 66.00 | 100.00 |
| Company accounted for by the equity method | | | | | | |
| Game One | December 31 | France | 38.63 | 38.63 | 38.63 | 38.63 |

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2009

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended March 31, 2009, on:

- the audit of the accompanying consolidated financial statements of Atari (formerly Infogrames Entertainment);
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities and financial position of the consolidated group of companies at March 31, 2009, and of the results of its operations for the year then ended in accordance with IFRS as adopted for use in the European Union.

Without qualifying the opinion expressed above, we draw your attention to Note 2.1 to the consolidated financial statements, which describes the assumptions used in relation to the going concern principle and expresses a degree of uncertainty as to the Company's status as a going concern.

II. JUSTIFICATION OF OUR ASSESSMENTS

The accounting estimates used to prepare the consolidated financial statements at March 31, 2009 were performed against a backdrop of extreme market volatility and a lack of visibility over the economic outlook. These conditions are described in Note 2.7 to the consolidated financial statements. In this context, and in accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

Going concern assumption

As indicated in the first part of this report, Note 2.1 to the consolidated financial statements describes the assumptions used in relation to the going concern principle and expresses a degree of uncertainty as to the Company's status as a going concern.

As part of our review of the general presentation of the financial statements, and based on the information provided to us to date, we have assessed the pertinence of the information contained in the note on the Group's financial position and recent changes therein, as well as the uncertainty regarding the going concern assumption.

Measurement of goodwill and intangible assets

The Company tests goodwill and intangible assets with an indefinite useful life for impairment in the manner described in Note 2.12 to the consolidated financial statements. The inputs used in these tests and the results thereof are described in Note 3.3 to the consolidated financial statements.

We have examined the methods used as well as the projected cash flows and inputs, and verified that Notes 2.12 and 3.3 to the consolidated financial statements provide appropriate disclosures.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

As required by law we have also verified the information given in the Group's management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Lyon and Villeurbanne, July 31, 2009

The Statutory Auditors

PIN ASSOCIÉS

Jean-François Pin

DELOITTE & ASSOCIÉS

Alain Descoins

INFORMATION CONCERNING THE PARENT COMPANY

ANNUAL FINANCIAL STATEMENTS

1. BALANCE SHEET

| (€ thousands) | Notes | March 31, 2009 | March 31, 2008 |
|---|-------|----------------|----------------|
| Assets | | | |
| Intangible assets | 3 | 163 | 260 |
| Property, plant and equipment | 3 | 616 | 579 |
| Financial fixed assets | 4 | 225,919 | 280,783 |
| Total fixed assets | | 226,698 | 281,622 |
| Trade receivables | 5 | 3,435 | 542 |
| Other receivables | 6 | 3,508 | 2,923 |
| Cash and cash equivalents | 7 | 82 | 61,300 |
| Total current assets | | 7,025 | 64,765 |
| Prepayments, accruals and other assets | 8 | 29,529 | 50,420 |
| Total assets | | 263,252 | 396,807 |
| Shareholders' equity and liabilities | | | |
| Capital stock | | 12,976 | 12,845 |
| Share premium | | 146,802 | 1,057,641 |
| Legal reserve | | 946 | 946 |
| Other reserves | | 0 | (23,369) |
| Retained earnings | | 0 | (837,655) |
| Net income (loss) for the year | | (165,095) | (51,169) |
| Shareholders' equity | 9 | (4,371) | 159,239 |
| Other equity | 10 | 189,147 | 150,000 |
| Provisions for contingencies and losses | 11 | 33,280 | 51,393 |
| Bond debt | 12 | 12,123 | 5,903 |
| Bank debt | | 27 | 0 |
| Other financial liabilities | 13 | 11,270 | 19,698 |
| Operating liabilities | 14 | 20,699 | 8,091 |
| Deferred revenue, accruals and other liabilities | 8 | 1,077 | 2,483 |
| Total shareholders' equity and liabilities | | 263,252 | 396,807 |

2. INCOME STATEMENT

| (€ thousands) | Notes | March 31, 2009 | March 31, 2008 |
|---|-------|------------------|-----------------|
| Revenue | | 10,781 | 8,856 |
| Other income | | 7,736 | 14,691 |
| Operating revenue | 15 | 18,517 | 23,547 |
| Purchases and expenses | 16 | (20,521) | (20,268) |
| Taxes | | (207) | (282) |
| Payroll expenses | 17 | (6,292) | (8,928) |
| Depreciation, amortization and provisions | 18 | (1,486) | (579) |
| Operating expenses | | (28,506) | (30,057) |
| Operating income | | (9,989) | (6,510) |
| Financial income | | 68,590 | 12,442 |
| Financial expense | | (220,373) | (65,727) |
| Net financial expense | 19 | (151,783) | (53,285) |
| Current income before taxes | | (161,772) | (59,795) |
| Non-recurring income | | 2,598 | 19,064 |
| Non-recurring expenses | | (5,927) | (12,289) |
| Non-recurring income (expense) | 20 | (3,329) | 6,775 |
| Income tax | 21 | (6) | 1,872 |
| Employee profit sharing | | 0 | (21) |
| Income (loss) for the year | | (165,095) | (51,169) |

3. CASH FLOW STATEMENT

| (€ million) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|---|---------------------------------|---------------------------------|
| Cash flow from operating activities | | |
| Income (loss) for the year | (165.1) | (51.2) |
| Charges to (reversals from) depreciation, amortization and provisions | 161.6 | 58.4 |
| (Losses) gains on disposals of assets | 1.3 | 0.2 |
| Other (gains) losses with no cash impact | (2.4) | - |
| Cash flow from operations | (4.6) | 7.4 |
| Change in working capital | 1.8 | (4.4) |
| Net cash provided by (used in) operating activities | (2.8) | 3 |
| Cash flow from investing activities | | |
| Purchases of property, plant and equipment and intangible assets | (0.2) | (3.6) |
| Purchases of investments in non-consolidated entities | (23.2) | - |
| Disposals of investments in non-consolidated entities | - | - |
| Disposals of intangible assets | 0.2 | 3.2 |
| Other changes in financial fixed assets | (18.9) | (0.9) |
| Net cash used in from investing activities | (42.2) | (1.3) |
| Cash flow from financing activities | | |
| Issuance of shares, net of expenses | 1.4 | - |
| Exercise of warrants | 0.1 | 7.8 |
| Issuance of ORANE bonds, net of expenses | 35.1 | 144 |
| Net change in bank overdrafts | - | - |
| Net change in intra-group balances | (52.8) | (111.1) |
| Net cash provided by (used in) financing activities | (16.2) | 40.7 |
| Net change in cash and cash equivalents | (61.2) | 42.4 |
| Cash and cash equivalents at beginning of year | 61.3 | 18.9 |
| Cash and cash equivalents at end of year | 0.1 | 61.3 |

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements for the year ended March 31, 2009 of Atari (formerly Infogrames Entertainment SA, hereinafter the “Company”), which had total assets of €263.3 million and reported a loss of €165.1 million in its income statement, presented in list form.

The annual financial statements for the periods ended March 31, 2009 and March 31, 2008 cover periods of 12 months.

1.1. Changes to the senior management team and the Board of Directors

During the last two fiscal years, Atari restructured its senior management team following the appointment of David Gardner – a leading figure in the video game industry – as Chief Executive Officer. Phil Harrison also joined the Company as President, along with Fabrice Hamaide (Chief Financial Officer), with Mathias Hautefort completing the senior management line-up as Executive Vice President in charge of worldwide distribution. However, Mathias Hautefort and Phil Harrison left the Company in October 2008 and May 2009 respectively. Consequently, following the appointment of Jeff Lapin as Chief Operating Officer in May 2009, Atari’s senior management team lined up as follows at May 30, 2009:

- David Gardner, Chief Executive Officer and member of the Board of Directors
- Jeff Lapin, Chief Operating Officer
- Fabrice Hamaide, Chief Financial Officer
- Jim Wilson, Chief Executive Officer of Atari Inc.
- John Needham, Chief Executive Officer of Cryptic Studios

The membership structure of the Board of Directors was also changed during the year, with Pascal Cagni appointed as a director to replace Evence-Charles Coppée who resigned. At the date of his appointment, Pascal Cagni met the independence criteria set down in the Board of Directors’ internal rules. In addition, at the Board meeting of March 15, 2009, the Company’s directors appointed Frank E. Dangeard as Chairman of the Board, to replace Michel Combes who remains a director. Consequently, at May 30, 2009, the members of Atari’s Board of Directors were as follows:

- Frank E. Dangeard, non-executive Chairman
- Dominique D’Hinnin, Vice-Chairman (independent director)
- Pascal Cagni (independent director)
- Michel Combes (independent director)
- David Gardner, director and Chief Executive Officer
- Gina Germano, director
- Phil Harrison, director
- Didier Lamouche (independent director)
- BlueBay Value Recovery (Master) Fund Limited, represented by Jeff Lapin, Chief Operating Officer

1.2. Buyout of Atari Inc. minority shareholdings

On April 30, 2008 the Company and Atari Inc. signed an agreement relating to the purchase of Atari Inc. shares not yet owned by the Company. The transaction – which offers new opportunities for expansion in the United States – was completed on October 9, 2008 and resulted in the Company’s interest in Atari Inc. being raised from 51.4% to 100%, with Atari Inc. becoming a wholly-owned subsidiary of the Company.

Jim Wilson was appointed Chief Executive Officer of Atari Inc. in March 2008. In accordance with the agreements signed in April 2008, the Company paid USD 1.68 for each outstanding share of Atari common stock that was not already owned by the Company, representing a total of approximately USD 11 million in cash, or €11.8 million including transaction costs. The acquisition has led to a reduction in administrative expenses for the Group, particularly share-listing costs. It also gives the Group the ability to develop its retail video game distribution activities through new distribution partnerships in the US region, and to strengthen its Online distribution business.

1.3. The “Atari Transformation” plan and other cost-saving measures

In June 2008, the Company’s senior management team announced the “Atari Transformation” plan aimed at restructuring its worldwide operations.

For the year ended March 31, 2009, restructuring costs for Atari – mainly relating to the Atari Transformation plan – amounted to €4.2 million.

In the fourth quarter of 2008-2009, Atari put in place another restructuring plan in order to offset the potential continuation of lackluster demand and to boost its online operations. This reorganization will enable the Company to reduce its administrative expenses and working capital requirements, through major cuts in administrative expenses, a further reduction in staffing levels and the restructuring of the Company’s corporate operations.

This cost-saving plan is expected to be completed by the third quarter of fiscal year 2009-2010.

1.4. Sale of distribution operations in Europe and Asia (PAL)

In September 2008, Atari Europe and Namco Bandai Games Europe SAS (Namco Bandai) signed a letter of intent to set up a strategic distribution partnership. The transaction was completed in February 2009, with Namco Bandai acquiring a 34% interest in Namco Bandai Partners, an Atari Europe subsidiary that houses Atari’s distribution operations for Europe, Asia, Africa, the Middle East and South America.

Within the scope of this partnership, and to bring together all the distribution subsidiaries concerned within Namco Bandai Partners, in January 2009 Atari sold its interests in its two directly-held distribution subsidiaries Atari Brasil and Atari Italia to Namco Bandai Partners.

In March 2009, Atari Europe announced that in accordance with the terms of the strategic partnership agreement entered into with Namco Bandai, it intended to exercise its option to sell its 66% interest in Namco Bandai Partners to Namco Bandai.

1.5. Expansion of the Group's online publishing operations

In September 2008, Atari announced the creation of a new in-house game development studio placed under the creative and production leadership of Paulina Bozek, one of the games industry's most pioneering and successful producers. The new studio will focus on innovating and developing mass-market consumer games and services for online-enabled devices including PCs and games consoles.

1.6. Acquisition of Cryptic Studios

On December 8, 2008, the Company signed a Stock Purchase and Transfer Agreement subject to US law relating to the acquisition of Cryptic Studios Inc. ("Cryptic") by Atari. Cryptic is a California-based publisher of Massively Multiplayer Online ("MMO") games.

Under the terms of the agreement, all of Cryptic's shares held by the company's shareholders have been transferred to Atari and all Cryptic stock options have been cancelled.

As consideration, Atari has undertaken to pay a maximum amount estimated at USD 75.1 million (approximately €59.1 million), based on the benchmark Atari share price. This amount breaks down as follows:

- A USD 27.6 million cash payment (approximately €21.7 million), of which USD 26.5 million payable on completion of the transaction and USD 1.1 million payable on March 1, 2011.
- A potential earn-out payment representing a maximum estimated amount of USD 27.5 million (approximately €21.6 million), determined based on the achievement of targets for online revenue generated by the Champions Online and Star Trek Online video games. This earn-out payment will be made in cash and newly-issued Atari ordinary shares, based on a contractually pre-defined number of shares which will depend on the level of revenue targets reached (there is no settlement option). The earn-out is partly payable in October 2010 (in cash only) and partly in March 2011 (in cash and newly-issued Atari shares).
- A bonus representing a maximum amount of USD 20 million (approximately €15.7 million), if online revenue generated by the Champions Online and Star Trek Online video games exceeds the targets set by Cryptic. Half of the bonus is payable before the end of November 2010, and the balance before mid-May 2011. At the discretion of Atari, the bonus will be paid in cash, new Atari ordinary shares, or in cash and new Atari shares. The number of Atari shares will be determined based on the price of the Atari share on the payment date.

The Stock Purchase and Transfer Agreement includes the customary warranties as well as specific non-commitment warranties for (i) the three shareholders selling their Cryptic shares and (ii) the Chief Executive Officer of Cryptic, who all hold stock options.

Furthermore, the Stock Purchase and Transfer Agreement provides for the early payment of the earn-out and bonus in the event of one of the following occurrences:

- a change in control of Cryptic;
- a change in control of the Company, if this affects the ability of the Company (or merging entity, in the event of a merger) to observe the Company's obligations under the Stock Purchase and Transfer Agreement; and
- breach by the Company of certain commitments provided for in the Stock Purchase and Transfer Agreement, in particular the financing of Cryptic's working capital up to a ceiling of USD 17.5 million (this amount may be adjusted subject to certain conditions), until the release of the Champions Online and Star Trek Online games, as well as a commitment on the sale terms and conditions for games on the market and the retention of Cryptic's key assets and personnel necessary for the development of the games.

The Stock Purchase and Transfer Agreement provides that in the event of the deregistration of the Company's shares before the payment of the earn-out and not subsequent to a change in control of the Company in favor of a financial investor, the earn-out and bonus may be paid in a single cash payment at the discretion of the beneficiaries.

Based on the Company's most recent estimates at March 31, 2009, the initial cash payment and the entire earn-out was recognized in the amount of USD 45.3 million (i.e., €34.6 million), before taking into account transaction costs.

In order to finance the purchase of Cryptic and meet Cryptic's working capital requirements, on December 3, 2008 Atari's Board of Directors authorized a €30 million shareholder loan granted to Infogrames by BlueBay bearing annual interest of 15%. This loan was repaid by the Company on January 13 and January 23, 2009, and fees totaling 3% of the amount of the loan were paid to BlueBay.

1.7. Issue of bonds redeemable for new or existing shares with stock warrants attached (ORANE-BSA) for €40.5 million

In January 2009, Atari issued €40.5 million worth of bonds redeemable for new or existing shares with stock warrants attached (ORANE-BSA).

This issue enabled the Company to finance:

- The acquisition of Cryptic in the amount of USD 27.6 million (approximately €21.7 million) before taking into account any earn-out or bonus payment, through the repayment of a €30 million bridging loan granted by BlueBay on December 3, 2008 for the purpose of financing (i) the initial purchase price for Cryptic Studios (including transaction fees and commissions) and (ii) Cryptic's future working capital requirement.
- The repayment by the Company of a USD 14.0 million loan (approximately €11 million) granted by BlueBay to Atari's now wholly-owned subsidiary Atari Inc. in connection with Atari Inc.'s restructuring.

A total of 405,438 ORANE bonds were issued, each with a nominal value of €100 and bearing annual interest of 0.5%. The bonds mature on April 1, 2014 when each bond will be converted into 26.26 new or existing shares, at the discretion of the Company. The bonds are listed under ISIN code FR0010690081.

A warrant is attached to each bond which is exercisable for one new share. A total of 405,438 warrants were issued with an exercise price of €6 each and an expiration date of December 31, 2012.

1.8. Simplified public exchange offer for the ORANE bonds issued in 2008 and the stock warrants issued in 2006/2007

In February 2009, the Company completed the simplified public exchange offer for its ORANE bonds convertible for new or existing shares issued in January 2008 (ORANE 2008) and the stock warrants issued on December 22, 2006 and January 24, 2007 (2007 warrants). The offer included the following terms:

- The exchange of one hundred 2007 stock warrants for one newly-issued "2009 warrant" and the exchange of one ORANE 2008 bond for one newly-issued "ORANE 2009" bond.
- The ORANE 2009 bonds (listed under ISIN code FR0010696153) are subject to the same conditions as the ORANE 2008 bonds, except for the conversion ratio which has been set at 17 new or existing shares for one ORANE 2009 bond (instead of 8.94 new or existing shares for one ORANE 2008 bond, after adjustments).
- The 2009 warrants are subject to the same conditions as the 2007 warrants except for as follows:
 - The exercise price was set at €6 per 2009 warrant (instead of €15 per one hundred 2007 warrants), and
 - The expiration date was set at December 31, 2012 (instead of December 31, 2009).

The terms of the simplified public exchange offer were examined by an independent appraiser who concluded that they were fair and in the interests of minority shareholders.

1.9. Amendment to the credit facility agreed with Banc of America

Atari and its main European subsidiaries entered into a credit agreement with Banc of America on April 21, 2006 aimed at refinancing all of the Group's short- and medium-term debt, and to which eight amendments have been made. The seventh and eight amendments to the agreement were signed in the fourth quarter of 2008-2009 (February 27, 2009 and March 31, 2009, respectively) for the purposes of (i) extending the facility's expiration date to December 31, 2009 and (ii) increasing the total amount of the facility from €46.8 million to €61.8 million.

As far as the Company is aware an agreement has been signed between Banc of America and BlueBay under which BlueBay has an interest in the credit facility. At March 31, 2009 the credit facility had been drawn down in an amount of €47 million and there was no letter of credit to be recovered.

As the ultimate borrower is Atari Europe, a wholly-owned subsidiary of Atari, all the financial flows relating to this agreement have been recorded at the level of that company.

2. Accounting principles and methods

2.1. Accounting basis

The financial statements of Atari (formerly Infogrames Entertainment) have been prepared in accordance with French law and regulations. The financial statements have been prepared and are presented in accordance with the General Chart of Accounts 99-03 of April 29, 1999, as amended by the regulations of the Accounting Regulation Committee (*Comité de la Réglementation Comptable*).

Going concern assumption

During and prior to fiscal year 2008-2009 the Group made significant losses that have eroded its equity and cash position. At March 31, 2009 shareholders' equity amounted to a negative €4.4 million, taking into account the €165.1 million loss posted for 2008-2009. During the year the Company's cash and cash equivalents decreased by a net €61.2 million and net debt decreased by €2.1 million.

In view of this situation the Company has undertaken measures to refocus its business on online activities and reduce operating costs in order to return to operating income, generate positive cash flows and improve working capital.

These measures include:

- The acquisition in December 2008 of the California-based Cryptic Studios, which specializes in developing and publishing Massively Multiplayer Online games. This acquisition was financed through an issue of "ORANE-BSA" bonds in January 2009. The management forecast for 2009-2010 includes the impact of the launch of Champions Online scheduled for the second quarter of the year.
- Sale of all of the Company's Distribution operations in Europe and Asia to Namco Bandai, carried out in two phases: 34% in February 2009 and 66% in July 2009;

- Rollout as from June 2008 of a worldwide restructuring plan (Atari Transformation), together with an additional restructuring plan in the fourth quarter of the year in order to limit the impact of falling demand from end-consumers and facilitate the Group's transition to Online business.
- Reorganization of publishing operations with the aim of maximizing revenue generated by non-online intellectual property through the monetization of licenses and by entering into publishing partnership agreements. The first stages of this plan have already been implemented, for example through the worldwide launch program for Ghostbusters: The Video Game, which includes an exclusive agreement with Sony Computer Entertainment Europe for the launch of the game on the PS3 and PS2 in and the PAL regions.
- Changing the Company's corporate name from Infogrames Entertainment to Atari. This move will enable the Company to more effectively leverage the Atari brand by capitalizing on its worldwide reputation and its consumer appeal – two factors that are key to implementing the Group's online, product and licensing strategies.

In order to ensure that it has the requisite funds to finance its operations in 2009-2010, the Company also:

- Secured an additional €15 million credit facility from Banc of America in the fourth quarter of 2008-2009, expiring on December 31, 2009; and
- Entered into negotiations to extend the expiration date of its €61.7 million Banc of America credit facility from December 31, 2009 to July 2010. Based on the negotiations that have taken place so far, management considers it likely that Banc of America will grant this extension.

Based on the above-described measures and assumptions, as well as the forecast for fiscal year 2009-2010 as approved by the Board of Directors, management believes that the Company's financial resources – including the extension of the Banc of America credit facility – will be sufficient to cover its operating expenses and capital expenditure for the year ending March 31, 2010.

On this basis, the Company has applied the going concern principle in preparing its parent company financial statements.

2.2. Accounting principles

The basic method used to measure accounting items is the historical cost method.

The principal approaches used are as follows:

- **Intangible assets and property, plant and equipment**

Property, plant and equipment and intangible assets are measured at their acquisition cost (purchase price and incidental expenses) and are depreciated or amortized over a period that varies depending on the nature of the assets concerned:

| | |
|-----------------------------|---------------|
| - Software | 1 to 3 years |
| - Machinery and tools | 1 to 4 years |
| - Improvements and fittings | 10 years |
| - Furniture | 2 to 10 years |

Property, plant and equipment is depreciated on a straight-line basis.

- **Financial fixed assets**

The gross value of investments in subsidiaries and associates corresponds to the historical cost of the corresponding securities, including costs directly attributable to the acquisition.

Securities acquired subject to an earn-out are estimated provisionally at their cost at the transaction date. This amount is adjusted at each balance sheet date to take account of changes in the estimated price or the definitive price.

An impairment provision is recognized whenever the carrying amount exceeds the recoverable amount of the assets. The recoverable amount is calculated using a variety of criteria, including those applied when the asset was originally acquired (including stock market multiples), market values, expected returns based on discounted future cash flows, and adjusted net worth.

If applicable, in the event that the recoverable amount is negative, in addition to recognizing an impairment loss, the other assets held are also written down and, if necessary, a contingency provision is recognized.

- **Receivables**

Receivables are recognized at their nominal value. The Company recognizes a provision for impairment whenever their gross carrying amount exceeds fair value.

- **Transactions in foreign currencies**

Income and expense items denominated in foreign currencies are recognized at their equivalent value in euros at the transaction date. Liabilities, receivables and cash denominated in foreign currencies are translated using the exchange rate at the balance sheet date. Differences arising on the translation of liabilities and receivables in foreign currencies are recorded in the balance sheet under "Unrealized foreign exchange gains (losses)".

A contingency provision is recognized for unrealized foreign exchange losses not offset by gains.

- **Bond issue costs, premiums, discounts and redemptions**

Bonds are recognized at the issue's nominal value. Costs and premiums are recognized in assets under "Accruals" and are amortized in financial income over the life of the bonds, unless the redemption risk is hedged.

- **Stock options**

Stock options are accounted for as and when the options are exercised, as share issues with a value equal to the exercise price paid by the option holders. Any difference between the exercise price and the nominal value of shares is recognized as a premium over par.

- **Grants of shares to be issued**

Atari recognizes free shares to which beneficiaries' rights have vested at the time those shares are issued, by deducting an amount equal to the nominal value of the shares issued from available reserves.

- **Tax consolidation**

Atari and some of its French subsidiaries have opted for tax consolidation. Under the tax consolidation agreement, each entity calculates its tax expense as if no consolidation existed. The tax savings resulting from the use of the tax-loss carryforwards of other consolidated subsidiaries are immediately recognized in income by Atari and no subsequent cash refund is made. Whenever subsidiaries post profits, Atari may be subject to additional taxation as a result of the previous deductions made of losses by those subsidiaries.

Following the change in ownership of Namco Bandai Partners, parent company of Atari France SAS, Atari France SAS ceased to be a member of the tax consolidation group with retroactive effect from April 1, 2008. Atari France will pay its own income taxes as of April 1, 2008.

- **Cash flow statement**

Cash includes cash, cash equivalents and marketable securities.

All cash flows relating to intra-group advances, loans and borrowings are recognized at their net value in cash flow from financing activities, on the line "Net change in intra-group balances".

- **Use of estimates**

The preparation of the annual financial statements in accordance with generally accepted accounting practices requires the use of estimates and assumptions by the Company's management, which affect the value of assets and liabilities on the balance sheet, contingent assets and liabilities referred to in the notes to the financial statements as well as the amounts of revenue and expenses in the income statement. Final amounts may differ from those estimates and assumptions.

The main estimates and assumptions used to prepare the financial statements generally concern the assumptions used to measure provisions for impairment of investments in subsidiaries and associates, taking into account the current financial and economic crisis and on the basis of market inputs at the balance sheet date.

3. Intangible assets and property, plant and equipment

The table below shows changes in intangible assets for the year:

| (€ thousands) | March 31, 2008 | Acquisitions/ Allowances | Disposals/ Revaluations | Other changes | March 31, 2009 |
|--|----------------|-----------------------------|----------------------------|---------------|----------------|
| Software | 346 | 25 | - | - | 371 |
| Fixed assets in progress | - | - | - | - | - |
| Gross value | 346 | 25 | - | - | 371 |
| Accumulated amortization and provisions | (86) | (122) | - | - | (208) |
| Carrying amount | 260 | | | | 163 |

The table below shows changes in property, plant and equipment for the year:

| (€ thousands) | March 31, 2008 | Acquisitions/ Allowances | Disposals/ Revaluations | Other changes | March 31, 2009 |
|--|----------------|-----------------------------|----------------------------|---------------|----------------|
| Machinery and equipment | 74 | - | - | - | 74 |
| General fixtures and fittings | 1,573 | 18 | - | - | 1,591 |
| Office equipment and computers | 198 | 210 | - | - | 408 |
| Gross value | 1,845 | 228 | - | - | 2,073 |
| Accumulated depreciation and provisions | (1,266) | (191) | - | - | (1,457) |
| Carrying amount | 579 | 37 | - | - | 616 |

4. Financial fixed assets

4.1. Changes in financial assets

| (€ thousands) | March 31, 2008 | Increases | Decreases | Currency impact | March 31, 2009 |
|--|------------------|------------------|---------------|-----------------|------------------|
| Investments in subsidiaries and associates | 725,395 | 37,342 | 1,466 | - | 761,271 |
| Receivables from subsidiaries and associates | 193,606 | 45,074 | | 24,844 | 263,524 |
| Accrued interest on receivables | 3,464 | | 537 | 19 | 2,946 |
| Loans and other fixed assets | 2,617 | 21,520 | 2,256 | - | 21,881 |
| Gross value | 925,082 | 103,936 | 4,259 | 24,863 | 1,049,622 |
| Provisions | (644,299) | (206,031) | 26,625 | - | (823,705) |
| Carrying amount | 280,783 | | | | 225,917 |

The increase in investment in subsidiaries and associates reflects the purchase of Cryptic Studios Inc. for €37.3 million. The decrease in investment in subsidiaries and associates corresponds to the sale of Namco Bandai Partners' Brazilian and Italian subsidiaries.

Changes in receivables from investments during the year mainly consist of the €33.7 million increase in receivables from Atari Interactive Inc. and advances to Cryptic Studios in the amount of €9.4 million.

As of March 31, 2009, the gross value of receivables from investments mainly included advances to Atari Interactive Inc. (USD 240.8 million/€181 million), Cryptic Studios (USD 12.6 million/€9.4 million), Atari Europe SAS (€59.5 million), Game Nation Ltd (£3 million/€3.2 million), Atari Studio Asia Pty Ltd (AUD 5.4 million/€2.8 million) and Atari Japan KK (JPY 304.4 million/€2.3 million).

All receivables from investments are due in more than one year.

During the year, the Company granted a loan to its subsidiary Atari Inc. in an amount of USD 26.5 million (€19.9 million).

As of March 31, 2009, the Company held 2,470 of its own shares, unchanged from March 31, 2008.

4.2. Provisions for impairment of financial fixed assets

| (€ thousands) | March 31, 2008 | Additions | Reversals | March 31, 2009 |
|--|----------------|----------------|-----------------|----------------|
| Investments in subsidiaries and associates | 559,230 | 143,963 | (24,145) | 679,048 |
| Receivables from subsidiaries and associates | 82,943 | 61,943 | (2,480) | 142,406 |
| Loans | 2,126 | 125 | - | 2,251 |
| Total | 644,299 | 206,031 | (26,625) | 823,705 |

Changes in "Provisions for investments in subsidiaries and associates" are primarily accounted for as follows:

- In the case of increases in provisions, by:
 - additions to provisions in the amount of €131.2 million recognized on the shares of Atari Europe;
 - additions to provisions in the amount of €7.5 million recognized on the shares of Eden Studio.
- In the case of reversals of provisions, by:
 - reversals of provisions in the amount of €17.8 million recognized on the shares of California US Holding Inc.;
 - reversals of provisions in the amount of €5 million recognized on the shares of Game One;
 - reversals of provisions in the amount of €1.4 million on the shares of Atari Brasil following the sale of the shares.

A more detailed review was made of the following three entities, which account for a major portion of investments in subsidiaries:

- California US Holdings Inc., a holding entity through which the Company holds 100% of the shares of Atari Inc. with a carrying amount of €37.2 million. This investment was measured primarily on the basis of the value of Atari Inc. and Humongous Inc.
- Atari Interactive, Inc. and Atari Europe, which were measured on the basis of adjusted net worth, resulting in the recognition of the above-described provisions.

Changes in "Provisions for impairment of receivables related to investments in subsidiaries and associates" primarily concern Atari Europe for €60.3 million.

5. Trade receivables

| (€ thousands) | March 31, 2009 | | | March 31, 2008 |
|--------------------------|----------------|------------|--------------|----------------|
| | Gross | Impairment | Net | Net |
| <i>Trade receivables</i> | | | | |
| - external | 21 | - | 21 | 6 |
| - intra-group | 2,321 | - | 2,321 | 226 |
| - accrued | 1,093 | - | 1,093 | 310 |
| Total | 3,435 | - | 3,435 | 542 |

All of the above receivables are due in less than one year.

6. Other receivables

| (€ thousands) | March 31, 2009 | March 31, 2008 |
|---|----------------------|----------------|
| Corporate income tax | 1,861 ⁽¹⁾ | 908 |
| Sales taxes | 1,548 | 2,011 |
| Receivables from the Group in connection with tax consolidation | - | 0 |
| Other receivables | 99 | 4 |
| Total | 3,508 | 2,923 |

All of the above receivables are due in less than one year.

(1) As of March 31, 2009, "Corporate income tax" amounting to €1,861 million mainly correspond to research tax credits at Group level.

7. Cash

| (€ thousands) | March 31, 2009 | March 31, 2008 |
|-----------------------|----------------|----------------|
| Marketable securities | - | 61,143 |
| Cash | 82 | 157 |
| Total | 82 | 61,300 |

8. Accruals

| (€ thousands) | March 31, 2009 | March 31, 2008 |
|---|----------------|----------------|
| Prepaid expenses | 507 | 762 |
| Bond discounts | 15 | 16 |
| Bond issue costs | 8,692 | 5,807 |
| Unrealized foreign exchange losses on financial fixed assets | 20,315 | 43,820 |
| Unrealized foreign exchange losses on receivables and liabilities | 5 | 15 |
| Total accruals (assets) | 29,534 | 50,420 |

| | | |
|--|--------------|--------------|
| Unrealized foreign exchange gains on receivables and liabilities | 1,077 | 2,483 |
| Deferred revenue | - | - |
| Total accruals (liabilities) | 1,077 | 2,483 |

Prepaid expenses consist of operating expenses (insurance and rent).

The €20.3 million increase in unrealized foreign exchange losses is primarily due to a rise in the value of the euro against the US dollar.

Bond issue costs concern the ORANE bonds issued during the year in the amount of €4.1 million, amortized over the life of the bonds. The corresponding amortization expense for the year amounted to €1.2 million.

9. Shareholders' equity

| (€ thousands) | Number of shares outstanding | Capital stock | Other paid-in capital (3) | Legal reserve | Other reserves (excl. profit or loss) | Profit or loss | Total shareholders' equity |
|--|------------------------------|---------------|---------------------------|---------------|---------------------------------------|------------------|----------------------------|
| Shareholders' equity as of March 31, 2008 (published) | 12,844,860 | 12,845 | 1,057,641 | 946 | (861,024) | (51,169) | 159,239 |
| Exercise of 2007 warrants (1) | 5,445 | 6 | 76 | | | | 82 |
| Exercise of 2009 warrants (2) | 1,160 | 1 | 6 | | | | 7 |
| Conversion of ORANE bonds (3) | 124,395 | 124 | 1,272 | | | | 1,396 |
| Appropriation of 2008 profit (loss) | | | | | (51,169) | 51,169 | 0 |
| Transfer of retained earnings and other reserves | | | (912,193) | | 912,193 | | 0 |
| Profit (loss) for the year ended March 31, 2009 | | | | | | (165,095) | (165,095) |
| Other | | | | | | | (0) |
| Shareholders' equity as of March 31, 2009 | 12,975,860 | 12,976 | 146,802 | 946 | 0 | (165,095) | (4,371) |

- (1) A total of 544,400 warrants were exercised during the year ended March 31, 2009, resulting in the issue of 5,445 new shares and generating proceeds of €82 thousand. Following the tender of 167,350,200 warrants to the public exchange offer for 2007 warrants, 20,863,839 warrants remained outstanding as of March 31, 2009, the exercise of which could generate additional proceeds of €3.1 million.
- (2) A total of 1,160 warrants were exercised during the year ended March 31, 2009, resulting in the issue of 1,160 new shares and generating proceeds of €7 thousand. A further 2,077,780 "2009 warrants" remained outstanding as of March 31, 2009, the exercise of which could generate additional proceeds of €12.5 million.
- (3) A total of 13,965 ORANE 2008 bonds were converted during the year ended March 31, 2009, resulting in the issue of 124,395 new shares and generating proceeds of €1.4 thousand.

9.1. Common stock

On March 4, 2008, pursuant to a resolution by the Ordinary and Extraordinary Shareholders' Meeting of November 15, 2006, a reverse split of the Company's shares took place with 100 former Company shares with a par value of €0.01 each being replaced by 1 new share with a par value of €1. Shares that were not exchanged continued to be listed on the Euronext Paris market until September 4, 2008. Shareholders must exchange their old shares for new shares within a period of two years. After the expiration of that period, on March 4, 2010, new shares not claimed by holders of old shares will be publicly sold and the net proceeds from their sale will be placed in an escrow account with CACEIS Corporate Trust and held there for ten years on behalf of the holders of old shares.

At March 31, 2009, the Company had 12,975,860 common shares outstanding, fully paid up, with a par value of €1 each.

All shares are of the same class and may be held in either identifiable bearer (TPI) or registered form, at the holder's option. Each share entitles its holder to one vote on resolutions submitted to the Company's shareholders. All paid-up shares held in registered form by the same shareholder for at least two years carry double voting rights, as do any additional shares acquired pursuant to rights attached to registered shares carrying double voting rights.

9.2. Atari stock option plan

The Board of Directors has been authorized, until November 27, 2010, to grant options for new or existing common shares of the Company to officers, directors and certain employees of the Group, subject to the ceiling set in Article L 225-182 of the French Commercial Code. The exercise price of these options may not represent less than 95% of the average trading price of the Company's common stock over the twenty trading days immediately preceding the option grant date. Options generally vest ratably over a four- or five-year period from their date of grant under certain conditions and are generally exercisable over periods of up to eight years. No options may be granted to Group officers, directors or employees who already own more than 10% of the Company's common stock.

As of March 31, 2009, a total of 275,612,505 stock options had been granted, exercisable for 3,069,706 Atari shares.

9.3. Employee Savings Plan (PEE)

The Shareholders' Meeting of September 27, 2007 authorized the Board of Directors to issue equity in the form of new shares to be offered to employees enrolled in an employee savings plan (*Plan d'Epargne Entreprise*), for a period of 26 months.

No new employee savings plans were implemented during the fiscal year ended.

9.4. Stock warrants

9.4.1. Stock warrants maturing in 2009

At its meeting of December 19, 2006, the Board of Directors decided to issue 47,431,539 stock warrants to the Company's shareholders (the "2007 Shareholder Warrants").

In the seventeenth resolution of the Extraordinary General Meeting held on November 15, 2006 the shareholders resolved – subject to the condition precedent of the completion of the share issue amounting to €74.0 million before transaction costs – to allocate 217,900,000 stock warrants, free of consideration, exercisable for newly-issued shares, to the Company's main former bondholders (the "2007 Investor Warrants"), namely Boussard & Gavaudant Asset Management LP (36,300,000 warrants) and GLG Partners LP and The BlueBay Value Recovery Fund (181,600,000 warrants)

After adjustments for the March 2008 reverse stock split, one hundred of the 2007 warrants are exercisable for one new share at a price of €15.

At its meeting of December 1, 2008 the Board of Directors authorized the Company to carry out a public exchange offer for the warrants allocated in 2007 based on an exchange parity of one newly-issued 2009 warrant for one hundred 2007 warrants tendered to the offer. A total of 167,350,200 of the 2007 warrants were tendered, resulting in the issuance of 1,673,502 "2009 warrants" on February 11, 2009. Each 2009 warrant is exercisable for one newly-issued share of the Company at an exercise price of €6.

At its December 3, 2008 meeting, the Board of Directors decided to issue 405,438 bonds with stock warrants attached. As part of this transaction a total of 405,438 new shareholder stock warrants ("Shareholder Warrants") were detached from the bonds as soon as they were issued on January 27, 2009.

Taking into account the adjustment made to the exchange ratios of the stock warrants on February 4, 2009, one hundred 2007 warrants are now exercisable for 1.01 new shares at an exercise price of €15.

At March 31, 2009 the following stock warrants were outstanding:

- 20,863,839 "2007 warrants", exercisable at any time until December 31, 2009, which would result in the issuance of a maximum of 210,724 shares.
- 2,077,780 "2009 warrants", exercisable at any time until December 31, 2012, which would result in the issuance of a maximum of 2,077,780 shares.

9.4.2. Stock warrants created following the issue of ORANE bonds and the public exchange offer, maturing in 2012

On January 27, 2009, the Company issued 405,438 ORANE bonds with warrants attached allowing beneficiaries to subscribe one newly-issued Atari share with an exercise price of €6.

In addition, following the public tender offer which ran from December 30 2008 to January 27, 2009, the Company offered to exchange 100 warrants maturing in 2009 for 1 newly-issued warrant. Accordingly, the Company issued 1,673,502 "2009 warrants" on February 11, 2009 allowing beneficiaries to subscribe one newly-issued Atari share with an exercise price of €6.

A total of 1,160 warrants had been exercised as of March 31, 2009.

On March 31, 2009, a total of 2,077,780 "2009 warrants" remained outstanding and could be exercised at any time until December 31, 2012, for 2,077,780 shares (i.e., one share per warrant).

9.5. Grants of free shares

In fiscal year 2008-2009 and 2007-2008 the Company used the authorizations given at the Shareholders' Meeting of November 15, 2006 to grant free shares to certain corporate officers and executives.

In order for rights to free shares to vest, their beneficiaries must be part of the Group on the vesting date and grants are generally contingent on the achievement of certain performance conditions. After the vesting period, shares are subject to a two-year lock-up period.

The table below shows a summary of transactions relating to free shares in fiscal year 2008-2009 and 2007-2008:

| | 2008-2009 | 2007-2008 |
|--|-----------|-----------|
| Free shares granted at beginning of year | 639,584 | - |
| Grants | 472,685 | 1,038,948 |
| Cancellations | (624,852) | (399,364) |
| Vested | - | - |
| Free shares granted at end of year | 487,417 | 639,584 |

The fair value of free shares granted is based on the trading price of the Company's shares at the grant date. The weighted fair value of shares granted in fiscal year 2008-2009 was €7.96 per share.

The related expense recognized in the years ended March 31, 2009 and 2008 (corresponding to employer social security contributions) amounted to €0.2 million and €2.3 million respectively.

The fair value recognized is based on the assumption that all performance conditions will be fulfilled.

10. Other equity

| (€ thousands) | 2008-2009 |
|--|-----------|
| Opening balance | 150,000 |
| Conversion of ORANE 2008 bonds | (1,397) |
| Cancellation of ORANE 2008 bonds following public exchange offer | (147,987) |
| Issue of ORANE in February 2009 following public exchange offer | 147,987 |
| Issue of ORANE-BSA in January 2009 | 40,544 |
| Closing balance | 189,147 |

On January 4, 2008, the Company issued bonds redeemable for new or existing shares, maturing April 1, 2014. The nominal value of the bond issue was €150 million representing 1,500,000 bonds with a nominal value of €100 each. The bonds bear annual interest at 0.5%.

Following the public exchange offer relating to the January 4, 2008 bond issue, on February 11, 2009, the Company issued bonds redeemable for new or existing shares, maturing April 1, 2014. The nominal value of the bond issue was €147,987,100 representing 1,479,871 bonds with a nominal value of €100 each. The bonds bear annual interest at 0.5%.

On January 27, 2009, the Company issued bonds redeemable for new or existing shares with stock warrants attached, maturing April 1, 2014. The nominal value of the bond issue was €40,543,800 representing 405,438 bonds with a nominal value of €100 each. The bonds bear annual interest at 0.5%.

11. Provisions for contingencies and losses

| (€ thousands) | March 31, 2008 | Additions | Reversals | | March 31, 2009 |
|--|----------------|---------------|---------------|--------------|----------------|
| | | | utilized | surplus | |
| Provisions for future commitments | 107 | - | - | 49 | 58 |
| Provisions for foreign exchange risks | 43,834 | 827 | 24,346 | - | 20,315 |
| Provisions for losses on investments in subsidiaries | 7,334 | 12,023 | - | 7,334 | 12,023 |
| Provision for employee risk: severance benefits due to restructuring | - | 773 | - | - | 773 |
| Other provisions | 118 | - | 4 | 4 | 110 |
| Total | 51,393 | 13,624 | 24,350 | 7,387 | 33,280 |
| o/w operating | | 0 | 4 | 4 | |
| o/w financing | | 12,850 | 24,346 | 7,334 | |
| o/w non-recurring | | 773 | 0 | 49 | |

Provisions for losses on investments are designed to cover risks stemming from subsidiaries with a negative net worth. At March 31, 2009, this provision only concerns Atari Europe.

Provisions for future commitments are designed to cover future rents on vacant premises.

Provisions for employee risk concerning the layoffs carried out as part of the Company's restructuring.

12. Bond debt

As of March 31, 2009, the Company's bond debt consisted of the following bond issues: ORANE 2008, ORANE 2009, ORANE-BSA, OCEANE 2000-2011, OCEANE 2003-2020 (formerly 2003-2009), and 2009-2011 A and B convertible bonds.

12.1. Position as of March 31, 2009

| (€ thousands) | ORANE 2008-2014 | ORANE 2009-2014 | ORANE-BSA 2009-2014 | OCEANE 2000-2011 | OCEANE 2003-2020 | CB (A) Cryptic | CB (B) Cryptic |
|----------------------------------|--------------------|--------------------|------------------------|---------------------|---------------------|-------------------|-------------------|
| % convertible/exchangeable bonds | 100% | 0.00% | 0.00% | 98.49% | 99.49% | 0.00% | 0.00% |
| Number of bonds outstanding | 6,164 | 1,479,871 | 405,438 | 135,031 | 84,406 | 1,055,011 | 1,055,011 |
| Face value | 616 | 147,987 | 40,544 | 5,266 | 591 | 433 | 433 |
| Discount (1) | - | - | - | - | 46 | 3,244 | 2,051 |
| TOTAL | 616 | 147,987 | 40,544 | 5,266 | 637 | 3,677 | 2,484 |
| o/w due in less than one year | - | - | - | - | - | 3,677 | - |
| o/w due in more than one year | 616 | 147,987 | 40,544 | 5,266 | 637 | - | 2,484 |

(1) Securities acquired subject to an earn-out are estimated provisionally at their cost at the transaction date. The initial cost is subsequently adjusted to take account of the definitive acquisition price.

12.2. ORANE 2008-2014 bonds

Atari filed an offering circular with the AMF concerning the issue of ORANE bonds and a subsequent registration statement approved by the AMF on December 19, 2007 (visa no. 07-485 dated December 19, 2007). A total of 1,500,000 ORANE bonds with a nominal value of €100 each were issued, maturing on April 1, 2014 and bearing interest at 0.5%.

The bonds were issued on January 4, 2008 and generated gross proceeds of €150 million.

As of March 31, 2008, the conversion ratio was 8.91 shares for one ORANE 2009 bond. Taking into account the adjustment made to the exchange ratio of the stock warrants on February 4, 2009, each ORANE 2008 bond is now exercisable for 8.94 new or existing shares.

Between December 30, 2008 and January 27, 2009, the Company ran a simplified public offer for the ORANE 2008 bonds – whose terms and conditions were described in a circular approved by the AMF on December 24, 2008 under notice no. 208C2326 – to exchange each ORANE bond tendered for one new ORANE to be issued (ORANE 2009 bonds). On February 9, 2009, the AMF issued notice no. 209C0218 reporting that 1,479,871 ORANE 2008 bonds, or 99.59% of those outstanding, had been tendered to the offer.

A total of 13,965 ORANE 2008 bonds were converted during the year ended March 31, 2009, resulting in the issue of 124,395 new shares.

As of March 31, 2009, there were a total of 6,164 ORANE 2008 bonds still outstanding, which could be converted into 55,106 Atari shares, with none of said bonds held by the Company at March 31, 2009 or 2008.

12.3. ORANE 2009-2014 bonds

In connection with the public exchange offer that ran from December 30, 2008 to January 27, 2009, the Company issued 1,479,871 ORANE 2009 bonds with a nominal value of €100 on February 11, 2009. The ORANE 2009 bonds resulting from the exchange of ORANE 2008 bonds have the same characteristics as the ORANE 2008 bonds, except for their maturity which is set at April 1, 2014 and the exchange ratio which is 17 new shares. They bear interest at 0.5%.

As of March 31, 2009, there were a total of 1,479,871 ORANE 2009 bonds still outstanding, which could be converted into 25,157,807 Atari shares, with none of said bonds held by the Company at that date.

12.4. ORANE-BSA 2009-2014 bonds

Atari filed a circular with the AMF concerning the issue of ORANE-BSA bonds and a subsequent registration statement approved by the AMF on December 9, 2008 (visa no. 08-279 dated December 9, 2008). A total of 405,438 ORANE-BSA bonds with a nominal value of €100 each were issued, maturing on April 1, 2014 and bearing interest at 0.5%.

The bonds were issued on January 27, 2009 and generated gross proceeds of €40,543,800.

As of March 31, 2009, the conversion ratio was 26.26 new or existing shares for one ORANE bond.

None of these ORANE bonds were converted during the fiscal year.

As of March 31, 2009, there were a total of 405,438 ORANE bonds still outstanding, which could be converted into 10,646,801 Atari shares, with none of said bonds or warrants held by the Company at that date.

12.5. OCEANE 2000-2011 (formerly 2000-2005) bonds

On May 18, 2000, the Company issued 8,941,517 bonds (the "OCEANE 2000-2005 bonds") with a nominal value of €39 each, convertible or exchangeable for new or existing common stock, representing an aggregate nominal value of €412.3 million (including redemption premiums totaling approximately €63.6 million). The bonds, which originally matured on July 1, 2005, carry interest at 1.5% a year (corresponding to a gross yield to maturity of 4.75%, including the redemption premium). Each bond was originally immediately convertible into 1 Atari common share. This conversion ratio was increased to 1.05 common shares in January 2002 to take into account the allocation of free shares on that date. The Company has the option of calling the bonds if, prior to their maturity, the price of Atari common shares rises above a pre-defined level. A prospectus was published in connection with the bond issue and was approved by the COB (*Commission des opérations de bourse*, the predecessor of the AMF – French securities regulator) on May 18, 2000 under No. 00-823.

The Company issued a simplified tender offer, which was in effect from November 11 to December 1, 2003, to buy back the OCEANE 2000-2005 bonds in exchange for 1.05 new Company shares and 5 bonds convertible into new shares or exchangeable for existing shares of the Company (the "OCEANE 2003-2009 bonds") with an attached warrant for new Company shares. On December 19, 2003, the AMF issued notice no. 203C2191 in which it stated that 2,191,180 OCEANE 2000-2005 bonds had been tendered under the offer.

On March 4, 2005, the meeting of OCEANE 2000-2005 bondholders approved the following amendments to the bond indenture:

- extending the bonds' maturity date to July 1, 2011;
- cancelling the redemption premium and setting the redemption amount at nominal value (i.e. €39 per bond);
- increasing the conversion ratio to 10.5 shares of Atari common stock for each OCEANE bond.

The second simplified offer for the OCEANE 2000-2005 bonds took place between March 9 and March 31, 2005 with the Company offering to exchange each bond tendered to the offer for €11.20 in cash, 10 new Company shares and one Company note (the 2006-2008 notes). On April 7, 2005, the AMF issued notice no. 205C0605 reporting that 2,403,772 OCEANE 2000-2005 bonds had been tendered under the offer.

The conversion and/or exchange ratio was increased to 21.524 shares per OCEANE 2011 bond following the rights offering of January 2007, then to 24.718 shares per OCEANE 2011 bond following the distribution of bonus warrants to all shareholders. The conversion and/or exchange ratio was further adjusted to 0.247 shares per OCEANE 2011 bond to take account of the reverse stock split and then to 0.24874 shares per OCEANE 2011 bond in February 2009, following the issue of pre-emptive subscription rights as part of the ORANE-BSA bond issue of December 2008.

As of March 31, 2008 and 2009, there were a total of 135,031 OCEANE 2000-2011 bonds still outstanding, which could be converted into or exchanged for 33,588 Atari shares, with none of said bonds held by the Company at those dates.

12.6. OCEANE 2003-2020 (formerly 2003-2009) bonds

On December 23, 2003, the Company issued 16,487,489 bonds (the "OCEANE 2003-2009 bonds") with a nominal value of €7 each, convertible or exchangeable for new or existing common stock, representing an aggregate nominal value of €124.30 million (including redemption premiums totaling approximately €8.89 million). The bonds, which originally matured on April 1, 2009, carried interest at 4% a year (corresponding to a gross yield to maturity of 5.31%, including the redemption premium). Each bond could originally be converted into one Atari share. This conversion ratio was increased to 1.02 common shares in December 2004 to take into account the allocation of free stock warrants on that date. The Company has the option of calling the bonds if, prior to their maturity, the price of Atari common shares rises above a pre-defined level. A prospectus was published in connection with the bond issue and was approved by the COB on November 6, 2003 under No. 03-971.

At their meeting of September 29, 2006, the OCEANE 2003-2009 bondholders amended the terms and conditions of the bond indenture as follows:

- the bonds' maturity was rescheduled from April 1, 2009 to April 1, 2020;
- after April 1, 2009, the OCEANE bondholders would no longer be able to convert their bonds into new Atari shares or exchange them for existing shares;
- the nominal interest rate was reduced from 4% to 0.1%;
- the acceleration clause (2.5.10) of the bond indenture was deleted.

The changes were subject to the following conditions precedent, all of which were satisfied before the end of fiscal 2006-2007:

- the endorsement by the Extraordinary Shareholders' Meeting of the OCEANE's amended indenture;
- a subscribed equity issue of at least €33.7 million no later than February 15, 2007;
- an exchange tender offer for the OCEANE 2020 bonds no later than April 30, 2007 and the tendering of more than 60% of the OCEANE 2020 bonds outstanding.

The principal holders of OCEANE 2020 bonds undertook to tender all 11,185,659 OCEANE 2020 bonds held by them and representing 67.8% of those outstanding. They also agreed not to sell their bonds before April 30, 2007 other than in connection with the tender offer.

The conversion and/or exchange ratio was increased to 2.091 shares per OCEANE 2020 bond following the rights offering of January 2007, then to 2.401 shares per OCEANE 2020 bond following the distribution of bonus warrants to all shareholders.

Between February 12 and March 9, 2007, the Company ran a simplified public offer – whose terms and conditions were described in a circular approved by the AMF on February 2, 2007 under notice no. 207CO246 – to exchange each OCEANE 2020 bond tendered for 32 new Company shares. On March 16, 2007, the AMF issued notice no. 207C0515 reporting that 16,403,083 OCEANE 2020 bonds, or 99.5% of those outstanding, had been tendered to the offer.

As of March 31, 2008, the conversion and/or exchange ratio was adjusted to 0.024 shares per OCEANE 2020 bond to take account of the reverse stock split, and then to 0.02416 shares per OCEANE 2020 bond in February 2009, following the issue of pre-emptive subscription rights as part of the ORANE-BSA bond issue of December 2008.

At March 31, 2009 and 2008, there were a total of 84,406 OCEANE 2003-2020 bonds still outstanding, which could be converted or exchanged for 2,026 Atari shares, with none of said bonds held by the Company. The OCEANE 2020 bonds not tendered under the public exchange offer are now redeemable in full on April 1, 2020 for €7.539 each and carry interest at 0.1%.

12.7. Category A and B convertible bonds (CBs) issued as consideration for the transfer of Cryptic Studios shares

On December 8, 2008 the Group acquired the entire capital of Cryptic Studios Inc., one of the world's leading developers, publishers and operators of Massively Multiplayer Online (MMO) games. Located in the United States, this company has a range of state-of-the art games based on leading-edge technology.

| <i>(€ millions)</i> | March 31, 2009 |
|-------------------------------|-----------------------|
| Cash consideration | 20.5 |
| Earn-out | 14.2 |
| Directly attributable costs | 2.7 |
| Total acquisition cost | 37.3 |

The acquisition cost for Cryptic Studios was determined provisionally. In accordance with the Company's accounting principles and methods, securities acquired subject to an earn-out are estimated provisionally at their cost at the transaction date. The initial cost is subsequently adjusted at each balance sheet date until the definitive acquisition price has been determined. For the purpose of determining the provisional cost of the shares in the financial statements, the Company has retained the amount recorded in the consolidated financial statements. Cash payments and direct costs denominated in foreign currencies have been recorded for their equivalent amounts in euros at the transaction date. The earn-out has been recognized for its estimated amount translated into euros at the balance sheet date.

As part of the acquisition of Cryptic Studios, on December 12, 2008 the Company issued 1,055,011 Category A convertible bonds and 1,055,011 Category B convertible bonds, representing a total of 2,110,022 convertible bonds (CBs), as consideration for the transfer of Cryptic Studios shares to the Company. The nominal value of the Category A CBs is €407,122.9, or €0.386 per bond, and the nominal value of the Category B CBs is €407,122.9, or €0.386 per bond.

Each CB is automatically convertible into newly-issued shares of Atari common stock if certain targets are achieved for online revenue generated by the Champions Online and Star Trek Online video games pursuant to the earn-out mechanism applicable to the acquisition of Cryptic Studios. If all of the CBs were automatically converted this would result in the issue of 1,888,007 new Atari shares, subject to the following conditions:

- the maximum number of new Atari shares that may be issued on the automatic conversion of the Category A CBs will be determined based on the online revenue generated by Atari for the Champions Online video game during a six-month period commencing in October 2009 (as set out in the May 2009 addendum to the acquisition agreement), taking into account the cash settlement of an initial portion of the earn-out payment representing a maximum of USD 7.5 million; and
- the total number of new Atari shares that may be issued on the automatic conversion of the Category B CBs will be determined based on the online revenue generated by Atari for the Star Trek Online video game during a six-month period commencing in March 2010.

The Company also entered into the following commitments in connection with the acquisition of Cryptic Studios.

- Debt obligation granted to holders of Cryptic Studios stock options and a minority shareholder in relation to the earn-out payment for the acquisition of Cryptic Studios

As part of the acquisition of Cryptic Studios, on December 12, 2008 the Company granted a debt obligation to the holders of Cryptic Studios stock options as consideration for the cancellation of their options, giving rise to the same rights as those granted to convertible bond holders in relation to the earn-out payment for the acquisition of Cryptic Studios. In accordance with this obligation, the holders of the cancelled Cryptic Studios stock options are entitled to receive a maximum of 407,603 new shares issued under an offering reserved for said option holders, to be paid up by offsetting. The exact number of new shares to be issued will be determined based on the revenue generated for the Champions Online and Star Trek Online video games. The amount of the debt will be indexed to upward or downward changes in the reference price for Atari shares between the completion date of the Cryptic Studios acquisition and the settlement date (corresponding to March 1, 2011). In any event, the full payment of the portion of the earn-out payment settled in new Atari shares would result in the issue by the Company of 407,603 new Atari shares.

The Cryptic Studios stock option holders have undertaken to take up the above-described rights issue which will be submitted for approval at an Extraordinary Shareholders' Meeting to be held by the March 1, 2011 debt settlement date. This will result in the issue of a maximum of 407,603 new shares of the Company and will be reserved for the beneficiaries of the debt obligation. The issue will be paid up by offsetting the debt corresponding to the earn-out payment and the issue price will represent the average of the prices quoted for Atari shares over the ten trading days preceding the earn-out payment.

If the Company's shareholders vote against the rights issue the debt will be settled in cash for an amount corresponding to the average of the prices quoted for Atari shares over the ten trading days preceding the March 1, 2011 earn-out payment date, for an amount representing no more than 700% of the €5.90 reference price set for Atari shares at the date Cryptic Studios was acquired.

In addition, as consideration for the transfer of a minority shareholder's interest in Cryptic Studios, the Company has granted a debt obligation to that shareholder, who was unable to enter into the Stock Purchase and Transfer Agreement at the time of the acquisition. This obligation gives the minority shareholder concerned the same rights as those granted to the convertible bond holders in relation to the earn-out payment for the acquisition of Cryptic Studios, as he would have received convertible bonds as consideration for the transfer of his Cryptic Studios shares if he had transferred them at the time of the company's acquisition. The payment of the debt would entitle the shareholder to receive a maximum of 1,234 new shares in the Company, issued under a rights offering reserved for him and paid up by capitalizing the debt due to him in connection with the earn-out payment for the acquisition of Cryptic Studios.

- Cryptic bonus

As part of the December 2008 acquisition of Cryptic Studios it was agreed that Atari could pay a bonus if revenue targets for the Champions Online and Star Trek Online video games were exceeded. The bonus represents a maximum amount of USD 20 million and would be payable as follows

- either in cash, with half the amount payable by the end of November 2010 and the remaining half payable by mid-May 2011; or
- by issuing, at the option of the Company, new common stock of the Company through a rights issue reserved for the beneficiaries of the bonus.

13. Other financial liabilities

| (€ thousands) | March 31, 2009 | March 31, 2008 |
|---|----------------|----------------|
| Accrued interest on bond debt | 60 | 60 |
| Accrued interest on ORANE bonds | 139 | 181 |
| Bank overdrafts | 27 | - |
| Accrued interests on bank borrowings and overdrafts | - | - |
| Liabilities to Group subsidiaries | 11,050 | 19,376 |
| Other | 81 | 81 |
| Total other financial liabilities | 11,357 | 19,698 |
| o/w due in more than one year | - | - |
| o/w due in less than one year | 11,357 | 19,698 |

14. Operating liabilities

| (€ thousands) | March 31, 2009 | March 31, 2008 |
|--|----------------|----------------|
| Trade payables | 17,928 | 5,869 |
| Personnel | 1,234 | 286 |
| Employee benefits | 360 | 1,804 |
| Corporate income tax | 531 | 130 |
| Other tax and employee related liabilities | 90 | 2 |
| Other liabilities | 555 | - |
| Total | 20,698 | 8,091 |

All operating liabilities are due in less than one year.

15. Operating revenue

The table below shows a breakdown of operating revenue:

| (€ thousands) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|------------------------|------------------------------|------------------------------|
| Revenue | 10,781 | 8,856 |
| Other operating income | 7,736 | 14,691 |
| Total | 18,517 | 23,547 |

Revenue essentially consists of services performed and rebilled to Group entities.

Other revenue includes €7.7 million in transferred operating expenses (of which €0.3 million in rental payments, €2.3 million in payroll costs, €1.1 million in restructuring costs and €4.1 million in ORANE bond issue costs).

16. Other purchases and expenses

“Other purchases and expenses” break down as follows:

| (€ thousands) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|---|------------------------------|------------------------------|
| Purchases not included in inventories | 35 | 5 |
| Sub-contracting costs | 2,054 | 3,265 |
| Royalties | 1,095 | 2,057 |
| Rents (including service and maintenance charges) | 1,962 | 2,079 |
| Leased equipment (including capital leases) | 131 | 151 |
| Cleaning, maintenance and repairs | 188 | 33 |
| Insurance | 595 | 605 |
| Fees | 7,385 | 5,119 |
| Advertising, publications, public relations | 84 | 228 |
| Travel, assignments and entertainment | 268 | 295 |
| Postage and communications | 43 | 73 |
| Bank charges (essentially ORANE issue costs) | 4,370 | 6,016 |
| Directors' fees | 500 | 220 |
| Other expenses | 1,811 | 122 |
| Total | 20,521 | 20,268 |

17. Payroll expenses and personnel

The Company's average headcount for the past two years was as follows:

| | Managerial staff | Non-supervisory employees | Total |
|----------------|------------------|------------------------------|-------|
| March 31, 2008 | 10 | 4 | 14 |
| March 31, 2009 | 10 | 4 | 14 |

For the fiscal year ended March 31, 2009, the Company paid aggregate compensation to members of the Board of Directors of €929,000 (no directors' fees were paid during the fiscal year), compared with €8,398,000 for the fiscal year ended March 31, 2008 (including €233,000 in directors' fees).

French Act no. 2004-391 of May 4, 2004 on lifetime occupational training and labor relations resulted in amendments to Articles L.933-1 et L.933-6 of the French Labor Code (*Code de travail*) and provides that persons permanently employed in the private sector are entitled to a minimum of 20 hours per annum of individual training. They may accumulate those hours over a six-year period (up to a maximum ceiling of 120 hours). None of the Company's employees made use of their statutory training rights during the 2008 calendar year. The Company's obligations under the statutory training entitlement amounted to 467 hours on March 31, 2009, versus 515 hours one year previously.

18. Depreciation and amortization allowances and reversals – recognition and reversals of operating provisions

| (€ thousands) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|--|------------------------------|------------------------------|
| Provisions for contingencies and losses | 8 | 37 |
| Provisions for the impairment of current assets | 0 | 106 |
| Total reversals | 8 | 143 |
| Depreciation and amortization: | | |
| - intangible assets | 122 | 86 |
| - property, plant and equipment | 190 | 153 |
| Amortization of expenses attributable to several periods | 1,174 | 230 |
| Provisions for contingencies and losses | 0 | 110 |
| Provisions for the impairment of current assets | - | - |
| Total depreciation and amortization | 1,486 | 579 |

19. Net financial income and expense

| (€ thousands) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|---|------------------------------|------------------------------|
| Financial income: | | |
| - Foreign exchange gains | 407 | 223 |
| - Interest income | 9,252 | 8,476 |
| - Reversals of provisions and expense transfers | 58,298 | 3,447 |
| - Other financial income | 81 | 28 |
| - Proceeds from the sale of securities | 552 | 267 |
| Financial expenses: | | |
| - Foreign exchange losses | 579 | 422 |
| - Interest expense | 919 | 1,868 |
| - Depreciation, amortization and provisions | 218,875 | 63,436 |
| - Other financial expenses | - | - |
| Net financial expense | (151,783) | (53,285) |

Financial income for the year ended March 31, 2009 reflected:

- Interest income of €9.3 million, corresponding to interest charged on loans to other Group companies;
- reversals of provisions and expense transfers in the amount of €58.3 million, mainly comprising reversals of provisions for contingencies on Learning Ltd (€5.5 million), Atari Japan (€1.1 million) and Atari Brazil (€0.6 million), as well as reversals of provisions for currency risks (€24.3 million) and reversals of provisions on investment securities held in California US Holding (€17.8 million), Gameone (€4.9 million), Atari Brasil (€1.4 million) – Atari Brasil was sold during the year).

Financial expenses for the year ended March 31, 2009 included:

- Interest payable on the €30 million loan granted by BlueBay for €0.5 million.
This loan was granted by BlueBay for a period of three months and carried interest at 15%. The main purpose of the loan was to finance the acquisition of Cryptic Studios, and was repaid in full following the issue of the ORANE-BSA bonds in 2009. BlueBay also received a €0.9 million arrangement fee for the loan.
- Interest expense of €0.4 million, chiefly on shareholder advances to Group entities.
- Impairment allowances on interests in subsidiaries and related receivables of respectively €144 million (including €131.2 million for Atari Europe, €2.1 million for Infogrames Interactive Ltd, €7.5 million for Eden Studio, and €2.8 million for Microprose Ltd) and €62.1 million (including €59.5 million for Atari Europe) and a provision of €1.5 million euros for foreign exchange losses.
- Additions to provisions for financial risks to cover the net negative worth of certain subsidiaries, notably Atari Europe, for €12 million.

Financial expenses for the year ended March 31, 2008 included:

- Interest expense of €2.3 million, chiefly on shareholder advances to Group entities;
- Impairment allowances of €42 million on interests in subsidiaries and related receivables, including €13.3 million for Atari Europe, €18.7 million for CUSH and €9.6 million for Atari Interactive Inc. and a provision of €20.5 million for foreign exchange losses.

20. Non-recurring income and expense

| (€ thousands) | Income | Expense | Net |
|----------------------------------|---------------|---------------|----------------|
| Year ended March 31, 2009 | | | |
| - Operating activities | 2,353 | 3,687 | (1,334) |
| - Investing activities | 196 | 1,467 | (1,271) |
| - Amortization and provisions | 49 | 773 | (724) |
| - Other | - | - | - |
| Total | 2,598 | 5,927 | (3,329) |
| Year ended March 31, 2008 | | | |
| - Operating activities | - | 5,818 | (5,818) |
| - Investing activities | 17,201 | 6,471 | 10,730 |
| - Amortization and provisions | 1,863 | - | 1,863 |
| - Other | - | - | - |
| Total | 19,064 | 12,289 | 6,775 |

Non-recurring expenses on operating transactions for fiscal 2008-2009 consisted primarily of:

- €2.3 million in severance pay in relation to the redundancy measures;
- €1.1 million for the restructuring of the Atari Group;
- €0.3 million for unused premises and relocation costs.

Non-recurring income from investment transactions consisted primarily of the proceeds from the sale of:

- Group subsidiary Atari Brasil to Namco Bandai Partners for €0.1 million;
- Group subsidiary Atari Italia to Namco Bandai Partners for €0.2 million (2% of the share capital).

Non-recurring expenses on investment transactions consisted mainly of:

- the derecognition of investments in subsidiaries and associates held by Atari Brasil for €1.4 million;
- the derecognition of investments in subsidiaries and associates held by Atari Italia for €0.1 million.

"Amortization and provisions" consisted primarily of:

- the reversal of a provision of €0.8 million for severance benefits;
- the reversal of a provision for unused premises.

For the year ended March 31, 2008, non-recurring items consisted of the following:

- expenses on management transactions corresponding mainly to €3.7 million in respect of severance benefits, €1.4 million for the restructuring of Atari Inc. and €0.5 million for unused premises.
- income from investment transactions consisted primarily of the proceeds from the sale of the Test Drive Unlimited license to Atari Interactive Inc. for €3.2 million and a Hasbro license to Hasbro Inc. for USD 19 million (€14 million).
- Expenses on investment transactions mainly comprised the cost of the Test Drive Unlimited license (€3.4 million) and the payment to Atari Inc. of USD 4 million (€3.1 million) for the sale of a Hasbro license.
- "Amortization and provisions" reflects reversals of provisions for severance benefits (€1.0 million) and unused premises (€0.8 million).

21. Corporate income tax and profit sharing

| (€ thousands) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|----------------------|------------------------------|------------------------------|
| Corporate income tax | 6 | 1 872 |
| Profit-sharing plan | - | (21) |

As the Company has large carryover losses, the breakdown of corporate income tax between regular income and non-recurring income is not relevant.

The Company heads up a tax consolidation group (Article 223 A *et seq.* of the General Tax Code) that includes Atari Europe, I Music, Eden Games and Atari Publishing. For the fiscal year ended March 31, 2009 tax consolidation resulted in the recognition of deferred tax assets of €6,000, versus €1,872,000 the previous year.

Following a change in ownership, Atari France SAS ceased to be a member of the tax consolidation group with retroactive effect from April 1, 2008.

INCREASES AND REDUCTIONS IN THE FUTURE TAX BURDEN AS OF MARCH 31, 2009

- Factors resulting in a future tax:

| Factors | Bases (€ thousands) |
|--|------------------------|
| Provisions deducted during the year to be included in subsequent periods | 20,315 |

- Factors resulting in a reduction in future taxes:

| Factors | Bases (€ thousands) |
|--------------------------------|------------------------|
| Non-deductible provisions | 13,660 |
| Regular tax-loss carryforwards | 498,424 |

22. Statement of accrued income and expenses

| Accrued expenses (€ thousands) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|--|------------------------------|------------------------------|
| Trade payables - pending invoices | 1,877 | 1,832 |
| Tax and employee-related liabilities: | | |
| - Provision for bonuses, paid leave, working hour reductions, working time credits | 1,216 | 373 |
| - Other employee benefits payable | 230 | 1,697 |
| - Tax liabilities | 90 | 130 |
| - Other | 5 | 0 |
| Total accrued expenses | 3,418 | 4,032 |

| Accrued income (€ thousands) | Year ended March 31, 2009 | Year ended March 31, 2008 |
|--------------------------------------|---------------------------------|---------------------------------|
| Trade receivables - pending invoices | 1,093 | 310 |
| Total accrued income | 1,093 | 310 |

23. Off-balance sheet commitments**23.1. Commitments given****23.1.1. Guarantees given by Atari in its capacity as parent company under the agreement with Banc of America**

The Company has given various guarantees as security for the Banc of America loans to Atari Europe SAS and some of its subsidiaries, consisting of:

- A first-call guarantee.
- Pledges of the entire equity interests in the following subsidiaries: Cryptic Studios Inc., Eden Games SAS, Atari Interactive Inc., Atari Inc. and Atari Europe SAS.
- Pledge of 66% of the shares in Distribution Partners SAS (waived on July 7, 2009 due to the sale to Namco Bandai Games Europe SAS of the remaining 66% interest).
- Pledges of certain trademarks and rights relating to certain video games published by Atari Europe SAS;
- Pledges of the intra-group receivables of certain Group subsidiaries.

23.1.2. Guarantees given in connection with local financing facilities

In the ordinary course of business, the Company has given guarantees to financial institutions as security for credit facilities extended to Group entities:

- Atari Australia: AUD 8.5 million (€4.4 million)
- Atari Italia: €8.2 million
- Atari España: €1.3 million

23.1.3. Hasbro commitment

In connection with agreements entered into by the Company and Hasbro Inc., the Company has undertaken to pay Hasbro Inc. USD 12.37 million (€9.3 million) as a "guaranteed minimum" payment under the license agreements. This payment will be made in accordance with the following schedule:

| Period | Amount in USD | Amount in EUR |
|-------------------|----------------------|--------------------|
| Less than 1 year | 1.5 million | 1.1 million |
| 1 to 5 years | 6 million | 4.5 million |
| More than 5 years | 4.87 million | 3.7 million |
| Total | 12.37 million | 9.3 million |

23.1.4. Commitments to corporate officers and directors

Undertaking to pay additional bonuses

In the last quarter of fiscal year 2008-2009, the Company set up an additional incentive bonus scheme for two of its executives, based on the Company's market capitalization. The maximum amount payable under this scheme has been capped at €35 million. In the event that the Company's average market capitalization, on a fully-diluted basis, exceeds €500 million over three successive months before March 31, 2013, each of the two officers would be entitled to an additional bonus representing 3.75% and 5.0% respectively of the excess between €500 million and €900 million. This variable compensation may be settled either in cash or in shares at the Company's discretion. At this point in time, management anticipates paying the bonuses in the form of newly-issued shares. This variable compensation is accounted for as a contingent liability.

Severance benefits

Certain Company officers are entitled to severance benefits if their corporate office is terminated for reasons other than (i) serious misconduct or gross negligence or (ii) resignation. The aggregate gross amount of these benefits is estimated at €2.5 million.

23.2. Operating lease commitments

The Company is a party to a lease for the premises where it has its registered office. The lease is for nine years and began in June 2001.

The schedule of future rent payments under this non-cancelable lease is as follows:

| Year | March 31, 2009 (€ thousands) | March 31, 2008 (€ thousands) |
|-------------------------------------|---------------------------------|---------------------------------|
| Y+1 | 1 983 | 1 934 |
| Y+2 | 496 | 1 934 |
| Y+3 | - | 483 |
| Y+4 | - | - |
| Y+5 | - | - |
| Beyond | - | - |
| Total future rental payments | 2 479 | 4 351 |

Furthermore, the Company is a party to a lease for offices in Paris. The lease is for 23 months and began on September 1, 2008.

The schedule of future rent payments under this non-cancelable lease is as follows:

| Year | March 31, 2009 (€ thousands) |
|-------------------------------------|---------------------------------|
| Y+1 | 125 |
| Y+2 | 42 |
| Y+3 | - |
| Y+4 | - |
| Y+5 | - |
| Beyond | - |
| Total future rental payments | 167 |

23.2. Capital leases

All amounts below are expressed in thousands of euros.

| Assets acquired under capital leases | | | | |
|--------------------------------------|--------------|--------------|------------|-----------------|
| Balance sheet item | Initial cost | Depreciation | | Carrying amount |
| | | for the year | aggregate | |
| Improvements and fittings | 733 | 81 | 631 | 102 |
| Total | 733 | 81 | 631 | 102 |

| Capital lease commitments | | | | | | | |
|---------------------------|---------------|------------|----------------------|--------------|-------------------|------------|-------------------------|
| Balance sheet item | Payments made | | Payments outstanding | | | Total | Residual purchase price |
| | for the year | aggregate | Less than 1 year | 1 to 5 years | More than 5 years | | |
| Improvements and fittings | 106 | 827 | 106 | 26 | - | 132 | 7 |
| Total | 106 | 828 | 106 | 26 | - | 132 | 7 |

23.4 Pension obligations

Given the small size of the Company's workforce, pension obligations are not material.

23.5. Commitment in favor of Atari publishing and IDRS

The Company has granted two successive debt waivers to Atari Publishing,

- on February 28, 2005, in an amount of €25 million and
- on March 31, 2007, in an amount of €11.3 million.

These debt waivers were accompanied by a return-to-profit clawback agreement.

On March 31, 2009, Atari Publishing repaid a portion of the debt subject to waiver in the amount of €2,353,000 out of that company's net profit for the year.

24. Litigation

In the ordinary course of business, the Company may be involved in various court, arbitral, administrative and tax proceedings. Although the final outcome of such proceedings is uncertain, the Company considers that any resulting obligations should not have a material impact on its earnings or financial position.

24.1. Litigation between a former employee and the Company

A significant case arose in a previous year, in which the Company was sued by a former employee who claimed that he had co-authored one of the Group's best-selling franchises. The plaintiff claimed approximately €17 million in damages for financial and non-financial loss suffered as a result of the Group's allegedly unlawful distribution of games based on that theme. At this stage in the proceedings, the Company is categorically rejecting the plaintiff's claim of authorship and/or co-authorship of the franchise and considers the grounds and the amount of the claim to be unfounded.

The parties have filed their pleadings with the court but no significant progress was made in fiscal year 2008-2009. No hearing date has been set and judgment is not expected before November 2009.

In view of the status of the proceedings and based on the information available, the Company considers that this dispute should be accounted for as a contingent liability within the meaning of IAS 37. Consequently no provision has been recorded in relation to this matter.

24.2. Stanley v. IESA, Atari Inc. and the members of the Atari Inc. Board of Directors

On April 18, 2008, an Atari Inc. minority shareholder, filed a Verified Class Action Complaint against Atari Inc., certain of its directors and former directors, and the Company with the Delaware Court of Chancery. The plaintiff alleges that the Atari Inc. director defendants breached their fiduciary duties to Atari's minority shareholders by entering into an agreement that allowed the Company to acquire the outstanding shares of Atari's common stock at an unfairly low price. The plaintiff asked the court to enjoin the proposed merger transaction, or alternatively, to rescind it in the event that it was consummated, and was seeking damages.

On April 29, 2009, the Delaware Court of Chancery approved the negotiated settlement concluded by the parties, pursuant to which the Company agreed to pay USD 310,000 to the plaintiff.

25.3. Disputes to which Atari Europe SAS is party

25.3.1. BVT production funds v. Atari Europe SAS

This dispute concerns two German entities, BVT productions funds, which, pursuant to a series of agreements entered into with various Group companies, financed the production of certain interactive game titles.

Following exchanges of correspondence and an audit in December 2008, the BVT funds launched proceedings in March 2009 in Germany, claiming the breach by Atari Europe of several contractual obligations arising from publishing agreements linking the funds to Atari Europe. The claims made by the funds before the German courts amount to €2 million.

Atari Europe has filed its pleadings with the Munich Court, contesting each of the plaintiff's allegations. A hearing is scheduled to take place in November 2009.

25.4. Disputes to which Atari Inc. is party

25.4.1. Bouchat v. Champion Products, et al (Accolade)

In 1999, Bouchat filed a suit with the District Court of Maryland against the National Football League (NFL) and 500 other defendants, including Accolade, Inc. (a predecessor entity of Atari Inc.), all of which were licensees of the NFL, claiming copyright infringement of a logo used by the Baltimore Ravens that the plaintiff allegedly designed.

In 2003, the District Court dismissed plaintiff's claim for damages. The plaintiff has appealed the District Court's ruling.

25.4.2. Ernst & Young Inc. v. Atari Inc.

On July 21, 2006 Atari Inc. was served with a complaint filed by Ernst & Young as Interim Receiver for HIP Interactive Inc. This suit was filed with the New York State Supreme Court, New York County. HIP is a Canadian company that has gone into bankruptcy and with which Atari Inc. had contracted to act as its distributor for various software products in the US. HIP is alleging breach of contract claims based on the fact that Atari Inc. failed to pay HIP for products in the amount of USD 0.7 million. Atari Inc. has decided to file counter claims against HIP, as HIP owes it for products distributed in Canada via Atari's Canadian Agent, Hyperactive.

Atari Inc. filed its answer and counterclaim in August of 2006 and initiated discovery against Ernst & Young at the same time.

The parties have since entered into an out-of-court settlement pursuant to which Atari Inc. paid USD 60,000 to Ernst & Young on June 30, 2008 and Ernst & Young abandoned its claims.

25.4.3. Research in Motion Limited v. Atari Inc. and Atari Interactive Inc.

On October 26, 2006, Research in Motion Limited ("RIM") filed a claim against Atari Inc. and Atari Interactive Inc. (together referred to as "Atari") with the Ontario Superior Court of Justice. RIM is seeking a declaration that (i) the game BrickBreaker, as well as the copyright, distribution, sale and communication to the public of copies of the game in Canada and the United States, does not infringe any Atari copyright for Breakout or Super Breakout (together "Breakout") in Canada or the United States, (ii) the audio-visual displays of Breakout do not constitute a work protected by copyright under Canadian law, and (iii) Atari holds no right (notably intellectual property) in Breakout under US or Canadian law. RIM also submitted a claim for legal costs.

In August 2007, the Court ruled against Atari's December 2006 motion to have the RIM claims dismissed on the grounds that the Canadian courts did not have jurisdiction.

On January 19, 2007, RIM added claims to its case requesting that it be established that (i) its game Meteor Crusher does not infringe Atari copyright for its game Asteroids in Canada, (ii) the audio-visual displays of Asteroids do not constitute a work protected under Canadian law, and (iii) Atari holds no right (notably intellectual property) in Asteroids under Canadian law.

Plazmic Inc., a subsidiary of RIM, has joined the proceedings. Atari Inc. decided to file a counterclaim for breach of copyright on Breakout, SuperBreakout, Asteroids and Asteroids Deluxe in Canada.

In December 2006, Atari Interactive Inc. initiated proceedings before the Federal Court for breach of copyright in Canada. Insofar as the proceedings before the Ontario Superior Court of Justice are in progress, Atari Interactive has accepted that the proceedings before the Federal Court be suspended pending the decision of the Ontario Superior Court of Justice.

No further progress has been made in the proceedings. In August 2008, RIM offered to pay USD 250,000 by way of an out-of-court settlement. Negotiations between the parties are ongoing.

25.4.4. Stanley v. IESA, Atari Inc. and the members of the Atari Inc. Board of Directors

This dispute is described above.

25. Consolidating entity

The Company publishes consolidated financial statements.

26. Subsidiaries and associates

| (€ thousands) | Amount concerning | | | |
|---|-----------------------------|---------|---|-------|
| | subsidiaries and associates | | in which the Company holds an equity interest | |
| | Gross | Net | Gross | Net |
| ASSETS | | | | |
| Investments in subsidiaries and associates and equity interests | 756,292 | 77,270 | 4,979 | 4,953 |
| Related receivables | 264,387 | 122,421 | 648 | 648 |
| Other financial fixed assets | - | - | - | - |
| Current receivables | 3,497 | 3,497 | - | - |
| LIABILITIES | | | | |
| Other financial liabilities | | 35 | | - |
| Operating liabilities | | 682 | | - |
| FINANCIAL INCOME AND EXPENSES | | | | |
| Interest income | | 9,250 | | 53 |
| Interest expense | | 368 | | |
| Other net financial expenses | | 184,834 | | - |
| Other net financial income | | - | | 5,554 |

The Company holds an equity interest in subsidiaries and associates that enables it to exercise control over them and exert significant influence over their management.

The Company is the parent company and head of the Atari Group. It generates most of its revenue by charging for services to subsidiaries of Group companies. It is both a lender to and a borrower from its subsidiaries, with amounts subject to rebilling or bearing interest.

Subsidiaries and associates (in millions of euros)

| Subsidiaries and associates as of March 31, 2009 | Capital stock | Shareholders' equity (other than capital) | Ownership interest (%) as of March 31, 2009 | Carrying amount of securities held: | | Loans and advances outstanding | Guarantees and endorsements | Revenue for the last fiscal year | Profit (loss) for the last fiscal year | Notes |
|--|---------------|---|---|-------------------------------------|-------------|--------------------------------|-----------------------------|----------------------------------|--|------------------------------|
| | | | | Gross | Net | | | | | |
| 1. Detailed information on subsidiaries and investment holdings with a gross carrying amount in excess of 1% of the Company's capital | | | | | | | | | | |
| 1.1. Subsidiaries (more than 50%-owned) | | | | | | | | | | |
| Atari Europe SAS | 19.0 | (93.8) | 100% | 200.3 | 0.0 | 60.3 | - | 70.5 | (75.7) | |
| Infogrames Interactive GmbH | 0.0 | 0.4 | 100% | 0.2 | 0.0 | 0.0 | - | 0.0 | 0.0 | (1) |
| Infogrames Interactive Ltd | 0.0 | (5.3) | 100% | 14.1 | 0.0 | 0.0 | - | 0.0 | 0.0 | (1) |
| Atari Japan | 0.3 | (3.9) | 100% | 0.3 | 0.0 | 2.5 | - | 0.1 | 0.1 | (2) |
| California US Holdings Inc. | 0.0 | 31.8 | 100% | 429.4 | 37.2 | 0.0 | - | 0.0 | 1.6 | |
| Game Nation Texas Inc. | 0.0 | 0.2 | 100% | 18.0 | 0.0 | 0.0 | - | 0.0 | 0.0 | (1) |
| Atari Interactive Inc. | 0.0 | (123.4) | 100% | 43.6 | 0.0 | 181.9 | - | 23.3 | (22.2) | (3) |
| Microprose Ltd | 4.8 | (2.2) | 100% | 2.8 | 0.0 | 0.0 | - | 0.0 | 0.0 | (1) |
| Cryptic | 0.0 | (0.4) | 100% | 37.3 | 37.3 | 9.5 | | 0.0 | (1.8) | |
| Eden Games SAS | 0.3 | 2.5 | 100% | 10.1 | 2.6 | 0.0 | - | 8.0 | (0.1) | |
| Total for subsidiaries more than 50%-owned | | | | 718.8 | 57.6 | 254.2 | | | | |
| 1.2. Investments (ownership interest of between 10% and 50%) | | | | | | | | | | |
| Game One SAS | 0.1 | (1.4) | 38% | 4.9 | 4.9 | 0.6 | - | 5.4 | (0.0) | Year ended December 31, 2007 |
| 2 Aggregate information on interests held with a value of less than 1% of the Company's capital | | | | | | | | | | |
| 2.1. French subsidiaries and holdings | | | | 0.0 | 0,0 | 2,3 | - | | | |
| 2.2. Foreign subsidiaries and holdings | | | | 0.1 | 0,0 | 3,7 | - | | | |
| GRAND TOTAL | | | | 723,8 | 57,6 | 260,8 | | | | |

(1) Dormant companies.

(2) The company is in the process of being wound down. As of March 31, 2009, the Company has set aside provisions for all of its shares and debt.

(3) As of March 31, 2009, the Company has set aside provisions in the financial statements in an amount of €73.2 million for loans and advances made to Atari Interactive Inc.

In the case of subsidiaries and holdings whose financial statements are prepared in currencies other than the euro, the amounts above have been translated as follows:

- Capital and equity have been translated at the exchange rate in effect at the balance sheet date.
- Revenue and income have been translated at the average exchange rate for the period.

27. Subsequent events

27.1 Liquidity agreement

In April 2009, the Company used the authorization given at the Shareholders' Meeting of September 25, 2008 to enter into a liquidity agreement for an automatically renewable one-year term. The purpose of the agreement is to improve the liquidity of the Company's shares and reduce long-term share price volatility. A cash amount of €200,000 has been allocated to the liquidity account in connection with this agreement.

27.2 Change in corporate name

In May 2009 the Board of Directors agreed to change the Company's name from Infogrames Entertainment to Atari. This move will enable the Company to more effectively leverage the Atari brand by capitalizing on its worldwide reputation and its consumer appeal – two factors that are key to implementing the Group's online, product and licensing strategies. The Atari share is still listed on NYSE Euronext Paris under the same ISIN code (FR0010478248) but its ticker has been changed to ATA.

27.3 New publishing strategy

In May 2009, the Company announced a reorganization plan for its publishing operations with the aim of maximizing revenue generated by non-online intellectual property through the monetization of licenses and by entering into publishing partnership agreements.

The first stages of this plan have already been implemented. For example, in early May 2009, Atari announced its new worldwide launch program for Ghostbusters: The Video Game, which includes an exclusive agreement with Sony Computer Entertainment Europe for the launch of the game on the PS3 and PS2 in Europe and the PAL regions.

27.4 Extension of the Banc of America credit facility

In addition to the Amendment to the credit facility agreed with Banc of America, in order to secure the necessary funding for its operations for fiscal year 2009-2010, the Company has entered into negotiations to extend the maturity of said facility from December 31, 2009 to July 2010. In light of the negotiations that have taken place so far, management considers it likely that Banc of America will grant this extension.

27.5 Tax audit

The Company has been subject to a tax audit covering the period June 1, 2004 to March 31, 2007.

The tax deficiency notice was received on June 30, 2009 and does not have a material impact on the financial statements.

27.6 Completion of the sale of Atari Europe's 66% stake in Namco Bandai Partners

In early July 2009, Atari completed the sale of Atari Europe's remaining 66% stake in Namco Bandai Partners to Namco Bandai Games Europe. As consideration for the assets sold, Atari received a cash payment from Namco Bandai Games Europe totaling approximately €36.3 million, based on an enterprise value for Namco Bandai Partners of €60 million, adjusted for cash, debt, price adjustments and repayments of intra-group loans.

In addition, for a period of five years from the completion date, Namco Bandai Partners will have exclusive retail distribution rights for video games produced by Atari in Europe, Asia (excluding Japan), Africa, the Middle East, Central and South America, Australia and New Zealand.

27.7 Changes to the senior management team

In May 2009, the Company announced a series of changes in its senior management team, with Phil Harrison leaving his position as Chief Operating Officer of Atari but retaining a seat on the Board of Directors of the Company, and the appointment of Jeff Lapin as Chief Operating Officer.

28. Fees paid to the Statutory Auditors

Fees recognized for the year ended March 31, 2009 in respect of the statutory audit of the financial statements, as well as the audit of the consolidated financial statements, came to €470 thousand and those paid for audit-related services amount to €263 thousand.

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Year ended March 31, 2009

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended March 31, 2009, on:

- the audit of the accompanying financial statements of Atari (formerly Infogrames Entertainment);
- The justification of our assessments;
- The specific verifications and information required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the Company at March 31, 2009, and of the results of its operations for the year then ended in accordance with accounting rules and principles applicable in France.

Without qualifying the opinion expressed above, we draw your attention to Note 2.1 to the financial statements, which describes the assumptions used as regards the going concern principle and expresses a degree of uncertainty as to the Company's status as a going concern.

II. JUSTIFICATION OF OUR ASSESSMENTS

The accounting estimates used to prepare the financial statements at March 31, 2009 were performed against a backdrop of extreme market volatility and a lack of visibility over the economic outlook. These conditions are described in Note 2.2 to the financial statements. In this context, and in accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

Going concern assumption

As indicated in the first part of this report, Note 2.1 to the financial statements describes the assumptions used as regards the going concern principle and expresses a degree of uncertainty as to the Company's status as a going concern.

As part of our review of the overall presentation of the financial statements, and based on the information provided to us to date, we have assessed the pertinence of the information contained in that note on the Group's financial position and recent changes therein, as well as the uncertainty regarding the going concern assumption.

Measurement of interests in subsidiaries and associates, related receivables and provisions for risks of subsidiaries

Note 2.2 to the financial statements sets out the rules and methods used for the measurement and impairment of interests in subsidiaries and associates, related receivables and provisions for risks of subsidiaries.

Our work consisted in assessing the appropriateness of those accounting rules and methods and of the data and assumptions on which estimates are based, as well as in verifying the calculations made and the disclosures in the financial statements.

These assessments were made in the context of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed the specific verifications required by law.

We have no matters to report on:

- the fair presentation and the conformity with the financial statements of the information given in the Board of Director's management report, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.
- the fair presentation of the information provided in the management report in respect of compensation granted to certain company officers and any other commitments made in their favor in connection with, or subsequent to, their appointment, termination or change in function.

In accordance with the law, we have verified that the management report contains the appropriate disclosures regarding acquisitions of investments and controlling interests, the identity of shareholders and holders of voting rights.

Lyon and Villeurbanne, July 31, 2009

The Statutory Auditors

PIN ASSOCIÉS

DELOITTE & ASSOCIÉS

Jean-François Pin

Alain Descoins

GENERAL INFORMATION CONCERNING THE COMPANY**NAME AND REGISTERED OFFICE (ARTICLES 3 AND 4 OF THE ARTICLES OF INCORPORATION)**

Atari S.A. (formerly Infogrames Entertainment SA)

Registered office

1, place Verrazzano

69252 Lyon Cedex 09, France

Telephone: + 33 (0) 4 37 64 37 64

Pursuant to the twenty-first resolution, the Shareholders' Meeting of September 25, 2008 decided to change the Company's corporate name to "Atari", and gave full powers to the Board of Directors to implement this decision and, in particular, to decide the effective date for the change of corporate name and to modify Article 3 of the Company's Articles of Incorporation.

On May 25, 2009, the Board of Directors decided unanimously to implement the decision of the shareholders, and the Company's name is now "Atari".

LEGAL FORM AND GOVERNING LAW (ARTICLE 1 OF THE ARTICLES OF INCORPORATION)

The Company is a French *société anonyme* (joint stock company) with a Board of Directors, governed by Articles L. 210-1 *et seq.* of the French Commercial Code (*Code de commerce*). It is governed by French law.

DATE OF INCORPORATION AND CORPORATE LIFE (ARTICLE 5 OF THE ARTICLES OF INCORPORATION)

The Company was incorporated for a term of 99 years commencing on July 15, 1987 as of its registration in the Trade and Companies Register and ending July 15, 2086, except in the event of early dissolution or extension.

CORPORATE PURPOSE (ARTICLE 2 OF THE ARTICLES OF INCORPORATION)

The corporate purpose consists of, either directly or indirectly:

- designing, producing, publishing and distributing all multimedia and audiovisual products and works, including those in the nature of entertainment, in any form, including software, data processing and content (either interactive or otherwise) for all media and by means of all present and future means of communication;
- purchasing, selling, supplying and more generally distributing all products and services related to the foregoing;
- creating, acquiring, using and managing intellectual and industrial property rights or other rights in rem or in personam, including by means of assignment, licensing, patents, trademarks and other copyrights;
- acquiring interests in other firms, through joint ventures or by any other means, including the formation of new entities and the issuance, subscription or transfer of securities in any business directly or indirectly related to the foregoing or to the products and ideas developed by the Company;
- and, more generally, all and any transactions directly or indirectly related to the above purpose or to any similar or connected purpose likely to facilitate the Company's development.

TRADE AND COMPANIES REGISTRY

Lyon B 341 699 106, APE/NAF Code: 5829C.

PLACE WHERE LEGAL DOCUMENTS MAY BE EXAMINED

The Company's registered office.

FISCAL YEAR (ARTICLE 6 OF THE ARTICLES OF INCORPORATION)

The fiscal year of the Company commences on April 1 and ends on March 31 of each year.

FUNCTIONING OF THE BOARD OF DIRECTORS (ARTICLES 14 AND 15 OF THE ARTICLES OF INCORPORATION)

The Company is governed by a Board of Directors with a minimum of three members and a maximum of 18 members, subject to the exemption allowed by the French Commercial Code in the event of a merger.

Directors are appointed or reappointed by the Annual Shareholders' Meeting for six-year terms.

The Board of Directors appoints a Chairman from among its individual members. The Chairman represents the Board of Directors and chairs its meetings. The Chairman organizes and oversees the work of the Board and reports thereon to the Shareholders' Meeting. The Chairman sees to it that the Company's governing bodies operate properly and ascertains, in particular, that the directors are able to fulfill their duties.

The Board of Directors meets as frequently as the interests of the Company require. Board meetings are convened by the Chairman. Whenever the Board has not met for over two months, one-third or more of its members may request that the Chairman convene a meeting, provided that they also propose an order of business. If necessary, the Chief Executive Officer may ask the Chairman to convene a meeting of the Board to consider specific items of business.

Decisions by the Board are taken by a majority of the members present or represented by proxies, each director having one vote. In the event of a tied vote, the Chairman has the casting vote.

The Board of Directors' internal rules and its committees are described in the Chairman's report submitted pursuant to Article L. 225-37 of the French Commercial Code.

MODE OF MANAGEMENT (ARTICLE 16 OF THE ARTICLES OF INCORPORATION)

The Annual Shareholders' Meeting of December 17, 2001 resolved to amend Article 16 of the Company's Articles of Incorporation to bring it into compliance with Article L. 225-51-1 of the French Commercial Code, which offers a choice of two modes of management.

The Board of Directors decides, by a majority vote of the members present or represented, whether the Company is to be managed by its Chairman or by another individual appointed by the Board of Directors and holding the title of Chief Executive Officer. The Board of Directors chooses between the two modes of management and the option it selects remains in effect for at least one year.

RIGHTS ATTACHED TO SHARES (ARTICLE 11 OF THE ARTICLES OF INCORPORATION)

Each share entitles its holder to a share of earnings proportionate to the amount of equity that it represents, in addition to the voting right to which it is entitled by law.

Pursuant to Article L. 225-123 of the French Commercial Code (formerly Article 175 of the Act of July 24, 1966), the Shareholders' Meeting of October 26, 1993 resolved to grant double voting rights to all existing paid-up shares held in registered form by the same shareholder for two years or more, as well as to all shares acquired further to the exercise of rights attached to such registered shares, based on the portion of equity which such shares represent. Said two-year period runs from the date of registration of the shares, regardless of the date on which they were acquired.

In the event of a capital increase by capitalizing reserves, retained earnings or premiums, bonus shares distributed to shareholders in consideration for registered shares with double voting rights held by them are likewise entitled to double voting rights. The Articles of Incorporation do not contain any provisions making such double voting rights contingent on a shareholder's nationality.

Shares converted into bearer form or whose ownership is transferred lose their double voting rights. However, transfers of ownership by inheritance, liquidation of marital community of property or inter vivos gift to a spouse or a relative that can take by intestacy do not result in the loss of vested rights or toll the time periods specified in the above-cited Article L. 225-123 of the French Commercial Code.

Should the Company be merged into another company, the double voting rights will not be affected and can be exercised at Shareholders' Meetings of the surviving company, provided its articles of incorporation so provide.

All current and future shares outstanding shall be treated equally insofar as the effect of taxation is concerned.

Whenever shareholders are required to own several existing shares in order to exercise any right, in the event of a procedure whereby new shares are exchanged or allocated for several existing ones, holders of less than the required number of shares shall not have any claim against the Company in this respect and shall be responsible for purchasing the necessary number of shares to be eligible for such allocation or exchange.

APPROPRIATION OF EARNINGS (ARTICLES 24 AND 25 OF THE ARTICLES OF INCORPORATION)

The income or loss for each fiscal year is calculated by deducting from net revenue all General and other business expenses, including allowances for depreciation, amortization and provisions.

The following amounts are first deducted from income for the year, net of previous losses, if any:

- at least 5% for the legal reserve; this deduction is no longer mandatory after the reserve reaches one-tenth of capital, but sums must again be set aside if that ratio is not maintained, for any reason; and
- all other amounts required by law to be set aside as reserves.

The balance, combined with retained earnings from previous periods, represents distributable earnings, which the Shareholders' Meeting may, in its discretion, allocate to the shares in the form of dividends, or to reserves or retained earnings.

The Shareholders' Meeting may, in addition, decide to distribute sums from reserves available to it. If this is the case, the relevant resolution must clearly indicate from which reserves the sums are to be withdrawn.

Dividends are paid on the date and at the location set by the Shareholders' Meeting or, failing which, by the Board of Directors, no later than nine months after the end of the fiscal year.

The Board of Directors may distribute one or more interim dividends prior to approving the financial statements for the year.

The Annual Shareholders' Meeting to which the financial statements for the year are submitted may decide to offer shareholders the choice of receiving some or all of their dividends or interim dividends in the form of either shares or cash.

Rights to dividends that remain uncollected five years after their payment date lapse in accordance with the law.

CHANGE IN THE RIGHTS OF SHAREHOLDERS (ARTICLE 21 OF THE ARTICLES OF INCORPORATION)

The Extraordinary Shareholders' Meeting may make any changes in the Articles of Incorporation permitted by law. However, it may not cause shareholders to incur additional obligations without the unanimous approval of all shareholders.

SHAREHOLDERS' MEETINGS (ARTICLES 19, 20 AND 21 OF THE ARTICLES OF INCORPORATION)

Notice of meetings and attendance

Annual Shareholders' Meetings are called in accordance with the law for the holders of fully paid-up stock, regardless of the number of shares they own on the date of the meeting. Notice of the meeting must be given at least fifteen days prior to the date of the meeting on first call, and six days prior to a meeting convened on second call, by means of an announcement published in a newspaper authorized to publish legal notices in the district (*département*) where the Company's registered office is located, or by letter sent to the last known address of each shareholder.

Each share entitles its owner to one vote.

There are no restrictions on the participation by shareholders at meetings:

- holders of shares in registered form who wish to participate must ensure that their shares are duly registered in the records of the Company's registrar at least three business days prior to the meeting;
- holders of shares in bearer form who wish to participate must deposit their shares with their financial intermediary or banker at least three business days prior to the meeting. The deposit of their shares is evidenced by a certificate issued by the authorized intermediary.

All shareholders may attend Shareholders' Meetings:

- holders of shares in registered form must apply to the Company's registrar for an admission card at least five days prior to the date of the meeting. The document will be sent to them directly by the registrar;
- holders of shares in bearer form must apply for an admission card from their financial intermediary, which will forward applications to the registrar (together with a certificate showing that the shares are deposited, confirmed at least three business days prior to the meeting), and the admission card will be mailed to the shareholder.

Shareholders may elect to be represented by another shareholder or by their spouse only. Proxies, drawn up in accordance with applicable regulations, must be delivered to:

- the registrar, for holders of registered shares;
- the financial intermediary, for holders of bearer shares, for transmittal to the Company's registrar no later than one day prior to the meeting date, together with a share ownership certificate (*attestation de participation*).

Shareholders may elect to vote by mail using a ballot form, which will be sent to them free of charge on request by the Company's registrar, and which must be returned to the financial intermediary for holders of bearer shares, or to the registrar for holders of registered shares, no later than three calendar days prior to the meeting. A certificate showing that the relevant shares are deposited must be provided by the financial intermediary and included with the mail ballot form.

The Board of Directors may refuse to allow shareholders or their proxies to vote by mail or attend Shareholders' Meetings if they fail to comply with the Articles of Incorporation and applicable regulations. Shareholders may participate in meetings by means of video conferencing or other electronic telecommunications technology, as provided for by decree.

Quorum and majority rules

The Annual Shareholders' Meeting may validly transact business and vote whenever one-fifth or more of the voting shares are represented. If that quorum is not present, a new meeting must be convened no sooner than six days after the original meeting. Business may be transacted at that second meeting regardless of the portion of shares represented but only to the extent that it was included in the order of business of the first meeting.

Decisions at Annual Shareholders' Meetings are taken by a majority of the votes cast by shareholders present, voting by mail or represented by proxies.

The Extraordinary Shareholders' Meeting may transact business and vote provided that the shareholders present or represented by proxies hold at least one quarter of the voting rights when the meeting is convened on first call and one-fifth of the voting rights when convened on second call; if this quorum is not present, the second meeting may be rescheduled no more than two months thereafter, subject to exceptions provided by law.

Decisions at Extraordinary Shareholders' Meetings are taken by a two-thirds majority of the votes cast by shareholders present, voting by mail or represented by proxies.

IDENTIFICATION OF SHAREHOLDERS (ARTICLE 10 OF THE ARTICLES OF INCORPORATION)

The Annual Shareholders' Meeting of December 17, 2001 resolved to amend the Company's Articles of Incorporation in order to take into account the provisions of Article L. 228-3-3 of the French Commercial Code, which provide that shareholders who fail to comply with provisions designed to identify the owners of shares may be disqualified from voting, failing which, the dividends on their shares may be suspended or cancelled.

REPORTING THRESHOLDS (ARTICLE 10 OF THE ARTICLES OF INCORPORATION)

Pursuant to the seventeenth resolution of the Shareholders' Meeting of December 16, 1999, Article 10 of the Company's Articles of Incorporation provides that individuals or legal entities, acting alone or in concert, must report any increase or decrease in the number of shares that they hold, either directly or indirectly, which causes their equity interest or voting rights to rise above or to fall below 2% of the capital stock or voting rights, or any multiple thereof. Reports must be sent to the Company's registered office by registered letter, return receipt requested, no later than five trading days after any such threshold has been crossed and must state the number of securities held with a present or future right to equity and the number of attached voting rights. Mutual fund management companies must report this information for the aggregate number of the Company's shares held by the funds that they manage. Failure to comply with the foregoing obligation may, at the request of one or more shareholders owning 5% or more of the shares outstanding or voting rights, which request shall be recorded in the minutes of the Shareholders' Meeting, cause the portion of shares in excess of the number that should have been reported to be barred from voting at said meeting and at any subsequent meeting held within two years of the date on which they were properly reported.

CHANGES IN CAPITAL (ARTICLE 9 OF THE ARTICLES OF INCORPORATION)

The Company's capital may only be changed in accordance with the applicable law and regulations. The Articles of Incorporation contain no provisions placing restrictions on changes in the Company's capital that are more stringent than those imposed by law.

GENERAL INFORMATION CONCERNING THE COMPANY'S CAPITAL

CHANGES IN SHARE CAPITAL AND RIGHTS

Changes in share capital and the rights attached to shares outstanding are governed solely by the applicable laws, as the Articles of Incorporation do not contain specific provisions on such changes.

SHARE CAPITAL

As of March 31, 2008, the Company had 12,844,860 shares with a par value of €1 each issued and outstanding, fully paid up, with a nominal value of €12,844,860.

As of June 30, 2008, the Company had 12,946,939 shares with a par value of €1 each issued and outstanding, fully paid up, with a nominal value of €12,946,939.

Following the creation on June 30, 2008, of 3,200 shares on the exercise of stock warrants and 25,721 shares on conversion of ORANE bonds, as of March 31, 2009, the Company had 12,975,860 shares with a par value of €1 each issued and outstanding, fully paid up, with a nominal value of €12,975,860.

AUTHORIZED CAPITAL

The Shareholders' Meeting will be asked to approve the financial statements for the year ended March 31, 2009 and renew the authorizations set forth below.

The Extraordinary Shareholders' Meeting of November 15, 2006 authorized the Board of Directors, for a period of 38 months, to grant free shares to employees and corporate officers of the Company and its associates, with the total number of new or existing shares to be granted free of consideration not to exceed 10% of the Company's share capital at the date the authorization is used.

The Extraordinary Shareholders' Meeting of January 19, 2009 delegated authority to the Board of Directors to increase the capital by issuing shares or other securities carrying rights to Company shares, to be offered to members of company savings plans, over a period of 26 months and for an aggregate maximum nominal amount of €3 million. This maximum amount is included in the maximum amount of capital increases set by the Shareholders' Meeting under the second resolution.

Finally, shareholders will be requested at the next Extraordinary Shareholders' Meeting to authorize the Board of Directors, until March 18, 2011, to increase the capital by issuing securities carrying rights to Company shares, without pre-emptive subscription rights for existing shareholders, by way of an offer provided for in Article L. 411-2, II, of the French Monetary and Financial Code.

The maximum amount of capital increases that may be carried out through such offers, immediately and/or in the future, pursuant to this authorization shall be capped at 20% of the Company's share capital each year.

Stock option plans

During fiscal year 2008-2009, the Company granted 316,754 stock options to one of its employees.

As of March 31, 2009, 275,612,505 options remained outstanding, with a potential dilutive effect of 23.66% on that date.

SECURITIES CARRYING RIGHTS TO SHARES

FINANCIAL INSTRUMENTS CARRYING RIGHTS TO SHARES

Stock option plans

The Board of Directors has used the authorizations granted by the Company's shareholders in Extraordinary Shareholders' Meetings to grant stock options to certain employees and corporate officers of the Group, the details of which are provided below.

| | Plan no. 6 | Plan no. 7 | Plan no. 8 | Plan no. 9 | Plan no. 10 | Plan no. 11 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Date of Shareholders' Meeting | 12/16/1999 | 12/15/2000 | 12/15/2000 | 12/17/2001 | 12/17/2001 | 05/29/2002 |
| Date of Board meeting | 10/30/2000 | 10/24/2001 | 10/24/2001 | 03/15/2002 | 11/07/2002 | 09/16/2003 |
| Total number of stock options granted (1) | 543,341 | 2,266,706 | 343,340 | 304,767 | 4,174,992 | 2,793,699 |
| Of which, to members of the Executive Committee and Board of Directors (2) | - | - | - | - | - | - |
| Start date of exercise period | 10/30/2000 | 10/24/2001 | 10/24/2001 | 03/15/2002 | 11/07/2002 | 09/16/2003 |
| Expiration date of stock options | 10/30/2008 | 10/24/2009 | 10/24/2009 | 03/15/2010 | 11/07/2010 | 09/16/2011 |
| Exercise price of stock options (€) (1) | 806.83 | 293.48 | 522.3 | 428.78 | 98.49 (3) | 180.07 |
| Vesting of stock options granted | 20% per year | 25% per year | 25% per year | 25% per year | 25% per year | 25% per year |
| Total number of stock options outstanding as of March 31, 2008 | 54,401 | 1,738,455 | 266,908 | 245,452 | 3,485,765 | 2,372,925 |
| Stock options exercised between April 1, 2008 and March 31, 2009 | - | - | - | - | - | - |
| Stock options cancelled between April 1, 2008 and March 31, 2009 | 54,401 | - | - | - | - | - |
| Total number of stock options outstanding as of March 31, 2009 | - | 1,738,455 | 266,908 | 245,452 | 3,485,765 | 2,372,925 |
| Of which held by members of the Executive Committee and Board of Directors (2) | - | - | - | - | - | - |

| | Plan no. 12 | Plan no. 13 | Plan no. 14 | Plan no. 15 | Plan no. 16 | Plan no. 17 |
|--|--------------|--------------|--------------|-------------|-------------|-------------|
| Date of Shareholders' Meeting | 05/29/2002 | 05/29/2002 | 01/19/2005 | 09/27/2007 | 09/27/2007 | 09/27/2007 |
| Date of Board meeting | 03/03/2004 | 07/27/2004 | 09/07/2005 | 01/30/2008 | 03/02/2008 | 09/09/2008 |
| Total number of stock options granted (1) | 388,578 | 1,424,786 | 5,460,412 | 142,810,731 | 120,006,608 | 316,754 |
| Of which, to members of the Executive Committee and Board of Directors (2) | - | - | - | 142,810,731 | 120,006,608 | 316,754 |
| Start date of exercise period | 03/03/2004 | 07/27/2004 | 09/07/2005 | 01/30/2008 | 03/02/2008 | 03/02/2008 |
| Expiration date of stock options | 03/03/2012 | 07/27/2012 | 09/07/2013 | 01/30/2016 | 03/02/2016 | 03/02/2016 |
| Exercise price of stock options (€) (1) | 136.3 | 74.61 | 54.72 | 11.39 | 14.33 | 13.12 |
| Vesting of stock options granted | 25% per year | 25% per year | 25% per year | - | - | - |
| Total number of stock options outstanding as of March 31, 2008 | 388,578 | 1,097,734 | 3,190,532 | 142,810,731 | 120,006,608 | - |
| Stock options exercised between April 1, 2008 and March 31, 2009 | - | - | - | - | - | - |
| Stock options cancelled between April 1, 2008 and March 31, 2009 | - | - | 307,937 | - | - | - |
| Total number of stock options outstanding as of March 31, 2009 | 388,578 | 1,097,734 | 2,882,595 | 142,810,731 | 120,006,608 | 316,754 |
| Of which held by members of the Executive Committee and Board of Directors (2) | - | - | - | 142,810,731 | 120,006,608 | 316,754 |

(1) All figures have been adjusted as required by law to reflect the following events: (i) stock splits approved at the Shareholders' Meetings of December 15, 1997 and December 16, 1999; (ii) a 5% stock dividend on January 15, 2002; (iii) the issuance of stock warrants on January 4, 2005; (iv) the grant of stock warrants to the Company's shareholders on December 22, 2006; (v) the rights issue and distribution of warrants on January 24, 2007; (vi) the reverse stock split of March 4, 2008 authorized at the Shareholders' Meeting of November 15, 2006; and (vii) the issue of pre-emptive subscription rights in connection with the ORANE-BSA issue in December 2008.

(2) Members as of March 31, 2009.

(3) €103.46 for holders resident in the United States.

NB. On May 25, 2009 the Company set up two new stock option plans for Atari Inc. employees. Under the first of these plans, Jeff Lapin was granted stock options exercisable for newly-issued shares representing up to 1.5% of the Company's capital on a fully diluted basis at an exercise price of €5.18. The beneficiary of the second plan was Jim Wilson, who was granted 300,000 options with an exercise price of €5.18. These two plans are subject to the achievement of pre-defined performance conditions.

Grants of free shares

As of March 31, 2009, a total of 487,417 free shares granted under existing plans were outstanding, representing 3.76% of the Company's total capital on that date.

The principal features of Atari share grant plans currently in effect are described in section 7 "Corporate officers" of "Information on management and the financial statements".

2000-2011 bonds convertible into or exchangeable for new or existing shares (OCEANE 2000-2011)

On May 18, 2000, the Company issued 8,941,517 bonds (the "OCEANE 2000-2005 bonds") with a nominal value of €39 each, convertible or exchangeable for new or existing common stock, representing an aggregate nominal value of €412.3 million (including redemption premiums totaling approximately €63.6 million). The bonds, which originally matured on July 1, 2005, carry interest at 1.5% a year (corresponding to a gross yield to maturity of 4.75%, including the redemption premium). Each bond was originally immediately convertible into 1 Atari share. This conversion ratio was increased to 1.05 shares in January 2002 to take into account the allocation of free shares on that date. The Company has the option of calling the bonds if, prior to their maturity, the price of Atari common stock rises above a pre-defined level. A prospectus was published in connection with the bond issue and was approved by the COB (*Commission des opérations de bourse*, the predecessor of the AMF – French securities regulator) on May 18, 2000 under No. 00-823.

Two successive simplified public offers have been made to exchange these OCEANE bonds:

The first of the offers ran from November 11 to December 1, 2003 with the Company offering to exchange each tendered OCEANE 2000-2005 bond for 1.05 newly-issued shares and 5 new OCEANE bonds (the "OCEANE 2003-2009 bonds"), each carrying a warrant for new shares in the Company. On December 19, 2003, the AMF issued notice no. 203C2191 in which it stated that 2,191,180 OCEANE 2000-2005 bonds had been tendered under the offer.

At their meeting of March 4, 2005, the OCEANE 2000-2005 bondholders approved the following amendments to the bond indenture:

- extending the bonds' maturity date to July 1, 2011;
- cancelling the redemption premium and setting the redemption amount at nominal value (i.e. €39 per bond);
- increasing the conversion ratio to 10.5 Atari shares for each bond.

The second simplified offer for the OCEANE 2000-2005 bonds took place between March 9 and March 31, 2005 with the Company offering to exchange each bond tendered to the offer for €11.20 in cash, 10 new Company shares and one Company note (the 2006-2008 Notes). On April 7, 2005, the AMF issued notice no. 205C0605 reporting that 2,403,772 OCEANE 2000-2005 bonds had been tendered to the offer, which meant that 135,031 OCEANE 2011 bonds were outstanding as of March 31, 2005.

The conversion and/or exchange ratio was adjusted to 21.524 shares for one OCEANE 2011 bond following the rights issue of January 2007, then to 24.718 shares per OCEANE 2011 bond following the distribution of free stock warrants to all shareholders, and lastly to 0.247 shares per OCEANE 2011 bond to reflect the reverse stock split. In February 2009 the ratio was further adjusted to 0.24874 shares to reflect the issue of pre-emptive subscription rights in connection with the ORANE-BSA issue in December 2008.

As of March 31, 2009 there were a total of 135,031 OCEANE 2011 bonds still outstanding, which could be converted into or exchanged for 33,587 Atari shares. If all of these bonds were converted into new shares, this would have a dilutive effect of 0.26% on the Company's capital as of March 31, 2009.

2003-2009 bonds convertible into or exchangeable for new or existing common stock – OCEANE 2003-2009, now OCEANE 2003-2020

On December 23, 2003, the Company issued 16,487,489 bonds (the "OCEANE 2020 bonds") with a nominal value of €7 each, convertible or exchangeable for new or existing common stock, representing an aggregate nominal value of €124.3 million (including redemption premiums totaling approximately €8.89 million). The bonds, which originally matured on April 1, 2009, carried interest at 4% a year (corresponding to a gross yield to maturity of 5.31%, including the redemption premium). Each bond could originally be converted into one Atari share. This conversion ratio was increased to 1.02 shares in December 2004 to take into account the allocation of free stock warrants on that date. The Company has the option of calling the bonds if, prior to their maturity, the price of Atari common stock rises above a pre-defined level. A prospectus was published in connection with the bond issue and was approved by the COB on November 6, 2003 under No. 03-971.

At their meeting of September 29, 2006, the OCEANE 2003-2009 bondholders amended the terms and conditions of the bond indenture as follows:

- the bonds' maturity was extended from April 1, 2009 to April 1, 2020;
- after April 1, 2009, the OCEANE bondholders would no longer be able to convert their bonds into new Atari shares or exchange them for existing shares;
- the nominal interest rate was reduced from 4% to 0.1%;
- the acceleration clause (2.5.10) of the bond indenture was deleted.

The conversion and/or exchange ratio was adjusted to 2.091 shares per OCEANE 2003-2009 bond following the rights issue of January 2007, then to 2.401 shares per OCEANE 2003-2009 bond following the distribution of free stock warrants to all shareholders.

Between February 12 and March 9, 2007, the Company ran a simplified public offer – whose terms and conditions were described in a circular approved by the AMF on February 2, 2007 under notice no. 207CO246 – to exchange each tendered OCEANE 2020 bond for 32 new Company shares. On March 16, 2007, the AMF issued notice no. 207C0515 reporting that 16,403,083 OCEANE 2020 bonds, or 99.5% of those outstanding, had been tendered to the offer.

On March 31, 2008, the conversion and/or exchange ratio was adjusted to 0.024 shares for each OCEANE 2020 bond to reflect the reverse stock split. This ratio was further adjusted in February 2009 to 0.02416 to reflect the issue of pre-emptive subscription rights in connection with the ORANE-BSA issue in December 2008.

As of March 31, 2009 a total of 84,406 OCEANE 2020 bonds were still outstanding, which could be converted into or exchanged for 2,039 Atari shares. If all of these bonds were converted into new shares, this would have a dilutive effect of 0.02% on the Company's capital as of March 31, 2009. The OCEANE 2020 bonds not tendered under the offer are redeemable in full on April 1, 2020 for €7.539 each and carry interest at 0.1%.

Stock warrants issued in connection with the financial restructuring plan approved at the Extraordinary Shareholders' Meeting held on November 15, 2006

At its meeting of December 19, 2006, the Company's Board of Directors decided to issue 47,431,539 stock warrants to the Company's shareholders (the "2006-2007 warrants").

In the seventeenth resolution of the Extraordinary Shareholders' Meeting held on November 15, 2006 the shareholders resolved – subject to the condition precedent of the completion of the share issue amounting to €74 million before transaction costs – to allocate 217,900,000 stock warrants, free of consideration, exercisable for newly-issued shares, to the Company's former bondholders (the "Investor Warrants"), namely Boussard & Gavaudan Asset Management LP (36,300,000 warrants) and GLG Partners LP and The BlueBay Value Recovery (Master) Fund Limited (181,600,000 warrants). Following the simplified public exchange offer launched in December 2008 relating to (i) the ORANE bonds issued by the Company on January 4, 2008 (ISIN code FR0010560615) and (ii) the stock warrants issued by the Company on December 22, 2006 and January 24, 2007, 167,350,200 2006-2007 warrants – representing 88.9% of the warrants still outstanding at January 27, 2009 – were tendered to the offer, with BlueBay and GLG tendering all the warrants they held.

Taking into account the reverse stock-split carried out in March 2008 and the issue of pre-emptive subscription rights in connection with the ORANE-BSA issue in December 2008, one hundred and one warrants are exercisable for one new share at a price of €15.

As of March 31, 2009 a total of 20,863,839 warrants remained outstanding and could be exercised at any time until December 31, 2009, resulting in the issuance of 210,724 shares. Should all the warrants be exercised, this would have a dilutive effect of 1.62% on the Company's capital as of March 31, 2009.

Bonds redeemable for new or existing shares issued in January 2008 (ORANE 2008 bonds) – ISIN code FR0010560615

On January 4, 2008, the Company issued 1,500,000 bonds redeemable for new or existing shares (ORANE bonds), maturing on April 1, 2014. The bonds have a nominal value of €100 each (representing an aggregate amount of €150 million) and are redeemable for 8.91 new or existing shares, taking into account the reverse stock split. The gross and net proceeds of the issue came to €150 million and €144.1 million respectively. The bonds bear interest at an annual rate of 0.5% – representing €0.50 per bond – payable in arrears on April 1 each year.

In December 2008, the Company launched a simplified public exchange offer relating to (i) the ORANE bonds issued by the Company on January 4, 2008 (ISIN code FR0010560615) and (ii) the stock warrants issued by the Company on December 22, 2006 and January 24, 2007. A total of 1,479,871 ORANE 2008 bonds – representing 99.6% of the bonds still outstanding at January 27, 2009 – were tendered to the offer. Consequently as of March 31, 2009 there were 6,164 ORANE 2008 bonds outstanding. If all of the bonds were redeemed this would result in the issue of 55,106 shares with a dilutive effect of 0.42% on the Company's capital as of March 31, 2009.

Taking into account the adjustment made to the related exchange parities on February 4, 2009, one ORANE 2008 bond is redeemable for 8.94 new or existing shares.

Stock warrants issued in connection with the ORANE-BSA issue in January 2009 and the Simplified Public Exchange Offer in December 2008/January 2009

In January 2009 the Company issued bonds redeemable for new or existing shares with stock warrants attached (ORANE-BSA), resulting in the issue of 405,438 stock warrants (the "2009 warrants").

On February 11, 2009 the Company completed the simplified public exchange offer relating to (i) the ORANE bonds issued by the Company on January 4, 2008 (ORANE 2008) under ISIN code FR0010560615 and (ii) the 2007 stock warrants issued by the Company on December 22, 2006 and January 24, 2007. A total of 167,350,200 2007 stock warrants – representing 88.9% of the 2007 warrants still outstanding – were tendered to the offer. Following the public

exchange offer 1,673,502 “2009 warrants” had been issued. The 2009 warrants are subject to the same conditions as the 2007 warrants, apart from (i) the exercise price, which has been set at €6 per warrant (versus €15 per 100 2006-2007 warrants) and (ii) the expiration date, which has been set at December 31, 2012 (compared with December 31, 2009). A total of 2,078,940 “2009 warrants” have been issued with one warrant exercisable for one new share at a unit price of €6, until December 31, 2012.

As of March 31, 2009 a total of 2,077,780 “2009 warrants” remained outstanding and could be exercised at any time until December 31, 2012. If all the warrants were exercised, this would result in the issue of 2,077,780 shares with a dilutive effect of 16.01% on the Company’s capital as of March 31, 2009.

Bonds redeemable for new or existing shares issued in January 2009 in connection with the ORANE-BSA issue (“ORANE 2009 bonds”) – ISIN code FR0010690081

In January 2009, the Company issued 405,438 bonds redeemable for new or existing shares (ORANE bonds), maturing on April 1, 2014. The bonds have a nominal value of €100 each (representing an aggregate amount of €40.5 million) and are redeemable for 26.26 new or existing shares. The gross and net proceeds of the issue came to €40.5 million and €37.6 million respectively. The bonds bear interest at an annual rate of 0.5% – representing €0.50 per bond – payable in arrears on April 1 each year.

As of March 31, 2009 there were 405,438 of these ORANE 2009 bonds outstanding. If all the bonds were redeemed this would result in the issue of 10,646,801 new shares with a dilutive effect on the Company’s capital of 82.05% as of March 31, 2009.

Bonds redeemable for new or existing shares issued in February 2009 in connection with the simplified public exchange offer (“ORANE 2009 bonds”) – ISIN code FR0010696153

On February 11, 2009 the Company completed the simplified public exchange offer relating to (i) the ORANE bonds issued by the Company on January 4, 2008 (ISIN code FR0010560615) and (ii) the stock warrants issued by the Company on December 22, 2006 and January 24, 2007. A total of 1,479,871 ORANE 2008 bonds – representing 99.6% of the bonds still outstanding at January 27, 2009 – were tendered to the offer, which resulted in the issue of 1,479,871 ORANE 2009 bonds. The ORANE 2009 bonds are subject to the same conditions as the ORANE 2008 bonds, except for the conversion ratio which has been set at 17 new or existing shares for one ORANE 2009 bond (instead of 8.91 new or existing shares for one ORANE 2008 bond). The bonds bear interest at an annual rate of 0.5% – representing €0.50 per bond – payable in arrears on April 1 each year.

As of March 31, 2009 there were 1,479,871 of these ORANE 2009 bonds outstanding. If all the bonds were redeemed this would result in the issue of 25,157,807 new shares with a dilutive effect on the Company’s capital of 193.88% as of March 31, 2009.

Category A and B convertible bonds (CBs) issued as consideration for the transfer of Cryptic Studios shares

As part of the acquisition of Cryptic Studios, on December 12, 2008 the Company issued 1,055,011 Category A convertible bonds and 1,055,011 Category B convertible bonds, representing a total of 2,110,022 convertible bonds (CBs), as consideration for the transfer of Cryptic Studios shares to the Company. The nominal value of the Category A CBs is €407,122.9, or €0.386 per bond, and the nominal value of the Category B CBs is €407,122.9, or €0.386 per bond.

Each CB is automatically convertible into newly-issued shares of Atari common stock if certain targets are achieved for online revenue generated by the Champions Online and Star Trek Online video games pursuant to the earn-out mechanism applicable to the acquisition of Cryptic Studios. If all of the CBs were automatically converted this would result in the issue of 1,888,007 new Atari shares, subject to the following conditions:

- the maximum number of new Atari shares that may be issued on the automatic conversion of the Category A CBs will be determined based on the online revenue generated by Atari for the Champions Online video game during a six-month period commencing in October 2009 (as set out in the May 2009 addendum to the acquisition agreement), taking into account the cash settlement of an initial portion of the earn-out payment representing a maximum of USD 7.5 million; and
- the total number of new Atari shares that may be issued on the automatic conversion of the Category B CBs will be determined based on the online revenue generated by Atari for the Star Trek Online video game during a six-month period commencing in March 2010.

No other securities exist carrying a right to the Company’s capital other than those described above.

IN ADDITION TO THE ABOVE FINANCIAL INSTRUMENTS CARRYING RIGHTS TO THE COMPANY'S CAPITAL, THE COMPANY HAS GIVEN THE FOLLOWING COMMITMENTS AS PART OF THE ACQUISITION OF CRYPTIC STUDIOS:

Debt obligation granted to holders of Cryptic Studios stock options and a minority shareholder in relation to the earn-out payment for the acquisition of Cryptic Studios

As part of the acquisition of Cryptic Studios, on December 12, 2008 the Company granted a debt obligation to the holders of Cryptic Studios stock options as consideration for the cancellation of their options, giving rise to the same rights as those granted to convertible bond holders in relation to the earn-out payment for the acquisition of Cryptic Studios. In accordance with this obligation, the holders of the cancelled Cryptic Studios stock options are entitled to receive a maximum of 407,603 new shares issued under an offering reserved for said option holders, to be paid up by set-off. The exact number of new shares to be issued will be determined based on the revenue generated for the Champions Online and Star Trek Online video games. The amount of the debt will be indexed to upward or downward changes in the reference price for Atari shares between the completion date of the Cryptic Studios acquisition and the settlement date (corresponding to March 1, 2011). In any event, the full payment of the portion of the earn-out payment settled in new Atari shares would result in the issue by the Company of 407,603 new Atari shares.

The Cryptic Studios stock option holders have undertaken to take up the above-described rights issue which will be submitted for approval at an Extraordinary Shareholders' Meeting to be held by the March 1, 2011 debt settlement date. This will result in the issue of a maximum of 407,603 new shares of the Company and will be reserved for the beneficiaries of the debt obligation. The issue will be paid up by offsetting the debt corresponding to the earn-out payment and the issue price will represent the average of the prices quoted for Atari shares over the ten trading days preceding the earn-out payment.

If the Company's shareholders vote against the rights issue the debt will be settled in cash for an amount corresponding to the average of the prices quoted for Atari shares over the ten trading days preceding the March 1, 2011 earn-out payment date, for an amount representing no more than 700% of the €5.90 reference price set for Atari shares at the date Cryptic Studios was acquired.

In addition, as consideration for the transfer of a minority shareholder's interest in Cryptic Studios, the Company has granted a debt obligation to that shareholder, who was unable to enter into the Stock Purchase and Transfer Agreement at the time of the acquisition. This obligation gives the minority shareholder concerned the same rights as those granted to the convertible bond holders in relation to the earn-out payment for the acquisition of Cryptic Studios, as he would have received convertible bonds as consideration for the transfer of his Cryptic Studios shares if he had transferred them at the time of the company's acquisition. The payment of the debt would entitle the shareholder to receive a maximum of 1,234 new shares in the Company, issued under a rights offering reserved for him and paid up by capitalizing the debt due to him in connection with the earn-out payment for the acquisition of Cryptic Studios.

Cryptic bonus

As part of the December 2008 acquisition of Cryptic Studios it was agreed that Atari could pay a bonus if revenue targets for the Champions Online and Star Trek Online video games were exceeded. The bonus represents a maximum amount of USD 20 million and would be payable as follows:

- either in cash, with half the amount payable by the end of November 2010 and the remaining half payable by mid-May 2011; or
- by issuing, at the option of the Company, new common stock of the Company through a rights issue reserved for the beneficiaries of the bonus.

INFORMATION CONCERNING THE POTENTIAL DILUTION OF THE COMPANY'S CAPITAL

(At March 31, 2009)

| Potentially dilutive instruments | Issue date | Number of instruments outstanding as of March 31, 2009 (6) | Exercise price in € (1) | Identity of holders | Expiration date | Number of shares for which securities can be exercised (2) | Potential dilution from the exercise of the instruments (% of capital as of March 31, 2009) | |
|----------------------------------|--------------------------|--|-------------------------|--|-----------------|--|---|-----------|
| Stock options | 10/24/2001 | 1,738,455 | 293.48 | Persons referred to in Articles L225-177 and L-225-180 of the French Commercial Code | 10/24/2009 | 17,384 | | |
| | 10/24/2001 | 266,908 | 522.30 | | 10/24/2009 | 2,669 | | |
| | 03/15/2002 | 245,452 | 428.78 | | 03/15/2010 | 2,454 | | |
| | 11/07/2002 | 3,485,765 | 98.49 (5) | | 11/07/2010 | 34,856 | | |
| | 09/16/2003 | 2,372,925 | 180.07 | | 09/16/2011 | 23,729 | | |
| | 03/03/2004 | 388,578 | 136.30 | | 03/03/2012 | 3,885 | | |
| | 07/27/2004 | 1,097,734 | 74.61 | | 07/27/2012 | 10,977 | | |
| | 09/07/2005 | 2,882,595 | 54.72 | | 09/07/2013 | 28,825 | | |
| | 01/30/2008 | 142,810,731 | 11.39 | | (4) | 01/30/2016 | | 1,428,107 |
| | 03/02/2008 | 120,006,608 | 14.33 | | (4) | 03/02/2016 | | 1,200,066 |
| 09/09/2008 | 316,754 | 13.12 | (4) | 09/09/2016 | 316,754 | | | |
| Total | | 275,612,505 | | | | 3,069,706 | Total =23.66% | |
| OCEANE 2000-2011 | 05/18/2000 | 135,031 | | Public (7) | 07/01/2011 | 33,587 | 0.26% | |
| OCEANE 2003-2020 | 12/23/2003 | 84,406 | | Public (7) | 04/01/2020 | 2,039 | 0.02% | |
| ORANE (FR0010560615) | 01/04/2008 | 6,164 | | Public | 04/01/2014 | 55,106 | 0.42% | |
| ORANE (FR0010690081) | 01/27/2009 | 405,438 | | BlueBay approx. 84.4% + public | 04/01/2014 | 10,646,801 | 82.05% | |
| ORANE (FR0010696153) | 02/10/2009 | 1,479,871 | | BlueBay approx. 89.7% + public | 04/01/2014 | 25,157,807 | 193.88% | |
| Stock warrants (FR0010413237) | 12/22/2006 01/24/2007 | 20,863,839 | 15.0 | Public | 12/31/2009 | 210,724 | 1.62% | |
| Stock warrants (FR0010690099) | 01/27/2009 02/06/2009 | 2,077,780 | 6.0 | BlueBay approx. 80% + public | 12/31/2012 | 2,077,780 | 16.01% | |
| Free shares | 06/19/2007 09/09/2008 | 487,417 | | (3) | | 487,417 | 3.76% | |
| Cryptic A & B convertible bonds | 12/12/2008 | 2,010,022 | | | 03/01/2011 (8) | 888,007 | - | |
| Total | | | | | | 42,628,974 | 331.88% | |

(1) All figures have been adjusted as required by law to reflect the following events: (i) stock splits approved at the Shareholders' Meetings of December 15, 1997 and December 16, 1999; (ii) 1 free share attributed for 20 shares held on January 15, 2002; (iii) the issuance of stock warrants on January 4, 2005, (iv) the grant of stock warrants to the Company's shareholders on December 22, 2006, (v) the rights issue and distribution of warrants on January 24, 2007; (vi) the reverse stock split of March 4, 2008 authorized at the Shareholders' Meeting of November 15, 2006; and (vii) the issue of pre-emptive subscription rights in connection with the ORANE-BSA issue in December 2008.

(2) The number of shares was adjusted to reflect the reverse stock split of March 4, 2008, approved at the Shareholders' Meeting of November 15, 2006.

(3) At its meetings on June 19, 2007, February 27, 2008, March 2, 2008 and September 9, 2008, the Company's Board of Directors used the authorizations given at the Shareholders' Meetings of November 15, 2006 and September 25, 2008 to grant an aggregate 1,511,633 shares free of consideration to Patrick Leleu, Mathias Hautefort, Michel Combes and Fabrice Hamaide, of which 1,024,216 shares were subsequently cancelled. As of March 31, 2009 Patrick Leleu and Michel Combes no longer held any free shares. At the same date, Mathias Hautefort still held 14,732 free shares.

(4) David Gardner, Phil Harrison and Fabrice Hamaide.

(5) €103.46 for holders in the United States.

(6) The stock options issued prior to the reverse stock-split of March 4, 2008 are exercisable at a ratio of one hundred options for one share. Those issued subsequent to the reverse stock-split are exercisable at a ratio of one option for one share.

(7) The Company did not buy back any OCEANE 2000-2011 or OCEANE 2003-2020 bonds during the year.

(8) In addition to the issue of a maximum of 888,007 new Atari shares resulting from the conversion of convertible bonds granted under the earn-out mechanism, a maximum of 408,837 new Atari shares may be issued in relation to the debt obligation granted in connection with this earn-out (representing a total of 1,296,844 new shares), and 3,558,963 new Atari shares may be issued under the bonus mechanism (although the number of shares to be issued for the bonus may change in line with fluctuations in the Company's share price and the euro-dollar exchange rate). After taking into account these issues, the potential number of shares outstanding would be 46,596,774.

NB. On May 25, 2009 the Company set up two new stock option plans for Atari Inc. employees. Under the first of these plans, Jeff Lapin was granted stock options exercisable for newly-issued shares representing up to 1.5% of the Company's capital on a fully diluted basis at an exercise price of €5.18. The beneficiary of the second plan was Jim Wilson, who was granted 300,000 options with an exercise price of €5.18. These two plans are subject to the achievement of pre-defined performance conditions.

CHANGES IN THE COMPANY'S CAPITAL OVER THE PAST FIVE YEARS

| Date and type of transaction | Cumulative number of shares outstanding | Payments in cash or in kind | | Payments by capitalization | Total capital stock (in €) |
|--|---|-----------------------------|---------------|----------------------------|----------------------------|
| | | | Share premium | | |
| 2004-2005 | | | | | |
| 03/31/2004 | | | | | |
| Exercise of stock warrants | 121,391,155 | 37 | 323 | | 74,023,849 |
| 06/30/2004 | | | | | |
| Conversion of OCEANE 2004 bonds | 121,900,566 | 310,637 | 8,808,337 | | 74,334,486 |
| 01/04/2005 | | | | | |
| Exercise of stock warrants (1) | 157,139,475 | 21,488,548 | 17,626,640.82 | | 95,823,034 |
| 03/31/2005 | | | | | |
| Shares issued under the employee stock ownership plan (PEE) | 159,458,788 | 1,414,308 | 448,480 | | 97,237,342 |
| 2005-2006 | | | | | |
| 04/30/2005 | | | | | |
| Exchange offer for OCEANE bonds (2) | 183,496,508 | 14,658,107.01 | 17,723,839 | | 111,895,449 |
| 06/30/2005 | | | | | |
| Exercise of stock warrants (3) | 183,496,653 | 88.42 | 766 | | 111,694,177 |
| 08/22/2005 | | | | | |
| Share issue (4) | 189,726,158 | 3,798,728 | 5,234,056 | | 115,694,265 |
| 2006-2007 | | | | | |
| 11/15/2006 | | | | | |
| Capital reduction | 189,726,013 | (114,537,323) | 114,537,323 | | 1,156,942 |
| 11/27/2006 | | | | | |
| Share issue (5) | 189,726,158 | 740,320 | (740,320) | | 1,897,261.58 |
| 01/24/2007 | | | | | |
| Rights issue | 683,014,148 | 4,932,880 | 69,060,319 | | 6,830,141.48 |
| 03/09/2007 | | | | | |
| Share issue (6) | 1,207,912,804 | 5,248,987 | 120,726,691 | | 12,079,128 |
| 03/31/2007 | | | | | |
| Exercise of stock warrants (7) | 1,232,599,421 | 246,866 | 3,456,127 | | 12,325,994.21 |
| 2007-2008 | | | | | |
| 06/30/2007 | | | | | |
| Exercise of stock warrants (7) | 1,233,731,766 | 11,323.45 | 158,528.30 | | 12,337,318 |
| 07/23/2007 | | | | | |
| Exercise of stock warrants (8) | 1,233,731,766 | 500 | 7,000,000 | | 12,837,318 |
| 09/30/2007 | | | | | |
| Exercise of stock warrants (9) | 1,284,072,662 | 3,409 | 47,725 | | 12,840,727 |
| 11/30/2007 | | | | | |
| Exercise of stock warrants (10) | 1,284,230,694 | 1,580 | 22,124 | | 12,842,307 |
| 02/29/2008 | | | | | |
| Exercise of stock warrants (11) and stock options | 1,284,311,600 | 809 | 11,407 | | 12,843,116 |
| 2008-2009 | | | | | |
| 06/30/2008 | | | | | |
| Exercise of stock warrants (12) and conversion of ORANE bonds (13) | 12,946,939 | 103,823 | 1,081,206 | | 12,946,939 |
| 07/31/2008 | | | | | |
| Exercise of stock warrants (14) | 12,947,390 | 451 | 6,314 | | 12,947,390 |
| 08/11/2008 | | | | | |
| Conversion of ORANE bonds (14) | 12,967,689 | 20,299 | 207,540 | | 12,967,689 |
| 08/31/2008 | | | | | |
| Exercise of stock warrants (14) | 12,968,089 | 400 | 5,600 | | 12,968,089 |
| 09/30/2008 | | | | | |
| Exercise of stock warrants (15) | 12,968,329 | 240 | 3,360 | | 12,968,329 |
| 10/31/2008 | | | | | |
| Exercise of stock warrants (15) | 12,968,452 | 123 | 1,722 | | 12,968,452 |

Changes in the Company's capital over the past five years (cont'd)

| Date and type of transaction | Cumulative number of shares outstanding | Payments in cash or in kind | | Payments by capitalization | Total capital stock (in €) |
|---|---|-----------------------------|---------------|----------------------------|----------------------------|
| | | | Share premium | | |
| 11/12/2008 | | | | | |
| Conversion of ORANE bonds (15) | 12,973,874 | 5,422 | 55,478 | | 12,973,874 |
| 11/30/2008 | | | | | |
| Exercise of stock warrants (15) | 12,973,934 | 60 | 1,722 | | 12,973,934 |
| 12/31/2008 | | | | | |
| Exercise of stock warrants (15) | 12,974,026 | 92 | 1,288 | | 12,974,026 |
| 02/28/2009 | | | | | |
| Exercise of stock warrants (15) | 12,974,597 | 571 | 2,900 | | 12,974,597 |
| 03/31/2009 | | | | | |
| Exercise of stock warrants (15) | 12,975,860 | 1,263 | 12,321 | | 12,975,860 |
| 2009-2010 | | | | | |
| 04/30/2009 | | | | | |
| Exercise of stock warrants (16) | 12,976,069 | 209 | 1,720 | | 12,976,069 |
| 05/31/2009 | | | | | |
| Conversion of OCEANE bonds (17) | 12,976,105 | 36 | 11,273 | | 12,976,105 |
| 05/31/2009 | | | | | |
| Conversion of ORANE bonds and exercise of stock warrants (18) | 13,186,691 | 210,586 | 676,361 | | 13,186,691 |
| 06/30/2009 | | | | | |
| Exercise of stock warrants | 13,187,486 | 795 | 5,091 | | 13,187,486 |

(1) As part of the Company's debt restructuring plan and in order to fulfill its obligations arising from the maturity of the OCEANE 2000-2005 bonds, on December 17, 2004, 121,900,566 stock warrants were issued and distributed free of consideration to the Company's shareholders. A total of 70,477,818 warrants were exercised during the exercise period of December 17 to 24, 2004, leading to the issue of 35,238,909 new shares.

(2) Issue of 24,037,720 new shares in connection with the simplified exchange offer for the OCEANE 2000-2005 bonds under the authorization given at the Ordinary and Extraordinary Shareholders' Meeting of January 19, 2005. A circular concerning the offer was filed with the COB under number 05-130 on March 4, 2005.

(3) Issue of 145 new shares on exercise of the June 2005 stock warrants.

(4) Issue of 6,229,505 new shares as consideration for the transfer of all of the shares in Humongous, Inc. on August 22, 2005.

(5) Share issue carried out in connection with the adjustment of the par value of the Company's shares from €0.609796069 to €0.01, as authorized in the seventeenth resolution of the Extraordinary Shareholders' Meeting held on November 15, 2006.

(6) Issue of 524,898,656 new shares with a par value of €0.01 each, in consideration for the tender of 16,403,083 OCEANE 2003-2009 bonds to the simplified exchange tender offer that ran from February 12 to March 9, 2007.

(7) Exercise of warrants granted by the Company to its shareholders and to The BlueBay High Yield (Master) Fund and The Sark Master Fund as authorized at the Extraordinary Shareholders' Meeting of November 15, 2007. The warrants are exercisable until December 31, 2009 and a statement disclosing the number of warrants exercised will be drawn up at the end of each quarter.

(8) Exercise of 50 million warrants by BlueBay Value Recovery (Master) Fund.

(9) Issue of 340,896 new shares on exercise of the warrants.

(10) Issue of 158,032 new shares on exercise of the warrants.

(11) Exercise of warrants granted by the Company to its shareholders and to The BlueBay High Yield (Master) Fund and The Sark Master Fund as authorized at the Extraordinary Shareholders' Meeting of November 15, 2007. The warrants are exercisable until December 31, 2009 and a statement disclosing the number of warrants exercised will be drawn up at the end of each quarter.

(12) Exercise of 50 million warrants by BlueBay Value Recovery (Master) Fund.

(13) Issue of 98,674 shares to redeem 11,077 ORANE bonds on May 14, 2008. On December 19, 2007, pursuant to the authorization granted in the tenth resolution of the Extraordinary Shareholders' Meeting of November 15, 2006, the Company issued 1,500,000 bonds redeemable for new or existing shares, all of which were taken up (prospectus registered with the AMF on December 19, 2007 under no. 07-485).

(14) Pursuant to the authorization granted in the tenth resolution of the Extraordinary Shareholders' Meeting of November 15, 2006, issue of (i) 851 shares on exercise of "2006-2007" warrants and (ii) 20,299 shares to redeem "ORANE 2008" bonds.

(15) Pursuant to the authorization granted in the twenty-fourth resolution of the Extraordinary Shareholders' Meeting of September 25, 2008, issue of (i) 2,349 shares on exercise of "2006-2007 warrants" and (ii) 5,422 shares to redeem "ORANE 2008" bonds.

(16) Pursuant to the authorization granted in the second resolution of the Extraordinary Shareholders' Meeting of January 19, 2009, issue of (i) 75 shares on exercise of "2006-2007 warrants" and (ii) 134 shares on exercise of "2009 warrants".

(17) Pursuant to the authorization granted in the fourth resolution of the Extraordinary Shareholders' Meeting of January 19, 2009, issue of 36 shares on conversion of "2011 OCEANE" bonds.

(18) Pursuant to the authorization granted in the second resolution of the Extraordinary Shareholders' Meeting of January 19, 2009, issue of (i) 458 shares on exercise of "2006-2007 warrants", (ii) 187 shares on exercise of "2009 warrants" and (iii) 36,482 shares to redeem "ORANE 2009" bonds issued in connection with the simplified public exchange offer carried out in February 2009. Pursuant to the authorization granted in the first resolution of the Extraordinary Shareholders' Meeting of January 19, 2009, issue of 172,940 shares to redeem "ORANE 2009" bonds issued in connection with the ORANE-BSA issue carried out in January 2009.

STOCK OWNERSHIP AND VOTING RIGHTS

As of March 31, 2009, the Company's shareholders were entitled to an aggregate of 12,990,321 votes. The data below were prepared on the basis of information obtained from the registrar.

To the best of the Company's knowledge, share ownership and voting rights broke down as follows as of March 31, 2009:

| | Number of shares | % | Number of voting rights | % |
|--------------------------|-------------------|----------------|-------------------------|----------------|
| BlueBay Asset Management | 4 044 891 | 31,17% | 4 044 891 | 31,14% |
| GLG | 644 323 | 4,97% | 644 324 | 4,96% |
| Public | 8 286 646 | 63,86% | 8 301 106 | 63,90% |
| Total | 12 975 860 | 100,00% | 12 990 321 | 100,00% |

The Company was also notified that, as of the close of the fiscal year:

- GLG reported to the Company that it had sold a portion of its interest on May 8, 2009, reducing its interest to 483,245 shares and 483,245 voting rights (representing as of June 30, 2009 3.66% of the shares and 3.32% of the voting rights). GLC also reported that as of May 8, 2009 it held 144,875 ORANE bonds and 15,241 warrants.
- BlueBay Asset Management held 1,663,292 warrants issued in 2009 (exercisable for 1,663,292 shares), 1,327,731 ORANE bonds issued in 2009 as part of the public exchange offer in January 2009 (exercisable for 22,571,426 shares) and 342,095 ORANE bonds issued in 2009 and acquired as part of the issue of ORANE bonds with warrants attached (ORANE-BSA) in January 2009 (exercisable for 8,983,414 shares).

The Company's principal shareholders have the same voting rights as all other shareholders.

To the best of the Company's knowledge, and subject to the information below, as of March 31, 2009, no other shareholder owned, alone or in association with others, 5% or more of the shares or voting rights.

CROSSING OF REPORTING THRESHOLDS IN THE PERIOD FROM MARCH 31, 2008 TO JUNE 30, 2009

As required by the Company's Articles of Incorporation, which provide that any ownership of 2% or more of the shares or voting rights must be reported, the Company was notified of the following changes in share ownership during the period:

- By letter dated April 8, 2008, BlueBay Asset Management reported that as of April 7, 2008, it held 31.49% of the shares and 31.40% of the voting rights.
- By letter dated May 7, 2008, GLG Partners LP reported that, on April 29, 2008, it had increased its holdings to more than 5% of the shares and voting rights and that it held 5.02% of the Company's shares and 5.002% of the voting rights.
- By letter dated September 19, 2008, GLG Partners LP reported that, on September 15, 2008, it had decreased its holdings to less than 5% of the shares and voting rights and that it held 4.97% of the Company's shares and 4.96% of the voting rights.
- By letter dated July 6, 2009, GLG Partners LP reported that, on May 8, 2009, it had decreased its holdings to less than 4% and that it held 483,245 shares and 483,245 voting rights representing 3.66% of the Company's shares and 3.32% of the voting rights as of June 30, 2009. GLC also reported that as of May 8, 2009 it held 144,875 ORANE bonds and 15,241 warrants.

TRADING BY THE COMPANY IN ITS OWN STOCK

The Company did not trade in its own shares during the year ended March 31, 2009.

The Company held 2,470 of its own shares on March 31, 2009 and 2008 (not taking into account the liquidity agreement).

Pursuant to Article L.451-3 of the French Monetary and Financial Code and Articles 241-1 *et seq.* of the General Regulation of the AMF, a share buyback program was implemented on April 7, 2009, within the scope of the authorization granted by the Ordinary and Extraordinary Shareholders' Meeting of September 25, 2008 in the nineteenth resolution which, effective immediately, terminated the authorization granted by the Shareholders' Meeting of September 27, 2007 in the eighth resolution to purchase Company shares.

The buyback program is limited to a maximum of 10% of the outstanding shares. The program will run until March 25, 2010.

The program's objectives are:

- Deliver shares (through sale, transfer, exchange or otherwise) as part of acquisition, merger, spinoff or contribution transactions.
- Grant shares at the time of exercise of the rights attached to securities providing entitlement to existing Company shares through redemption, conversion, exchange, presentation of a warrant, or otherwise.
- Grant or sell shares to employees and corporate officers with respect to Company profit-sharing, or the implementation of stock option plans, free share plans, an employee savings plan or any other means provided for by current legislation.
- Improve the stock's liquidity as part of a liquidity agreement entered into with an investment services provider.
- Implement any market practice recognized by law or the AMF.
- Cancel shares in accordance with the twenty-second resolution approved by the Shareholders' Meeting of September 25, 2008.

In addition, on April 8, 2009, the Company implemented a liquidity agreement, in accordance with the AMF's decision of October 1, 2008 accepting liquidity agreements as a market practice in accordance with the code of conduct of the AMAFI (*Association française des marchés financiers*). The agreement was entered into for an automatically renewable one-year term and was authorized by the Shareholders' Meeting of September 25, 2008. A cash amount of €200,000 was allocated to the liquidity account in connection with the agreement.

TRADING BY CORPORATE OFFICERS IN SHARES AND OTHER SECURITIES (ARTICLE L. 621-18-2 OF THE FRENCH MONETARY AND FINANCIAL CODE)

| Name and position on the transaction date | Type of transaction | Transaction date | Trading volume | Unit price (€) | Transaction amount (€) |
|---|---------------------|------------------|-----------------------|---|------------------------|
| BlueBay Asset Management Plc Member of the Board of Directors | Purchase | 04/01/2008 | 2,489 | 13.31 | 33 128,59 |
| Pascal Cagni Member of the Board of Directors | Purchase | 07/22/2008 | 4,857 | 8.496 | 41,265.00 |
| Pascal Cagni Member of the Board of Directors | Purchase | 07/21/2008 | 5,143 | 8.4961 | 43,695.00 |
| Philip Harrison Member of the Board of Directors | Purchase | 01/15/2009 | 100 | 4.17 | 417.00 |
| David Gardner Member of the Board of Directors | Purchase | 01/14/2009 | 925 | 4.2 | 3,885.00 |
| The BlueBay Multi-Strategy Fund Limited Member of the Board of Directors | Subscription | 01/27/2009 | 63,086 ORANE bonds | 100 | 6,308,600.00 |
| The BlueBay Multi-Strategy Fund Limited Member of the Board of Directors | Subscription | 01/27/2009 | 279,009 ORANE bonds | 100 | 27,900,900.00 |
| The BlueBay Value Recovery Fund Limited Member of the Board of Directors | Exchange | 02/11/2009 | 1,320,547 warrants | 100 warrants 2007 for 1 warrant 2009 | |
| The BlueBay Multi-Strategy Fund Limited Member of the Board of Directors | Exchange | 02/11/2009 | 119,028 ORANE bonds | 1 ORANE 2008 bond for 1 ORANE 2009 bond | |
| The BlueBay Value Recovery Fund Limited Member of the Board of Directors | Exchange | 02/11/2009 | 1,208,703 ORANE bonds | 1 ORANE 2008 bond for 1 ORANE 2009 bond | |
| The BlueBay Multi-Strategy Fund Limited Member of the Board of Directors | Exchange | 02/11/2009 | 649 warrants | 100 warrants 2007 for 1 warrant 2009 | |

CHANGES IN OWNERSHIP DURING THE FISCAL YEAR

The table below shows changes in treasury shares held by the Company since March 31, 2006:

| | Mar. 31, 2006 | Mar. 31, 2007 | Mar. 31, 2008 | Mar. 31, 2009 |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Trading to maintain an orderly market | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 2,470 | 0 |
| Total | 0 | 0 | 2,470 | 0 |

CHANGES IN OWNERSHIP OVER THE LAST THREE FISCAL YEARS

Stock ownership changed as follows in terms of percentage of stock held and voting rights over the last three fiscal years. Differences between the number of shares and voting rights held are due to the fact that shares held in registered form for two years or more are entitled to double voting rights:

| Shareholders | mars 31, 2009 | | | avril 10, 2008 | | | March 31, 2007 (6) | | |
|---|-------------------|-------------|-----------------|-------------------|-------------|-----------------|----------------------|----------------|-----------------|
| | Shares | % capital | % voting rights | Shares | % capital | % voting rights | Shares | % capital | % voting rights |
| Principal founders (1) | (4) | (4) | (4) | (4) | (4) | (4) | (4) | (4) | (4) |
| Hasbro, Inc. | 6 762 | 0,05% | 0,10% | 29 778 | 0,23% | 0,46% | 2 977 945 | 0,24% | 0,48 |
| The BlueBay Value Recovery (Master) Fund | 4 044 891 | 31,17% | 30,63% | 4 044 891 | 31,49% | 31,40% | 238 627 392 | 19,34 | 19,29 |
| GLG (2) | 641 484 | 4,94% | 4,86% | 641 484 | 4,99% | 4,98% | 119 313 696 | 9,68 | 9,64 |
| Morgan Stanley & Co. International Plc. (5) | - | - | - | - | - | - | 48 053 650 | 3,92 | 3,89 |
| Treasury shares | 2 470 | 0,02% | - | 2 470 | 0,02% | - | - | - | - |
| Public (3) | 8 280 253 | 63,81% | - | 8 121 092 | 63,22% | - | 871 680 388 | 70,74 | - |
| Total | 12 975 860 | 100% | 100% | 12 844 860 | 100% | 100% | 1 232 599 421 | 100,00% | 100,00% |

(1) Directly or indirectly held by Bruno Bonnell, Christophe Sapet and Thomas Schmider.

(2) GLG Partners LP for April 10, 2008 and GLG Market Neutral Fund, GLG Global Convertible UCITS Fund and GLG Global Convertible Fund PLC for March 31, 2007.

(3) Including employees, whose holding is less than 0.5% of the capital stock.

(4) As of March 31, 2007, March 31, 2008 and March 31, 2009, the principal founders (Bruno Bonnell, Christophe Sapet and Thomas Schmider) together held, either directly or indirectly, less than 1% of the capital stock and voting rights.

(5) Morgan Stanley & Co. International Plc. does not hold any shares in registered form.

(6) Before taking into account the reverse stock split of March 4, 2008.

Note: the Company's directors, founders and employees held less than 1% of the capital stock.

SHAREHOLDER AGREEMENTS

To the best of the Company's knowledge, there are no shareholder agreements.

RELATED PARTY TRANSACTIONS

Related party transactions are described in the notes to the consolidated financial statements for the year ended March 31, 2009 and in the Statutory Auditors' special report prepared in accordance with Article L.225-40 of the French Commercial Code and reproduced below.

PLEDGES, GUARANTEES AND SURETIES

Assets pledged to finance operations

In connection with the renegotiation of their bank debt, on April 21, 2006, Atari SA and Atari Europe SAS. entered into a new agreement with a leading financial institution, Banc of America Securities Limited (BOA), that provides for the implementation of a €20 million credit facility to finance operations, as well as for the possibility of obtaining up to €30 million in financing locally in Europe, secured by trade receivables. The new agreement replaces the Group's previous agreements with other banks ⁽¹⁾.

Several amendments to this agreement have been signed. Two amendments to the agreement were signed in the fourth quarter of 2008-2009 for the purposes of (i) extending the facility's expiration date to December 31, 2009 and (ii) increasing the total amount of the facility to €61.8 million.

As of March 31, 2009, a total of €46.9 million was available under the credit facility in the form of cash or standby loans. Drawdowns in cash carry interest at the 3-month Euribor +850 basis points and standby loans carry interest at 3%.

Under these agreements, the Company, California US Holding Inc., and Atari Europe SAS have pledged (i) all of the shares of the following subsidiaries: Cryptic Studios, Inc., Eden Games SAS, Atari Interactive, Inc., Atari Inc., and Atari Europe SAS, (ii) certain trademarks and elements making up games published by Atari Europe SAS, (iii) 66% of the shares of Distribution Partners SAS ⁽²⁾, and (iv) receivables held by certain subsidiaries on other Group companies.

Atari and Atari Europe have also given a separate guarantee to BOA.

These liens serve to secure the obligations of Atari Europe and its borrowing subsidiaries with respect to short- and medium-term financing, which are further guaranteed by Atari in the form of a surety and a guarantee given by Atari Europe SAS for the commitments of its subsidiaries.

In addition, short-term credit facilities in Europe are secured by trade receivables, on a basis that varies with the sums drawn down.

¹ Pledges in favor of the Group's banks were transferred to BoA on April 13, 2006 and additional guarantees were given for the Group's medium- and short-term bank debt.

² As of July 7, 2009, due to the sale of the Company's remaining 66% interest to Namco Bandai Games Europe SAS, these pledges must be lifted.

The table below shows the carrying amount of the assets pledged by the Group (other than Atari Inc.) as of March 31, 2009 (€ millions):

| Pledged assets | Effective date of pledge | Expiration date | Value of pledged assets (a) | Balance sheet total (b) | % (a)/(b) |
|-----------------------|--|-------------------|-----------------------------|-------------------------|-----------|
| Intangible assets (1) | April 16, 2003 (renewed on April 13, 2006) | December 31, 2009 | - | €44.6 | 0.0% |
| Financial assets (2) | April 16, 2003 (renewed on April 13, 2006) | December 31, 2009 | €214.3 | €225.9 | 94.8% |

(1) The carrying amount in the consolidated financial statements of most games pledged by Atari Europe is not material, as most of it has been amortized; the amount of €44.6 million is taken from the consolidated financial statements.

(2) The carrying amount of those shares and of the related shareholder loans is shown in the parent company financial statements as of March 31, 2009 and is the only relevant value, as the subsidiaries concerned are consolidated. The balance sheet amount is the amount shown in the parent company financial statements.

On behalf of Atari Inc. in the United States

In 2006, Atari Inc. negotiated a financing agreement for up to USD 15 million (€10.3 million) with Guggenheim Corporate Funding, LLC and a syndicate of lenders. On October 1, 2007, an addendum reduced the amount available under the facility to USD 3 million (€2.05 million).

On October 18, 2007, BlueBay High Yield Investments (Luxembourg) SARL, a BlueBay affiliate, purchased the balance of the Guggenheim Corporate Funding, LLC loans.

Atari Inc. was then granted a credit facility by BlueBay High Yield Investments (Luxembourg) SARL for USD 10 million (€6.8 million) expiring on December 31, 2009, to replace the Guggenheim facility.

The loans are secured by Atari Inc.'s trade receivables, inventories and all of its intangible assets and property, plant and equipment. On December 4, 2007, the facility was increased to USD 14 million (€8.5 million).

As part of the ORANE-BSA issue carried out in January 2009 the Company undertook to pay off the €14 million loan granted by BlueBay to Atari Inc. under this facility. This loan was therefore fully repaid as of March 31, 2009.

Undertaking to pledge or to keep certain assets free of liens and encumbrances

As part of the previously mentioned bank refinancing, Atari and its principal subsidiaries have undertaken to refrain from creating security interests on their current or future assets without the consent of BOA (including in the form of counter guarantees for security given by any member of the Group), without issuing an equivalent *pari passu* security in favor of the lender or creating an equivalent security interest.

Guarantees given by the Company and Atari Europe SAS

In connection with the financing of its operations, the Company has given parent-company guarantees to Group subsidiaries for a total of €11.97 million for overdraft facilities and cash loans in favor of Atari Italia (€10.67 million) and Atari España (€1.3 million). The Company is also a guarantor of financial obligations of AUS 8.5 million (€4.9 million) by its Atari Australia subsidiary.

The Company and Atari Europe provided joint and several guarantees to their subsidiaries in connection, inter alia, with the April 13, 2006 refinancing of the Banc of America debt, covering the following:

| Debt guaranteed | Guaranteed principal (plus interest and expenses) (€ millions) | Due date |
|--|--|----------|
| Short-term credit facility * | 62** | 31/2009 |
| Other local facilities extended by banks (Italy, Spain, Australia) | 16.9 | — |

* Including the bank guarantees referred to above.

** The additional €15 million short-term drawdown was credited to Atari S.A. on April 3, 2009.

OTHER GUARANTEES

The Company is also guarantor of Atari Europe's obligations to production funds; the aggregate amount guaranteed as of March 31, 2008 is €2.2 million (not including any royalties payable).

INFORMATION ON TRADING IN THE COMPANY'S SHARES

Paying agent: CACEIS Corporate Trust, 14, rue Rouget de Lisle, 92130 Issy-les-Moulineaux.
Telephone: +33(0)1.57.78.00.00

COMMON STOCK - ISIN CODE: FR0010478248

The Company's stock is traded on Euronext Paris, Compartment C
The shares are not eligible for trading under the deferred settlement system (SDR)
The stock is included in the following indices: Next Economy; CAC All shares
Reuter's code: ATAR.PA
Bloomberg code: ATA:FP

| unadjusted price | Monthly highs and lows | | Trading volume | Value of shares traded (€ millions) |
|------------------|------------------------|---------|----------------|--|
| | High | Low | | |
| | (euros) | (euros) | | |
| 2008 | | | | |
| April | 13.15 | 11.25 | 337,566 | 4.18 |
| May | 13.40 | 11.20 | 402,079 | 4.94 |
| June | 12.48 | 10.10 | 375,166 | 4.23 |
| July | 11.82 | 7.90 | 581,489 | 5.51 |
| August | 14.80 | 10.26 | 836,000 | 10.77 |
| September | 14.40 | 7.06 | 794,798 | 9.33 |
| October | 10.44 | 6.30 | 946,344 | 7.75 |
| November | 8.10 | 5.50 | 473,597 | 3.3 |
| December | 6.15 | 3.50 | 661,690 | 2.9 |
| 2009 | | | | |
| January | 4.51 | 4.00 | 313,582 | 1.31 |
| February | 4.95 | 2.41 | 504,978 | 1.85 |
| March | 8.00 | 2.52 | 975,383 | 4.78 |
| April | 5.48 | 4.50 | 364,591 | 1.85 |
| May | 5.55 | 4.43 | 840,987 | 4.37 |
| June | 4.95 | 4.03 | 501,127 | 2.22 |

(Source: Euronext)

2006-2007 STOCK WARRANTS - ISIN CODE: FR0010413237

| | Monthly highs and lows | | Trading volume | Value of shares traded (€ millions) |
|-------------|------------------------|---------|----------------|--|
| | High | Low | | |
| | (euros) | (euros) | | |
| 2008 | | | | |
| April | 0.070 | 0.050 | 1,626,644 | 0.10 |
| May | 0.070 | 0.050 | 1,754,027 | 0.11 |
| June | 0.070 | 0.050 | 1,954,318 | 0.12 |
| July | 0.070 | 0.040 | 4,494,353 | 0.26 |
| August | 0.080 | 0.060 | 2,930,072 | 0.22 |
| September | 0.080 | 0.050 | 3,366,580 | 0.21 |
| October | 0.060 | 0.030 | 5,918,727 | 0.24 |
| November | 0.040 | 0.030 | 1,296,925 | 0.04 |
| December | 0.039 | 0.020 | 4,208,801 | 0.12 |
| 2009 | | | | |
| January | 0.054 | 0.001 | 5,063,851 | 0.16 |
| February | 0.029 | 0.003 | 1,613,555 | 0.02 |
| March | 0.020 | 0.001 | 2,205,033 | 0.03 |
| April | 0.020 | 0.012 | 1,291,147 | 0.02 |
| May | 0.020 | 0.005 | 970,729 | 0.01 |
| June | 0.016 | 0.007 | 307,648 | 0.00 |

(Source: Euronext)

2009 STOCK WARRANTS - ISIN CODE: FR0010690099

| | Monthly highs and lows | | Trading volume | Value of shares traded (€ millions) |
|-------------|------------------------|---------|----------------|--|
| | High | Low | | |
| | (euros) | (euros) | | |
| 2009 | | | | |
| January | 2.640 | 2.400 | 74 | 0.00 |
| February | 4.445 | 1.494 | 8,503 | 0.03 |
| March | 4.835 | 1.510 | 10,434 | 0.04 |
| April | 4.600 | 2.979 | 5,672 | 0.02 |
| May | 3.600 | 2.760 | 10,590 | 0.03 |
| June | 3.300 | 2.620 | 3,852 | 0.01 |

(Source: Euronext)

ORANE 2008 BONDS (REDEEMABLE FOR NEW OR EXISTING SHARES) – ISIN CODE: FR0010560615

| | Monthly highs and lows | | Trading volume | Value of shares traded (€ millions) |
|-------------|------------------------|---------|----------------|--|
| | High | Low | | |
| | (euros) | (euros) | | |
| 2008 | | | | |
| April | 120.00 | 105.00 | 4,220 | 0.45 |
| May | 114.42 | 101.00 | 1,328 | 0.14 |
| June | 105.30 | 88.00 | 510 | 0.05 |
| July | 98.00 | 72.02 | 147 | 0.01 |
| August | 125.00 | 98.00 | 1,263 | 0.14 |
| September | 118.50 | 99.00 | 555 | 0.06 |
| October | 102.00 | 83.00 | 82 | 0.01 |
| November | - | - | - | - |
| December | 80.00 | 67.00 | 356 | 0.03 |
| 2009 | | | | |
| January | 75.00 | 67.69 | 40 | 0.00 |
| February | 65.00 | 65.00 | 2 | 0.00 |
| March | 65.00 | 33.25 | 76 | 0.00 |
| April | 31.00 | 31.00 | 15 | 0.00 |
| May | 31.00 | 31.00 | 23 | 0.00 |
| June | 31.00 | 31.00 | 120 | 0.00 |

(Source: Euronext)

ORANE 2009 BONDS (REDEEMABLE FOR NEW OR EXISTING SHARES) – ISIN CODE: FR0010690081

| | Monthly highs and lows | | Trading volume | Value of shares traded (€ millions) |
|-------------|------------------------|---------|----------------|--|
| | High | Low | | |
| | (euros) | (euros) | | |
| 2009 | | | | |
| January | 105.00 | 88.32 | 208 | 0.02 |
| February | 109.48 | 66.55 | 1,134 | 0.11 |
| March | 129.99 | 69.35 | 1,505 | 0.14 |
| April | 117.00 | 80.00 | 981 | 0.10 |
| May | 109.50 | 98.40 | 882 | 0.09 |
| June | 104.00 | 80.00 | 269 | 0.03 |

(Source: Euronext)

ORANE 2009 BONDS (REDEEMABLE FOR NEW OR EXISTING SHARES) – ISIN CODE: FR0010696153

| | Monthly highs and lows | | Trading volume | Value of shares traded (€ millions) |
|-------------|------------------------|---------|----------------|--|
| | High | Low | | |
| | (euros) | (euros) | | |
| 2009 | | | | |
| February | 90.00 | 90.00 | 11 | 0.00 |
| March | 85.00 | 48.85 | 340 | 0.02 |
| April | 79.00 | 79.00 | 32 | 0.00 |
| May | 87.15 | 79.00 | 144 | 0.01 |
| June | 62.00 | 62.00 | 5 | 0.00 |

(Source: Euronext)

OCEANE 2003-2020 BONDS (PREVIOUSLY 2003-2009) - ISIN CODE: FR0010032839

As stated above, by decision of the Bondholders' Meeting of September 29, 2006, the maturity date of OCEANE 2003-2009 bonds not tendered under the public exchange offer by the Company in the period from February 12 to March 9, 2007 was moved back to April 1, 2020.

| | Monthly highs and lows | | Trading volume | Value of shares traded (€ millions) |
|-------------|------------------------|---------|----------------|--|
| | High | Low | | |
| | (euros) | (euros) | | |
| 2008 | | | | |
| April | - | - | - | - |
| May | 1.22 | 1.22 | 400 | 0.000 |
| June | 1.10 | 1.10 | 12 | 0.000 |
| July | 1.00 | 1.00 | 465 | 0.000 |
| August | 1.00 | 1.00 | 5,790 | 0.006 |
| September | 0.91 | 0.91 | 3 | 0.000 |
| October | - | - | - | - |
| November | - | - | - | - |
| December | 1.20 | 1.20 | 5,000 | 0.006 |
| 2009 | | | | |
| January | - | - | - | - |
| February | - | - | - | - |
| March | 1.03 | 0.75 | 4,939 | 0.004 |
| April | - | - | - | - |
| May | - | - | - | - |
| June | - | - | - | - |

(Source: Euronext)

OCEANE 2000-2011 BONDS (PREVIOUSLY 2000-2005) - ISIN CODE: FR0000181042

As stated above, by decision of the Bondholders' Meeting of March 4, 2005, the maturity date of OCEANE 2000-2005 bonds not tendered under the exchange offer by the Company in the period from March 9 to 31, 2005 was moved back to July 1, 2011.

| | Monthly highs and lows | | Trading volume | Value of shares traded (€ millions) |
|-------------|------------------------|---------|----------------|--|
| | High | Low | | |
| | (euros) | (euros) | | |
| 2008 | | | | |
| April | - | - | - | - |
| May | - | - | - | - |
| June | - | - | - | - |
| July | 12.51 | 12.51 | 50 | - |
| August | 13.86 | 12.51 | 850 | 0.01 |
| September | 13.70 | 13.05 | 200 | 0.003 |
| October | - | - | - | - |
| November | - | - | - | - |
| December | 15.05 | 14.35 | 20 | - |
| 2009 | | | | |
| January | 18.00 | 18.00 | 56 | 0.001 |
| February | 18.01 | 16.50 | 561 | 0.01 |
| March | 18.35 | 18.35 | 80 | 0.001 |
| April | 16.50 | 16.50 | 40 | 0.001 |
| May | 16.50 | 16.50 | 4 | - |
| June | 17.31 | 15.82 | 720 | 0.012 |

(Source: Euronext)

DIVIDENDS

The Company has not paid any dividends for the past five fiscal years and the Board does not anticipate that it will propose a dividend for fiscal year 2008-2009.

CORPORATE GOVERNANCE

MANAGEMENT, SUPERVISORY AND OVERSIGHT BODIES

On June 30, 2009 the Board of Directors had nine full members and three employee representatives.

- Frank E. Dangeard, director, non-executive Chairman of the Board of Directors;
- Dominique D’Hinnin, independent director, Vice-Chairman of the Board of Directors;
- David Gardner, director, Chief Executive Officer;
- Pascal Cagni, independent director;
- Michel Combes, independent director;
- Didier Lamouche, independent director;
- Phil Harrison, director;
- Gina Germano, director;
- BlueBay Value Recovery (Master) Fund, represented by Jeff Lapin.

Directors are elected by the Shareholders' Meeting for terms of six years.

The role of the non-voting member, as set forth in Article 15 of the Articles of Incorporation, is to ensure that the Articles of Incorporation are complied with and to make recommendations to the Board. He attends Board meetings in a consultative capacity.

Employee representatives on the Board of Directors are appointed by the works' council for four-year terms. As provided by law they do not vote.

The Board has set up two permanent committees to help it carry out its assignment: the Audit Committee and the Appointment and Compensation Committee.

A review of the activities of the Board of Directors is included in the Chairman's report provided for in Article L. 225-37 of the French Commercial Code (*Code de commerce*) (see "Report by the Chairman of the Board of Directors on the preparation and organization of the Board's activities and on internal control procedures, presented in accordance with Article L. 225-37 of the French Commercial Code" on page 182).

COMPOSITION OF THE BOARD OF DIRECTORS

The following individuals and legal entities were members of the Board of Directors during the period from April 1, 2008 to March 31, 2009:

| Name | Date of appointment | Expiration of directorship* | Main function in the Company | Main position currently held outside the Company | Other offices and positions held over the past five years |
|----------------------------------|--------------------------|--|---|---|--|
| <p>Frank E. Dangeard</p> | <p>March 15, 2009</p> | <p>Shareholders' Meeting approving the financial statements for the year ended March 31, 2009</p> <p>The Shareholders' Meeting will be asked to reelect him to a four-year term*</p> | <p>Director and Chairman of the Board of Directors since March 15, 2009</p> | | <p><u>Past offices and positions</u></p> <ul style="list-style-type: none"> • From September 2002 to September 2004: Senior Executive Vice- President of France Telecom • From September 2004 to February 2008: Chairman & CEO of Thomson <p><u>Current offices and positions</u></p> <ul style="list-style-type: none"> • Managing Director of Harcourt • Director of the following companies: <ul style="list-style-type: none"> - Calyon (Crédit Agricole Group) - Electricité de France (EDF) - Moser Baer (India) - Sonaecom (Portugal) - Symantec (USA) • Member or Chairman of the Advisory/Strategy Boards of a number of international companies and non-profit organizations. |
| <p>Dominique D'Hinnin</p> | <p>November 22, 2005</p> | <p>Shareholders' Meeting approving the financial statements for the year ending March 31, 2011</p> | <p>Director and, since March 15, 2009, Vice-Chairman of the Board of Directors</p> <p>Chairman of the Audit Committee</p> | <p>Since 1998: Chief Financial Officer of Lagardère Group</p> | <p><u>Past offices and positions</u></p> <ul style="list-style-type: none"> • Permanent representative of Lagardère SCA (transformed into an SAS on October 25, 2006) on the Board of Directors of Hachette Filipacchi Médias • Chairman and Chief Executive Officer of Lagardère Télévision Holdings (SA) until January 2007 • Director of Legion Group (SA) until May 2007 • Director of Lagardère Management, Inc. (USA) until October 2007 • Member of the Supervisory Board of Hachette Holding (SAS) |

| Name | Date of appointment | Expiration of directorship* | Main function in the Company | Main position currently held outside the Company | Other offices and positions held over the past five years |
|----------------------|---------------------|--|---|--|--|
| | | | | | <p>until December 2007</p> <ul style="list-style-type: none"> • Member of the Supervisory Board of Financière de Pichat (SAS) • Chairman and Member of the Supervisory Board of Newsweb (SA) <p><u>Current offices and positions</u></p> <ul style="list-style-type: none"> • Chairman and Chief Executive Officer of Ecrinvest 4 SA • Chairman of Eole SAS • Director of Hachette SA, Lagardère Ressources SAS, Sogead Gérance SAS, Lagardère Entertainment SAS, Hachette Livre SA, Le Monde Interactif SA, Lagardère North America, Inc. • Permanent representative of Hachette SA on the Board of Directors of Lagardère Active Broadcast • Member of the Supervisory Board of Lagardère Active SAS, Lagardère Services SAS, Lagardère Sports SAS, Financière de Pichat et Cie SCA, Matra Manufacturing & Services SAS • Member of the Supervisory Board and Chairman of the Audit Committee of Monde SA, Canal + France SA • Member of the Supervisory Board of European Aeronautic Defence and Space Company – EADS NV (Netherlands) and EADS Participations B.V. (Netherlands) • Member of the Supervisory Board and Chairman of the <i>Normaliens dans l'Entreprise</i> club • Member of the Board of Directors and Treasurer of the <i>Ecole Normale Supérieure</i> foundation • Member of the Board of Directors and Chairman of <i>Institut d'expertise et de prospective de l'Ecole Normale Supérieure</i> • Chairman of <i>Club de Trente</i> |
| David Gardner | January 30, 2008 | Shareholders' Meeting approving the financial statements for the year ended March 31, 2009* (or 2013 if reelected) | Director and Chief Executive Officer since January 30, 2008 | N/A | <p><u>Past offices and positions</u></p> <ul style="list-style-type: none"> • From 2004 to August 2007: Vice-President of International Publishing, then Executive Vice-President and Director in charge of the studios at worldwide level of Electronic Arts • Director of the following companies: <ul style="list-style-type: none"> - EA General Partner Limited - EA International (Studio and Publishing) Ltd • Executive Director of Electronic Arts Inc. |

| Name | Date of appointment | Expiration of directorship* | Main function in the Company | Main position currently held outside the Company | Other offices and positions held over the past five years |
|------------------------|---------------------|--|---|--|---|
| Phil Harrison | March 2, 2008 | Shareholders' Meeting approving the financial statements for the year ending March 31, 2012 | Director and, until May 25, 2009, Chief Operating Officer | N/A | <u>Past offices and positions</u> <ul style="list-style-type: none"> From 2000 to 2008: President of Worldwide Studios and Manager of the development department of PlayStation videogames at Sony Computer Entertainment, Inc. Executive Vice-President of Sony Computer Entertainment Europe Ltd. Director of Polyphony Digital, Inc. |
| Pascal Cagni | June 13, 2008 | Shareholders' Meeting approving the financial statements for the year ended March 31, 2009* (or 2013 if reelected) | Independent director | Since 2000: Vice-President and EMEA (Europe, Middle-East, India and Africa) Managing Director at Apple | <u>Past offices and positions</u> In 2006: Independent director of Egg Plc. <u>Current offices and positions</u> Independent director of Banque Transatlantique (Credit Mutuel/CIC) |
| Didier Lamouche | November 26, 2007 | Shareholders' Meeting approving the financial statements for the year ending March 31, 2012 | Independent director | Since December 2005: Chief Executive Officer of Bull Group | <u>Past offices and positions</u> <ul style="list-style-type: none"> From 2003 to December 2004: Vice-President in charge of semiconductor industrial transactions of IBM From 2005 to 2006: director of Cameca <u>Current offices and positions</u> <ul style="list-style-type: none"> Since December 2, 2004: director of Bull Group Since February 2005: Chief Executive Officer of Bull Group Since July 1, 2005: director of Soitec Since April 27, 2006: director of STMicroelectronics |
| Michel Combes | September 27, 2007 | Shareholders' Meeting approving the financial statements for | Independent director and Chairman of the Board from January | Since October 2008: Managing Director of Vodafone Group Services | <u>Past offices and positions</u> <ul style="list-style-type: none"> From January 2003 to 2006: Chief Financial Officer then Executive Director and creator of NEXT values at France Telecom |

| Name | Date of appointment | Expiration of directorship* | Main function in the Company | Main position currently held outside the Company | Other offices and positions held over the past five years |
|--|---------------------|---|--|---|--|
| | | the year ending March 31, 2012 | 30, 2008 to March 15, 2009 | | <ul style="list-style-type: none"> • From May 2006 to October 2008: Chief Executive Officer of TéléDiffusion de France • Chairman of the Board of Directors of the following companies: <ul style="list-style-type: none"> - Pages Jaunes - Carlson Wagon-lit France • Director of the following companies: <ul style="list-style-type: none"> - Eurotunnel - Protravel - Fortuneo - Procapital - Sonaecom • Member of the Supervisory Board of Neuflyze OBC bank and Altamir et Equant (Netherlands) <p><u>Current offices and positions</u></p> <ul style="list-style-type: none"> • Since 2006: <ul style="list-style-type: none"> - Chairman of the Supervisory Board of Assystem SA - Director of Weather (Italy) • Since 2007: Member of the Supervisory Board of Europacorp |
| Gina Germano | November 15, 2006 | Shareholders' Meeting approving the financial statements for the year ending March 31, 2010 | Director | Since April 2002: Senior Portfolio Manager at BlueBay | <p><u>Current offices and positions</u></p> <ul style="list-style-type: none"> • Director of the following companies: <ul style="list-style-type: none"> - Concordia Bus AB - Cherry Luxembourg SA (Nybron) - Teak Luxembourg SA (Nybron) |
| <p>BlueBay Asset Management</p> <p>Represented by Jeff Lapin since December 3, 2007</p> | November 15, 2006 | Shareholders' Meeting approving the financial statements for the year ending March 31, 2010 | Jeff Lapin represents BlueBay Asset Management and was appointed Chief Operating Officer on May 15, 2009 | N/A | <p><u>Past offices and positions</u></p> <p>From 2002 to 2007:</p> <ul style="list-style-type: none"> • Managing Director of Take Two Interactive Software (USA) • Managing Director of RazorGator Interactive Group • Director of the following companies: <ul style="list-style-type: none"> - 411 Web Interactive (USA) |

| Name | Date of appointment | Expiration of directorship* | Main function in the Company | Main position currently held outside the Company | Other offices and positions held over the past five years |
|---|---------------------|------------------------------|------------------------------|---|--|
| | | | | | - In-Fusio (USA) |
| Eugene Davis | January 23, 2009 | Resigned on March 15, 2009 | Director | Chairman of the consulting group Pirinate Consulting Group, LLC | <u>Past offices and positions:</u> <ul style="list-style-type: none"> • Chief Operating Officer of Total-Tele USA • Chief Executive Officer of Emerson Radio • Independent Chairman of the Board or Chairman of the Audit Committee of over fifteen companies |
| Bluebay High Yield Investments (Luxembourg) SARL | January 16, 2008 | Resigned on January 23, 2009 | Represented by Eli Muraidekh | Manager of BlueBay European Special Situations | <u>Current offices and positions:</u> <ul style="list-style-type: none"> • Director of Kiekert AG |
| Represented by Eli Muraidekh since January 16, 2008 | | | | | |

*Subject to approval of the relevant resolution by the Annual Shareholders' Meeting approving the financial statements for the year ended March 31, 2009 aimed at amending the first paragraph of Article 14.4 "Board of Directors" of the Articles of Incorporation in view of reducing the term of office of directors from six to four years with immediate effect.

BENOIT REGNAULT DE MAULMIN (NON-VOTING DIRECTOR FROM APRIL 18, 2002 TO APRIL 24, 2008)

Offices and positions held outside the Company: Managing Director of Interactive Finance SA, director of Anuman Interactive SA., member of the Supervisory Board of Metaboli SA.

Offices and positions held over the past five years: Chairman of the Board of Directors of Insko Entertainment Ltd., director of Infogrames Entertainment and Interactive Partners, Managing Director of Interactive Finance SA and Game Production Fund SA.

EMPLOYEE REPRESENTATIVES (ELECTED BY THE WORKS' COUNCIL MEETING OF THE ATARI ECONOMIC AND SOCIAL UNIT ON JANUARY 12, 2007)

Nadège de Bergevin, Senior Producer (management staff)

Jean-Yves Lapasset, Consultant (Game Analyst) (technical staff)

The Board of Directors does not have any members elected by the employees.

SUPERVISORY AND OVERSIGHT BODIES

As of March 31, 2009

| | |
|-----------------|-------------------------------|
| David Gardner | Chief Executive Officer |
| Phil Harrison | Chief Operating Officer |
| Fabrice Hamaide | Group Chief Financial Officer |

As of June 30, 2009

| | |
|-----------------|---|
| David Gardner | Chief Executive Officer |
| Jeff Lapin | Chief Operating Officer |
| Fabrice Hamaide | Group Chief Financial Officer |
| Jim Wilson | Chief Executive Officer of Atari Inc. |
| John Needham | Chief Executive Officer of Cryptic Studios Inc. |

THE BOARD OF DIRECTORS AND ITS COMMITTEES

Organization of the Board of Directors

Article 14 of the Articles of Incorporation provides that the Company's Board of Directors must have a minimum of three members and a maximum of eighteen, subject to legal exemptions. The Board of Directors has its own internal rules. As recommended by the Bouton Report on corporate governance, those rules include provisions governing eligibility (including in terms of business qualifications) for membership and reelection as well as a code of conduct for directors (including obligations to abstain from trading on the basis of privileged information).

The internal rules also specify that, as the Company's shares and those of Atari Inc., subsidiary until October 2008, were traded on regulated markets, the Company and its directors must comply with French and US securities and exchange regulations and with applicable French and US securities laws. Directors must refrain from trading in the shares of the Company or of Atari Inc. and in related securities (i) if they are privy to inside information and (ii) during periods when trading is restricted. Such non-trading periods include (i) the 15-day period in every quarter that immediately precedes the announcement of the Company's revenue, (ii) the 30-day period preceding the announcement of the Company's consolidated quarterly financial results and (iii) the 45-day period preceding the publication of the Company's draft consolidated financial statements. As a general matter, directors must seek the advice of the Board secretary prior to trading or arranging for trades in shares of the Group's entities or any related securities, as well as performing transactions of the same nature involving the shares of companies about which they are privy to information by virtue of their position as Company directors. The Board secretary notifies the directors of the conditions applicable to such transactions.

In order to qualify for a seat on the Board, directors are required to hold at least 100 shares of the Company. However, the Shareholders' Meeting to be held in September 2009 will be asked to remove this obligation. The internal rules also provide for procedures whereby Board members can obtain independent and critical information and an annual assessment of the directors and of the Board's work.

At least once a year, the Board of Directors must include a review of its operation in its order of business. At least every three years, the Board must arrange for an outside consultant to formally assess its performance and operation, under the oversight of an independent director.

The Company's Board of Directors met 29 times between April 1, 2008 and March 31, 2009 with an average attendance rate of over 77%. All Board meetings were presided over by the Chairman with the exception of the meetings of November 12, December 1, December 3, December 12, and December 16, 2008 and the meetings of January 7, January 29 and March 22, 2009. The meetings were attended by employee representatives (with the exception of the meetings of July 22, August 11, August 28, December 1, December 12 and December 16, 2008 and the meetings of January 13, January 23, and March 22, 2009), the Board secretary, and, depending on the order of business, the Statutory Auditors, Group executives and outside experts. In addition to reviewing the annual and interim financial statements and decisions of a financial or legal nature made in the ordinary course of business, the Board primarily concerned itself with: (i) the financing of operations, in particular the negotiation of new agreements with Banc of America, (ii) the Group's financial restructuring – including the implementation of resolutions by the Shareholders' Meeting concerning (a) the issuance of equity in the form of bonds redeemable for new or existing shares and stock warrants and (b) the simplified exchange offer, (iii) the adoption of a strategic relaunch plan for the Group, notably the acquisition of Cryptic Studios Inc., the creation of a new development studio in London, the partnership agreement entered into with Namco Bandai Games Europe SAS which resulted in the sale of the Europe distribution business, and the corporate name change, (iv) the optimization of its structures and particularly the acquisition of Atari Inc. shares that were not yet held and the delisting of this subsidiary, (v) the change in the composition of the Board of Directors.

INDEPENDENT DIRECTORS:

- Dominique D'Hinnin, Vice-Chairman of the Board of Directors;
- Pascal Cagni;
- Michel Combes;
- Didier Lamouche.

Since June 13, 2008, one-third of the Board's members are independent directors in line with the 2008 AFEP-MEDEF code. The independent directors will be asked to evaluate the work of the Board and the independence of its members on an annual basis.

The conditions that directors must satisfy in order to be considered independent directors are set forth in the Chairman's report provided for in Article L. 225-37 of the French Commercial Code (see "Report by the Chairman of the Board of Directors on the preparation and organization of the Board's activities and on internal control procedures, presented in accordance with Article L. 225-37 of the French Commercial Code" on page 182).

CONVICTIONS AND FAMILY TIES

During the past five years, to the best of the Company's knowledge, except as indicated below, none of the members of the governing bodies has been:

- convicted of fraud;
- involved in a bankruptcy or liquidation proceeding, or placed under the control of a receiver or bankruptcy trustee;
- charged or formally sanctioned by any statutory or regulatory body, including trade associations;
- barred by a court from acting as member of a governing, management or supervisory body of an issuer or from participating in the management or operation of an issuer.

As of the date of this document, there were no family ties between the Company's directors.

Board committees

On March 31, 2009, the Board of Directors comprised:

- An **Audit Committee** made up of Dominique D'Hinnin (Chairman) and Gina Germano;
- An **Appointment and Compensation Committee** made up of Didier Lamouche, Dominique D'Hinnin and Gina Germano.

The two committees each have specific internal rules that set forth what they do and how they work (see "Report by the Chairman of the Board of Directors on the preparation and organization of the Board's activities and on internal control procedures, presented in accordance with Article L. 225-37 of the Commercial Code" on page 182).

As of March 31, 2009, the two ad hoc committees of the Board of Directors were:

- A Finance and Resources Committee, made up of Frank E. Dangeard and Jeff Lapin;
- A Strategy Committee made up of Frank E. Dangeard and Jeff Lapin.

LOANS EXTENDED AND GUARANTEES PROVIDED

During the past fiscal year, no loans were extended or guarantees provided to members of the Board of Directors or corporate officers.

COMPENSATION OF DIRECTORS AND CORPORATE OFFICERS

This information can be found in section 7 of the chapter “Information on management and the financial statements”.

STATUTORY AUDITORS' FEES

| (€ thousands) | Year ended March 31, 2009 | | | | Year ended March 31, 2009 | | | |
|---|---------------------------|------|---------------------|------|---------------------------|------|---------------------|------|
| | PIN Associés | | Deloitte & Associés | | PIN Associés | | Deloitte & Associés | |
| | Fees | % | Fees | % | Fees | % | Fees | % |
| Audit | | | | | | | | |
| - Statutory and contractual audits | | | | | | | | |
| * Issuer | 71,9 | | 398,8 | | 65,9 | | 192,3 | |
| * Fully-consolidated subsidiaries | 75,7 | | 441,0 | | 73,6 | | 289,9 (*) | |
| - Audit-related work | | | | | | | | |
| * Issuer | 32,4 | | 241,5 | | 40,8 | | | |
| * Fully-consolidated subsidiaries | | | | | | | | |
| Sub-total (1) | 180,0 | 100% | 1 081,3 | 100% | 180,3 | 100% | 482,2 | 99% |
| Other services | | | | | | | | |
| - Legal and tax advisory services | | | 4,8 | | | | 2,5 | |
| - Other (describe if > 10% of audit fees) | | | | | | | | |
| Sub-total (2) | 0 | 0% | 4,8 | 0% | 0 | 0% | 2,5 | 1% |
| TOTAL (1)+(2) | 180,0 | 100% | 1 086,1 | 100% | 180,3 | 100% | 484,7 | 100% |

(*) These fees do not include the fees paid to JH Cohn in an amount of €388,000 for the audit of Atari Inc.

INFORMATION CONCERNING EMPLOYEE PROFIT SHARING

PROFIT-SHARING PLAN

An employee profit-sharing agreement was negotiated on December 15, 1999, for the Group's entities in France. Sums set aside for employees are calculated in accordance with the profit-sharing formula provided for by law and distributed to employees on the payroll of the Group's French entities. The agreement provides that employees have the option to have their benefits paid into the Group Employee Savings Plan (*Plan d'Epargne Entreprise*: PEE) (see below).

There is no optional profit-sharing agreement.

EMPLOYEE SAVINGS PLAN (PEE)

An employee savings plan was also set up for the Group's French entities on December 15, 1999. Employees may pay into it the sums they receive under the Group profit-sharing plan and make additional voluntary deposits as permitted by law.

Stock offerings of €1.3 million, €2.5 million and €1.4 million were made to employees in December 2001, June 2003 and March 2005, respectively.

No shares have been offered to employees since the fiscal year ended March 31, 2006. As of June 30, 2009, the employees of French entities held less than 0.05% of the Company's shares outstanding through the savings plan.

Sums deposited in the employee savings plan may be invested, at each employee's option; (1) in an Atari mutual fund invested in Atari shares and up to 5% in money-market fund shares; (2) in a fund invested exclusively in money-market instruments; or (3) in diversified mutual funds (international equities and bonds).

RELATED PARTY AGREEMENTS

The special report below contains information on related party agreements.

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

Year ended March 31, 2009

This is a free translation into English of the Statutory Auditors' special report on related party agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report on related party agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as your Company's Statutory Auditors, we hereby present our report on related party agreements and commitments.

Agreements and commitments authorized during the year

Pursuant to Article L. 225-40 of the French Commercial Code (*Code de commerce*), we have been informed about agreements and commitments which are subject to the prior approval of the Board of Directors.

Our responsibility does not include identifying any undisclosed agreements or commitments. We are required to report to shareholders, based on the information provided to us, on the main terms and conditions of the agreements and commitments that have been disclosed to us, without commenting on their relevance or substance. Pursuant to Article R. 225-31 of the French Commercial Code, it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

We carried out our work in accordance with the professional standards applicable in France to such engagements. These standards require that we perform procedures to verify that the information provided to us is consistent with the underlying documents.

Agreements and commitments authorized during the year are described below.

1. DETERMINATION OF DAVID GARDNER'S TERMS AND CONDITIONS OF SEVERANCE

The Board of Directors has set the terms and conditions of David Gardner's appointment as Chief Executive Officer, including the severance benefits to which he would be entitled in the event of termination.

Should Mr. Gardner leave his position of Chief Executive Officer on "good-leaver" terms, the Company undertakes to pay him severance compensation equal to 12 months of his basic gross annual salary as at the date of departure, plus 50% of the maximum gross bonus for which he is eligible, i.e., €300,000. The payment of this compensation is contingent on the fulfillment of certain performance criteria.

The notion of "good leaver" covers the following situations:

- The officer suffers a disability, within the meaning of Article L. 341-4 (2) and (3) of the French Social Security Code (*Code de la sécurité sociale*), for a total of three months during any period of 12 calendar months;
- The officer retires after having reached the retirement age provided by law or specified in the Company's internal rules;
- The officer is removed from office or agrees with the Board of Directors that his appointment should be terminated, except in a situation where the officer is considered a "bad leaver".

The notion of "bad leaver" covers the following situations:

- The officer resigns or refuses to be reelected when his term of office expires, unless the reason for resignation is to take up another position within the Company;
- The officer is removed from office for gross or serious misconduct (*faute grave* or *faute lourde*), mismanagement or, more generally, conduct detrimental to the Company's interests;
- The officer retires before having reached the retirement age provided by law or specified in the Company's internal rules.

The foregoing agreement had no effect on the financial statements for the year ended March 31, 2009.

Authorized by the Board of Directors on January 30 and July 29, 2008.

Interested party: David Gardner.

2. DETERMINATION OF MICHEL COMBES' TERMS AND CONDITIONS OF SEVERANCE IF TERMINATION OCCURS AS THE RESULT OF A SIGNIFICANT MERGER OR ACQUISITION

The Board of Directors has set the terms and conditions of Michel Combes' appointment as Chairman of the Board of Directors, including the severance benefits to which he would be entitled in the event of termination.

Should Mr. Combes' appointment be terminated due to a significant merger or acquisition, the Company has agreed to pay him the following compensation:

- His entire gross annual compensation of €50,000, if termination occurs during the year immediately following his appointment as Chairman;
- His entire gross annual compensation plus the gross annual bonus he received for the year immediately preceding the merger or acquisition, if termination occurs subsequent to the year of his appointment as Chairman.

A provision for €50,000 was set aside for the year ended March 31, 2009 in relation to this agreement.

Authorized by the Board of Directors on February 27 and July 29, 2008.

Interested party: Michel Combes

3. DETERMINATION OF PHIL HARRISON'S TERMS AND CONDITIONS OF SEVERANCE

The Board of Directors has set the terms and conditions of Phil Harrison's appointment as Chief Operating Officer, including the severance benefits to which he would be entitled in the event of termination.

Should Mr. Harrison leave his position as Chief Operating Officer on "good-leaver" terms, the Company undertakes to pay him severance compensation equal to 12 months of his basic gross annual salary as at the date of departure, plus 50% of the maximum gross annual bonus for which he is eligible, i.e., €325,000. The payment of this compensation is contingent on the fulfillment of certain performance criteria.

The notion of "good leaver" covers the following situations:

1. The officer suffers a disability, within the meaning of Article L. 341-4 (2) and (3) of the French Social Security Code (meaning that he is totally incapable of performing any work, and may or may not require help from a third party to perform everyday tasks) for a total of three months during any period of 12 calendar months;
2. The officer retires after having reached the retirement age provided by law or specified in the Company's internal rules;
3. The officer is removed from office or agrees with the Company that his appointment should be terminated, except in a situation where the officer is considered a "bad leaver".

The notion of "bad leaver" covers the following situations:

1. The officer resigns from his position, unless he resigns from a salaried position to take up a non-salaried position within the Company;
2. The officer is removed from office for gross or serious misconduct, mismanagement or, more generally, conduct detrimental to the Company's interests;
3. The officer retires before having reached the retirement age provided by law or specified in the Company's internal rules.

The foregoing agreement had no effect on the financial statements for the year ended March 31, 2009.

Authorized by the Board of Directors on March 2 and July 29, 2008.

Interested party: Phil Harrison.

4. AGREEMENT WITH FRANK E. DANGEARD

4.1. SPECIAL DUTIES ENTRUSTED TO A DIRECTOR: COMPENSATION FOR SPECIAL DUTIES ENTRUSTED TO FRANK E. DANGEARD

The Board of Directors decided to appoint Frank E. Dangeard as Chairman of the Finance and Resources Committee and the Strategy Committee. Mr. Dangeard is expected to devote up to 10 days per month to these special duties for which he will be paid compensation of €30,000 per month.

A provision of €30,000 was set aside in the financial statements for the year ended March 31, 2009, relating to the period March 16 to 31, 2009.

Authorized by the Board of Directors on March 15, 2009.

Interested party: Frank E. Dangeard.

4.2. DETERMINATION OF FRANK E. DANGEARD'S TERMS AND CONDITIONS OF SEVERANCE

The Board of Directors has set the terms and conditions of Frank E. Dangeard's appointment as Chief Executive Officer, including the severance benefits to which he would be entitled in the event of termination.

Should Mr. Dangeard be removed from office for any reason other than gross misconduct (*faute lourde*), the Company will pay him severance compensation of €100,000 corresponding to his annual compensation for his duties as Chairman of the Board of Directors.

The payment of this compensation is contingent upon the fulfillment of certain qualitative and quantitative performance criteria. These performance criteria, all of equal importance, comprise quality of governance, strategic planning, the preparation of the Board's work as determined by the Board of Directors during his term of office as Chairman, as well as changes in the Company's positioning in its business sector in terms of market share, financial performance and market capitalization.

The foregoing agreement had no effect on the financial statements for the year ended March 31, 2009.

Authorized by the Board of Directors on March 22, 2009.

Interested party: Frank E. Dangeard.

5. AGREEMENTS WITH BLUEBAY ASSET MANAGEMENT

5.1. APPROVAL OF AMENDMENT TO THE PLEDGE AGREEMENTS WITH BANC OF AMERICA

The Board of Directors authorized two amendments to the pledge agreements executed in favor of Banc of America Securities Limited, in connection with addendum 3 to the Restated Credit Facility Agreement and addendum 6 to the Credit Facility Agreement, both of which were signed on December 17, 2007.

The purpose of the above amendments was to permit the issuance of ORANE bonds, as well as the full or partial prepayment of credit facilities outstanding and the rescheduling of their maturity date to February 28, 2009.

The foregoing Amendment had no effect on the financial statements for the year ended March 31, 2009.

Authorized by the Board of Directors on June 13, 2008.

Interested parties: Gino Germano and BlueBay Asset Management, represented by Jeff Lapin.

5.2. UNDERTAKING BY THE INVESTMENT FUNDS, THE BLUEBAY VALUE RECOVERY (MASTER) FUND LIMITED AND THE BLUEBAY MULTI-STRATEGY (MASTER) FUND LIMITED – BOTH ADMINISTERED BY BLUEBAY ASSET MANAGEMENT PLC – TO TAKE UP A PORTION OF THE ORANE-BSA ISSUE

By letter dated December 3, 2008, BlueBay Asset Management Plc., acting in the name and on behalf of the investment funds The BlueBay Value Recovery (Master) Fund Limited and The BlueBay Multi-Strategy (Master) Fund Limited, confirmed its irrevocable commitment to take up the ORANE-BSA issue (bonds redeemable for new or existing shares with stock warrants attached) up to a maximum amount of €40 million corresponding to (i) all ORANE-BSA in respect of which the BlueBay funds have pre-emptive subscription rights, and (ii) all ORANE-BSA allocated by the Company's Board of Directors to the BlueBay funds and not taken up by other holders of pre-emptive subscription rights, on a pre-emptive or a non-pre-emptive basis. Subscriptions will be paid up for an amount of €30 million by offsetting against the principal amount of the loan mentioned in paragraph 5.5 of this report.

The Board of Directors authorized the aforementioned undertaking by the BlueBay funds to take up a portion of the ORANE-BSA issue.

During the fiscal year ended March 31, 2009, BlueBay took up the entire ORANE-BSA issue allocated to it.

Authorized by the Board of Directors on December 3, 2008.

Interested parties: Gina Germano, BlueBay High Yield Investments (Luxembourg) SARL, represented by Eli Muraidekh, and BlueBay Asset Management, represented by Jeff Lapin.

5.3. REIMBURSEMENT BY THE COMPANY OF CERTAIN FEES INCURRED BY BLUEBAY

The Board of Directors authorized:

- The reimbursement – on the basis of supporting documents and up to a maximum limit of €500,000 (excluding VAT) – of supplementary legal and financial fees incurred by BlueBay in connection with the December 2007 ORANE issue;
- The payment – on the basis of supporting documents and up to a maximum limit of €300,000 (excluding VAT) – of legal and financial fees incurred by BlueBay in connection with the proposed ORANE-BSA issue.

The Company considers that BlueBay was actively involved in creating the conditions which enabled it to finance certain aspects of a complex set of operations, such as the acquisition of Cryptic Studios Inc. (BlueBay granted the Company a bridging loan which allowed it to acquire Cryptic Studios Inc. immediately and secured the refinancing of the loan through its undertaking to take up the ORANE-BSA issue) and the rescheduling of the Company's credit facility with Banc of America. The operations were carried out to enhance the Company's financial position and hence safeguard its continuity.

BlueBay used the services of external legal and financial consultants and asked the Company to reimburse the following fees: (i) fees charged by the legal and financial consultants who assisted it in connection with the December 2007 ORANE issue (the Board only authorized the reimbursement of a portion of these fees at the time, as specified below) and (ii) fees charged by the legal and financial consultants who assisted in structuring the financial operations decided by the Board of Directors on December 3, 2008, including the proposed ORANE-BSA issue. The fees incurred by BlueBay in relation to the December 2007 ORANE issue amounted to €900,000 (excluding VAT) and the fees incurred by BlueBay in relation to the proposed ORANE-BSA issue are estimated at approximately €300,000 (excluding VAT).

An expense of €800,000 was recorded in the financial statements for the year ended March 31, 2009 (in addition to the provision of €400,000 set aside at March 31, 2008) and the Company paid the entire amount due, i.e. €1,200,000.

Authorized by the Board of Directors on December 3, 2008.

Interested parties: Gina Germano, BlueBay High Yield Investments (Luxembourg) SARL, represented by Eli Muraidekh, and BlueBay Asset Management, represented by Jeff Lapin.

5.4. GRANT OF SHAREHOLDER LOANS BY BLUEBAY

The Board of Directors authorized the grant of two shareholder loans by BlueBay:

1) BlueBay undertook to grant the Company a shareholder loan of approximately €46.8 million, maturing on December 31, 2009, in the event that negotiations to extend the maturity of all or part of the credit facility granted to the Company under the Credit Facility Agreement signed on April 21, 2006 with, inter alia, Banc of America Securities Limited, had not completed by February 28, 2009.

The foregoing agreement had no effect on the financial statements for the year ended March 31, 2009.

2) BlueBay undertook to grant the Company a shareholder loan of €15 million, from February 28, 2009, in the event that the Company's strategic partnership with Namco Bandai Games Europe SAS and the proposed factoring facility had not been set up by said date.

The Company secured the additional €15 million credit facility but no draw-downs were made in fiscal year 2008-2009. It recorded an expense of €290,000 in the financial statements for the year ended March 31, 2009 corresponding to the annual 6% lending fee.

Authorized by the Board of Directors on December 3, 2008.

Interested parties: Gina Germano, BlueBay High Yield Investments (Luxembourg) SARL, represented by Eli Muraidekh, and BlueBay Asset Management, represented by Jeff Lapin.

5.5. GRANT OF A BRIDGING LOAN BY BLUEBAY TO FINANCE THE COMPANY'S ACQUISITION OF CRYPTIC

The Board of Directors authorized the grant of a €30 million bridging loan to the Company by BlueBay in order to finance the purchase of Cryptic Studios Inc. (price and transaction fees) and meet Cryptic's working capital requirements.

The Company recorded an expense of €509,923 corresponding to interest at 15% and of €900,000 representing the flat loan arrangement fee.

Authorized by the Board of Directors on December 3, 2008.

Interested parties: Gina Germano, BlueBay High Yield Investments (Luxembourg) SARL, represented by Eli Muraidekh, and BlueBay Asset Management, represented by Jeff Lapin.

5.6. PLEDGE OF CRYPTIC SHARES IN FAVOR OF BLUEBAY

One of the conditions for granting and maintaining the bridging loan referred to in paragraph 5.5 above was that the Cryptic Studios Inc. shares purchased by the Company be pledged, under an agreement governed by American law, in favor of The BlueBay Value Recovery (Master) Fund Limited, acting in the name and on behalf of the lenders (The BlueBay Value Recovery (Master) Fund Limited and The BlueBay Multi-Strategy (Master) Fund Limited). This pledge represents the security interest referred to in paragraph 5.11 of this report.

The Board of Directors authorized the grant of the security, consisting in the pledge of Cryptic Studios Inc. shares to The BlueBay Value Recovery (Master) Fund Limited.

The foregoing agreement had no effect on the financial statements for the year ended March 31, 2009.

Authorized by the Board of Directors on December 3, 2008.

Interested parties: Gina Germano, BlueBay High Yield Investments (Luxembourg) SARL, represented by Eli Muraidekh, and BlueBay Asset Management, represented by Jeff Lapin.

5.7. ACQUISITION OF THE RECEIVABLE HELD BY BLUEBAY AGAINST ATARI INC.

On October 25, 2007, Atari Inc. announced the acquisition by funds affiliated to BlueBay of outstanding loans previously extended by Guggenheim Corporate Funding LLC to Atari Inc., with an aggregate value of USD 3 million. It also announced that it had been granted a credit facility by BlueBay High Yield Investments (Luxembourg) SARL, for USD 10 million, expiring on December 31, 2009, to replace the Guggenheim facility. The credit facility was increased to USD 14 million by way of an addendum dated December 4, 2007.

The Board of Directors authorized the acquisition of the aforementioned credit facility, using proceeds from the ORANE-BSA issue, in order to reorganize Atari Inc. and streamline the Group's financing structure.

As part of the January 2009 ORANE-BSA issue, the Company undertook to pay off the USD 14 million loan granted by BlueBay to Atari Inc. under this facility.

This loan was therefore fully repaid as of March 31, 2009.

Authorized by the Board of Directors on December 3, 2008.

Interested parties: Gina Germano, BlueBay High Yield Investments (Luxembourg) SARL, represented by Eli Muraidekh, and BlueBay Asset Management, represented by Jeff Lapin.

5.8. AMENDMENT OF THE CREDIT FACILITY AGREEMENT ENTERED INTO WITH BANC OF AMERICA

The Board of Directors authorized that the maturity of the credit facility granted under the Credit Facility Agreement entered into with Banc of America Securities Limited on April 26, 2006 be extended from February 28, 2009 to December 31, 2009 and that an addendum be signed to this effect.

As of March 31, 2009, this facility of €46.8 million had been fully drawn down in cash. The corresponding cash flows were recognized in the financial statements of the ultimate borrower, Atari Europe, a wholly-owned subsidiary of the Company.

Authorized by the Board of Directors on December 3, 2008.

Interested parties: Gina Germano, BlueBay High Yield Investments (Luxembourg) SARL, represented by Eli Muraidekh, and BlueBay Asset Management, represented by Jeff Lapin.

5.9. SIGNING OF ADDENDUM 1 TO THE LOAN AGREEMENT BETWEEN BLUEBAY AND THE COMPANY

In connection with the €30 million bridging loan extended to the Company by BlueBay on December 3, 2008, described in paragraph 5.5 above, the parties agreed to amend the loan agreement in line with the various phases of the ORANE-BSA issues.

The Board of Directors authorized the signing of an addendum to the loan agreement signed with BlueBay.

The foregoing agreement had no effect on the financial statements for the year ended March 31, 2009.

Authorized by the Board of Directors on January 7, 2009.

Interested parties: Gina Germano, BlueBay High Yield Investments (Luxembourg) SARL, represented by Eli Muraidekh, and BlueBay Asset Management, represented by Jeff Lapin.

5.10. SPECIAL DUTIES ENTRUSTED TO A DIRECTOR: COMPENSATION FOR SPECIAL DUTIES ENTRUSTED TO JEFF LAPIN

On the recommendation of directors representing or related to BlueBay, the Board of Directors entrusted Jeff Lapin with special duties, for a period of three months, which involved assisting the Company's management with its ongoing restructuring and integrating Cryptic Studios Inc. into the Group.

The Board of Directors authorized a €97,500 payment to Jeff Lapin, as compensation for these duties, payable in three equal installments.

A provision of €47,250 was set aside in the financial statements for the year ended March 31, 2009, relating to the period January 24 to March 31, 2009.

Authorized by the Board of Directors on January 23, 2009.

Interested parties: Gina Germano, Eugene Davis and BlueBay Asset Management, represented by Jeff Lapin.

5.11. GRANTING OF SECURITY INTERESTS TO BANC OF AMERICA

As part of the reorganization of the Group's Distribution business, by an agreement dated January 23, 2009 between the Company, Atari Europe SAS and Banc of America Securities Limited, the Company agreed to pledge all of its Cryptic Studios Inc. shares in favor of Banc of America Securities Limited to secure its obligations under the Credit Facility Agreement entered into with said institution on April 21, 2006.

The foregoing agreement had no effect on the financial statements for the year ended March 31, 2009.

Authorized by the Board of Directors on February 12, 2009.

Interested parties: Eugene Davis and BlueBay Asset Management, represented by Jeff Lapin.

5.12. AMENDMENT OF THE CREDIT FACILITY AGREEMENT ENTERED INTO WITH BANC OF AMERICA

The Board of Directors authorized the signing of addendum 8 to the Credit Facility Agreement dated April 21, 2006, the purpose of which is to increase the principal amount of the credit facility extended by Banc of America Securities Limited to €15 million and extend its maturity.

The foregoing agreement had no effect on the financial statements for the year ended March 31, 2009.

Authorized by the Board of Directors on March 22, 2009.

Interested parties: Gina Germano, Frank E. Dangeard and BlueBay Asset Management, represented by Jeff Lapin.

In addition, as required by the French Commercial Code, we have been informed that the following agreement, approved in a previous period, remained in force during the past fiscal year.

LOAN TO BB26 LLC

The Company agreed to extend a loan of €1 million to BB26 LLC, a Delaware (United States) corporation controlled by Bruno Bonnell, for financing the development of online gaming communities. The loan, extended on June 7, 2007, carries interest at 8% per annum (not capitalized) and was repayable on April 30, 2009. The shares of BB26 LLC were pledged as security for the loan.

Under the agreement, should Infogrames Entertainment consider it advisable, the Group would have a priority purchase option over BB26 LLC shares worth up to €5 million, priced on the basis of an enterprise value set by an independent appraiser.

Infogrames Entertainment also has the option to convert the debt resulting from the loan into shares of BB26 LLC.

The loan was not repaid on maturity and was fully impaired in the financial statements for the year ended March 31, 2009.

Villeurbanne and Lyon, July 31, 2009

Deloitte & Associés

Alain Descoins

Registered Statutory Auditor

The Statutory Auditors

Pin Associés

Jean-François Pin

Registered Statutory Auditor

Corporate Officer

REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE PREPARATION AND ORGANIZATION OF THE BOARD'S ACTIVITIES AND ON INTERNAL CONTROL PROCEDURES, PRESENTED IN ACCORDANCE WITH ARTICLE L. 225-37 OF THE FRENCH COMMERCIAL CODE

This report has been prepared pursuant to the provisions of Article L. 225-37 of the French Commercial Code (*Code de commerce*). Its purpose is to report on the preparation and organization of the Board of Directors' activities, the principles and rules governing the compensation and benefits of any nature provided to corporate officers, the restrictions on the authority of the Chief Executive Officer and the internal control and risk management procedures implemented by the Company.

This report is part of a procedure to describe the activities carried out, begun or planned by the Company; in no way does it aim to demonstrate that the Company manages all the risks to which it is exposed.

The Company based this report on the corporate governance code for listed companies published by the AFEP-MEDEF in December 2008 and which results from the consolidation of the report by the AFEP and the MEDEF of October 2003 and the AFEP-MEDEF recommendations of January 2007 and October 2008 on the compensation of executive corporate officers of listed companies (the "AFEP-MEDEF code"). This AFEP-MEDEF code is available through the MEDEF website (www.medef.fr).

This report refers to the Board of Directors' Management Report included in the Company's Registration Document for the year ended March 31, 2009 with regard to the publication of the information mentioned in Article L. 225-100-3 of the French Commercial Code concerning the Company's share capital and the items likely to have an impact in the event of a tender offer.

Pursuant to Article L. 225-37, paragraph 10, this report was approved by the Board of Directors at its May 27, 2009 meeting.

This report contains information on the following matters:

1. Composition of the Board of Directors and conditions under which its activities are prepared and organized;
2. Restrictions on the Chief Executive Officer's authority;
3. Internal control;
4. Principles and rules governing the compensation and benefits provided to corporate officers;
5. Disclosure of information required by Article L. 225-100-3 of the French Commercial Code;
6. Special conditions applicable to shareholders' participation in Shareholders' Meetings.

1. COMPOSITION OF THE BOARD OF DIRECTORS AND CONDITIONS UNDER WHICH ITS ACTIVITIES ARE PREPARED AND ORGANIZED

1.1 MANAGEMENT

The Company is a French *société anonyme* (joint stock company) with a Board of Directors. At its meeting of January 30, 2008, the Board of Directors decided to separate the positions of Chairman of the Board of Directors and Chief Executive Officer.

1.2 INTERNAL RULES

The Board of Directors has adopted its own internal rules, which govern the manner in which it is organized and operates and include most of the recommendations of the Bouton Report. These internal rules list the decisions requiring its prior authorization (including significant acquisitions and divestitures, transactions that are not part of the corporate strategy or for which no provisions have been made in the budget). They also contain the eligibility and reappointment rules applicable to directors (including in terms of business experience) as well as a code of conduct. The Board of Directors will review its internal rules during the coming year.

1.3 COMPOSITION OF THE BOARD OF DIRECTORS

The composition of the Company's Board of Directors is set forth in the section of this document dealing with corporate governance (see "Management, Supervisory and Oversight Bodies").

The Board of Directors does not include members elected by the employees.

The Board members have been selected on the basis of their recognized expertise in management, finance and accounting, as well as their knowledge of the interactive entertainment sector.

Since June 13, 2008, one-third of the Board's members are independent directors.

The Board of Directors' internal rules provide that, in order to be considered an independent director, an individual must not have any relationship with the Company, the Group to which it belongs or its management, that is liable to impair his or her judgment. Under applicable standards, an independent director may not, inter alia, (i) be an employee or officer of the Company or one of its consolidated entities, or have been an employee or officer during the preceding five years; (ii) be an officer of a company on whose Board of Directors the Company holds a seat, either directly or indirectly, or in which an officer of the Company (either current or having served in such a position in the preceding five years) serves as a director; (iii) be a Company client, supplier, investment banker or commercial banker if such business relationships are material to the Company or the Group to which it belongs or if the volume of business represented by the Company or

the Group accounts for a significant portion of the business of the entity with which the Company does business; (iv) have close family ties with a Company officer; (v) have been an auditor of the Company in the preceding five years; or (vi) have been a Company director for more than twelve years.

The Board of Directors has not yet reviewed the conditions under which the directors and the work of the Board could be assessed. Such an assessment will be made during the coming year.

Directors are currently elected for a renewable term of six years. However, pursuant to the recommendations of the AFEP-MEDEF code, the Board of Directors has decided to propose to reduce this term to four years at the Shareholders' Meeting called to approve the financial statements for the year ended March 31, 2009.

Directors will be advised to follow AFEP-MEDEF recommendations regarding their investment in the Company's capital when their attendance fees for fiscal year 2008-2009 are paid.

1.4 PREPARATION AND ORGANIZATION OF THE BOARD OF DIRECTORS' ACTIVITIES

The Board of Directors sets strategic guidelines for the Company and ensures that senior management implements them.

The directors have access to independent and critical information, as provided for by law and the Board's internal rules, enabling them to conduct independent and critical evaluations of the Group's business, financial position, earnings and prospects.

The Company's Board of Directors met 29 times between April 1, 2008 and March 31, 2009 with an average attendance rate of over 77%. All Board meetings were presided over by the Chairman with the exception of the meetings of November 12, December 1, December 3, December 12, and December 16, 2008 and the meetings of January 7, January 29 and March 22, 2009. The meetings were attended by employee representatives (with the exception of the meetings of July 22, August 11, August 28, December 1, December 12 and December 16, 2008 and the meetings of January 13, January 23, and March 22, 2009), the Board secretary, and, depending on the order of business, the auditors, Group executives and outside experts. In addition to examining the annual and interim financial statements and decisions of a financial or legal nature made in the ordinary course of business, the Board primarily concerned itself with: (i) the financing of operations, in particular the negotiation of new agreements with Banc of America, (ii) the Group's financial restructuring – including the implementation of resolutions by the Shareholders' Meeting concerning (a) the issuance of equity in the form of bonds redeemable in new or existing shares and stock warrants and (b) the simplified exchange tender offer, (iii) the adoption of a strategic relaunch plan for the Group, notably the acquisition of Cryptic Studios Inc., the creation of a new development studio in London, the partnership agreement entered into with Namco Bandai Games Europe SAS which resulted in the sale of the Europe distribution business, and the corporate name change, (iv) the optimization of its structures and particularly the acquisition of Atari Inc. shares that were not yet held and the delisting of this subsidiary, (v) the change in the composition of the Board of Directors.

The Board of Directors is helped in its work by two committees: an Audit Committee and an Appointment and Compensation Committee.

Each committee has its own rules, which specify its competences and operating mode.

The Audit Committee's task is to assist the Board of Directors and help it prepare its work, especially with respect to financial audits and verifications to ascertain that information disclosed to the shareholders and the financial markets is clear and accurate. As of March 31, 2009, the Audit Committee was made up of two members chosen from among the directors for the duration of their term of office. The Audit Committee is chaired by an independent director. The Board of Directors considers that the size and composition of the Committee are appropriate in view of the Company's size and the expertise of the Committee's members.

The Appointment and Compensation Committee helps the Board of Directors fulfill its role of overseeing the compensation policies applicable to Company employees, including senior executives, and takes part in the selection of the Company's directors and officers and in verifying that independent directors meet the independence criteria. With regard to the Company's size, Board and management, the Appointment and Compensation Committee has not set up a formal succession plan for the Company's officers. The Board may assign other occasional duties to the Appointment and Compensation Committee whose members it appoints.

As of March 31, 2009, the Appointment and Compensation Committee was composed of three directors. It is chaired by an independent director and met several times during the fiscal year to address issues such as executive compensation and the related performance criteria, as well as the appointment of a new Chairman of the Board in replacement of Michel Combes.

The make-up of the Board's two committees is set forth in the section on "Corporate governance" of this document pertaining to management, supervisory and oversight bodies.

The Board has also set up two ad hoc committees:

- The Finance and Resources Committee

As of March 31, 2009, the committee members were Frank E. Dangeard and Jeff Lapin.

- The Strategy Committee

As of March 31, 2009, the committee members were Frank E. Dangeard and Jeff Lapin.

Prior to the approval of the annual and consolidated financial statements for the year ended March 31, 2009, the Board of Directors, the members of the Audit Committee, the Chief Financial Officer and the independent auditors held several meetings following which the committee chairman, finance management and the auditors reported their respective conclusions to the Board of Directors.

2. RESTRICTIONS ON THE CHIEF EXECUTIVE OFFICER'S AUTHORITY

The Chief Executive Officer represents the Company in all of its dealings with third parties. He has the broadest authority to act in all circumstances in the Company's name, subject to the powers granted by law to the Board of Directors and the Shareholders' Meeting and within the limits of the corporate purpose.

However, the internal rules of the Board of Directors specify that the Board has authority for the following decisions:

- Review and approval of the annual and interim financial statements, approval of budgets;
- Approval of guarantees, endorsements and sureties;
- Authorization of related party agreements;
- Convening of Shareholders' Meetings;
- Appointment and setting of the compensation of the Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers;
- Choosing between the two modes of management;
- Approval of acquisitions, disposals or buyouts of a substantial size (in terms of numbers of securities);
- Approval of any substantial transaction not included in the strategy announced by the Company;
- Approval of any substantial internal restructuring.

The Board will consider the appropriateness of instituting restrictions on the Chief Executive Officer's authority when it next reviews its internal rules.

3. INTERNAL CONTROL

The Group has not relied on the AMF internal control reference framework and implementing guide for small and mid caps due to the large number of operations and the restructuring of the Company, to which senior management devoted all of its resources during the fiscal year. The application of the framework will be taken into consideration starting in fiscal year 2009-2010, in connection with other internal control projects.

This report on internal control pertains to all of the entities controlled by the Company and consolidated by it.

1. Objectives of the Group's internal control procedures;
2. Risk assessment procedures implemented by the Group;
3. Responsibility for internal control;
4. Internal control documents;
5. Assessment of the internal control of processes that have an impact on the accuracy of the financial information;
6. Summarized information on internal control procedures implemented by the Group;
7. Principles and rules governing the compensation and benefits of corporate officers.

(1) Objectives of the Group's internal control procedures

Internal control is a process carried out by the Chief Executive Officer, management and the staff, under the authority of the Board of Directors, aimed at obtaining reasonable assurances concerning the fulfillment of the following objectives:

- The proper operation of the Company's internal control procedures;
- The performance and effectiveness of operations;
- The consistency of financial transactions;
- Compliance with applicable laws and regulations.

One of the aims of the internal control system is to prevent and control risks to which the business is exposed and risks of errors and fraud, in particular in the financial and accounting areas. As in the case of other oversight systems, it cannot provide an absolute guarantee that all of those risks will be eliminated.

(2) Risk assessment procedures implemented by the Group

Internal control is based on risk assessment procedures performed by the management of operating entities and the Group, including in connection with annual reviews and budgeting processes. A risk-analysis project was expected to be launched for the period ended. However, the Company's staff has been kept very busy by such tasks as securing additional financial resources, putting into practice the new reporting methods and planning the restructuring of the Group, which has hindered the accomplishment of our initial objectives. In addition, the Group is currently undergoing restructuring. Once this has been completed, the project to map risks will be restarted in order to identify and prioritize measures required to improve risk management.

In fiscal years 2004 and 2005, a critical review was conducted of the operating subsidiaries in Europe, Australia and Asia to draw up an inventory of the main oversight procedures implemented by finance management at the local level. No significant risks emerged which could not be satisfactorily managed. These controls devised in previous years have remained in effect. The current restructuring of the Group has also contributed to the identification and hedging of risks, thanks to the analyses and reviews that resulted in the plan.

Atari Inc., the Group subsidiary publicly-traded in the United States until October 2008, has continued to assess its internal control procedures, as required by section 4 of the Sarbanes-Oxley Act, which provides, inter alia, that the management of companies concerned must formally evaluate internal control of processes that have an impact on the accuracy on the Group's financial information. The Company has also corrected weaknesses in internal control that were identified at the end of the previous year.

Risk factors are reviewed in section 8 of the Board of Directors' Management Report included in this Registration Document (see "Risks to which the business is exposed").

(3) Responsibility for internal control

In addition to the Board of Directors and pursuant to the Group's internal control policy, the management of operating entities has direct authority for internal control. Finance management is responsible for the implementation of procedures at the local level.

The internal control of processes that have an impact on the accuracy on the Group's financial information, whether of a financial reporting nature (consolidation, financial accounting, etc.) or having to do with upstream operating procedures (purchases, sales), is specifically under the authority of:

- The Chief Financial Officers at the Group or division level for the definition and design of internal control procedures;
- The management of operating entities, regions, subsidiaries and the Group, for the supervision of the effective implementation of internal control measures.
- The operational and legal restructuring of the Group will cause changes in its management. As changes take place, roles and responsibilities in terms of internal control will be redefined.

(4) Internal control documents

Group procedures and guidebooks are provided to affiliates. They mainly contain recommendations concerning the reporting methods and accounting rules adopted by the Group's senior management.

Some of those recommendations must now be updated due in part to changes in the financial reporting and consolidation methods. A manual setting forth Group accounting principles consistent with those prescribed by IFRS is also currently being prepared. Both projects will be prioritized in fiscal year 2009-2010.

Detailed reports on key oversight of processes that have an impact on the accuracy of financial information will also continue to be issued in the Company's main regions following the restructuring of operating entities.

Specific procedures apply to the process of preparing financial information for release. They include:

- The addition of new financial reporting and consolidation software, consistent with IFRS and used to prepare the Group's financial statements. The new system simplifies the preparation of financial reports and ensures that they are dependable and homogeneous;
- A formal process of reporting and analyzing other information contained in the Group Registration Document.

The heads of finance of the legal entities and the Group Chief Financial Officer are in charge of this procedure.

(5) Assessment of the internal control of processes that have an impact on the accuracy of the financial information

A management oversight entity exists for each region, responsible for monitoring operating performance (revenue, expenses, and investments) and cash flow. Overall supervision is provided by a management control unit at the Group's principal office.

The Group's financial planning process consists of:

- A strategic phase aimed at executing the business plan;
- A budgeting phase preceded by a definition of key objectives for the year;
- A re-budgeting phase for reviewing progress achieved during the first half of the year and adjusting projections for the full year so as to ensure that budget guidelines are complied with;
- Periodic reassessments of revenue at monthly performance monitoring meetings for regional finance teams and the Chief Executive Officers of entities.

The Group's finance management conducts on-site reviews at each operating entity, including of technical performances and risk procedures, action plans decided in connection with financial planning procedures and ad-hoc audits.

The independent auditors also report to the Group's senior management any shortfall in oversight that they may identify during the course of their audit of the annual and interim financial statements.

Oversight is conducted at various management and line levels and includes a wide range of measures, including authorizations, verifications and reconciliations, assessments of operating performance and verifications that due care is exercised to protect assets and that the separation between functions is effective.

Internal control procedures implemented by the Group are designed to manage the subsidiaries' accounting and financial information and to ensure that such accounting and financial information is exhaustive, accurate and fair.

As required by Article 302 of the Sarbanes-Oxley Act, the Chief Executive Officer and the Chief Financial Officer of Atari Inc., the Group's subsidiary in the United States, pointed out significant internal control shortcomings in the 10-K report filed for the fiscal year 2006/2007, in the following areas:

- The procedure for calculating tax expenses and preparing notes to the annual financial statements concerning taxes;
- Procedures for the preparation and review of financial statements;
- Information on related parties.

At the time, these shortcomings led US management to determine that internal control procedures were not efficient, as measured against the COSO guidelines. Measures to correct these significant weaknesses were implemented in fiscal year 2007-2008.

In its 10-K report filed July 1, 2008, the management of Atari Inc. concluded that the Group had remedied the three internal control shortcomings identified at the end of fiscal year 2006-2007.

Reporting procedure

The Group's financial management is in charge of ensuring that the reporting procedure is consistent with Group guidelines (A-Book) which are available on the intranet system. The procedure calls, inter alia, for the submission of monthly reports by subsidiaries with an analysis of key operating data and of the use and source of funds, based on a model and standards selected by the Group. In connection with the Group's restructuring, monthly reports will soon be supplemented by quarterly presentations by regional managers on business, changes in the cash position and financial results.

During the year, the financial staff and management focused on the introduction of the new financial reporting and consolidation system consistent with IFRS. The system is now operational and the staff will go back to the drafting of Group accounting guidelines prescribed by IFRS.

Preparation of the consolidated financial statements

The consolidated financial statements are prepared by the financial management on the basis of information provided to it by the general and financial management of subsidiaries. The manner in which this information is presented must be consistent with the Group's instructions. The information is prepared by the subsidiaries.

In order to ensure the accuracy of financial reporting by consolidated subsidiaries, Group financial management circulates internal memoranda issued by the regional financial management. The memoranda include a cost-based review of the principal financial items, which are compared to budgeted expenses, and a specific review of the business risks to which they are exposed. The format, content and frequency of those memoranda will shortly be modified to reflect the Group's new structure. They will also be used as a source for quarterly presentations by the regions.

When auditing the consolidated financial statements, the independent auditors examine consolidation reporting packages provided by the consolidated entities included in their assignment. During the course of their work and travels, the regional financial officers also validate, on a spot basis, the proper implementation of Group guidelines on the preparation of consolidated financial statements by the Group's principal subsidiaries and bring issues raised to the attention of Group management.

Lastly, the consolidated financial statements are submitted to the Group Chief Financial Officer and the Audit Committee for review, prior to their approval by the Board of Directors.

(6) Self-assessment of internal control procedures

During the year ended, financial management focused primarily on priority issues, such as the acquisition of Cryptic Studios Inc., the sale of the distribution business in Europe and Asia and the buyout of Atari Inc. minority shareholders. Under the circumstances, the Group did not have an opportunity to work on a formal, structured program for the oversight of its internal procedures.

4. PRINCIPLES AND RULES GOVERNING THE COMPENSATION AND BENEFITS PROVIDED TO CORPORATE OFFICERS

Within the Board of Directors, the three-member Appointment and Compensation Committee, which includes two independent directors, is in charge of making proposals to the Board of Directors regarding compensation paid by the Group (mainly to officers and executives) and the distribution of stock options and free shares.

Fees are paid to the directors on the basis of their participation at Board and committee meetings.

The gross compensation paid to the Chairman and Chief Executive Officer of Atari includes a fixed portion and a variable portion, set annually by the Board of Directors on the basis of proposals submitted by the Appointment and Compensation Committee. The variable compensation of the Chairman and Chief Executive Officer is contingent on the achievement of annual performance targets. In addition, certain officers and executives were granted free shares or stock options. Lastly, an additional "incentive bonus" based on the Company's market capitalization could be paid to the Chief Executive Officer.

Compensation paid to members of the Board of Directors is described in section 7 of the Board of Directors' Management Report included in the Registration Document.

5. DISCLOSURE OF INFORMATION REQUIRED UNDER ARTICLE L. 225-100-3 OF THE FRENCH COMMERCIAL CODE

The Board of Directors' Management Report, which is included in the Registration Document, contains the information required by Article L. 225-100-3 of the French Commercial Code.

6. SPECIAL CONDITIONS APPLICABLE TO SHAREHOLDERS' PARTICIPATION IN SHAREHOLDERS' MEETINGS

The special conditions that apply to the participation of shareholders in Shareholders' Meetings are set forth in Article 19 of the Company's Articles of Incorporation a copy of which may be downloaded from the Company's website.

Frank E. Dangeard

Chairman of the Board of Directors

STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF ATARI (FORMERLY INFOGRAMES ENTERTAINMENT)

Year ended March 31, 2009

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Atari (formerly Infogrames Entertainment) and in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article 225-37 of the French Commercial Code for the year ended March 31, 2009.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L. 225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set in the Chairman's report on internal control procedures relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by Article L. 225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control procedures relating to the preparation and processing of financial and accounting information

Professional standards require that we perform procedures to assess the fairness of the information on internal control procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified during the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report regarding the information given on the Company's internal control procedures relating to the preparation and processing of financial and accounting information set out in the Chairman of the Board's report, prepared in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by Article L. 225-37 of the French Commercial Code.

Lyon and Villeurbanne, July 31, 2009

The Statutory Auditors

Pin Associés

Deloitte & Associés

Jean-François Pin

Alain Descoins

RECENT DEVELOPMENTS**PRESS RELEASE OF JULY 24, 2009****REVENUE FOR THE FIRST QUARTER OF FISCAL YEAR 2009-2010**

Atari announces 30.1% revenue growth to €54.5 million for the first quarter of fiscal year 2009-2010 (unaudited data)

Lyon – France, July 24, 2009 – Atari SA announces its consolidated first quarter revenues for fiscal year 2009-2010 (ended June 30, 2009) with 30.1% growth year-on-year to €54.5 million (representing 16.2% growth at constant exchange rates). This solid performance was achieved mainly thanks to the commercial success of two recent titles: Ghostbusters: The Video Game in the United States and The Chronicles of Riddick: Assault on Dark Athena.

First quarter revenues analysis: 30.1% growth

Revenue breakdown by segment was as follows:

| (€ millions) | Q1 2009-2010 (1) | Q1 2008-2009 (1) | % growth at current exchange rate | % growth at current exchange rate |
|-----------------------------------|------------------------|------------------------|--------------------------------------|--------------------------------------|
| US operations* | 45.5 | 25.0 | 82.0% | 58.7% |
| European publishing operations | 8.6 | 16.7 | -48.5% | -48.5% |
| Other | 0.4 | 0.1 | N/A | N/A |
| Total | 54.5 | 41.9 | 30.1% | 16.2% |

* primarily Atari Inc.

(1) 2008-2009 and 2009-2010 figures are under IFRS and have been restated under IFRS 5. The net revenue of the Distribution Partners business, in the process of being disposed of as of June 30, 2009 is accounted for in discontinued operations and is not included in revenues.

Revenue breakdown by platform was as follows:

| | 2009-2010 Q1 | 2008-2009 Q1 |
|----------|-----------------|-----------------|
| Xbox 360 | 37.0% | 38.5% |
| PS3 | 24.6% | 12.1% |
| Wii | 19.9% | 14.9% |
| NDS | 7.0% | 4.1% |
| PC | 8.1% | 13.7% |
| PS2 | 3.1% | 14.2% |
| PSP | 0.2% | 2.0% |
| Other | 0.1% | 0.5% |

US Operations, primarily consisting of the US distribution business (Atari Inc.) and representing 83.5% of consolidated revenues, drove growth with an 82% increase to €45.5 million, mainly thanks to the strong success of this quarter's key releases: Ghostbusters: The Video Game and The Chronicles of Riddick: Assault on Dark Athena. In addition, US strong performance was also driven by improvement of third-party distribution revenues, which now represent approximately 33% of US Distribution revenues, mainly thanks to the development of local distribution deals such as with ZOO Games and CDV Software Entertainment. In addition, US operations revenue was driven by licensing operations, such as the deal signed with Sony Europe to launch Ghostbusters: The Video Game exclusively on PlayStation in Europe.

European publishing operations, representing 15.7% of consolidated revenues, decreased by 48.5% as the only major release in the period was The Chronicles of Riddick: Assault on Dark Athena, while the previous year's quarter included numerous releases, including Alone in the Dark.

This performance in the first quarter is mainly due to a favorable game release schedule and should not be extrapolated for the remainder of the year.

Main events of first quarter 2009-2010

As part of the transformation plan undertaken in 2008, additional strategic actions were implemented during the first quarter of fiscal year 2009-2010:

Corporate rebranding: In May 2009, the Board agreed to change Infogrames Entertainment's name to Atari. This decision will enable the Company to make the best use of the Atari brand, capitalizing on worldwide strong name recognition and affinity, which are key drivers to implement the Company's online, product and licensing strategies.

Publishing strategy at Atari: In May 2009, the Company announced its publishing business reorganization plan seeking to maximize non-online IP revenues through monetization of licenses and development of co-publishing deals.

Change in senior management team: In May 2009, the Company announced changes in its management team, with Phil Harrison leaving its President function and Jeff Lapin joining as COO.

Implementation of an additional cost-cutting plan: In the first quarter of fiscal year 2009-2010, the Company announced the implementation of an additional reorganization plan aiming at offsetting potentially protracted weakness in consumer demand while progressing towards its online operations. This reorganization plan will reduce general and administrative expenses as well as working capital requirement mainly through the full divestiture of Distribution Partners in Europe, sharp reductions in general and administrative expenses and a rationalization of the Group's offices worldwide. This cost reduction program is expected to be completed within the end of the third quarter of fiscal year 2009-2010.

Main events since the closing of first quarter 2009-2010

On July 7, 2009, Atari **closed the disposal to Namco Bandai Games Europe of its 66% stake in Distribution Partners** (newly renamed Namco Bandai Partners) and received a cash payment of approximately €37 million, based on a €60 million enterprise value of Distribution Partners, net of cash, debt and price adjustments.

With this transaction, Atari exited a fragmented distribution business in Europe and Asia/Pacific, which is no longer part of the Company's strategic focus, thereby reducing sharply the resources tied up in working capital and the risks associated with this business.

Outlook for 2009-2010

The Company reiterates its guidance of profitability. Current operating income is expected to be at or above breakeven in the second half of this fiscal year excluding non-recurring items.

In addition, the indicative expected release later this fiscal year/early next year is as follows:

- o Q3 (Qubed) (X-Box 360, in September 2009);
- o Ghostbusters: The Video Game (in Europe on PC, X-Box360, Wii, DS) and PSP version, in fall 2009;
- o Champions Online, the first true action Massively Multiplayer Online Role Playing Game (MMORPG) powered by the groundbreaking Cryptic Engine, with Cryptic team devoted to working directly with gamers to deliver a great gaming experience (PC in September 2009);
- o Backyard Football (Wii, PS2, X-Box 360 in October);
- o Star Trek Online: with customizable ships and characters from the Klingon Empire and United Federation of Planets, ground, space and shipboard gameplay and unique options for player-generated content set in the Star Trek universe, Star Trek Online is the MMOG that allows players to boldly go where no man has gone before. This game is expected to benefit from the success of the newest Star Trek film.

PARTIES RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND STATEMENTS**STATEMENT BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT****NAME OF THE PERSON RESPONSIBLE**

David Gardner, Chief Executive Officer

STATEMENT

I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further declare that to the best of my knowledge, (i) the annual and consolidated financial statements of Atari SA (previously Infogrames Entertainment, hereinafter the “Company”) for fiscal year 2008-2009 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the operations of the Company and its subsidiaries, and (ii) the Board of Directors’ Management Report on pages 18 to 61 provides a fair review of the business, results of operations and financial position of the Company and its subsidiaries, as well as a description of the principal risks and uncertainties to which they are exposed.

I obtained an end-of-audit statement from the Statutory Auditors, Deloitte & Associés and Pin Associés, confirming that they have read the Registration Document in its entirety and verified the information contained therein relating to the Group’s financial position and financial statements.

The historical financial data for fiscal year ended March 31, 2009 are discussed, with observations, in the Statutory Auditors’ reports presented on pages 116 and 117, 144 and 145 and are incorporated by reference for fiscal years ended March 31, 2008 and 2007. These reports did not contain any reservations or observations in respect of fiscal year 2008 and contained only the following observation for fiscal year 2007:

- The Statutory Auditors’ report presented on page 129 of the French Registration Document for fiscal year 2007 filed under number D.07-0784 contains a reference to Note 2.1 of the financial statements which mentions the uncertainty as to the Company’s ability to continue as a going concern.

Lyon, July 31, 2009

Chief Executive Officer

David Gardner

STATUTORY AUDITORS**PRINCIPAL AUDITORS****Pin Associés**

Represented by Jean-François Pin

170, boulevard Stalingrad, 69006 Lyon, France

Initially appointed in June 1993. Term extended by the Shareholders’ Meetings of December 15, 1998 and January 19, 2005 for an additional six years.

Term expires at the end of the Shareholders’ Meeting called to approve the financial statements for fiscal year 2010.

Deloitte & Associés

Represented by Alain Descoins

185, avenue Charles de Gaulle, 92203 Neuilly sur Seine, France

Initially appointed in October 1993. Term extended by the Shareholders’ Meetings of December 16, 1999 and October 20, 2005 for an additional six years.

Term expires at the end of the Shareholders’ Meeting called to approve the financial statements for fiscal year 2011.

ALTERNATE AUDITORS

Hervé Gay

170, boulevard Stalingrad, 69006 Lyon, France

Appointed in January 2005.

Term expires at the end of the Shareholders' Meeting called to approve the financial statements for fiscal year 2010.

B.E.A.S. SARL

7/9 Villa Houssaye, 92200 Neuilly sur Seine, France

Initially appointed in December 1999. Term extended by the Shareholders' Meeting of October 20, 2005 for an additional six years.

Term expires at the end of the Shareholders' Meeting called to approve the financial statements for fiscal year 2011.

INFORMATION**PERSONS RESPONSIBLE FOR INVESTOR INFORMATION**

David Gardner Tel: + 33 (0) 4 37 64 30 00

Fabrice Hamaide Tel: + 33 (0) 4 37 64 30 00

INVESTOR RELATIONS

Fabrice Hamaide Tel: + 33 (0) 4 37 64 30 00

Information on the Company's business and financial position can be found on its website at <http://corporate.atari.com>

TENTATIVE TIMETABLE (FOR INFORMATION)

Annual Shareholders' Meeting: September 30, 2009

Announcement of fiscal 2009-2010 second-quarter revenues and interim results: November 17, 2009

The dates above are indicative only and may have to be changed. Firm dates can be obtained by contacting the Company.

ANNUAL INFORMATION DOCUMENT

| FINANCIAL ANNOUNCEMENTS | Release |
|--|----------------|
| (http://corporate.atari.com and principal office of the Company) | |
| Atari announces 30.1% revenue growth to €54.5 million for the first quarter of fiscal year 2009-2010 | 7/24/2009 |
| Atari announces the signing of the divestiture of its remaining 66% stake in Distribution Partners | 07/02/2009 |
| Infogrames Entertainment - results for fiscal year 2008-2009 | 5/29/2009 |
| Infogrames Entertainment moves year-end results announcement forward | 5/8/2009 |
| Implementation of liquidity agreement | 4/7/2009 |
| Infogrames accelerates its transformation into a content-led online game company by selling its 66% interest in Distribution Partners to strategic partner Namco Bandai Games Europe | 3/25/2009 |
| Appointment of Frank Dangeard as non-executive Chairman of Infogrames Entertainment's Board of Directors | 3/16/2009 |
| Revenues for first nine months of fiscal year 2008-2009 | 2/13/2009 |
| Success of exchange offer on 2008 ORANE bonds and 2007 warrants | 2/10/2009 |
| Signing of definitive agreement with Namco Bandai Games Europe establishing strategic partnership covering distribution activities in Europe, Australia, New Zealand and Africa | 2/3/2009 |
| ORANE-BSA issue with shareholder preemptive rights raises €40,543,800 | 1/26/2009 |
| Notice regarding the simplified public exchange offers | 12/24/2008 |
| Regulatory announcement - Information on legal, financial and accounting matters relating to Infogrames Entertainment | 12/24/2008 |
| Regulatory announcement - Press release concerning simplified exchange offer | 12/24/2008 |
| Appointment of Jackie Fromion as head of newly-formed distribution entity | 12/22/2008 |
| Regulatory announcement - Finalization of Cryptic Studios acquisition: contribution in kind of Cryptic Studios Inc. shares | 12/12/2008 |
| Regulatory announcement concerning filing of proposed simplified exchange offers | 12/10/2008 |
| Regulatory announcement concerning launch of ORANE-BSA issue with shareholder preemptive rights | 12/10/2008 |
| Press release concerning financing of acquisition of Cryptic Studios through ORANE-BSA issue and initiation of two simplified exchange offers | 12/10/2008 |
| Draft prospectus on simplified exchange offers | 12/10/2008 |
| ORANE-BSA offering circular | 12/10/2008 |
| Infogrames acquires Cryptic Studios, a leading MMO games developer, publisher and operator | 12/9/2008 |
| 2008-2009 interim results | 11/13/2008 |
| Acquisition of "The Chronicles of Riddick: Assault on dark Athena" and "Ghostbuster, The Video Game" | 11/7/2008 |
| Infogrames Entertainment SA announces finalization of Atari Inc. acquisition | 10/9/2008 |
| Infogrames announces that Mathias Hautefort, Executive Vice President and COO in charge of worldwide distribution, is leaving the Company | 10/1/2008 |
| Infogrames Entertainment and Namco Bandai Games Europe establish strategic partnership | 9/9/2008 |
| Infogrames announces appointment of Paulina Bozek as Development Director of new online game studio | 9/8/2008 |
| 2008-2009 first quarter revenues | 7/31/2008 |
| Clarification of position regarding ISCI Entertainment Group plc ("SCI") | 7/2/2008 |
| Infogrames Entertainment reports full year 2007-2008 results and completes a year of transition | 6/17/2008 |
| Infogrames appoints Pascal Cagni as new independent director | 6/17/2008 |
| Consolidated revenues for fourth quarter 2007-2008 | 5/14/2008 |
| Fabrice Hamaide appointed Chief Financial Officer | 5/6/2008 |
| Infogrames and Atari, Inc. announce agreement to merge | 5/1/2008 |
| Response to press speculation | 4/29/2008 |

SHAREHOLDERS' MEETINGS

(<http://corporate.atari.com> and head office of the Company)

Extraordinary Shareholders' Meeting of January 19, 2009:

Notice of meeting of the Extraordinary Shareholders' Meeting; information document for shareholders; ballot form; practical voting instructions; share ownership certificate; Board of Directors' additional report of December 12, 2008 concerning implementation of the authorization to issue convertible bonds in consideration for contributions to the Company; Board of Directors' report on the resolutions of the Extraordinary Shareholders' Meeting of January 19, 2009; Statutory Auditors' report on the Board of Directors' additional report of December 12, 2008 concerning the authorization to issue convertible bonds in consideration for contributions to the Company; Statutory Auditors' report on the issue of various securities - resolutions one to four; Statutory Auditors' report on the equity issue without preemptive rights - resolution six; Statutory Auditors' report on the equity issue to be offered to employees - resolution seven.

Shareholders' Meeting of October 20, 2008:

Notice of meeting (second notice) published in the legal gazette (*Bulletin des annonces légales obligatoires*) on October 13, 2008; report (second notice).

Ordinary and Extraordinary Shareholders' Meeting of September 25, 2008:

2007-2008 Registration Document; Notice of meeting published in the legal gazette on September 8, 2008; Instructions for obtaining the documents relating to the Shareholders' Meeting; Chairman's report on internal control procedures; Board of Directors' report on the ordinary and extraordinary resolutions; Board of Directors' report on the attribution of stock options; Board of Directors' report on free share grants; Board of Director's additional report on the ORANE bonds; Board of Directors' report on the Chairman's report on internal control procedures; Statutory Auditors' report on the consolidated financial statements; Statutory Auditors' report on the financial statements; Statutory Auditors' report on related party agreements; Statutory Auditors' additional report on the ORANE bonds; Statutory Auditors' report on the reduction of capital - resolution twenty-two; Statutory Auditors' report on the issue of various securities - resolutions twenty-three to twenty-six; Statutory Auditors' report on the equity issue to be offered to employees - resolution thirty; Statutory Auditors' report on the equity issue without preemptive rights - resolution twenty-nine; information document for shareholders; ballot form; practical voting instructions; share ownership certificate.

FINANCIAL REPORTS

(<http://corporate.atari.com> and principal office of the Company)

Annual Report/Registration Document for fiscal year 2008-2009

Update of Registration Document for fiscal year 2007-2008

Annual Report/Registration Document for fiscal year 2007-2008

Interim Report for fiscal year 2007-2008

| ANNOUNCEMENTS IN THE LEGAL GAZETTE (<i>BULLETIN DES ANNONCES LÉGALES OBLIGATOIRES</i>) (www.balo.journal-officiel.gouv.fr) | Notice number | Notice date |
|--|----------------------|--------------------|
| NOTICES | 900399 | 2/4/2009 |
| NOTICES OF MEETINGS Shareholders' Meetings | 814867 | 12/12/2008 |
| NOTICES | 814720 | 12/12/2008 |
| PERIODIC ANNOUNCEMENTS Industrial and business corporation - (annual financial statements) | 814700 | 12/3/2008 |
| NOTICES OF MEETINGS Shareholders' Meetings | 813268 | 10/13/2008 |
| NOTICES OF MEETINGS Shareholders' Meetings | 812460 | 9/8/2008 |
| NOTICES OF MEETINGS Shareholders' Meetings | 811969 | 8/20/2008 |
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