ANNUAL FINANCIAL REPORT/REGISTRATION DOCUMENT

Fiscal Year 2010/2011

www.atari.com

A French *société anonyme* (joint stock company) with share capital of €24,328,970

Registered office: 78 rue Taitbout 75009 PARIS – France

Paris Trade and Companies Registry number 341 699 106 RCS Paris

ANNUAL FINANCIAL REPORT

REGISTRATION DOCUMENT

AMF AUTORITÉ DES MARCHÉS FINANCIERS

This Registration Document (*document de référence*) was filed with the AMF (French securities regulator) on July 29th, 2011, 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.

This document was established by the issuer and engages the responsibility of its signatories.

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, 2010, as included on pages 54 to 136 in the French Registration Document filed on July 30, 2010 under no. D 10-0660.
- The consolidated financial statements and the corresponding Statutory Auditor's report for the Fiscal Year ended March 31, 2009, as included on pages 64 to 148 in the French Registration Document filed on July 31, 2009 under no. D 09-0600.

CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEAR ENDED MARCH 31, 2011

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 the English translation, the French version will take precedence.

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GENERAL INFORMATION

CORPORATE PROFILE

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

Atari group is a global creator, producer and publisher of interactive entertainment. Atari's brands and content are available across all key traditional and digital distribution touch points, including browser-based and social online platforms, PC, consoles from Microsoft, Nintendo and Sony, and advanced smart phones (i.e. iPhone, Android and RIM devices).

Divisions of Atari, SA include Cryptic Studios, Eden Games, Atari Interactive, Inc. and Atari, Inc. Atari benefits from the strength of its worldwide brand and its extensive catalogue of contemporary classic game franchises (Asteroids®, Centipede®, Missile Command®, Lunar Lander®), original owned franchises (Test Drive®, Backyard Sports®, Deer Hunter®), MMO games from Cryptic Studios (Star Trek™ Online, Champions™) and third party franchises (Ghostbusters®, Rollercoaster Tycoon®, Dungeons and Dragons®). Atari also leverages the power of its franchises to deliver movies and merchandise to consumers around the world.

After several years of transformation and restructuring, significant actions were taken in Fiscal Year 2010/2011 towards strengthening Atari’s online platform, including notably:

- The continuation of the reorganization of the Group structure with appropriate management. This plan is based on profitable online social and casual games, particularly from owned franchises, MMO games and also lower risk games based on owned products and third party agreements;
- The launch of *Test Drive Unlimited 2*, *Ghostbusters Sanctum of Slime*, *Play Atari*, *Atari Arcade Classics* (such as Haunted House, Missile Command and Centipede) as well as the re-engineered version of the classic Atari game *Haunted House*;
- The continuation of cost control.

FINANCIAL HIGHLIGHTS

For the year ended March 31, 2011, the Company’s total revenue amounted to €56.7 million.
The following table presents the Group’s main financial figures prepared in accordance with IFRS 5, where applicable (1):

(€ millions)	March 31, 2011 (1)	March 31, 2010 (1)	March 31, 2009
Revenue	56.7	111.2	136.4
Current operating income / (loss)	0.5	(6.2)	(68.9)
Operating income / (loss)	(0.4)	(8.9)	(123.2)
Profit (loss) from continuing operations(1)	(0.9)	(14.2)	(131.9)
Profit (loss) from discontinued operations	(5.3)	(9.1)	(90.8)
Net loss	(6.2)	(19.4)	(222.7)
Total assets	97.6	91.7	209.9
Shareholders’ equity	(3.8)	1.8	(13.3)
Net cash/(net debt)	(36.1)	(9.2)	(56.4)
Cash and cash equivalents	16.4	10.3	5.9
Number of employees (2)	147	154	387

**N/A: not applicable.*

(1) The net income of Cryptic Studios business, in the process of being disposed as of March 31, 2011, is reported on the line “discontinued operations” as of April 1, 2009. 2009/2010 and 2010/2011 Group sales and current operating income exclude Cryptic Studios business.

(2) Number of employees for continued operations. The total number of employees for continued and discontinued operations amounted to 354 as of March 31, 2011 and 380 as of March 31, 2010.

CONTRIBUTIONS BY SEGMENT

IFRS 8.5 defines an operating segment as a component of an entity:

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

The Group has adopted the provisions of IFRS 8.5 and will present segment information in accordance with how the Group's chief operating decision maker reviews financial operations. The Group has focused its future operations on the expansion of its online businesses and will report its segments as online, retail and other. In addition, management believes that geographic and platform revenue analyses are not relevant to the operations of its business. Therefore, the Group has discontinued the past practice of disclosing these analyses.

The table below shows the contribution by each segment to consolidated revenue and operating results (1).

March 31, 2011 *€ million*	Online	Retail	Corporate and Other	**Total**
Revenues	11.1	45.6	-	56.7
Gross profit	10.7	23.8	-	34.5
Current operating income	(0.9)	5.1	(3.7)	0.5
March 31, 2010 *€ million*	Online	Retail	Corporate and Other	**Total**
Revenues	8.0	102.3	0.9	111.2
Gross profit	7.6	47.0	0.9	55.5
Current operating income	(4.5)	2.2	(3.9)	(6.2)

(1) The net income of Cryptic Studios business, in the process of being disposed as of March 31, 2011, is reported on the line "discontinued operations" as of April 1, 2009. 2009/2010 and 2010/2011 Group sales and current operating income exclude Cryptic Studios business.

STRATEGY

The major development in Fiscal Year 2010/2011 was the accelerated implementation of the strategy to focus Atari on future growth areas, specifically social/casual online and mobile gaming, MMO games and higher margin segments such as licensing.

The Group's strategy is constantly driven by four priorities:

1. Focus on Atari owned franchises and key strategic licenses for fewer but more profitable releases and further expansion into online, digital download, mobile game segments;
2. Reinforcing licensing and franchise revenue streams;
3. Continuing to optimize operations;
4. Setting up partnerships to support the Company's development, publishing and distribution efforts.

1. FOCUS ON ATARI OWNED FRANCHISES AND KEY STRATEGIC LICENSES FOR FEWER BUT MORE PROFITABLE RELEASES AND FURTHER EXPANSION INTO ONLINE, DIGITAL DOWNLOAD, MOBILE GAME SEGMENTS

This is supported by a strict investment discipline addressing all appropriate platforms (online, console, mobile). At this stage, Atari's games will be developed externally with selected third party game studios to contribute to a more flexible and cost efficient organization. In addition, Atari will continue to support its key strategic licenses, including Dungeons & Dragons, Ghostbusters & Rollercoaster Tycoon.

Atari aims at developing higher margin revenues streams, through:

- Revenues from casual/social gaming on social platforms such as Facebook, generated from subscriptions, downloads, advertising and/or micro-transactions;
- Digital distribution revenues generated by Atari games or third-party games available on the Atari.com digital store as well as on other third-party digital distribution platforms;
- Revenues from mobile games based on Atari's historical IPs sold via mobile phone platforms or applications directories, potentially generating significant returns for a limited initial investment;
- Revenues from online console games (Xbox Live Arcade and PlayStation Network), potentially generating online revenues through direct sales, micro-transactions, sales of add-ons or extensions, etc.;

Atari's games are developed externally with selected third party game studios to contribute to a more flexible and cost efficient organization. In line with the reduction of the R&D expenses, the Group is working on finalizing the rationalization and downsizing of its in-house studios, with the divestiture of Cryptic Studios (based in Los Gatos, California) and the reorganization of the Eden Games studio (based in Lyon, France), both of which were initiated during the first half of Fiscal Year 2011/2012.

Finally, Atari's publishing strategy benefits from a strong brand recognition, driven further by a web portal attracting, retaining and monetizing traffic: the www.atari.com portal. This portal is a key asset to develop both traffic and revenues, as new Atari games as well as Atari classics spanning the entire history of videogames (Pong, Missile Command, Asteroids, etc.) are progressively released.

2. REINFORCING LICENSING AND FRANCHISE REVENUE STREAMS

Atari earns revenue through licensing of games and merchandising to continually leverage Atari's strong catalogue of popular games and third party franchises.

Atari benefits from its global brand and extensive catalogue of popular games based on its classic game franchises (Asteroids, Centipede, Missile Command, Lunar Lander, etc.), original franchises (Test Drive, Backyard Sports, Deer Hunter, Champions).This unique portfolio of IPs and brands can further contribute to revenues through all type of licensing deals, notably through games or merchandising.

In addition, Fiscal Year 2011/2012 will be the year of the 40th anniversary of Atari, an opportunity for Atari to increase its brand marketing.

3. CONTINUING TO OPTIMIZE OPERATIONS

The Company focuses on continuing to optimize operations, focusing at this final stage to adapt the overhead and the Research and Development expenses to Company's the revenue and product strategy.

To get the most out of available resources and offset a potentially protracted weakness in consumer demand, Atari's strategy is closely coordinated with the Company's strict ongoing cost control which includes:

- Sharp reductions in overhead expenses, driven primarily by further staff reductions and reorganization, mainly at the corporate and publishing level;
- Significant reduction in Research and Development expenses, including a drastic reorganization of its in-house development studios;
- The streamlining of the Group's offices worldwide.

Through these essential actions, Atari's aims to sustainably align its revenues and expenses.

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

The Company is constantly exploring opportunities to develop commercial partnerships in order to derive maximum benefit from its large portfolio of intellectual properties, its brand and all of its assets. Examples include the licensing out of owned or controlled IP, entering into distribution or co-publishing arrangements related to owned or controlled games, and distribution or co-publishing arrangements of third party games.

HISTORY

Infogrames was created in 1983 and began trading shares on the *Second Marché* of the Paris stock market in 1993. In 1996 it moved to the *Premier Marché,* embarked on a major acquisition program (incl. GT Interactive, Eden Studio etc…) and developed its portfolio of licenses. Starting in 2003, the Group initiated multiple restructuring programs and worked on the restructuring of its debt.

In 2001, Infogrames acquired Atari Inc. (pioneer of the video game industry founded in 1972). In 2008, the Company restructured its US subsidiary and purchases in cash all Atari Inc. shares it does not already own, making Atari Inc. a wholly-owned subsidiary.

In 2009 the Group started its strategic turnaround, with increase emphasis on online and the development of less but more profitable retail games. In January, the Group issued bonds convertible into new or existing shares with warrants attached (ORANE-BSA) with a nominal value of €40.5 million mainly to finance the acquisition of Cryptic Studios Inc. announced at the end of 2008 and closed at the beginning of 2009.

The Company continued to evolve towards a content-led games company through Atari Europe's sale of its remaining stake in Namco Bandai Partners to Namco Bandai Games Europe, which closed in the summer of 2009. In May, the Board implemented the Company's corporate name change from Infogrames Entertainment to Atari and took a significant impairment of legacy activities.

In January 2010, the Group completed a successful rights issue, raising €43 million, netting approximately €30 million of cash, after the conversion of a portion of existing debt to equity. Jim Wilson, the CEO of Atari Inc. was appointed to the Board of Atari S.A. in October, and CEO of the Group in December. The Group's headquarter was moved from Lyon to Paris.

In January 2011 Atari decided to accelerate its migration towards becoming a casual, social and mobile games company with an essentially flexible games development structure, with the aim of finalizing this transformation by the end of the first half of Fiscal Year 2011/2012. In April it announced the restructuring of Eden Games, its development studio in Lyon

(France). In June, the workforce was reduced to approximately 30 employees, adjusting costs to the size of the business and its revenues. At the end of May, the Group announced that it had sold Cryptic Studios to the Chinese company Perfect World for €35 million. The closing of this transaction is still pending. In June, the Company and BlueBay agreed the extension of a credit facility of €49 million to December 30, 2011.

THE MARKET FOR INTERACTIVE ENTERTAINMENT SOFTWARE

The interactive entertainment software industry primarily comprises software for dedicated game consoles or platforms (such as PlayStation 3, Xbox 360 and Wii), handhelds (such as 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. The online casual and social gaming segment is the fastest growing part of the video game market. Additionally, the use of wireless devices (such as mobile phones and smartphones) as a gaming platform, known as "mobile gaming", is growing rapidly.

The videogame market has been generally affected by the difficult economic situation, specifically depleted consumer spending, ongoing since late 2008. According to International Development Group (IDG), an independent company specializing in the analysis of statistical data in the fields of technology, media, etc., hardware and software revenues as declined in calendar year 2010 and are expected to further decline in 2011 by 11% and 15% respectively in the US from 2010 and 11% and 13% respectively in Europe from 2010.

THE CONSOLE AND HANDHELD MARKET

Console technology has evolved considerably since Nintendo brought out its first generation of modern game consoles in 1985. Console manufacturers generally release a new game console with more advanced technology every four or five years. So-called hand-held consoles have also evolved since they first appeared in the market, although the life-span of those products is generally longer (4 to 5 years for home devices, versus 10 years for GameBoy and 6 years for GameBoy Advance).

Sony was the first manufacturer to bring out a new generation console when it released its PlayStation 2 platform in 2000. The following year, Nintendo came out with the GameCube and Game Boy Advance. That generation of consoles also featured the market entry of Microsoft, with the Xbox console.

Near the end of 2005, the next generation of consoles hit the market when Microsoft brought out its Xbox 360 in a segment long dominated by Sony's Playstation 2 (first sold in 2000). Nintendo's Wii console came out in December 2006, about the same time as Sony's PS3. These "nextgen" models represented a significant advance in video game technology, with the potential of appealing to a wider audience. While Microsoft and Sony added online capabilities to their consoles, motion sensors (PlayStation Move, PS Vita, Wii U and Kinect) and more power to create a more realistic and advanced game experience (along with video entertainment capacity with the new HD laser disk players), Nintendo developed a new gaming technique by replacing the traditional gamepads with remote controls and motion sensors.

As the technology has improved, competition has intensified and consumers have become more selective, causing the video game industry to become increasingly dependent on hit products.

The portable console segment is also innovating, with manufacturers offering more sophisticated systems such as the Sony PSP and the Nintendo DS, DSi and 3DS devices, which have many features and options as well as a wide range of gaming functions, in addition to wireless connection capabilities.

PERSONAL COMPUTERS

PC technology has been evolving in a more straight-line fashion than home and portable game consoles.

Improvements in microprocessors, graphic cards, hard disk capacity, operating systems and memory size have contributed significantly to the ability of computers to act as video game platforms.

Technological advances have made it possible for developers to produce video games for PC with a more sophisticated gameplay and leading-edge graphics.

The fact that the market for PC games is not repeatedly affected by technology cycles and that publishers do not have to pay royalties and high manufacturing costs for PC products makes this an attractive market for makers of video games.

However, retailers have reduced the shelf space allocated to PC products. This trend could be offset, at least in part, by an increased demand for Massively Multiplayer Online (MMO) games. In addition, improvements in the availability of broadband Internet service have caused the casual gamer community to expand.

ONLINE

Several kinds of games can be played online, ranging from casual to expert, on various platforms including PCs and game consoles (XBLA and PSN).

The two main categories of online games are:
- MMO games in which several gamers interact. Their contents are periodically updated by development teams.
- Casual and social games, on all platforms (PC, consoles and mobile), which are easy to play and can be quickly accessed free of charge using an Internet browser.

In addition to playing games online using PCs, consumers increasingly connect to the Internet through game consoles (XBLA and PSN). The Internet provides a way to offer consumers immediate services and content.

Online games generate revenue from one or more of the following principal sources:
- subscription fees, generally monthly or quarterly;
- micro transactions, in which gamers with a free or purchased game are offered additional content (most frequently new functionalities or access to more areas or levels);
- free-to-play games that generate revenue from ads, updates, micro transactions, etc.; and
- online advertising.

Thus, video games are increasingly becoming a service to which players can have access whenever they want, with content available online.

BUSINESS

The Group publishes, produces and distributes interactive entertainment software for the leading interactive systems, the internet and mobile devices.

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 migrating towards online and mobile games. In addition, Atari's publishing business strategy seeks to maximize non-online intellectual property revenue through monetization of licenses and development of certain retail games which support its franchises.

As of March 31, 2011, the Group's production resources were divided between:
- Cryptic Studios Inc., an online studio based in Los Gatos, California,
- An in-house development studio: Eden Games based in Lyon, France.
- Various partner studios to develop retail and casual/social games.

In addition, in line with the previously stated strategy of fewer but more profitable releases and further expansion into casual online and mobile games, the Company has determined that external development creates more flexibility in the changing marketplace. Therefore, the Company entered in the first half of Fiscal Year 2011/2012 in a reorganization process which resulted in the down-sized of its Eden Games studio and the process for the disposal of its Cryptic Studio.

US AND DIGITAL 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. For online distribution, Atari uses its web portal www.atari.com and third party online vendors, such as Steam, IGN etc…. For retail distribution, the Group's distribution network makes it possible for it to supply virtually all North American retailers directly (or through agents).

In Europe and certain parts of Asia, Atari distributes its products through Namco Bandai Partners.

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 licensed content.

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 Atari Classics, V-Rally, Backyard Sports, Alone in the Dark, Test Drive, and Champions Online. The Group also develops and publishes software under licenses, such as Star Trek, Ghostbusters, 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.

In order to develop games that are compatible with Nintendo, Microsoft or Sony consoles, the Group enters into agreements with those manufacturers. 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 relating to the acquisition of Cryptic Studios Inc. ("Cryptic"). As of March 31, 2011, Cryptic completed its earn-out period resulting in an earn-out totaling €6.7 million of which €4.6 million in cash and €2.1 million value in shares (approximately 383,000 shares issued). This earn-out was attributable to the performance of the Star Trek Online Video Game.

DISTRIBUTION AGREEMENTS

An 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 two phases, in February 2009, with Namco Bandai acquiring a 34% interest in Namco Bandai Partners, and in July 2009 when Atari sold its remaining stake in to Namco Bandai.

For a period of five years from the transaction's completion date, 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.

HASBRO LICENSING AGREEMENT

Overtime, the Company had entered into various agreements with Hasbro. 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.

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, 2011, no single customer accounted for more than 15% 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").

AGREEMENT RELATING TO R&D

Atari's French development studio Eden Games based in Lyon entered into a « consortium » agreement with different local industrial partners and university as part of the call for projects of the French government funding agency. The Garden projects is accredited by the competitive clusters and obtained a public funding of €2.1 million. As of March 31st 2011, the company has already collected €1.6 million in the frame of the financing of this innovative project. Engineering's time and human resources costs specially dedicated to this project development are taken into account and reimbursed partially by the government through this public grant.

CAPITAL PROJECTS

The Group invests primarily in the purchase of licenses (rights to exploit a universe or a name on existing interactive entertainment formats), the development of franchises (creation of attractive universes for video games) and the design of games (specialized software), as well as the acquisition of distribution licenses. The Company's principal capital projects during the period concerned *Champions Online* Free to Play version, , Ghostbusters, *Dungeons and Dragons: Daggerdale*, *Warlords, Star Raiders* and *Centipede* . All of those projects were paid for with available cash.

Investment spending can take the form of acquisitions (of companies, franchises, games - including in the form of pickups, meaning purchases of games developed to a significant degree by a third-party studio and requiring additional development and marketing) or may represent capitalized development expenses.

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:

	March 31, 2011		March 31, 2010		March 31, 2009	
(in € millions)		% revenues		% revenues		% revenues
Capitalized in-house R&D	4.6	8.1%	6.7	6.0%	10.9	8.0%
Capitalized outsourced R&D	7.3	12.9%	4.5	4.0%	18.4	13.5%
Other R&D expenditures in the income statement*	5.4	9.5%	16.3	14.7%	12.7	9.3%
Total R&D expenditures	**17.3**	**30.5%**	**27.5**	**24.7%**	**42.0**	**30.8%**

(*) *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, 2011: included continued investments by the Group in the development of major titles released during the year or scheduled for release this year including Test Drive Unlimited 2. The Company also invested for future products such as Heroes of NeverWinter, Centipede: Infestation, Dungeons and Dragons Daggerdale and various investments in Atari Classics to be released in Fiscal Year 2011/2012 which are yet to be announced.

These investments have been financed either with the Company's own cash and/or through the use of credit facilities. In Fiscal Year 2010/2011, the Group's research and development expenditures amounted to €13.8million.

The Board of Directors' report on the Group's management, section 2.1, 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 and intellectual property monitoring services. 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 PC’s, the risk is limited due to the large number of manufacturing companies around the world and their adaptability. 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. In previous years, console manufacturers experienced some difficulty ramping up to accommodate worldwide demand. However, manufacturing capacity has expanded and the production risk has been minimized. In addition, the Group’s future strategy of expanding its online operations will further reduce any potential risk.

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	Ceiling of €7.7m / Ceiling of €8.4m
Business liability Of which: Intellectual property liability	Ceiling of €3.7m Ceiling of €3.7m
Operating liability	Total Ceiling of €11.6m
Liability of officers and directors	Ceiling of €20 m

During the Fiscal Year ended March 31, 2011, Atari paid a total of US$590,871 in insurance premiums on the above policies on its own behalf and on behalf of subsidiaries.

NON-RECURRING EVENTS AND LITIGATION

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

For Fiscal Year 2010/2011, average headcount was 152 (excluding Cryptic operations), compared with 270 in Fiscal Year 2009/2010 and 595 in Fiscal Year 2008/2009.

As of March 31, 2011, the Group had an aggregate headcount of 147 (excluding Cryptic operations, and 90 also taking into account Eden Games's downsizing, effective as of June), compared with 154 in Fiscal Year 2009/2010 and 387 in Fiscal Year 2008/2009.
Including Cryptic operations, average headcount would have amounted to 367 with an aggregate headcount as of March 31, 2011 of 354.

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 French 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.

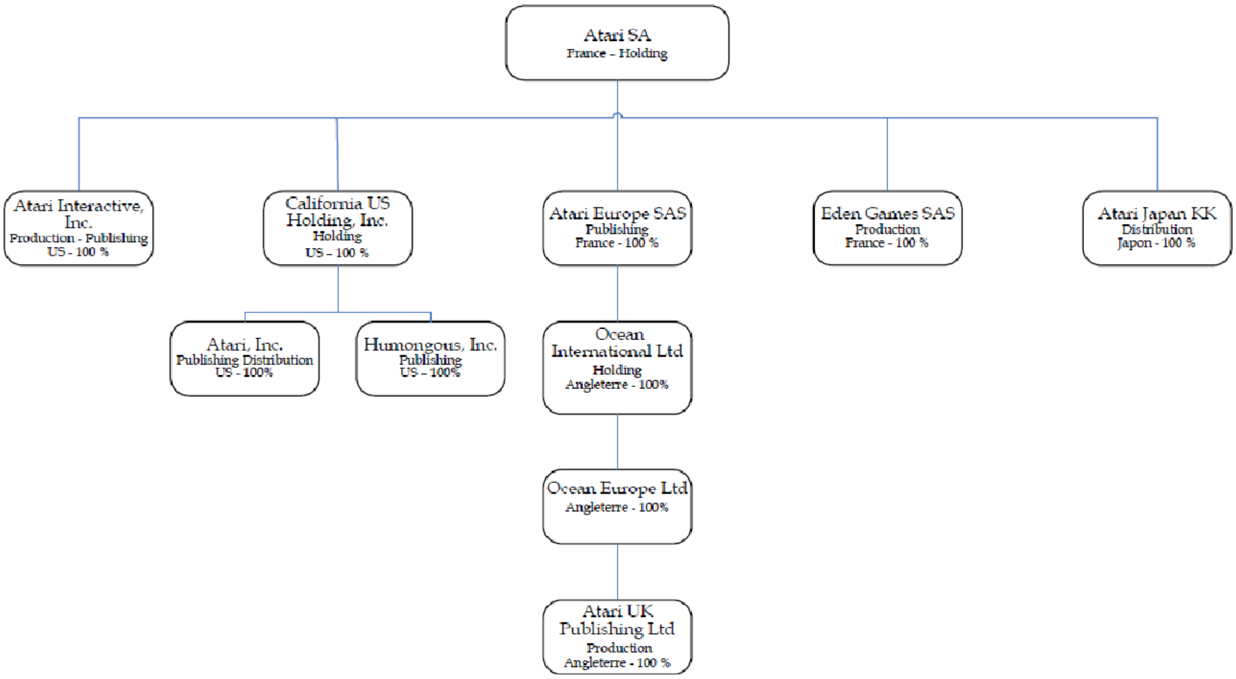
In addition, the agreement provides for the compensation of overtime with time-off.

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 Company's headquarters are based in Paris, 78 rue Taitbout, 75 009 Paris – France as authorized by the Extraordinary Shareholders Meeting of September 30, 2010. Prior to this authorization, the Group's headquarters were located in Vaise, Lyon- France since 2001.

SIMPLIFIED GROUP ORGANIZATION CHART AS OF MARCH 31, 2011 [(1)]



(1) Cryptic Studios business was in the process of being disposed as of March 31, 2011. As of March 31, 2011, the Company still owned 100% of Cryptic Studios.

INFORMATION ON MANAGEMENT AND THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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 famous developers and publishers of interactive game software. Global market trends are described below based on February 2011 IDG report.

Global market overview (Source: IDG – February 2011)

Worldwide market (Source: IDG – February 2011)

IDG estimates that in calendar year 2010, all major territories experienced a marginal decline in traditional video game revenue (hardware and software). IDG estimates that worldwide traditional video game revenues raised USD 37.5 billion in 2010, with a 10% decline in North America and a 9% decline versus prior year in Western Europe. Overall, worldwide traditional game market is expected to decline by 12% in 2011 when compared to 2010.
In all the major territories, the decline was led by weakness in hardware sales, despite the launch of 2 key higher priced SKUs that bundled Kinect and Move.
Europe temporarily surpassed the US (on a USD basis) in 2007 and 2008, but in 2010, the US was once again the largest market for traditional video game revenue accounting for 45% of market share—the same as in 2009.
As per IDG report published in February 2011, on the traditional game segment, downloadable content (DLC) will continue to grow share as percentage of total market, with Xbox Live, as well as PSN subscription and download revenues that will increase as a material driver in the market.
In addition, used games and non-traditional digital offerings will increase cannibalization of traditional value/catalog bracket.
IDG also estimates that mobile gaming will grow strongly on the heels of broader iOS gaming adoption (iPad 2 and

iPhone for Verizon are catalysts) as well as strong spike in Android platforms.
The estimate that Free-to-play monetization will continue to become a more dominant business model for casual games and that tablet-based gaming is poised for another strong performance in 2011(iPad as well as new entrants such as Samsung's Android-based Galaxy tablet).
Massively Multi Player Online market will see new resurgence with critical IPs, including launch of Star Wars: Old Republic (currently slated for September 2011) and Guild Wars 2, along with a solid initial start of DC Universe Online.
Virtual goods purchases (via micro-transactions) will remain pervasive with higher growth trajectory relative to subscription-based revenue drivers.

Global market trends in 2011 (Source: IDG – February 2011)

As per IDG, fragmentation of retail environment will continue into next cycle, including the price erosion of boxed product, the used-games cannibalization, the decline of value/catalog business for most publishers, the increasing penetration of Apple/Android gaming and the launch of the new handhelds (NGP and 3DS).

Also, as per IDG, AAA boxed product will continue to exhibit box-office sales tendencies, retailers will only support winning titles as mediocre mid-tier content continues to get eliminated from shelves.

Also, IDG believes that casual, mass-market fare will become even more platform-agnostic as it spans the gamut of platforms (console, handheld, PC, mobile, and motion control with Move/Kinect) with a variety of monetization schemes, generally involving demographics that are not normally tied to the core demographic base. For core boxed product, IDG believes that games will break beyond the traditional 18-34 year-old age bracket, but that bracket will still drive the majority of revenue.

1.2. HIGHLIGHTS OF THE YEAR

Changes to corporate governance

Jim Wilson, previously CEO of Atari Inc., was appointed CEO of Atari S.A. and a member of the Board. Hindol Datta, Vice President of Finance and Administration of Atari, was appointed interim Chief Financial Officer. Pascal Cagni resigned from the Board.

Change in the headquarter location

As authorized by the September 30, 2010 AGM, the Company's headquarter was moved from Lyon, France to Paris, France.

Credit line maturity extended

As per amendment 11 to the loan agreement of April 21, 2006, signed on October 1, 2010, the maturity date of the senior credit facility has been extended from December 31, 2010 to June 30, 2011. Other terms and conditions remain unchanged. As of March 31, 2011, the total amount of the credit facility outstanding was €42.3 million.

Payment of the Cryptic Earn out

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"), under which the existing shareholders were eligible to an earnout payment, subject to the achievement of online revenue targets. As of March 31, 2011, Cryptic completed its earn-out period resulting in an earn-out totaling €4.6 million in cash and €2.1 million euro in shares, attributable to the performance of the Star Trek Online Video Game.

BlueBay stake disposal process

On October 21, 2010, Atari was notified that its reference shareholder BlueBay was exploring a disposal of its shares and equity-linked instruments. On January 31, BlueBay informed Atari that the disposal process had not resulted in the signing of a binding protocol with one of the potential investors and that they had therefore interrupted their process.

1.3. SUBSEQUENT EVENTS

Corporate governance evolution

In accordance with French regulation and its internal rules, Atari's Board of Directors reviewed on April 8, 2011 its composition and the independence of its Directors. Following the resignations of Mr. D'Hinnin, Mr. Lamouche and of The BlueBay High Yield Investment (Luxembourg) SARL, Atari's Board of Directors is composed as follows at the date this document:

- Frank Dangeard, Chairman, Independent Director;
- Jim Wilson, Chief Executive Officer, Director (subject to September 30, 2011 shareholders meeting approval);
- Tom Virden, Independent Director;
- The BlueBay Value Recovery (Master) Fund Limited, represented by Gene Davis;
- Alexandra Fichelson, Director (subject to September 30, 2011 shareholders meeting approval).

Restructuring at Eden Games:

In April 2011 Atari announced a restructuring of Eden Games, its development studio headquartered in Lyon (France). The proposed plan aims to reduce the workforce just under 30 employees, adjusting costs to the size of the business and its revenues. The restructuring was effective at the end of the first quarter of Fiscal Year 2011/2012. This restructuring is part of Atari's long-term strategy to adapt to the changing marketplace and direct resources against the most profitable business segments. Atari continually evaluates its resources to ensure that they are properly matched against its product slate and strategic goals.

Credit line maturity extended:

As per addendum 12 signed on June 30, 2011, the Company and BlueBay have agreed the extension of a credit facility of €49 million to December 30, 2011.

Cryptic Studios divestiture:

In line with the previously stated strategy of fewer but more profitable releases and further expansion into casual online and mobile games, the Company has determined that external development creates more flexibility in the changing marketplace. Therefore, the Company has made the decision to divest itself from Cryptic Studios. On May 31, 2011, Perfect World Co., Ltd. and Atari announced that they had entered into an agreement whereby Perfect World would acquire 100% equity interest in Cryptic Studios from Atari, the sole shareholder of Cryptic Studios. Under the stock purchase agreement, Perfect World will pay an aggregate purchase price of approximately €35.0 million in cash, subject to working capital and other adjustments as provided in the agreement. The consummation of the transactions contemplated in the agreement is subject to satisfaction of closing conditions.

As of March 31, 2011, the Company accounted Cryptic as a "discontinued operation" in the Statement of Income starting on April 1, 2009 and as "assets / liabilities held for sale" in the Balance Sheet as of March 31, 2011.

On a standalone basis and after intercompany eliminations, Cryptic accounted for revenue on a full year basis of approximately €15.9 million for Fiscal Year 2010/2011 – as compared to approximately €4.5 million on a full year basis for Fiscal Year 2009/2010. The net results of Cryptic were a loss of approximately -€5.3 million for Fiscal Year 2010/2011, as compared to a loss of -€12.8 million on a full basis for Fiscal Year 2009/2010.

2. ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 SUMMARY ACTUAL CONSOLIDATED INCOME STATEMENT

(€ millions)	31-Mar-11		31-Mar-10		Change	
Revenue	**56.7**		**111.2**		**-54.5**	**-49.0%**
Cost of goods sold	(22.2)	-39.2%	(55.7)	-50.1%	33.5	-60.1%
Gross margin	**34.5**	**60.8%**	**55.5**	**49.9%**	**-21.0**	**-37.8%**
Research and development expenses	(13.8)	-24.3%	(31.0)	-27.9%	17.2	-55.5%
Marketing and selling expenses	(9.8)	-17.3%	(17.0)	-15.3%	7.2	-42.4%
General and administrative expenses	(10.3)	-18.2%	(15.3)	-13.8%	5.0	-32.7%
Share-based payment expense	(0.1)	-0.2%	1.6	1.4%	-1.7	-106.3%
Current operating income (loss)	**0.5**	**0.9%**	**(6.2)**	**-5.6%**	**6.7**	**-108.1%**
Restructuring costs	(0.4)		(2.6)		2.2	
Gain (losses) from disposals of assets	(0.5)		-		-0.5	
Other operating income (expenses)	-		(0.1)		0.1	
Operating income (loss)	**(0.4)**	**-0.7%**	**(8.9)**	**-8.0%**	**8.5**	**134.7%**

Revenue

Revenue was €56.7 million for the year ended March 31, 2011, compared with €111.2 million for the previous Fiscal Year, a decrease of 49%.

This significant reduction in sales (-49.0%), principally incurred in the first half, was in line with expectations as Atari's focus continues to be on fewer but more profitable releases and has exited from the majority of its lower margin third party distribution business.

€ millions	March 31, 2011		March 31, 2010	
Online	11.1	19.6%	8.0	7.2%
Retail & Other	45.6	80.4%	103.2	92.8%
Total	**56.7**	**100.0%**	**111.2**	**100.0%**

Online revenue, comprised primarily of digital distribution revenue, was €11.1 million – an increase of €3.1 million over the prior year. This increase was primarily due to continued expansion of digital distribution and online console revenue. Online revenues were 19.6% of total net sales as compared to 7.2% in the prior Fiscal Year.

Retail and other revenues, comprised primarily of sales to retail stores, decreased by €57.6 million to €45.6 million, since Atari's focus continues to be on fewer but more profitable releases and has exited from the majority of its lower margin third party distribution business. Retail and other revenues were 80.4% of total net revenue as compared to 92.8% in the prior Fiscal Year.

Gross margin

Gross margin for the year ended March 31, 2011 was 60.8% as a percentage of revenue, compared with 49.9% for the previous year. This increase was due to higher margin revenue due to better performing releases and the reduction of lower margin third party distribution business in its product.

Research and development expenses

Research and development expenses decreased €17.2 million to €13.8 million, as compared with €31.0 million for the previous period. This improvement was primarily due to lower amortization in relation to the products released and lower investment requirements of the current product pipeline as the Company continues to focus on fewer profitable releases with reduced research and development investments. The current year amortization includes write-downs of capitalized development projects of €0.1 million versus €9.3 million in the prior year.

Marketing and selling expenses

Marketing and selling expenses were €9.8 million, compared with €17.0 million for the previous period. This decrease was primarily due to prior year's spend to support major publishing releases such as Ghostbusters, The Chronicles of Riddick and others. As a percentage of net revenue, external marketing and selling costs were up by approximately 2.0 ppt. due to marketing plans executed in the fourth quarter for Test Drive Unlimited 2 and higher internal marketing costs due to the re-staffing of the marketing department.

General and administrative expenses

General and administrative expenses decreased approximately 32.7% from €15.3 million in the prior year to €10.3 million. These savings are primarily attributable to the continuing cost containment programs implemented across the Company and the results of previous period restructuring of our European operations.

Share-based incentive payment expense

Share-based payments were €0.1 million versus -€1.6 million in the prior year, an increase of €1.7 million. This increase in expense is primarily due to the reversal of expenses from the departure of the former management team and their related share-based expenses in current period was considerably less as compared to the prior periods. This increase also included additional expenses associated with the issuance of new shares as part of the hiring of new employees.

Restructuring expenses

Restructuring costs for the year ended March 31, 2011 decreased approximately by €2.2 million from €2.6 million to €0.4 million in the current year. This decrease was primarily due to the implementation of restructuring plans including leased facilities and employee related restructures in the US in previous periods. Current period expenses primarily relate to continued impact from leased facilities.

Operating income (loss)

There was an operating loss at the consolidated level of €0.4 million, compared with €8.9 million the previous year, an improvement of €8.5 million. This improvement is primarily a result of the combined impacts of income from ordinary operations of €0.5 million as discussed above and incremental restructuring charges of €0.4 million.

OTHER INCOME STATEMENT ITEMS

(in € millions)	March 31, 2011		March 31, 2010		Change	
Operating income (loss)	**(0.4)**	**-0.7%**	**(8.9)**	**-8.0%**	**8.5**	**-95.5%**
Cost of debt	(1.9)		(4.4)		2.5	-56.8%
Other financial income (expense)	0.7		(0.2)		0.9	-450.0%
Income tax	0.7		(0.7)		1.4	-200.0%
Profit (loss) from continuing operations	**(0.9)**	**-1.6%**	**(14.2)**	**-12.8%**	**13.3**	**-93.7%**
Profit (loss) from discontinued operations	(5.3)		(9.1)		3.8	**-41.8%**
Consolidated net income (loss)	**(6.2)**	**-10.9%**	**(23.3)**	**-21.0%**	**17.1**	**-73.4%**
Minority interests	-		3.9		-3.9	-100.0%
Net income (loss) attributable to equity holders of the parent	**(6.2)**	**-10.9%**	**(19.4)**	**-17.4%**	**13.2**	**-68.0%**

Cost of debt

Cost of debt was €1.9 million, down €2.5 million or 56.8% as compared to the prior year. This decrease was due to lower average debt balances in the current year as compared to the prior year. The Company used the proceeds from the January 2010 equity raise to reduce debt levels and did not requiring borrowings until the end of the first half of the Fiscal Year.

Other financial income (expenses)

Other financial income (expense) decreased by €0.9 million primarily due to fluctuations in the exchange rates during the prior Fiscal Year.

Income tax

Income tax expenses decreased by €1.4 million. A benefit for income taxes of -€0.7 million was recognized for the current year as compared to an expense of €0.7 million for the prior Fiscal Year. These amounts are mainly due to a decrease in the deferred tax liabilities of Eden Games.

Discontinued operations

As of March 31, 2011, the Company accounted for Cryptic as a "discontinued operation" in the Statement of Income starting on April 1, 2009 as it has made the decision to divest itself from Cryptic Studios.
On a standalone basis and after intercompany eliminations, Cryptic accounted for revenue on a full year basis of approximately €15.9 million for Fiscal Year 2010/2011 as compared to approximately €4.5 million for Fiscal Year 2009/2010. The net results of Cryptic were a loss of approximately -€5.3 million for Fiscal Year 2010/2011, as compared to a loss of approximately -€12.8 million for Fiscal Year 2009/2010. Also included in the prior year's discontinued operations results is an impact of €3.7 million as a result of the Company's decision to sell its European and Asian distribution businesses to Namco Bandai Games Europe ("NBGE") in the previous Fiscal Year. The €3.7 million reflects a capital gain of €15.0 million, offset by operating losses of €11.3 million in the first quarter of the current Fiscal Year.

Minority interests

In the prior Fiscal Year, minority interests primarily represent minority interest in NBGE's results prior to the sale of the Company's remaining 66% interest in NBGE in July 2009. There are no impacts from minority interests in the current period.

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

The Group had a consolidated net loss of €6.2 million for the year ended March 31, 2011, compared with an attributable loss of €19.4 million for the previous Fiscal Year.

2.2. CONTRIBUTIONS BY SEGMENT

IFRS 8.5 defines an operating segment as a component of an entity:

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

The Group has adopted the provisions of IFRS 8.5 and will present segment information in accordance with how the Group's chief operating decision maker reviews financial operations. The Group has focused its future operations on the expansion of its online businesses and will report its segments as online, retail and other. In addition, management believes that geographic and platform revenue analyses are not relevant to the operations of its business. Therefore, the Group has discontinued the past practice of disclosing these analyses.

The table below shows the contribution by each segment to consolidated revenue and operating results [1].

March 31, 2011 *€ million*	Online	Retail	Corporate and Other	**Total**
Revenues	11.1	45.6	-	56.7
Gross profit	10.7	23.8	-	34.5
Current operating income	(0.9)	5.1	(3.7)	0.5

March 31, 2010 *€ million*	Online	Retail	Corporate and Other	**Total**
Revenues	8.0	102.3	0.9	111.2
Gross profit	7.6	47.0	0.9	55.5
Current operating income	(4.5)	2.2	(3.9)	(6.2)

(1) The net income of Cryptic Studios business, in the process of being disposed as of March 31, 2011, is reported on the line "discontinued operations" as of April 1, 2009. 2009/2010 and 2010/2011 Group sales and current operating income exclude Cryptic Studios business.

Online: The online segment is comprised primarily of digital distribution revenue.

Revenue:

Online revenue, comprised primarily of digital distribution revenue, was €11.1 million – an increase of €3.1 million over the prior year. This increase was primarily due to continued expansion of digital distribution and online console revenue. Online revenues were 19.6% of total net sales as compared to 7.2% in the prior Fiscal Year

Gross Profit:

Costs of revenues associated with the online segment primarily consists of royalties and other minimal digital processing costs. Costs associated with digital distribution revenue are negligible.

Gross profit improved to €10.7 million in Fiscal Year 2010/2011, €3.1 million better than the €7.6 million from the prior year.

Current Operating Income ("COI")

Operating costs of the online segment mainly includes cost to develop games and marketing and selling expenses. Total operating costs for the Fiscal Year 2010/2011 were €11.6 million, as compared to €12.1 million in the previous year. Current operating loss for the Fiscal Year ended 2010/2011 was -€0.9 million, an increase of €3.6 million from the -€4.5 million in the prior year.

Retail: The retail segment is comprised primarily of revenues and costs associated with the publishing and physical distribution of interactive entertainment.

Revenue:

Retail and other revenues decreased by €56.6 million to €45.6 million, as Atari continues to focus on fewer but more profitable releases and has exited from the majority of its lower margin third party distribution business. Retail and other revenues were 80.4% of total net revenue as compared to 92.8% in the prior Fiscal Year.

Gross Profit:

Costs of revenues associated with retail revenue are comprised primarily of product cost and royalty expenses.

Gross profit decreased to €23.8 million, €23.2 million less than the €47.0 million from the prior year due to the strategic reduction in sales volume. Gross margin for Fiscal Year 2010/2011 was 52% versus 46% in the prior year since the current period contained higher margin revenue due to better performing releases and the reduction of lower margin third party distribution business in its product.

Current Operating Income ("COI")

Operating costs of the retail segment primarily include research and development costs of retail product, marketing, selling and distribution and general and administrative expenses. Total operating costs for the Fiscal Year 2010/2011 were €18.7 million, as compared to €44.7 million in the previous year, an improvement of €26.0 million.

COI for the Fiscal Year ended 2010/2011 was €5.1 million, an increase of €2.9 million from the €2.2 million in the prior year. Fiscal Year 2010/2011 development and marketing costs were lower in the current Fiscal Year versus the prior year as a result of larger volume of games developed and released in the prior year. Finally, general and administrative expenses were lower in the current year as compared to last year as a result of the continuing cost containment programs implemented across the Group and the results of the restructuring of the European operations.

2.3. CONSOLIDATED BALANCE SHEETS

SIMPLIFIED CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2011 AND MARCH 31, 2010

in €m	**Atari March 31, 2011**	**Atari March 31, 2010**
Goodwill	5.4	24.5
Intangible assets	12.7	31.3
Tangible assets	2.7	4.0
Other non current assets	2.1	3.2
Non current assets	**22.9**	**63.0**
Current Assets	16.0	18.4
Current assets classified as held for sale	42.3	-
Cash and cash equivalents	16.4	10.3
Current assets	**74.7**	**28.7**
Total Assets	**97.6**	**91.7**
Shareholders' equity attributable to the Group	**(3.9)**	**1.8**
Minority interest	0.1	0.1
Total shareholders' equity	**(3.8)**	**1.9**
Long Term Debt	3.4	10.9
Other non-current liabilities	4.8	13.4
Non current liabilities	**8.2**	**24.3**
Short term debt	49.0	8.6
Current liabilities	32.8	56.9
Liabilities classified as held for sale	11.4	-
Current liabilities	**93.2**	**65.5**
Total equity and liabilities	**97.6**	**91.7**

Consolidated shareholders' equity was -€3.8 million as of March 31, 2011, a decrease of €5.7 million down from €1.9 million at March 31, 2010. The table below shows the changes in equity during the year:

Total equity as of March 31, 2010	**1.9**
Net loss	(6.2)
Cryptic Studios earn-out	3.5
Other	(3.0)
Total equity as of March 31, 2011	**(3.8)**

Net cash

As of March 31, 2011, the Group had a net debt of €36.0 million, compared with net debt of €9.2 million as of the end of the previous Fiscal Year. The cash and debt positions were as follows:

€ in million	**March 31, 2011**	**March 31, 2010**
OCEANEs 2011 and 2020	(5.9)	(5.9)
ORANEs	(2.6)	(3.7)
BueBay credit facility	(42.4)	(5.3)
Other	(1.5)	(4.6)
Total debt	**(52.4)**	**(19.5)**
Cash and cash equivalent	16.4	10.3
Net cash (net debt)	**(36.0)**	**(9.2)**

Net cash (net debt) is defined as cash and cash equivalents less current and long-term portions of debt.
The Group's net debt position grew primarily due to borrowings of €37.1 million on the BlueBay credit facility used to fund operations including continued investment in the Company's development projects.

The following shows the maturity of debt and interest:

€ in million	**March 31, 2011**	March 31, 2012		March 31, 2013		March 31, 2014		March 31, 2015		March 31, 2016 and beyond		**Total**	
		Nominal	Interests	Nominal	Interests	Nominal	Interests	Nominal	Interests	Nominal	Interests	**Nominal**	**Interests**
Bond debt	8.5	5.3	1.0		0.8		0.7		0.1	0.6	-	**5.9**	**2.6**
Financial debt	42.8	42.4	0.4									**42.4**	**0.4**
Other financial debt	1.1	0.9		0.2								**1.1**	**-**
Total financial liabilities	52.4	48.6	1.4	0.2	0.8	-	0.7	-	0.1	0.6	-	**49.4**	**3.0**

The €48.6 million in liabilities maturing prior to March 31, 2012 consist primarily of the following:

- €42.4 million related to BlueBay credit facility
- €5.3 million of debt related to convertible bonds
- €2.3 million of lease and interest payments

The BlueBay credit facility was drawn down by €42.3 million as of March 31, 2011 and the Company had no letters of credits outstanding. As of March 31, 2011, the Company had €6.9 million available from the facility.

€ in million	March 31, 2011	March 31, 2010
Net cash (net debt)	(36.0)	(9.2)
Shareholders' equity	(3.9)	1.8
Total equity	(3.8)	1.9
Ratio of net cash (net debt) to shareholders' equity	**-923.1%**	**-511.1%**
Ratio of net cash (net debt) to total equity	**-947.4%**	**-484.2%**

Other balance sheet items

Goodwill was to €5.4 million as of March 31, 2011, as compared to €24.5 million as of March 31, 2010. The €19.1 million decrease is primarily due to the reclassification of Cryptic Studio's goodwill into assets held for sale as part of the Company's decision to divest itself of Cryptic Studios.

Intangible assets were €12.7 million as of March 31, 2011, as compared to €31.3 million as of March 31, 2010. This decrease is primarily due to the reclassification of Cryptic's intangible assets to assets held for sale, amortization capitalized development spend offset by external development spend. As of March 31, 2011, intangible assets primarily consisted of €4.5 million for games planned for future releases, €4.1 million for games already released and to amortize over the remaining product life-cycle and €4.1 million for trademarks including the Hasbro license. As of March 31, 2010, intangible assets primarily consisted of Cryptic Studio intangible assets for €22.1 million, €3.5 million for games planned for future release including *Sandlot Sluggers* and *Test Drive Unlimited 2* and €5.7 million for trademarks including the Hasbro license.

Other non-current assets, consisting primarily of security deposits, amounted to €2.1 million as of March 31, 2011, compared with €3.2 million as of March 31, 2010.

Working capital (which represents current assets less current liabilities, excluding any short-term interest-bearing liabilities) amounted to a negative €16.8 million as of March 31, 2011 as compared to a negative €38.4 million in the prior year. This improvement was primarily due to the reduction of accounts payable from reduced costs of operation and the settlement of the Cryptic Studio earn-out.

Other non-current liabilities (including non-current provisions) were €4.8 million on March 31, 2011 as compared to €13.4 million on March 31, 2010. This primarily consisted of €4.7 million in minimum guarantees under the Hasbro license. The decrease from the prior year was from the reduction of deferred revenue in the current year as that is now included in liabilities held for sale as part of the divesture of Cryptic Studios.

2.4. CONSOLIDATED CASH FLOW

The Group had a cash balance of €16.4 million on March 31, 2011, compared with €10.3 million on the previous year-end date. The balance sheet item "assets held for sale" included approximately €0.7 million in cash on March 31, 2011; taking this amount into account would have increased the total cash balance to approximately €17.1 million an increase from prior year of €6.8 million

The Group's sources of funds during the Fiscal Year consisted primarily of the following:

- Borrowings of €37.1 million from the Company's credit facility; and
- Operating cash flow of €6.0 million before debt service and taxes

Funds were used principally for the following:

- Debt repayments of €4.7 million including repayments of interests;
- Expenditures of €12.5 million for research and development (in-house and outsourced) and licenses;
- Net disbursements of €18.6 million for changes in working capital, net of other capital expenditures and miscellaneous other including foreign exchange impact; and
- Disbursements of €0.3 million in connection with discontinued operations.

3. PARENT COMPANY BUSINESS AND FINANCIAL RESULTS (ATARI S.A.)

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 (corporate management, financial and legal management, cash management, data systems, general resources, etc.) performed on behalf of its subsidiaries and re-billed to them. Its business, accordingly, is not representative of that of the Group as a whole.

The Company used to publish management report on the parent company statutory financial statements. However, due to the new organization of the Group and the way management is analyzing the business, providing such information is not relevant anymore.

4. BUSINESS AND FINANCIAL RESULTS OF SUBSIDIARIES

The Company used to provide business and financial results by subsidiaries. However, due to the new organization of the Group and the way management is analyzing the business, as well as the Consolidation of the management of certain operations, providing such information is not relevant anymore.

5. SHAREHOLDERS

5.1. SHARE OWNERSHIP AND VOTING RIGHTS

As of March 31, 2011, the Company's shareholders were entitled to an aggregate of 24,345,974 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, 2011:

Ownership	Number of shares	(%)	Number of voting rights	(%)
BlueBay(1)	4,216,801	17.3%(3)	4,216,801	17.3%
Public(2) (3)	20,112,169	82.7%	20,129,173	82.7%
Total	**24,328,970**	**100.00%**	**24,345,974**	**100.00%**

(1) Through the BlueBay funds. As of March 31, 2010, on a fully-diluted basis, BlueBay owns 65% of the Company's shares and of the voting rights.
(2) Including GLG, which notified the Company that it hold on November 3, 2010 2,137,910 Company shares (or 8.95% of those outstanding on that date) and 2,137,910 voting rights (or 8.94% of shareholder's voting rights on that date), as well as 15,241 ORANE that could be converted into 400,229 shares and 5,210 warrants that can be exercised by December 2012.
(3) Including 2,470 treasury 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, 2011, 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 January 29, 2010, BlueBay (comprised of The BlueBay Value Recovery (Master) Fund Limited and The BlueBay Multi-Strategy (Master) Fund Limited), crossed, passively as a result of the financial transaction, the reporting thresholds of 30%, 28%, 26%, 24%, 22%, and 20%. The BlueBay Value Recovery (Master) Fund Limited crossed, passively as a result of the financial transaction, the reporting thresholds of 24%, 22%, 20%, 18% and 16%. The BlueBay Multi-Strategy (Master) Fund Limited, crossed, passively the reporting thresholds of 4%. As a result, as of January 27, 2010, BlueBay hold 19.16% of the Company outstanding shares and 19.14% of the voting rights. At the same date, The BlueBay Value Recovery (Master) Fund Limited hold 15.81% of the Company outstanding shares and 15.80% of the voting rights and The BlueBay Multi-Strategy (Master) Fund Limited hold 3.35% of the Company outstanding shares and 3.34% of the voting rights.
- By letter dated October 4, 2010, GLG Partners LP informed the Company that it crossed on August 11, 2010 the reporting thresholds of 5% and 10%. As a result, as of October 4, 2010, GLG Partners LP hold 2,614,413 shares representing 10.95% of the share capital and 10.94% of the voting rights at that date.
- By letter dated November 3, 2010, GLG Partners LP informed the Company that it crossed the reporting thresholds of 10%. As a result, as of November 3, 2010, GLG Partners LP hold 2,137,910 shares representing 8.95% of the share capital and 8.94% of the voting rights at that date.

- By letter dated April 19, 2011, GLG Partners LP informed the Company that it crossed the reporting thresholds of 8%. As a result, as of April 13, 2011, GLG Partners LP hold 1,741,924 shares representing 7.16% of the share capital and 7.15% of the voting rights at that date.

5.3. TRADING BY THE COMPANY IN ITS OWN STOCK

Treasury share

As of March 31, 2011, total treasury shares amounted to 2,470 treasury shares directly owned by the Company.

Liquidity agreement

On March 8, 2011, Atari ended the liquidity contract it had with CA Cheuvreux. At that date, the account showed 0 shares and € 131,191.82 in cash.

As of December 31, 2010, the account under the market-making agreement between the Company and Crédit Agricole Cheuvreux showed 38,500 shares and € 3,318.03 in cash.

From October 1st, 2009, when the share buy-back program went into effect following the authorization granted by the Annual shareholders meeting of September 30th, 2009, through September 30th, 2010, when the annual and special shareholders' meeting resolved to terminate, effective immediately, the authority to trade in the Company's shares, the total purchases under the liquidity agreement represented 135,011 shares (0.57% of the share capital) worth €759,572.31 and total sales represented 102,084 shares (ie 0.43% of the share capital) worth of €560,251.00.

From September 30, 2010, following the authorization granted by the Annual shareholders meeting, until the end of the liquidity contract on March 8, 2011, the total purchases under the liquidity agreement represented 73,009 shares (0.30% of the share capital) worth €241,264 and total sales represented 86,009 shares (ie 0.35% of the share capital) worth of €299,224.

5.4. SHARE BUYBACK PROGRAM

The shareholders' meeting of September 30, 2010 granted the Board of Directors authority, for a period of eighteen months, to buy back up to 10 percent of the Company's shares outstanding, as measured on the date the Board of Directors makes use of this authority, provided, however, that the aggregate number of its own shares held by the Company as a result of such buybacks may under no circumstances exceed 10 percent of those outstanding. The authority expires on March 30, 2012.

The purposes of the new share buyback program include the making of a market, the payment for acquisitions in shares as well as the use of shares in the event of the exercise of instruments with rights to Company shares.

The current share buyback program was, until March 8, 2011, carried out under the market-making agreement in compliance with the AFEI code of conduct, entered into on April 7, 2009 with Crédit Agricole Cheuvreux, with an initial contribution of €200,000 and no shares, essentially intended for making a market in the shares. As of March 8, 2011, this contract was ended.

5.5. EMPLOYEE SHARE OWNERSHIP

As of March 31, 2011, the Company's employees owned less than 0.05% of its shares through the Employee Savings Plan.

6. ALLOCATION OF NET LOSS

The next Shareholders' Meeting, the Company will ask to the shareholders to allocate the loss of €21.8 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 2010/2011.

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 comprised no non tax-deductible expenses.

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

Frank E. Dangeard

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 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 (CEO) and Chief Operating Officer (COO)

Jim Wilson (CEO since December 23, 2010)

Jim Wilson was appointed Chief Executive Officer (CEO) on December 23, 2010. As Chief Executive Officer, Mr. Wilson benefits from a compensation package similar to what he had as Deputy CEO.

FIXED AND VARIABLE COMPENSATION

It has been set by the Board of Directors on December the 23rd, 2010, upon recommendation from the Nomination and Compensation Committee, an annual fixed gross compensation for $466,000 and an annual variable compensation, subject to the achievement of performance criteria, of up to 60% of his annual fixed gross compensation.

As Chief Executive Officer, Mr. Wilson could benefit from an exceptional compensation of up to 40% of his annual fixed gross compensation in case of certain achievements in specific conditions.

On December 23, 2010, the Board of Directors approved the principle of quantitative and qualitative criteria applicable for Mr. Jim Wilson as a CEO for the remaining of the Fiscal Year 2010/2011, and has given relative weights to these criteria for the purpose of calculating the overall performance of senior management, as follows: quantitative criteria weighted at 60%, and qualitative criteria weighted at 40%. Select quantitative criteria will be evaluated on a sliding scale.

These criteria will be applicable to Mr. Wilson, with some adjustments due to the fact that he is appointed during the Fiscal Year. The quantitative criteria relate to online revenues, current operating income and free cash flow. The qualitative criteria are based on: (i) substantially deliver the product publishing plan schedule, (ii) re-adjustment of the online products schedule, (iii) develop cash management process and reporting, (iv) continue structure optimization to fully support on-line game development, marketing and publishing, (v) develop and recommend future strategies for Cryptic and Eden Games: deliver key Q4 products, create mission statement, product strategy and organizations at the company's two studios, in order for them to contribute meaningfully to the 2012 Fiscal Year in revenue and margin terms.

For the Fiscal Year 2010/2011, Jim Wilson received a gross fixed compensation of €335,500 a special compensation of €131,900 and will receive a gross variable compensation of $523,108 (or estimated €373,600 using an indicative 1.4 €/$

exchange rate - to be paid in Fiscal Year 2011/2012), for his CEO of Atari Inc. functions, his Chief Operating Officer (COO) functions and his CEO functions.

At the May 13, 2011 Board meeting, the Board of Directors approved the principle of quantitative and qualitative criteria applicable for Mr. Jim Wilson as a CEO for the Fiscal Year 2011/2012 with quantitative criteria weighted at 60% (relating the operating cash flow, current operating income and revenues), and qualitative criteria weighted at 40%. The qualitative criteria are based on restructuring, publishing plan, licensing strategy, continue organization shift toward licensing, mobile and casual, and secure co-publishing deals.

STOCK OPTIONS

On May 25, 2009, the Board of Directors attributed to Mr. Wilson 300,000 stock options (adjusted to 326,174 following the financial transaction initiated in December 2009) with an exercise price of Euros 5.17 euro per stock (adjusted to €4.76 following the financial transaction initiated in December 2009), subject to the achievement of performance criteria. The Board decided that the CEO will have to maintain throughout the duration of his mandate at least 15% of the vested stocks resulting from the exercise of these stock options.

Performance criteria applicable to the stock options are set by the Board of directors, upon the recommendation of the Nomination and Compensation Committee. Because of the turnaround of the Company, the change in its business model, the size of the Company and the current economic environment, 3-year criteria as well as peer group criteria are not relevant. As a result the Board of directors reviews performance criteria each year of the vesting period upon the recommendation of the Nomination and Compensation Committee. On December 23, 2010, the Board of Directors approved the principle of quantitative and qualitative criteria applicable for Mr. Jim Wilson as a CEO for the remaining of the Fiscal Year 2010/2011, and has given relative weights to these criteria for the purpose of calculating the overall performance of senior management, as follows: quantitative criteria weighted at 60%, and qualitative criteria weighted at 40%. Select quantitative criteria will be evaluated on a sliding scale.

These criteria are applicable to Mr. Wilson, with some adjustments due to the fact that he is appointed during the Fiscal Year. The quantitative criteria relate to online revenues, current operating income and free cash flow. The qualitative criteria are based on: (i) substantially deliver the product publishing plan schedule, (ii) re-adjustment of the online products schedule, (iii) develop cash management process and reporting, (iv) continue structure optimization to fully support on-line game development, marketing and publishing, (v) develop and recommend future strategies for Cryptic and Eden Games: deliver key Q4 products, create mission statement, product strategy and organizations at the company's two studios, in order for them to contribute meaningfully to the 2012 Fiscal Year in revenue and margin terms. At the May 13, 2011 Board meeting, the Board of Directors approved the principle of quantitative and qualitative criteria applicable for stock options for the Fiscal Year 2011/2012 with quantitative criteria weighted at 60% (relating the operating cash flow, current operating income and revenues), and qualitative criteria weighted at 40%. The qualitative criteria are based on restructuring, publishing plan, licensing strategy, continue organization shift toward licensing, mobile and casual, and secure co-publishing deals.

FREE SHARES

At May 13 and 23, 2011 Board meetings, Atari's Board of Directors granted to Mr. Wilson 500,000 free shares. The vesting period applicable to the shares shall end two years from the initial grant date. Vesting rights of the shares (contingent on performance and presence criteria) will apply, each year, on half of the free shares. The lock up period is established for two (2) years after the vesting date. The Beneficiary shall be present in the Group at the final grant date and at the vesting date of the shares. In addition, the Board decided that the CEO will have to maintain throughout the duration of his mandate no less than 15% of the vested shares.

At the May 13, 2011 Board meeting, the Board of Directors approved the principle of quantitative and qualitative criteria applicable for free shares for Fiscal Year 2011/2012,with quantitative criteria weighted at 60% (relating the operating cash flow, current operating income and revenues), and qualitative criteria weighted at 40%. The qualitative criteria are based on restructuring, publishing plan, licensing strategy, continue organization shift toward licensing, mobile and casual, and secure co-publishing deals.

DEFERRED COMPENSATION

In the event Mr. Wilson is removed from office before the end of his appointment, the Board has also agreed a fixed severance package equal to one year of his annual fixed gross compensation plus applicable bonus and benefits as determined by the Board according to the performance criteria described above.

Jeff Lapin (CEO from December 10, 2009 to December 23, 2010)

Jeff Lapin was appointed Chief Executive Officer (CEO) on December 10, 2009 and left in December 23, 2010.

FIXED AND VARIABLE COMPENSATION

Jeff Lapin compensation was set by the Board of directors on December 10, 2009. It included a fixed portion and a variable portion. The variable compensation depended on the complete or partial fulfillment of performance criteria set by the Board of Directors for the Fiscal Year, based on proposals by the Nomination and Compensation Committee.

On a full year basis, Jeff Lapin's fixed compensation was €400,000. In addition, Mr. Lapin was entitled to receive a sum equal to a portion of withheld payroll taxes, so that his net compensation would remain the same as when he was employed by Atari, Inc.

GRANT OF STOCK OPTIONS

Mr. Lapin was granted stock options when he joined the Company as an employee of Atari, Inc. and became the Group's COO. These options were subject to annual performance criteria set by the Board of Directors. As required by article L. 225-185 of the Commercial Code, the Board of Directors has decided that the CEO had to keep at least 15 percent of the shares acquired through the exercise of options for his entire term of office.

DEFERRED COMPENSATION

The Company's Board of directors made certain commitments to Mr. Lapin concerning compensation that could be paid to him if his appointment with the Company were to end, contingent on the fulfillment of certain performance criteria. The amount of such compensation took into account (i) Mr. Lapin's departure as a 'good leaver", and (ii) the complete or partial fulfillment of the performance criteria applicable to Mr. Lapin's variable compensation. Mr. Lapin's deferred compensation could therefore amount to twelve months of fixed and variable compensation. Jeff Lapin ceased his CEO functions as of December 23, 2010. As recommended by the Nomination and Compensation Committee, the Board of Directors, in its May 20, October 25 and December 23, 2010 meetings, concluded that the conditions to receive deferred compensation were only partially met. As part of the deferred compensation, Jeff Lapin received €300,000. In addition, he received €150,000 as part of its variable compensation for Fiscal Year 2010/2011, as performance criteria were only partially achieved. Mr. Lapin was entitled to keep approximately 343,100 stock options that had already vested, with an exercise price of €4.76 per stock.

Executive corporate officer compensation:

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
Jim Wilson Chief Executive Officer Appointed: December 123, 2010 Expiration:		x		x	x			x
Jeff Lapin Chief Executive Officer Appointed: December 10, 2009 Expiration: December 23, 2010		x		x	x			x
Frank E. Dangeard 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, if any.

The Shareholders' Meeting of September 25, 2008 resolved that aggregate directors' fees payable in any year should not exceed €500,000. The Board of Directors will propose to the next AGM in September 2011 to reduce to €200,000 the aggregate directors' fees payable starting in Fiscal Year 2011/2012.

Rules applicable to the allocation of directors' fees are decided by the Board of directors on the basis of proposals by the Nomination 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.

Each year, the Board of Directors approves the director's fees calculation method, based on flat fees and variable fees depending on attendance at each Board and Committees. Director's fees per Director are capped to €75,000 per year per director. Starting in Fiscal Year 2011/2012, there will be no flat fees and directors fees will only be calculated based on attendance at Board and Committees meeting, with a cap of €75,000 per director per year.

In Fiscal Year 2010/2011, the Company paid €327,333 to its Directors for 2009/2010 Board attendance (compared with €255,800 paid in Fiscal Year 2009/2010 for Fiscal Year 2008/2009).

Directors' fees received by non-executive corporate officers (€ thousands)

Non-executive corporate officer	Amount paid during Fiscal Year 2009/2010*	Amount paid during Fiscal Year 2010/2011**
Frank Dangeard, Chairman	-	74.0
Dominique D'Hinnin, independant Director (resigned in March 2011)	75.0	75.0
Didier Lamouche, independent director (resigned in June 2011)	35.0	57.0
Pascal Cagni, independent director (resigned in October 2010)	37.5	44.0
BlueBay Value Recovery (Master) Fund Limited, represented by Eugene Davis since Dec. 10, 2009 (previously Director fril Jan. 23, 2009 and Mar. 15, 2009)	8.3	11.0
Jim Wilson Directorsince October 25, 2010, CEO since Dec. 23, 2010	-	-
Gina Germano, director until May 2010	-	-
BlueBay Value Recovery (Master) Fund Limited, represented by Jeff Lapin until Dec. 10, 2010 (non-executive until May 25, 2009, COO from May 25, 2009 to Dec. 10, 2009 and CEO from Dec. 10, 2009 to Dec. 23, 2010)	50.0	9.3
Phil Harrison (COO and Director from Mar. 2, 2008 until May 25, 2009, Director only from May 25, 2009 until Ap. 16, 2010)	-	36.0
David Gardner (CEO and Director from Jan. 30, 2008 to Dec. 10, 2009, Director only from Dec. 10, 2009 until Ap. 16, 2010)	-	8.0
Directors' fees		
Michel Combes (resigned in Oct. 1, 2009)	50.0	13.0
TOTAL	**255.8**	**327.3**

* 2008/2009 Directors fees paid in Fiscal Year 2009/2010, 2009/2010 directors fees were paid in 2009/2010 - Numbers presented are gross amounts

** 2009/2010 Directors fees paid in Fiscal Year 2010/2011, 2010/2011 directors fees were paid in 2011/2012 - Numbers presented are gross amounts

*** Other compensation were received as part of the executive functions and then are disclosed in tables 1 and 2 of the AMF compensation hereafter

COMPENSATION EFFECTIVELY PAID TO OFFICERS AND DIRECTORS IN FISCAL YEAR 2010/2011

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

For the Fiscal Year ended March 31, 2011, the Group's corporate officers and directors received aggregate compensation from all Group entities of €2.3 million (gross, including valuation of stock options), i.e. fixed compensation for €1.1 million, variable compensation for €0.3 million, special compensation for €0.6 million, director fees for €0.3 million, no stock options have been granted over the period, when compared to €5.7 million in Fiscal Year 2009/2010 (i.e. fixed compensation for €1.4 million, variable compensation for €0.2 million, special compensation for €0.6 million, director fees for €0.2 million and stock options granted over the period are evaluated at €3.3 million).

The tables below show the gross compensation, before tax, effectively paid to corporate officers in Fiscal Years 2010/2011 and 2009/2010, as required by Article L. 225-102-1 of the French Commercial Code.

Compensation, stock options and free shares granted to each executive corporate officer

(€ thousands)	Fiscal Year 2009/2010	Fiscal Year 2010/2011
Jim Wilson, Chief Executive Officer since Dec. 23, 2010, COO from Oct. 25, 2010 until Dec. 23, 2010 - CEO of Atari Inc. before		**
Compensation due for the year*	NA	841
Value of stock options granted during the fiscal year	NA	-
Value of performance shares granted during the fiscal year	NA	-
Jeff Lapin, Chief Executive Officer from Dec. 10, 2009 to Dec. 23, 2010		
Compensation due for the year*	549.3	749.4
Value of stock options granted during the fiscal year	3 264.6	-
Value of performance shares granted during the fiscal year	-	-
David Gardner, Chief Executive Officer until December 10, 2009		
Compensation due for the year	647.7	NA
Value of stock options granted during the fiscal year	-	NA
Value of performance shares granted during the fiscal year	-	NA
Phil Harrison, Chief Operating Officer until May 25, 2009		
Compensation due for the year	430.9	NA
Value of stock options granted during the fiscal year	-	NA
Value of performance shares granted during the fiscal year	-	NA

**Variable compensation to be paid in fiscal year 2011/2012*

** Mr. Wilson salary base is in US dollars. €/USD exchange rate used for this table is the one used for FY 10/11 closing.

Summary of amounts due and paid to each executive corporate officer

	Fiscal Year 2009/2010		Fiscal Year 2010/2011 (1)	
(€ thousands) - gross amount	Amount due	Amount paid	Amount due	Amount paid
Jim Wilson, Chief Executive Officer since Dec. 23, 2010, COO from Oct. 25, 2010 until Dec. 23, 2010, CEO of Atari Inc. before (2)				
Fixed compensation	NA	NA	335.5	335.5
Variable compensation (1)	NA	NA	373.6	195.5
Special compensation	NA	NA	132	132
Directors' fees	NA	NA	-	-
Benefits in kind	NA	NA	-	-
Total	**NA**	**NA**	**841.0**	**662.9**
Jeff Lapin, Chief Executive Officer from Dec. 10, 2009, COO from May 25, 2009 until Dec. 10, 2009				
Fixed compensation	400.0	400.0	291.7	291.7
Variable compensation	140.0	-	-	140.0
Special compensation	-	-	458	458
Directors' fees	9.3	-		-
Benefits in kind	-	-	-	-
Total	**549.3**	**400.0**	**749.4**	**889.4**

(1) Not approved as of March 31, 2011

(2) Mr. Wilson salary base is in US dollars. €/USD exchange rate used for this table is the one used for FY 10-11 closing

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

(1) At the May 13, 2010 Board meeting, Atari's Board of Directors approved a $523,108 (estimated at approx. €373,600 applying a 1.4 €/$ exchange rate) variable compensation for Mr. Wilson based on the achievement of specific performance criteria.

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, since 2007/2008, the Board of Directors has adopted rules restricting the sale of shares for CEO. On May 25, 2009, the Board of Directors attributed to Mr. Wilson 300,000 stock options with an exercise price of €5.17 euro per stock. Following the financial transaction on January 2010, the number and the exercise price have been adjusted to 326,174 and €4.76 respectively. These options are subject to the achievement of performance criteria. The Board decided that the CEO will have to maintain throughout the duration of his mandate at least 15% of the vested stocks resulting from the exercise of these stock options.

SUMMARY OF THE PRINCIPAL FEATURES OF STOCK OPTIONS GRANTED

As of March 31, 2011, the aggregate number of shares for which existing options could be exercised represented 7.5% 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 330,000 new shares (exclusive of future adjustments), or approximately 1.4% of the Company's shares outstanding as of March 31, 2011.

As of March 31, 2010, the aggregate number of shares for which existing options could be exercised represented 11.0% 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 1,306,051 new shares (exclusive of future adjustments), or approximately 6.2% of the Company's shares outstanding as of March 31, 2010.

The principal features of all stock options granted by 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.

On-going stock options plans:

	Plan N°11	Plan N°12	Plan N°13	Plan N°14	Plan N°15
Date of Shareholders' Meeting	29-May-2002	29-May-2002	29-May-2002	19-Jan-2005	27-Sep-2007
Date of Board of Dircetors' meeting	16-Sep-2003	3-Mar-2004	27-Jul-2004	7-Sep-2005	30-Jan-2008
Number of Stock Options granted (1)	3,037,439	422,480	1,549,093	5,936,813	155,270,440
Of which, to members of the Top Executive Management and Board of directors (2)	-	-	-	-	-
Starting date of the stock option exercise period	16-Sep-2003	3-Mar-2004	27-Jul-2004	7-Sep-2005	30-Jan-2008
Expiration date of stock option	16-Sep-2011	3-Mar-2012	27-Jul-2012	7-Sep-2013	30-Jan-2008
Exercise price of stock options (€) (1)	165.62	125.36	68.62	30.33	10.48
Vesting of stock options granted	25%/year	25%/year	25%/year	25%/year	1/3 / year*
Total number of stock options outstanding on March 31, 2010	2,579,954	422,480	1,193,507	3,078,004	44,771,716
Stock options exercised between April 1, 2010 and March 31, 2011	-	-	-	-	-
Stock options canecelled between April 1, 2010 and March 31, 2011	-	-	-	-	-
Total number of stock options outstanding on March 31, 2011	2,579,954	422,480	1,193,507	3,078,004	44,771,716
Of which, to members of the Top Executive Management and Board of directors (2)	-	-	-	-	-

	Plan N°16	Plan N°17	Plan N°18	Plan N°19	Plan N°20
Date of Shareholders' Meeting	27-Sep-2007	27-Sep-2007	28-Sep-2007	29-Sep-2007	29-Sep-2007
Date of Board of Dircetors' meeting	2-Mar-2008	9-Sep-2008	25-May-2009	12-Feb-2010	22-Jul-2010
Number of Stock Options granted (1)	130,476,742	344,390	1,304,696	355,000	330,000
Of which, to members of the Top Executive Management and Board of directors (2)	-	-	*1,304,696*	*120,000*	-
Starting date of the stock option exercise period	2-Mar-2008	9-Sep-2008	25-May-2009	12-Feb-2010	22-Jul-2010
Expiration date of stock option	2-Mar-2016	9-Sep-2016	25-May-2017	12-Feb-2018	22-Jul-2018
Exercise price of stock options (€) (1)	13.18	12.07	4.75	4.28	4
Vesting of stock options granted	1/3 / year	1/3 / year	1/3 / year	1/3 / year (3)	1/3 / year
Total number of stock options outstanding on March 31, 2010	-	110,000	1,304,696	355,000	330,000
Stock options exercised between April 1, 2010 and March 31, 2011			-	-	-
Stock options cancelled between April 1, 2010 and March 31, 2011	-	-	635,422	110,000	40,000
Total number of stock options outstanding on March 31, 2011	-	110,000	669,274	245,000	290,000
Of which, to members of the Top Executive Management and Board of directors (2)	-	-	*669,274*	-	-

(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, (viii) the issue of free warrants exercisable into shares or ORANE in December 2009.
(2) Members during Fiscal Year 2010/2011
(3)For some of the employees which were granted stock options, vesting period over 2.5 years vs. 3 years.

STOCK OPTIONS GRANTED TO ATARI CORPORATE OFFICERS DURING FISCAL YEAR 2010/2011 AND OPTIONS EXERCISED

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	N°and date of the plan	Nature of the options (purchase or subscription)	Value of options according to method used in the consolidated financial statements as of the date of the grant (in € k)	Number of options granted during the fiscal year	Exercise price	Exercise period
Fiscal year 2009/2010						
Jeff Lapin	N°18 May 25, 2009	Subscription	3,265	978,522	4.75	8 years
Fiscal year 2010/2011						
None						

Stock options exercised during the Fiscal Year by each corporate officer

Name of the executive	N°and date of the plan	Number of options exercised during the fiscal year	Exercise price
Fiscal year 2009/2010			
NONE			
Fiscal year 2010/2011			
NONE			

PERFORMANCE SHARES GRANTED TO ATARI CORPORATE OFFICERS DURING FISCAL YEAR 2010/2011 WHICH BECAME AVAILABLE DURING THE FISCAL YEAR

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 2009/2010						
None						
Fiscal year 2010/2011						
None						

No performance shares became available for a corporate officer in Fiscal Year 2010/2011.

STOCK OPTIONS GRANTED BY THE COMPANY AND ITS SUBSIDIARIES TO EMPLOYEES

The Company granted 330,000 stock options to employees other than corporate officers in Fiscal Year 2010/2011. Since the date of the grant, 40,000 have been cancelled. As a result, as of March 31, 2011, 290,000 stock options are still outstanding.

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 subcribed or purchased shares	Weighted average price	Plan N°
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	330,000	Subcription	20
Options to shares of the issuer or the above-describded companies which were exercised during the fiscal year by the above-describded 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, 2011

(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, 2011, the Company granted a total of 330,000 options, exercisable for 330,000 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 July 22, 2010	330,000	330,000	4	July21, 2018

(*) As of March 31, 2011, 40,000 stock options have been cancelled.

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 individual corporate officers in Fiscal Year 2010/2011.

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 2010/2011.

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 2010/2011.

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

The Company granted 330,000 stock options to employees other than corporate officers in Fiscal Year 2010/2011 (please refer to Table 9 of the AMF in the Annual Report, pages 29.

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 2010/2011 through the exercise of stock options granted by the Company or its subsidiaries.

Paris, July 13, 2011

The Board of Directors

SUMMARY OF THE PRINCIPAL FEATURES OF PERFORMANCE SHARE PLANS

As of March 31, 2011, a total of 223,000 shares granted free of charge under existing plans were outstanding, representing 0.9% 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	2008 E	2008 F	2008 G
Date of Shareholders' Meeting authorizing plan	11-15-2006	11-15-2006	11-15-2006
Date of the Board of Directors meeting/Grant date	09-09-2008	09-09-2008	09-09-2008
Vesting date	09-09-2009	09-09-2010	09-09-2011
Total number of shares originally granted	157,562	157,562	157,562
Of which to members of the Board and senior management	157,562	157,562	157,562
Trading price of shares (in €)	7.96	7.96	7.96
% of performance and presence conditions met	50%	92%	0%
Fair value of shares on the grant date	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
Free shares granted between April 1, 2008 and March 31, 2009	157,562	157,562	157,562
Free shares lapsed between April, 2008 and March 31, 2011	78,781	13,343	157,562
Number of free shares outstanding as of March 31, 2011	78,781	144,219	0
Of which held by members of the Board and senior management	0	0	0
Number of grant beneficiaries as of March 31, 2011	1	1	1

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, 2011

(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.

No performance shares were granted to corporate officers or directors by any of its subsidiaries in Fiscal Year 2010/2011.

Paris, July 13, 2011

The Board of Directors

8. RISKS TO WHICH THE BUSINESS IS EXPOSED

FINANCIAL RISKS

For further information on financial risks, see Note 24 “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 Year:

(€ millions)	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2009 (1)
Cash flow from (used in) operating activities	**(8.5)**	**(2.3)**	**(75.8)**
o/w continuing operations	**(12.6)**	**18.7**	**(53.7)**
Net cash flow from (used in) investing activities	**(16.9)**	**(0.1)**	**(56.0)**
o/w continuing operations	**(12.5)**	**(11.2)**	**(78.6)**
o/w acquisitions of intangible and fixed assets	**(12.8)**	**(12.7)**	**(47.7)**
Net cash flow from (used in) financing activities	**32.4**	**(9.2)**	**69.6**
o/w continuing operations	**32.4**	**(3.9)**	**67.2**
of which net interest expense	**(3.6)**	**(4.4)**	**(4.9)**
Other cash flows*	**0.2**	**0.8**	**-**
Net change in cash and cash equivalents	**6.8**	**(10.8)**	**(62.2)**
Net cash flow used in operating activities – including acquisitions of intangible and fixed assets	**(21.3)**	**(15.0)**	**(123.5)**

** Mainly the Impact of changes in exchange rates.*

(1) Note the Year-end March 31, 2009 has not been restated for the Cryptic Studios discontinued operations treatment

The table above shows that over the past three Fiscal Year the Company used €159.8 million to finance its operations and acquire intangible and fixed assets.

During and prior to Fiscal Year 2009/2010, the Group made significant losses that have eroded its equity and cash position. As of March 31, 2011, shareholders' equity (net of minority interests) was negative at minus €3.8 million, including a net loss of €6.2 million for the 2010/2011 Fiscal Year. On that same date, the Group's net debt was €36.0 million and the Group had unused drawdown capacity of approximately €6.9 million under its credit facility.

In order to ensure that it has the requisite funds to finance its operations in 2011/2012 (and after) and to improve its capital structure, the Group's strategy focused on 4 main priorities:

- Continue the focus on Atari owned franchises and key strategic licenses for fewer but more profitable releases and further expansion into online, digital download, mobile game segments. This is supported by a strict investment discipline addressing all appropriate platforms (online, console, mobile). At this stage, Atari's games will mainly be developed externally with selected third party game studios to contribute to a more flexible and cost efficient organization;
- Reinforcing licensing and franchise revenue streams through licensing of games and merchandising to continually leverage Atari's strong catalogue of popular games and third party franchises;
- Continuing to optimize operations, focusing at this final stage to adapt the overhead and the Research and Development expenses to Company's the revenue and product strategy;
- Setting up partnerships to support the Company's development, publishing and distribution efforts to derive maximum benefit from its large portfolio of intellectual properties, its brand and its organization.

On this basis, the Group has applied the going concern principle in preparing its consolidated financial statements, based on the following assumptions:

- Disposal of the Cryptic Studios;
- Extension of the credit facility line granted by BlueBay until December 30, 2011 for €49 million (for more information, refer to note 27.3), and
- Operating cash flows for the Fiscal Year 2011/2012 in line with the Business plan.

Group management believes that its projections are reasonable. However, in light of the uncertainties inherent in financial negotiations and strategic refocusing under adverse economic circumstances, results may differ from forecasts. Those circumstances could restrict the Group's ability to finance its current operations and result in adjustments in the value of the Group's assets and liabilities.

Based on the above-described measures and assumptions, as well as the Budget for the next 12 months, the management of the Group believes that the Group's financial resources – including the extension of the credit facility- will be sufficient to cover the Group's operating expenses and capital expenditure for the 12-month period ending as of March 31, 2012. In the case the financial resources of the Group would not be sufficient, the management believes that the BlueBay credit facility would be extended beyond December 30, 2011.

The table below shows the maturity of the debt's principal and interest:

	March 31, 2011	March 31, 2012		March 31, 2013		March 31, 2014		March 31, 2015		March 31, 2016 and beyond		**Total**	
€ in million		Nominal	Interests	Nominal	Interests	Nominal	Interests	Nominal	Interests	Nominal	Interests	**Nominal**	**Interests**
Bond debt	8.5	5.3	1.0		0.8		0.7		0.1	0.6	-	**5.9**	**2.6**
Financial debt	42.8	42.4	0.4									**42.4**	**0.4**
Other financial debt	1.1	0.9		0.2								**1.1**	**-**
Total financial liabilities	52.4	48.6	1.4	0.2	0.8	-	0.7	-	0.1	0.6	-	**49.4**	**3.0**

Risks stemming from claims against guarantees given by the Group

On December 10, 2010 a transfer agreement has been signed with the Original Lender (Banc of America), The Bluebay Value Recovery (Master) Fund Limited and the Company for the transfer by the original lender to Bluebay Recovery (Master) Fund Limited off all of the original lender's commitment, rights and obligations and guarantees under the facility agreement signed on April 21, 2006. This transfer of contract does not affect Company's liability in case of breach of contract.

Risks related to potential conflicts of interest

As per amendment 10 to the credit facility, signed in April 2010, the total amount of the credit facility to be drawn has been reduced from €61.2 million to €49.3 million. As of March 31, 2011, the total amount of the credit facility drawn was approximately €42.3 million.

As of March 31, 2011, BlueBay Asset Management held 17.3% of the Company's shares and 17.3% 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 1,862,887 shares), 1,318,664 ORANE bonds issued in 2009 and exchanged as part of the public exchange offer in January 2009 (exercisable for 25,001,869 shares), 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 10,019,963 shares) and 152,636 ORANEs 2010 acquired as part of the financial transaction in January 2010 (exercisable for 4,028,064 shares).

During the Fiscal Year 2010/2011, BlueBay Value Recovery (Master) Fund Limited and BlueBay High Yield Investment (Luxembourg) SARL were members of the Company's Board of Directors. BlueBay High Yield Investment (Luxembourg) SARL resigned in April 2011.

The fact that companies belonging to the same group are, at the same time, principal shareholders, directors and a major creditor of the Company may give rise to conflicts of interest.

Risks related to the enforcement of guarantees provided by the Group

See Note 13.4 to the Consolidated Financial Statements.

In connection with the financing provided to the Company 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 Bluebay , involving essential assets of the Group (securities accounts, shares, industrial property rights, intragroup receivables). Should the Group default on the debt, BlueBay 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 ninth amendment signed on December 10, 2009 extended the maturity date of the loan until December 31 2010. As per amendment 10, signed in April 2010, the total amount of the credit facility to be drawn as been reduced from €61.2 million to €49.3 million. As per amendment 11 signed on October 1, 2010, the maturity date of the senior credit facility has been extended from December 31, 2010 to June 30, 2011 with other terms and conditions remaining unchanged. As per addendum 12 signed on June 30, 2011, the Company and BlueBay have agreed the extension of a credit facility of €49 million to December 30, 2011.

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 2010/2011 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.

RISKS RELATED TO LICENSES

The Group does not hold title to all of the assets it needs to conduct its business. It depends 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 4.4% of consolidated revenue in Fiscal Year 2010/2011, 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 (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 PUBLISHERS

During the year ended March 31, 2011, 12.8% 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.

Historically, 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. The Company has exited the third-party business during the second semester of Fiscal Year 2010/2011 and does not expect this business to have a material impact to the Company’s results in the future.

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 Bandaï Games Europe has 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, 2011 no single customer accounted for more than 15% 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, the development of XBLA and PSN, 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.

Risks stemming from dependency on a limited number of games

As of the date of this document, the Company's inventory mainly consisted of games and major projects, a game catalog based on traditional Atari-owned franchises, original franchises and owned publishing rights. While the Company places particular emphasis on the quality of its games, it is nevertheless exposed to a risk of dependency from the fact that it releases a small number of games, which account for a large portion of its sales.

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

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 was seeking damages for moral prejudice and financial loss suffered as a result of the allegedly unlawful distribution by the Group of games based on that universe.

The claim was for close to €17 million. At this stage of the proceeding, 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 respective briefs with the judge in charge of preparations for the trial, after no significant progress was made during the Fiscal Year 2010/2011.The preliminary audience's court started in September 2010. The audience has been postponed to the summer of 2011 and no court decision is expected before end of 2011.

Based on pending proceedings and the available information, the Company considers that a contingent liability must be recognized in connection with this dispute, as prescribed by IAS 37. Accordingly, no significant provision has been set aside.

BVT production fund vs. Atari Europe SAS

This dispute concerned two German entities, the BVT production funds, which financed the production of certain interactive games, under a series of agreements entered into with various Group companies.

Following exchanges of letters and an audit in December 2008, the BVT funds instituted proceedings in February and March 2009 in Germany, claiming that Atari Europe had failed to perform several contractual obligations arising from its publishing agreements with the funds. The funds are suing Atari Europe in the German courts for €2 million in damages.

Atari Europe contested all of the plaintiffs' allegations. A full complaint was filed with the courts of competent jurisdiction in early November 2009 and a hearing took place in November 2009. The Munich Court issued an opinion in February of 2010, where most of BVT's claims were dismissed. The Munich Court ordered Atari to provide data related to the MAC sales to BVT. Atari complied but appealed the Munich Court's ruling. BVT has also appealed the court's decision. Oral argument on these appeals took place in December 2010. Subsequently, the parties successfully settled the suit. In exchange for a full release, Atari agreed to pay 400K Euros for each suit for a total of 800K Euros. These payments have been made in full and the settlement was filed with the court.

Hasbro, Inc. vs. ATARI SA

Hasbro, Atari's licensor for exclusive, world-wide rights to create, design, develop, manufacture, have manufactured, market and sell digital games based upon the Dungeons & Dragons worlds, sued Atari in federal District Court in Rhodes Island on December 16, 2009. Hasbro's Complaint alleged breach of contract, asserting that Atari had entered into unapproved sublicenses, allowed access by an un-authorized sub-licensee to confidential information as well as other claims such as intentional misrepresentation and an accounting of monies paid for certain activities. Hasbro is requesting that the court determine that contract can be terminated. Atari countersued Hasbro on December 22, 2009 for over $100 million in damages, alleging, among other things, breaches of contract including unapproved removal of certain Dungeons and Dragons realms, and a claim of tortuous interference with Atari's relationship with its potential sub-licensees. In 2010, Atari and Hasbro engaged in mediation. Upon the conclusion of the mediation, the case did not settled. Subsequently, discovery commenced and will be ongoing through early to mid-2012. The parties have engaged in motion practice on various issues. There have been settlement discussions between the parties, but it has not been finalized. There is no scheduled trial date.

Atari, Inc. vs. Zoo Publishing, Inc.

On March 2, 2011, Atari, Inc. filed suit against Zoo Publishing, Inc. in the federal court of the Southern District of New York. Atari alleged that Zoo breached its contracts with Atari by failing to deliver games and make payments to Atari as were appropriate under those agreements. Atari has alleged damages of $1.5 million. The parties commenced settlement discussions and a settlement agreement and release was executed. Zoo agreed to provide Atari with approximately $1.5M in product that Atari expects to sell over the next 12 months.

Walker Digital v. Atari, Inc., Cryptic Studios, Inc. and others

Atari, Inc. and Cryptic Studios, Inc. have been sued, along with 20 other video-game-industry entities by a company known as Walker Digital LLC for patent infringement. The suit resides in federal court in the District of Delaware and was filed on April 11, 2011. Atari has not yet been served. The patent at issue is numbered 5,970,143 and is titled "Remote Auditing of Computer Generated Outcomes, Authenticated Billing and Access Control and Software Metering Systems Using Cryptographic and other Protocols". Walker Digital is operated out of Stamford, CT. Cryptic is being sued for technology associated with the game known as *Star Trek Online*. The technology allegedly infringed is associated with making and using systems for remote auditing of computer generated outcomes, allowing saving of game outcomes for further use as well as monitoring the amount of time a player spends playing a game. Atari is being sued for technology that is claimed to be utilized by Faries vs. Darklings in that the Atari system allows the saving of game outcomes for further use, as well as monitoring the amount of time a player spends playing a game. The Company has entered into a joint defense.

Walker Digital v. Cryptic Studios, Inc. and others

Cryptic Studios, Inc. has been sued, along with 8 other video-game-industry entities in a second suit patent infringement initiated by Walker Digital LLC. In the second suit, also filed in federal court in the District of Delaware, the patent involved is 6,527,638 and is titled “Secure Improved Remote Gaming System” and the technology is associated with pre-paid cards for gaming credits associated with Champions Online and Star Trek Online. The suit was filed on April 11, 2011 and the company has entered into a joint defense.

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.

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 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 skill sets. 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

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.

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, 2011, 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 €0.6 million decrease in consolidated revenue in the financial statements for the year ended March 31, 2011 and would have had respective positive impacts of €0.1 million and €2 million on the consolidated loss for the year and equity.

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

(USD millions)	**March 31, 2011**
Total assets	**98.8**
Total liabilities	**55.2**
Net	**43.6**
Off-balance sheet position	**21.7**
Net position after hedging	**43.6**

Interest-rate risks

The Group does not have an aggressive interest-rate risk management policy. As of March 31, 2011, borrowings at floating interest rates amounted to €42.8 million.

In the event of a 100 basis point increase in interest rates, the resulting additional interest expense for the year ended March 31, 2011 would have been approximately €0.2 million or 10.6% 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.

The table below shows the nature of interest on the Group's debt:

(€ million)	**March 31, 2011**	**March 31, 2010**
Floating rate	42.8	7.0
Fixed rate	9.6	12.5
Total	**52.4**	**19.5**

As of March 31, 2011, the fixed-rate debt consisted primarily of the OCEANE 2011 and 2020, ORANE bonds and the leaseback.

The table below shows the Company's exposure to currency risks before and after hedging transactions.

March 31, 2011	Bond debt		Bank debt		Other debt and borrowings		**Net exposure after hedging**	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Less than one year				42.8				42.8
One to two years	6.3				0.9		7.2	-
Two to three years	0.8				0.2		1.0	-
Three to four years	0.7						0.7	-
Four to five years	0.1						0.1	-
More than five years	0.6						0.6	-
Total	**8.5**	**-**	**-**	**42.8**	**1.1**	**-**	**9.6**	**42.8**

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.

RISKS STEMMING FROM POTENTIAL DILUTION

The Company has issued a significant amount of dilutive instruments, as set forth in section "Information concerning the potential dilution of the Company's capital", of this document. As of March 31, 2011, these instruments had a potential dilutive effect of 185.6 percent. A shareholder with 1 percent of the Company's capital on March 31, 2011 would see his holding drop to 0.4 percent if all dilutive instruments were to be exercised and if he was not in a position to maintain his interest in the Company.

For information, as of the date of this document, BlueBay held 17.3% of the Company's capital on a non-diluted basis, and owned up to 65% of the shares and of the voting rights on a fully diluted basis.

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 Unité économique et sociale (UES), meaning the holding entity, Atari SA and Atari Europe SAS, exclusive of Eden Games SAS and of corporate officers.

As of March 31, 2011, the above French entities had a combined 6 employees. Of the total workforce of 6 employed on a permanent basis (3 women and 3 men, all managerial staff).

During calendar year 2010, the Group's French subsidiaries hired 3 new permanent employees. A total of 4 employees left the payroll of French subsidiaries from December 31, 2009 to December 31, 2010.

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. Employee absent statistics is not relevant any more as a result of the small number of employees left in France.

Non-payroll personnel

Until December 2010, 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 €1,003 thousand in calendar year 2010, compared to €4,033 thousand in calendar year 2009. 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 2010, 2009 or 2008 and no accidents on the way to and from work were reported in 2010, 2009 or 2008. There were no reports of occupational illnesses in 2010, 2009 or 2008.

Training

Funds equal to less than 1% of total payroll were spent on training in 2010.

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, 2011 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 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, 2011, 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 a fund invested exclusively in money-market instruments; or (2) in diversified mutual funds (international equities and bonds), or (3) in a solidarity fund, as per August 4, 2008 French law.

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

Corporate governance evolution

In accordance with French regulation and its internal rules, Atari’s Board of Directors reviewed on April 8, 2011 its composition and the independence of its Directors. Following the resignations of Mr. D’Hinnin, Mr. Lamouche and of The BlueBay High Yield Investment (Luxembourg) SARL, Atari’s Board of Directors is composed as follows at the date of this document:

- Frank Dangeard, Chairman, Independent Director;
- Jim Wilson, Chief Executive Officer, Director (subject to September 30, 2011 shareholders meeting approval);
- Tom Virden, Independent Director;
- The BlueBay Value Recovery (Master) Fund Limited, represented by Gene Davis;
- Alexandra Fichelson (subject to September 30, 2011 shareholders meeting approval).

Restructuring at Eden Games:

In April 2011 Atari announced the restructuring of Eden Games, its development studio headquartered in Lyon (France). The proposed plan aims to reduce the workforce to approximately 30 employees, adjusting costs to the size of the business and its revenues. The restructuring ended at the end of the first quarter of Fiscal Year 2010/2011. This restructuring is part of Atari’s long-term strategy to adapt to the changing marketplace and direct resources against the most profitable business segments. Atari continually evaluates its resources to ensure that they are properly matched against its product slate and strategic goals.

Credit line maturity extended:

As per addendum 12 signed on June 30, 2011, the Company and BlueBay have agreed the extension of a credit facility of €49 million to December 30, 2011.

Cryptic Studios divestiture:

In line with the previously stated strategy of fewer but more profitable releases and further expansion into casual online and mobile games, the Company has determined that external development creates more flexibility in the changing marketplace. Therefore, the Company has made the decision to divest itself from Cryptic Studios. On May 31, 2011, Perfect World Co., Ltd. and Atari announced that they had entered into an agreement whereby Perfect World would acquire 100% equity interest in Cryptic Studios from Atari, the sole shareholder of Cryptic Studios. Under the stock purchase agreement, Perfect World will pay an aggregate purchase price of approximately €35.0 million in cash, subject to working capital and other adjustments as provided in the agreement. The consummation of the transactions contemplated in the agreement is subject to satisfaction of closing conditions.

As of March 31, 2011, the Company accounted Cryptic as a “discontinued operation” in the Statement of Income starting on April 1, 2009 and as “assets / liabilities held for sale” in the Balance Sheet as of March 31, 2011.

12. COMPANY PROSPECTS

The Company expects to report continued improvement in Actual Current Operating Income in semester 1 and maintain profitability in semester 2 in Fiscal Year 2011/2012, as compared to the equivalent periods in Fiscal Year 2010/2011.

Overall the Company expects continued improvement in Current Operating Income for the full year 2011/2012.

Below is an indicative timeline of projected and already announced releases for Fiscal Year 2011/2012:

- *Yar's Revenge* for Xbox LIVE Arcade was launched in April 2011;
- *Star Raiders* for XBLA, and PC download was launched in May 2011;
- *The Witcher 2: Assassins of Kings* for PC was released in May 2011;
- *Dungeons and Dragons: Daggerdale* for Xbox Live Arcade, PlayStation Network and PC download and retail is scheduled for release in Spring 2011;
- *Warlords* for XBLA and PSN is scheduled for release in Summer 2011;
- *Centipede: Infestation* for 3DS and Wii is scheduled for release in October 2011.

13. ATARI SA FIVE-YEAR FINANCIAL SUMMARY

(€ thousands)	31-03-07 12 months	31-03-08 12 months	31-03-09 12 months	31-03-10 12 months	31-03-11 12 months
Share capital	12,326	12,845	12,976	21,114	24,329
Number of common shares outstanding	1 232 599 421	12,844,860	12,975,860	21,113,623	24,328,970
Cumulative number of preferred shares (without voting rights) outstanding	-	-	-	-	-
Maximum number of shares to be issued	261 018 695	18 669 947	46,594,974	53,451,385	45,149,057
on conversion of bonds	*3 540 412*	*13 400 379*	*36,783,347*	*43,597,202*	*40,780,571*
on exercise of stock options	*16 833 361*	*2 742 400*	*3,069,706*	*2,328,052*	*1,834,731*
on exercise of stock warrants	*240 644 922*	*1 887 584*	*2,288,504*	*2,311,232*	*2,310,755*
on grants of free shares	-	*639,584*	*487,417*	*237,732*	*223,000*
Other (ni the event of payment of earn-out and bonus for Cryptic Studios in shares)	-	*639,584*	*3,967,800*	*4,977,167*	-
Net revenue before tax	12,115	8,856	10,781	12,928	5,488
Earnings (loss) before tax and employee profit sharing and depreciation, amortization and provisions (net charge for the period)	(126 851)	5,542	(2,321)	(11,460)	(1,906)
Income tax	1,505	1,871	6	-	-
Employees' share of profit for the year (charge for the period)	(14)	(20)	-	-	-
Net income (loss) after tax, employee profit sharing, depreciation, amortization and provisions	(88,838)	(51 169)	(165,095)	22,563	(21,772)
Dividends paid	-	-	-	-	-
Earnings (loss) per share after tax and employee profit sharing but before depreciation, amortization and provisions (net charge for the period)	(0.10)	0.43	(0.18)	(0.54)	(0.08)
Earnings (loss) per share after tax, employee profit sharing, depreciation, amortization and provisions	(0.07)	(3.98)	(12.72)	1.07	(0.89)
Dividend per share	-	-	-	-	-
Average number of employees during the period	14	14	14	10	7
Total payroll for the year	2,646	6,770	5,067	3,232	1,167
Employee benefits paid during the period (social security, charitable contributions, etc.)	713	2,159	1,225	778	636

14. SUMMARY OF AUTHORITY CURRENTLY GRANTED TO INCREASE CAPITAL AND USE MADE OF SAID AUTHORITY DURING FISCAL YEAR 2010/2011 (ARTICLE L.225- 100 OF THE FRENCH COMMERCIAL CODE)

The table below summarizes the authorities in effect or used subsequent to March 31, 2011.

Nature of authority	Date of Shareholders' Meeting Resolution number	Period Expiration	Maximum increase in the nominal value of shares outstanding (€ millions)	Use of the authority during the period	Available nominal value (€ millions)
Delegation of authority to the board of directors to issue shares and securities with rights to shares, with preemptive rights	September 30, 2010 Resolution 15	(26 months) November 29, 2012	40$^{(2)}$ (over the term of the authority)	Not used	40.0
Delegation of authority granted to the board of directors to issue securities with rights to shares, without preemptive rights for existing shareholders	September 30, 2010 Resolution 16	(26 months) November 29, 2012	40$^{(2)}$ (over the term of the authority)	Not used	40.0
Delegation of authority to the board of directors to issue shares and securities with rights to shares of the Company, without preemptive rights for shareholders, by means of offerings governed by article L.411-2 (II) of the Monetary and financial Code	September 30, 2010 Resolution 17	(18 months) March 29, 2012	40 $^{(2)}$	Not used	40.0
Delegation of authority to the board of directors, in the event of equity issues without preemptive rights, to price the issue in the manner decided by the shareholders' meeting	September 30, 2010 Resolution 18	(26 months) November 29, 2012	Up to 10% of the shares outstanding $^{(1)}$	Not used	
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	September 30, 2010 Resolution 19	(26 months) November 29, 2012	40$^{(2)}$ (over the term of the authority)	Not used	40.0
Delegation of authority to issue shares or other securities as consideration for contributions in kind to the Company	September 30, 2010 Resolution 20	(26 months) November 29, 2012	Up to 10% of the shares outstanding $^{(1)}$	Not used	
Delegation of authority to the board to issue up to 408,838 new shares for remitting to former holders of Cryptic Studios stock options in consideration for the cancellation of such options	September 30, 2010 Resolution 21	(18 months) March 29, 2012	Up to 408,838 new shares	As of March 1, 2011, creation of 118,748 new shares as part of the earn out payment	0.1
Delegation of authority to the board of directors to increase capital stock by capitalizing reserves, earnings or other paid-in capital)	September 30, 2010 Resolution 22	(26 months) November 29, 2012	40 $^{(2)}$ (over the term of the authority)	Not used	40
Delegation of authority to the board of directors to issue shares and securities with rights to shares of the Company for offering to members of an employee savings plan	September 30, 2010 Resolution 24	(26 months) November 29, 2012	3$^{(2)}$	Not used	
Authority to be granted to the board of directors to distribute bonus shares	September 30, 2009 Resolution 19	(38 months) November 29, 2012	Up to 10% of the shares outstanding	In May 2011, grant of 962,290 free share to French and top US employees, to be vested into new or existing shares, subject to performance criteria.	1.2

Nature of authority	Date of Shareholders' Meeting Resolution number	Period Expiration	Maximum increase in the nominal value of shares outstanding (€ millions)	Use of the authority during the period	Available nominal value (€ millions)
Authority granted to the board of directors to grant stock options	September 30, 2010 Resolution 23	(38 months) November 29, 2013	up to 20% of the shares capital	Not Used	
Authority granted to the board of directors to grant stock options	September 27, 2007 Resolution 11	(38 months) November 26, 2010	Subject to the restrictions of article L.225-182 of the Commercial Code	Grant of SO to Mr. Hamaide (approved by Sept. 9, 2008 Board), Mr. Lapin and Wilson (approved by May 25, 2009 Board), Feb. Plan to 14 employees (approved by Feb. 12, 2010 Board) and July 2010 plan to 6 employees (approved by July 22, 2010 Board)	

1- The shares have a nominal value of 1 euro. As of March 31, 2011 the Company's capital stock amounted to 24,328,970 euros, divided into 24,328,970 shares.

2- The number of shares issued pursuant to resolutions 15 through 24 of the shareholders' meeting of September 30, 2010 are limited by a common ceiling.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011

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CONSOLIDATED INCOME STATEMENT

(€ million)	Notes	Year ended March 31, 2011	Year ended March 31, 2010 restated (1)
Revenue	16	56.7	111.2
Cost of goods sold		(22.2)	(55.7)
Gross margin		**34.5**	**55.5**
Research and development expenses		(13.8)	(31.0)
Marketing and selling expenses		(9.8)	(17.0)
General and administrative expenses		(10.3)	(15.3)
Share-based payment expense (*)	19	(0.1)	1.6
Current operating income (loss)	16	**0.5**	**(6.2)**
Restructuring costs	17	(0.4)	(2.6)
Gains (losses) from disposals of assets		(0.5)	-
Impairment of goodwill	3	-	-
Other income (expense)		-	(0.1)
OPERATING INCOME (LOSS)	16	**(0.4)**	**(8.9)**
Cost of debt	20	(1.9)	(4.4)
Other financial income (expense)	20	0.7	(0.2)
Income tax	21	0.7	(0.7)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**(0.9)**	**(14.2)**
Profit (loss) from discontinued operations	1.5 & 22	(5.3)	(9.1)
NET INCOME (LOSS) FOR THE YEAR		**(6.2)**	**(23.3)**
Minority interests			3.9
NET INCOME (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	16	**(6.2)**	**(19.4)**
Earnings (loss) per share (in €)			
From continuing and discontinued operations			
- basic	11	(0.29)	(1.54)
- diluted	11	(0.29)	(1.54)
From continuing operations			
- basic	11	(0.04)	(0.94)
- diluted	11	(0.04)	(0.94)
Weighted average number of shares outstanding		21 064 412	15 150 987
Weighted average number of shares outstanding, assuming full dilution		21 064 412	15 150 987

(1) In accordance with IFRS 5, the consolidated income statement for the year ended March 31, 2010 has been restated to present discontinued operations (Cryptic Studios) on separate lines (see Note 1.5).

(*) Cost of stock options, free shares and incentive bonuses paid in shares. During Fiscal Year ended March 31, 2011, the Company recorded a 0.1 million expense (see note 19 Share-based payment).

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

GLOBAL STATEMENT OF COMPREHENSIVE INCOME

(€ million)	March 31, 2011	March 31, 2010
GROUP CONSOLIDATED NET RESULT	**(6.2)**	**(23.2)**
Elements directly incurred in net equity:		
Translation adjustments	(2.8)	(2.6)
Total result directly recognised in net equity	**(2.8)**	**(2.6)**
GLOBAL RESULT	**(9.0)**	**(25.8)**
Of which :		
Group	(9.0)	(29.6)
Minority interests	-	3.8

CONSOLIDATED BALANCE SHEET

(€ million)	Notes	March 31, 2011	March 31, 2010
Goodwill	3	5.4	24.5
Intangible assets	4	12.7	31.3
Property, plant and equipment	5	2.7	4.0
Non-current financial assets	6	2.1	3.2
Deferred tax assets	21	-	-
Non-current assets		**22.9**	**63.0**
Inventories	7	2.9	2.4
Trade receivables	8	9.7	9.8
Current tax assets		0.6	0.7
Other current assets	9	2.8	5.5
Cash and cash equivalents	10	16.4	10.3
Assets held for sale	1.5 & 22	42.3	-
Current assets		**74.7**	**28.7**
Total assets		**97.6**	**91.7**
Capital stock		24.3	21.1
Share premium		257.8	258.1
Consolidated reserves		(286.1)	(277.4)
Shareholders' equity	11	**(3.9)**	**1.8**
Minority interests		0.1	0.1
Total equity		**(3.8)**	**1.9**
Provisions for non-current contingencies and losses	12	-	-
Non-current financial liabilities	13	3.4	10.9
Deferred tax liabilities		-	0.7
Other non-current liabilities	14	4.8	12.7
Non-current liabilities		**8.2**	**24.3**
Provisions for current contingencies and losses	12	3.6	7.7
Current financial liabilities	13	49.0	8.6
Trade payables		21.5	28.1
Current tax liabilities		0.4	0.5
Other current liabilities	14	7.3	20.6
Liabilities held for sale	1.5 & 22	11.4	-
Current liabilities		**93.2**	**65.5**
Total equity and liabilities		**97.6**	**91.7**

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

CONSOLIDATED CASH FLOW STATEMENT

(€ million)	Year ended March 31, 2011	Year ended March 31, 2010 restated (1)
Net income (loss) for the year	(6.2)	(23.3)
Profit (loss) from discontinued operations	5.3	9.1
Non-cash expenses and revenue	-	
Charges to (reversals of) depreciation, amortization and provisions for non-current assets	8.9	23.7
Cost of (revenue from) stock options and related benefits	0.1	(1.5)
Losses (gains) on disposals of intangible assets and property, plant and equipment	0.5	
Other	(3.8)	0.5
Cost of debt	1.9	4.4
Income taxes (deferred and current)	(0.7)	0.7
Cash flow before net cost of debt and taxes	**6.0**	**13.6**
Income taxes paid	0.1	0.4
Changes in working capital	-	
Inventories	(0.7)	0.7
Trade receivables	(0.4)	11.4
Trade payables	(4.6)	5.4
Other current assets and liabilities	(13.0)	(12.7)
Net cash used in operating activities – Continuing operations	**(12.6)**	**18.7**
Net cash used in operating activities – Discontinued operations	**4.1**	**(21.0)**
Purchases of/additions to:		
Intangible assets	(12.5)	(12.4)
Property, plant and equipment	(0.3)	(0.2)
Non-current financial assets	(0.0)	(0.1)
Disposals/repayments of:		
Intangible assets		
Property, plant and equipment		0.2
Non-current financial assets	0.3	1.3
Impact of changes in scope of consolidation		
Net cash used in investing activities – Continuing operations	**(12.5)**	**(11.2)**
Net cash used in investing activities – Discontinued operations	**(4.4)**	**11.1**
Net funds raised from:		
Share issues		
Issue of ORANE bonds		30.5
New borrowings	37.1	27.2
Net funds disbursed for:		
Interest and other financial charges, net	(3.6)	(4.4)
Debt repayment	(1.1)	(57.2)
Net cash provided (used in) by financing activities – Continuing operations	**32.4**	**(3.9)**
Net cash provided (used in) by financing activities – Discontinued operations	**-**	**(5.3)**
Impact of changes in exchange rates	(0.2)	0.8
Net change in cash and cash equivalents	**6.8**	**(10.8)**

CASH AND CASH EQUIVALENTS	Year ended March 31, 2011	Year ended March 31, 2010
At beginning of year	10.3	21.1
At end of year **(a)**	17.1	10.3
Net change	6.8	(10.8)
(a) Of which:		
Cash		
Discontinued operations	0.7	1.0
Continuing operations	16.4	9.3
Cash equivalents		
Discontinued operations	-	-
Continuing operations	-	-
Total	17.1	10.3

(1) In accordance with IFRS 5, the consolidated cash flow statement for the year ended March 31, 2010 has been restated to present discontinued operations (Cryptic Studios) on separate lines (see Note 1.5).

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, 2009	**12.9**	**224.3**	**(0.1)**	**(238.6)**	**(11.8)**	**(13.3)**	**(8.8)**	**(22.1)**
Profit (loss) for the year				(19.4)		**(19.4)**	(3.8)	**(23.2)**
Translation adjustments					(2.7)	**(2.7)**		**(2.7)**
Global Result				**(19.4)**	**(2.7)**	**(22.1)**	**(3.8)**	**(25.9)**
Share issues (1)	7.6	19.8				**27.4**		**27.4**
Exercise of stock warrants						**-**		**-**
Issue of ORANE bonds (2)	0.6	14.3				**14.9**		**14.9**
Share-based payments				(1.6)		**(1.6)**		**(1.6)**
Acquisition of Cryptic Studios (3)				(3.2)		**(3.2)**		**(3.2)**
Sale of 66% of Distribution Partners (4)				3.8	(3.9)	**(0.1)**	12.7	**12.6**
Other changes				(0.2)		**(0.2)**		**(0.2)**
At March 31, 2010	**21.1**	**258.4**	**(0.1)**	**(259.2)**	**(18.4)**	**1.8**	**0.1**	**1.9**
Profit (loss) for the year				(6.2)		**(6.2)**		**(6.2)**
Translation adjustments					(2.8)	**(2.8)**		**(2.8)**
Global Result				**(6.2)**	**(2.8)**	**(9.0)**		**(9.0)**
Share issues						**-**		**-**
Exercise of stock warrants						**-**		**-**
Issue of ORANE bonds	2.8	(2.8)				**-**		**-**
Share-based payments				0.1		**0.1**		**0.1**
Acquisition of Cryptic Studios (5)	0.4	2.5		0.6		**3.5**		**3.5**
Other changes		(0.3)		(0.1)		**(0.4)**		**(0.4)**
At March 31, 2011	**24.3**	**257.8**	**(0.1)**	**(264.7)**	**(21.2)**	**(3.9)**	**0.1**	**(3.8)**

(1) In January 2010, the Group completed a rights issuance, resulting in capital increase of €27.4 million by issuance of 7,610,895 new shares.

(2) In December 2009, Atari launched a financial transaction, which was finalized in January 2010, the Group issued bonds redeemable for new or existing shares (ORANE), maturing on April 1, 2015. The bonds have an aggregate nominal value of €15.6 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	15.2	0.3
Issuance costs	(0.9)	-
	-----------------------	------------------
	14.3	0.3

(3) On December 9, 2008, the Group announced that it had agreed to purchase all of the shares of Cryptic Studios Inc. The equity impact of 4.4 million euros represents the amount payable in shares to Cryptic Studios' vendor shareholders as earnout. Since the acquisition date, the future income assumptions have been revised. Accordingly, as of March 31, 2010, the acquisition of Cryptic Studios had a positive aggregate impact on consolidated equity of 1.3 million euros.

(4) In February 2009, the Group agreed to sell 34 percent of the shares it held in Namco Bandai Partners to Namco Bandai Games Europe. In March 2009, pursuant to the provisions of the strategic partnership agreement with Namco Bandai Games Europe, Atari exercised its put option on 66 percent of the shares of Namco Bandai Partners. On July 7, 2009, Atari finalized the sale of its distribution operations in Europe and Asia.

(5) As March 31, 2011, Cryptic completed its earn-out period resulting in an earn-out totaling € 6.1 million of which €3.1 million in cash and €3.0 million value in share (383 517 shares issues). The earn-out had a positive impact on consolidated equity of € 3.5 million for the Fiscal Year 2010/2011.

GENERAL INFORMATION ABOUT THE GROUP

Atari SA (hereinafter referred to as "Atari" or the "Company") designs, produces, publishes and distributes interactive entertainment software for a wide range of media systems (game consoles, PCs, etc.). The Group derives recurring revenue primarily from the sale and licensing of products developed in-house or under publishing agreements with third parties, the distribution of other publishers' products and 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 throughout the world.

The Company's principal office is at 78 rue Taitbout, 75009 Paris (France).

NOTE 1 – SIGNIFICANT EVENTS OF THE YEAR

1.1. CHANGES TO CORPORATE GOVERNANCE

Jim Wilson, previously CEO of Atari Inc., has taken the position of CEO of Atari S.A. and has been appointed as Director of the Board. Hindol Datta, Vice President of Finance and Administration of Atari, has been appointed interim Chief Financial Officer. Pascal Cagni has resigned from the Board.

1.2. CHANGE IN THE HEADQUARTER LOCATION

As authorized by the September 30, 2010 AGM, the Company's headquarter has been moved from Lyon, France to Paris, France.

1.3. CREDIT LINE MATURITY EXTENDED

As per amendment 11 to the loan agreement of April 21, 2006, signed on October 1, 2010, the maturity date of the senior credit facility has been extended from December 31, 2010 to June 30, 2011. Other terms and conditions remain unchanged.

As of March 31, 2011, the total amount of the credit facility drawn was € 42.4 million.

1.4. PAYMENT OF THE CRYPTIC EARN OUT

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 were eligible to the following:

- 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 is 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. 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 is paid in cash, new Atari ordinary shares, or in cash and new Atari shares.

As March 31, 2011, Cryptic completed its earn-out period resulting in an earn-out totaling 6.1 million euro of which 3.1 million euro in cash and 3.0 million euro value in shares (approximately 383,000 shares issues). This earn-out was attributable to the performance of the Star Trek Online Video Game. Cryptic shareholders earned no earn-out for Champions online. No bonus earn-out was achieved on either product.

1.5. SALE OF CRYPTIC STUDIOS

In February 2011, the Group started a process to divest itself of Cryptic Studios.

In May 2011, Atari SA announced that in accordance to stock purchase it has reached a definitive agreement to sell Cryptic' Studios. The closing of this transaction is requires certain third party approvals. The Company expects to recognize a gain at the completion of transaction of approximately 1 to 3 million euros based on final closing conditions. The Company expects the transaction to be completed within the first half of Fiscal Year 2011/2012.

The results of Cryptic Studios, income and expenses have been recorded in separate lines in the income statement for the Fiscal Year ended March 31, 2011 and 2010, under “Profit (loss) from discontinued operations”.

For further information see Notes 22 to the 2010/2011 consolidated financial statements.

1.6. BLUEBAY STAKE DISPOSAL PROCESS

On October 21, 2010, Atari was notified that its reference shareholder BlueBay was exploring a disposal of its shares and equity-linked instruments held by them. On January 31, BlueBay informed Atari that the disposal process had not resulted in the signing of a binding protocol with one of the potential investors and that they had therefore interrupted their process.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. GENERAL PRINCIPLES

The consolidated financial statements of Atari SA for the year ended March 31, 2011 have been prepared in accordance with IFRS standards as adopted by the European Union and whose application was mandatory at April 1, 2010 with the exception of the new standards and interpretations whose application is mandatory for the Fiscal Year 2010/2011 or applied by anticipation.

The accounting policies and measurement methods used are the same as those applied for the year ended March 31, 2010.

These financial statements and the related notes are presented in euros. They were approved by the Board of Directors on May 13, 2011. They will be submitted for approval at Atari’s Annual General Shareholders’ meeting on September 19, 2011.

Application of the going concern principle

During and prior to Fiscal Year 2009/2010, the Group made significant losses that have eroded its equity and cash position. As of March 31, 2011, shareholders’ equity (net of minority interests) was negative at minus €3.8 million, including a net loss of €6.2 million for the 2010/2011 Fiscal Year. On that same date, the Group’s net debt was €36.0 million and the Group had unused drawdown capacity of approximately €6.9 million under its credit facility.

In order to ensure that it has the requisite funds to finance its operations in 2011/2012 (and after) and to improve its capital structure, the Group’s strategy focused on 4 main priorities:

- Continue the focus on Atari owned franchises and key strategic licenses for fewer but more profitable releases and further expansion into online, digital download, mobile game segments. This is supported by a strict investment discipline addressing all appropriate platforms (online, console, mobile). At this stage, Atari’s games will mainly be developed externally with selected third party game studios to contribute to a more flexible and cost efficient organization;
- Reinforcing licensing and franchise revenue streams through licensing of games and merchandising to continually leverage Atari’s strong catalogue of popular games and third party franchises;
- Continuing to optimize operations, focusing at this final stage to adapt the overhead and the Research and Development expenses to Company’s the revenue and product strategy;
- Setting up partnerships to support the Company’s development, publishing and distribution efforts to derive maximum benefit from its large portfolio of intellectual properties, its brand and its organization.

On this basis, the Group has applied the going concern principle in preparing its consolidated financial statements, based on the following assumptions:

- Disposal of the Cryptic Studios;
- Extension of the credit facility line granted by BlueBay until December 30, 2011 for €49 million (for more information, refer to note 27.3), and
- Operating cash flows for the Fiscal Year 2011/2012 in line with the Business plan.

Group management believes that its projections are reasonable. However, in light of the uncertainties inherent in financial negotiations and strategic refocusing under adverse economic circumstances, results may differ from forecasts. Those circumstances could restrict the Group’s ability to finance its current operations and result in adjustments in the value of the Group’s assets and liabilities.

Based on the above-described measures and assumptions, as well as the Budget for the next 12 months, the management of the Group believes that the Group's financial resources – including the extension of the credit facility- will be sufficient to cover the Group's operating expenses and capital expenditure for the 12-month period ending as of March 31, 2012. In the case the financial resources of the Group would not be sufficient, the management believes that the BlueBay credit facility would be extended beyond December 30, 2011.

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 2010/2011 consolidated financial statements

- IFRS 3 (Revised) on accounting for business combinations
- IAS 27 (Revised) on the preparation of consolidated financial statements
- Amendments to IFRS2 for group cash-settled share-based payment transactions
- Amendments to IAS 17 relating to land leases
- IFRIC 15 relating to agreements for the construction of Real Estate
- IFRIC 16 relating to hedges of a net investment in a foreign operation
- IFRIC 17 relating to distributions of non-cash assets to owners
- IFRIC 18 relating to transfer of assets from customer
- Amendments to IAS 39 on items which are eligible for hedge accounting

The Group considers that these new standards, amendments and interpretations which were applicable for the 2010/2011 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 2010/2011 consolidated financial statements

Among the IFRS accounting standards and IFRIC interpretations issued by the IASB/IFRIC at the date of approval of these Consolidated Financial Statements but that are not yet effective, for which the Group has not elected an earlier application, and which may have an impact on the Group are mainly amendments to different IFRS included in the annual "Improvements to IFRSs" as published by the IASB on May 6, 2010, which are effective from different dates depending on the relevant provision, but the earliest applicable date being on or after January 1, 2011.

The Group is currently assessing the potential impact of the application of these amendments on the Statement of Earnings, the Statement of Financial Position, the Statement of Cash Flows and the content of the notes to the 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, 2010		March 31, 2009	
	Closing	Average rate for the year	Closing	Average rate for the year
USD	1.34790	1.41372	1.33080	1.42163
GBP	0.88980	0.88571	0.93080	0.83449
AUD	1.47410	1.66645	1.92160	1.81973

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 net present 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

Business combinations are recorded using the acquisition method. Under this method, upon the initial consolidation of an entity over which the group has acquired exclusive control:

- the identifiable assets acquired and the liabilities assumed are recognized at their fair value on the acquisition date; and
- non-controlling interests are measured either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets.

This option is available on a transaction-by-transaction basis.

On the acquisition date, goodwill is initially measured as the difference between:

(i) the fair value of the consideration transferred, plus the amount of non-controlling interests in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; and

(ii) the net fair value of the identifiable assets and liabilities assumed on the acquisition date.

The measurement of non-controlling interests at fair value results in increasing goodwill up to the extent attributable to these interests, thus leading to the recognition of a “full goodwill”. The purchase price allocation shall be performed within 12 months after the acquisition date. If goodwill is negative, it is recognized in the Statement of Earnings. Subsequent to the acquisition date, goodwill is measured at its initial amount less recorded accumulated impairment losses (please refer to Note 3).

In addition, the following principles are applied to business combinations:

- on the acquisition date, to the extent possible, goodwill is allocated to each cash-generating unit likely to benefi from the business combination;
- contingent consideration in a business combination is recorded at fair value on the acquisition date and any subsequent adjustment, occurring after the purchase price allocation period is recognized in the Statements of Earnings;
- acquisition-related costs are recognized as expenses when incurred;
- in the event of the acquisition of an additional interest in a subsidiary, Atari recognizes the difference between the acquisition cost and the carrying value of non-controlling interests acquired as a change in equity attributable to Atari shareowners; and
- goodwill is not amortized.

Goodwill relating to consolidated entities is recognized under “Goodwill” on the assets side of the balance sheet. As prescribed by IFRS 38, 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.

Atari does not capitalize financial interest related to the acquisition of intangible assets and believes the impact to be immaterial to the Consolidated Financial Statement of the Group.

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

According to IAS 38, An intangible asset arising from development (or from the development phase of an internal project) shall be recognized if, and only if, an entity can demonstrate all of the following:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
(b) its intention to complete the intangible asset and use or sell it.
(c) its ability to use or sell the intangible asset.
(d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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" mainly over a 12-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 , on average, 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

Atari does not capitalize financial interest related to the acquisition of tangible assets and believes the impact to be immaterial to the Consolidated Financial Statement of the Group.

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.

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 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 (measured at market value at balance sheet date) 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. MINORITY INTERESTS

Non-controlling interests must be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2.19. 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.

2.20. 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.

2.21. 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.

2.22. REVENUE RECOGNITION

The Group has had to revise its accounting methods to recognize the release of online games, which represent new and significant operations for Atari. The information below complements note 2 (Accounting rules and methods) to the 2010 Annual Financial Report.

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 sales of game software is recognized on the date products are delivered to customers. A provision is recognized against sales for estimated returns to determine net sales. Under the Group's agreements with its customers, it is not required to accept returns but may agree to exchange products sold to certain customers. In addition, the Group may agree to allow returns or grant credits or other benefits for unsold products to certain customers. In such instances, the Group estimates the amount of future credits and sets aside a provision, which is recognized in "Trade receivables" in the consolidated balance sheet. The Group also reassesses its customers' solvency on a regular basis and, if needed, sets aside provisions in "Sales and marketing expenses" and in "Trade receivables".

The Group considers that sales of games requiring a subscription to be playable online, as well as extension packs and other related services, should be treated as single transactions. Accordingly, revenue from such products is recognized on a deferred basis, depending on the estimated length of relationships with customers.

Subscriptions to online services

Revenue from online gaming subscriptions depends on how long consumers purchase monthly subscriptions to join an online gaming community. In addition, this is a unique service in that consumers who purchase subscriptions prepay for a specific item. Revenue is therefore recognized on a deferred basis and corresponds to proceeds from subscriptions and related services accounted for as subscription sales, proceeds from sales of licenses and other revenue.

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.

2.23. 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.

2.24. 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.

2.25. 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.

2.26. 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.

As described on note § 2.10, Atari does not capitalize financial interest related to the acquisition of tangible and intangible assets and believes the impact to be immaterial to the Consolidated Financial Statement of the Group.

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

2.27. 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.

2.28. 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.

2.29. BUSINESS TAX – TERRITORY ECONOMIC TAX

The law of Finance for 2010 has created the Territory Economic Tax (“*Contribution Economique Territoriale – CET* “) in order to replace, from Fiscal Year 2010 the Business Tax (“*Taxe Professionnelle –TP*”).

The « CET » is composed of two taxes: Business Land Tax (“ *Cotisation Foncière des Entreprises – CFE*") based on the real estate goods and the Business Value Added Tax (“*Cotisation sur la Valeur Ajoutée des Entreprises – CVAE*”). The Company considers that theses two taxes are, by nature, related to its activity and to the different entities of the Group and recognizes, from the first calendar quarter of Fiscal Year 2010 both in the line “operating expenses” of its income statement.

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, 2009	**34.9**
Changes in scope of consolidation	-
Increase	-
Impairment for the year	-
Reclassification of assets held for sale	-
Translation adjustments	(0.9)
Other changes	(9.5)
March 31, 2010	**24.5**
Changes in scope of consolidation	-
Increase	-
Impairment for the year	-
Reclassification of assets held for sale	(19.8)
Translation adjustments	(1.8)
Other changes	2.5
March 31, 2011	**5.4**

Goodwill allocated to the “Online Development / Publishing” cash generating unit was increased by 2.5 million euro following the final payment to Cryptic Studios’ shareholders based on the actual results of the earn out payable. See Note 1.4. The March 31, 2011 goodwill balance related to Cryptic, approximately 19.8 million euro has been reclassified to assets held for sale as part of the discontinued operations treatment of Cryptic Studios under IFRS 5.

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)	**Online Development**	**Publishing**	**TOTAL**
March 31, 2011	-	5.4	5.4
March 31, 2010	18.7	5.8	24.5

The Online Development CGU represents Cryptic, which was acquired during Fiscal Year 2008/2009. This cash generating unit was increase by 2.5 million euro following the final payment to Cryptic Studios’ shareholders based on the actual results of the earn-out payable. See Note 1.4. The March 31, 2011 goodwill balance related to Cryptic, approximately 19.8 million euro has been reclassified to assets held for sale as part of the discontinued operations treatment of Cryptic Studios under IFRS 5.

The remaining 5.4 million euro goodwill relates to the minority acquisition of Atari, Inc. in October 2008.

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, 2011, US Publishing CGU this recoverable amount 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 four years, the present value of projected cash flows for the subsequent year and a terminal value.

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, 2011 and March 31, 2010:

	March 31, 2011		March 31, 2010	
	Discount rate	**Perpetuity growth rate**	**Discount rate**	**Perpetuity growth rate**
Online Development	n/a	n/a	18.60%	3.00%
Publishing	17.60%	3.00%	18.60%	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 2010/2011 budgets and its business plan. Growth-rate assumptions in the business plan reflect management's best estimates and are based notably on (i) the expectation that business will recover and will be driven by online distribution sales and on (ii) a comparable cost structure to the one achieved in 2009/2010.

At March 31, 2011, the sensitivity of the recoverable amounts of the Group's CGU to a one-point change in the discount rate or the perpetuity growth rate was as follows:

Cash-generating unit		**Impact of a one-point change in:**			
		Discount rate		**Perpetuity growth rate**	
(€ million)	**Difference between recoverable amount and carrying amount**	**+ 1 pt.**	**- 1 pt.**	**+ 1 pt.**	**- 1 pt.**
Publishing	105.8	-6.8	7.8	4.8	-4.2

For the Online Development CGU, the Company tested the goodwill value related to CGU based on the estimated proceeds from its expected divesture of Cryptic Studios. The Company expects to recognize a gain at the completion of transaction of approximately 1 to 3 million euros based on final closing conditions. The Company expects the transaction to be completed within semester 1 of Fiscal 2011/2012; therefore no adjustment to goodwill is necessary as of March 31, 2011.

NOTE 4 – INTANGIBLE ASSETS

Changes in intangible assets for the year ended March 31, 2011 can be analyzed as follows:

(€ millions)	Games	Trademarks	Licences	Software	Other	Total
Gross value						
April 1, 2010	**54.2**	**16.5**	**47.9**	**29.1**	**4.7**	**152.4**
Change in scope of consolidation						-
Acquisitions / Increase	8.9	-	7.8	0.1	-	16.8
Disposals / Decrease	-	-	-	(5.5)	-	(5.5)
Reclassification as assets held for sale	(33.8)	(1.3)		(0.2)		(35.4)
Other changes	(2.6)	(0.9)	(1.7)	(0.6)	(0.3)	(6.2)
March 31, 2011	**26.7**	**14.3**	**54.0**	**22.8**	**4.4**	**122.2**
Amortization and provisions for impairment value						
April 1, 2010	**(30.7)**	**(13.9)**	**(43.7)**	**(28.2)**	**(4.6)**	**(121.1)**
Change in scope of consolidation						-
Charges to amortization and provisions	(8.5)	-	(4.6)	(0.3)	(0.1)	(13.5)
Reversal of amortization and provisions	-	-	-	0.1	-	0.1
Disposals / Decrease	-	-	-	5.0	-	5.0
Reclassification as assets held for sale	14.1	1.0		0.2		15.3
Other changes	1.6	0.7	1.6	0.5	0.3	4.6
March 31, 2011	**(23.5)**	**(12.2)**	**(46.7)**	**(22.7)**	**(4.4)**	**(109.5)**
Net value						**-**
April 1, 2010	**23.5**	**2.6**	**4.2**	**0.9**	**0.1**	**31.3**
Change in scope of consolidation	-	-	-	-	-	-
Acquisitions / Change to amortization and provisions	0.4	-	3.2	(0.3)	(0.1)	3.3
Disposals / Reversal of amortization and provisions	-	-	-	(0.4)	-	(0.4)
Reclassification as assets held for sale	(19.7)	(0.3)	-	(0.0)	-	(20.1)
Other changes	(1.1)	(0.2)	(0.1)	(0.1)	(0.0)	(1.5)
March 31, 2011	**3.2**	**2.0**	**7.3**	**0.2**	**(0.0)**	**12.7**

The increase in games recognized under intangible assets for the year ended March 31, 2011 primarily reflects the capitalization of €8.9 million worth of in-house development expenditure subsequent to the completion of the pre-production phase.

At March 31, 2011, there is no capitalized games-in-progress compared with €6.4 million one year earlier.

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 €12.1 million for the year ended March 31, 2011 compared with €32.8 million for the previous Fiscal Year.

The impairment tests done by the group on intangible assets did not lead to material depreciation for the Fiscal Year 2010/2011.

The table below shows changes in intangible assets during the year ended March 31, 2010:

(€ millions)	Games	Trademarks	Licences	Software	Other	Total
Gross value						
April 01, 2009	**84.9**	**16.7**	**55.0**	**32.7**	**4.8**	**194.1**
Change in scope of consolidation						-
Acquisitions / Increase	19.0		2.4	0.1		21.5
Disposals / Decrease	(48.2)		(9.3)	(3.4)		(60.9)
Reclassification as assets held for sale						-
Other changes	(1.5)	(0.2)	(0.2)	(0.3)	(0.1)	(2.3)
March 31, 2010	**54.2**	**16.5**	**47.9**	**29.1**	**4.7**	**152.4**
Amortization and provisions for impairment value						
April 01, 2009	**(52.9)**	**(13.8)**	**(47.4)**	**(31.1)**	**(4.3)**	**(149.5)**
Change in scope of consolidation						-
Charges to amortization and provisions	(26.6)	(0.3)	(4.7)	(0.8)	(0.4)	(32.8)
Reversal of amortization and provisions						-
Disposals / Decrease	48.2		8.3	3.4		59.9
Reclassification as assets held for sale						-
Other changes	0.6	0.2	0.1	0.3	0.1	1.3
March 31, 2010	**(30.7)**	**(13.9)**	**(43.7)**	**(28.2)**	**(4.6)**	**(121.1)**
Net value						**-**
April 01, 2009	**32.0**	**2.9**	**7.6**	**1.6**	**0.5**	**44.6**
Change in scope of consolidation	-	-	-	-	-	-
Acquisitions / Change to amortization and provisions	(7.6)	(0.3)	(2.3)	(0.7)	(0.4)	(11.3)
Disposals / Reversal of amortization and provisions	-	-	(1.0)	-	-	(1.0)
Reclassification as assets held for sale	-	-	-	-	-	-
Other changes	(0.9)	-	(0.1)	-	-	(1.0)
March 31, 2010	**23.5**	**2.6**	**4.2**	**0.9**	**0.1**	**31.3**

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment for the year ended March 31, 2011 can be analyzed as follows:

(€ million)	Property, plant and equipment				Total
	Land	Buildings	Computer hardware	Other equipment, furniture and fixtures and fittings	
Gross value					
April 01, 2010	**0.4**	**5.5**	**5.0**	**11.3**	**22.2**
Changes in scope of consolidation					-
Acquisitions/Increase			0.1	0.2	0.3
Disposals/Decrease			-	(1.9)	(1.9)
Reclassification of assets held for sale				(2.2)	(2.2)
Other changes		(0.4)	(0.1)	(0.4)	(0.9)
March 31, 2011	**0.4**	**5.1**	**5.0**	**7.0**	**17.5**
Depreciation and provisions for impairment value					
April 01, 2010	**(0.4)**	**(5.5)**	**(4.8)**	**(7.5)**	**(18.2)**
Changes in scope of consolidation					-
Charges to depreciation and provisions		(0.2)	(0.2)	(0.8)	(1.2)
Disposals/Decrease		-	-	1.9	1.9
Reclassification of assets held for sale				1.8	1.8
Other changes		0.7	0.1	0.1	0.9
March 31, 2011	**(0.4)**	**(5.0)**	**(4.9)**	**(4.5)**	**(14.8)**
Net value					
April 01, 2010	**-**	**-**	**0.2**	**3.8**	**4.0**
Changes in scope of consolidation	-	-	-	-	-
Acquisitions/Charges to depreciation and provisions	-	(0.2)	(0.1)	(0.6)	(0.9)
Disposals/Decrease	-	-	-	-	-
Reclassification of assets held for sale	-	-	-	(0.4)	(0.4)
Other changes	-	0.3	-	(0.3)	-
March 31, 2011	**-**	**0.1**	**0.1**	**2.5**	**2.7**

Charges to depreciation and provisions for impairment in value of property, plant and equipment recorded in the consolidated income statement amounted to €1.2 million for the year ended March 31, 2011, compared with €1.4 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, 2010:

(€ million)	Land	Buildings	Computer hardware	Other equipment, furniture and fixtures and fittings	Total
	Property, plant and equipment				
Gross value					
April 01, 2009	**0.4**	**5.6**	**5.4**	**11.3**	**22.7**
Changes in scope of consolidation					-
Acquisitions/Increase			0.1	0.6	0.7
Disposals/Decrease			(0.5)	(0.1)	(0.6)
Reclassification of assets held for sale					-
Other changes		(0.1)		(0.5)	(0.6)
March 31, 2010	**0.4**	**5.5**	**5.0**	**11.3**	**22.2**
Depreciation and provisions for impairment value					
April 01, 2009	**(0.4)**	**(5.6)**	**(5.0)**	**(6.8)**	**(17.8)**
Changes in scope of consolidation					-
Charges to depreciation and provisions			(0.2)	(1.2)	(1.4)
Disposals/Decrease			0.3	0.1	0.4
Reclassification of assets held for sale					-
Other changes		0.1	0.1	0.4	0.6
March 31, 2010	**(0.4)**	**(5.5)**	**(4.8)**	**(7.5)**	**(18.2)**
Net value					
April 01, 2009	**-**	**-**	**0.4**	**4.5**	**4.9**
Changes in scope of consolidation	-	-	-	-	-
Acquisitions/Charges to depreciation and provisions	-	-	(0.1)	(0.6)	(0.7)
Disposals/Decrease	-	-	(0.2)	-	(0.2)
Reclassification of assets held for sale	-	-	-	-	-
Other changes	-	-	0.1	(0.1)	-
March 31, 2010	**-**	**-**	**0.2**	**3.8**	**4.0**

NOTE 6 – NON-CURRENT FINANCIAL ASSETS

Non-current financial assets can be analyzed as follows:

(€ million)	Deposits	Loans	Other	Total
At March 31, 2010				
Gross value	1.9	1.8	0.5	4.2
Impairment	-	(1.0)	-	(1.0)
Net value at March 31, 2010	**1.9**	**0.8**	**0.5**	**3.2**
Increase				-
Changes in scope of consolidation				-
Decrease	(0.3)	(1.3)		(1.6)
Net impairment		1.0		1.0
Reclassification of assets held for sale	(0.1)		(0.5)	(0.6)
Translation adjustments				-
Share of profit of associates				-
Other				-
Net value at March 31, 2011	**1.5**	**0.6**	**-**	**2.1**
At March 31, 2011				
Gross value	1.5	0.6	-	2.1
Impairment		-		-
Net value at March 31, 2011	**1.5**	**0.6**	**-**	**2.1**

NOTE 7 – INVENTORIES

Inventories broke down as follows at March 31, 2011 and 2010:

(€ million)	March 31, 2011	March 31, 2010
Finished products	3.3	2.8
Gross value	3.3	2.8
Provisions for impairment in value	(0.4)	(0.4)
Reclassification of assets held for sale		
Net value	2.9	2.4

The table below shows changes in provisions for impairment in value:

(€ million)	Year ended March 31, 2011	Year ended March 31, 2010
At beginning of year	0.4	9.9
Charges	0.2	0.1
Reversals		(0.7)
Other	(0.2)	(8.9)
At end of year	0.4	0.4

NOTE 8 – TRADE RECEIVABLES

The table below shows trade receivables net of returns and trade discounts:

(€ million)	March 31, 2011	March 31, 2010
Gross value	12.5	10.9
Provisions for impairment in value	(2.4)	(1.1)
Reclassification of assets held for sale	(0.4)	-
Net value	9.7	9.8

No single customer accounted for more than 7.6% of trade receivables at March 31, 2011, or for more than 22.9% at March 31, 2010.

The table below shows changes in provisions for impairment in value:

(€ million)	Year ended March 31, 2011	Year ended March 31, 2010
At beginning of year	1.1	3.4
Charges	1.4	0.6
Reversals		
Translation adjustments	(0.1)	
Other (*)		(2.9)
At end of year	2.4	1.1

NOTE 9 – OTHER CURRENT ASSETS

Other assets consist of the following:

(€ million)	**March 31, 2011**	**March 31, 2010**
Prepaid and recoverable taxes and employee-related receivables	1.7	2.4
Prepaid expenses	0.7	1.4
Other	0.4	1.7
Other current assets	**2.8**	**5.5**

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 for €16.4 million, and (ii) highly liquid short-term investments (measured at market value at balance sheet date) that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

At March 31, 2011 and 2010, there were no cash balances that could not be freely used.

NOTE 11 – EQUITY

11.1. CAPITAL STOCK

COMMON STOCK

At March 31, 2011, the Company had 24,328,970 common shares outstanding, fully paid up, with a nominal 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, 2011	March 31, 2010
Shares outstanding at the beginning of the year	21 111 153	12 973 390
Share issues	14 732	7 610 895
Exercise of stock warrants	488	22 194
Conversion of ORANE bonds	2 816 610	504 638
Conversion of OCEANE convertible bonds	-	36
Creation of shares with debt compensation as part of Cryptic earn out payment	383 517	
Shares outstanding at the end of the year	24 326 500	21 111 153

Changes during the year ended March 31, 2011 reflected the following:

- The exercise of 426 stock warrants allocated in 2009, leading to the issuance of 488 new shares.
- The conversion of 145,948 ORANE bonds into 2,816,610 new shares.
- The creation of 264,769 new shares resulting from the conversion of OC B as part of the Cryptic earn out payment
- The creation of 118,748 new shares resulting from debt compensation as part of the Cryptic earn out payment
- The issuance of 14,732 new shares following the vesting of 14,732 free shares to Mathias Hautefort.

11.2. TREASURY SHARES

The Company and its subsidiaries held 2,470 treasury shares at March 31, 2011, unchanged from March 31, 2010.

11.3. STOCK WARRANTS

2009 warrants

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.

Taking into account the adjustment made to the related exchange parities in January, 2010, 1.12 warrant is exercisable for one new share at a price of €6.

As of March 31, 2011 a total of 2,063,174 “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 2,310,755 shares with a dilutive effect of 9.5% on the Company’s capital as of March 31, 2011.

11.4. ATARI SA STOCK OPTION PLAN

The Board of Directors has been authorized, until November 29, 2013, 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:

	Attributale profit (loss) for the year (€ million)	Average number of shares outstanding	Earning (loss) per share (€)
2010-2011			
From continuing and discontinued operations - basic	(6.2)	21 064 412	(0.29)
From continuing operations - basic	(0.9)	21 064 412	(0.04)
Dilutive impact of ORANE bonds	-	-	-
Dilutive impact of stocks options	-	-	-
Dilutive impact of stocks w arrants	-	-	-
Dilutive impact of free shares granted	-	-	-
Dilutive impact of OCEANE bonds	-	-	-
From continuing and discontinued operations - diluted	**(6.2)**	**21 064 412**	**(0.29)**
From continuing operations - diluted	**(0.9)**	**21 064 412**	**(0.04)**
2009-2010			
From continuing and discontinued operations - basic	(23.2)	15 150 987	(1.53)
From continuing operations - basic	(26.9)	15 150 987	(1.78)
Dilutive impact of ORANE bonds	-	-	-
Dilutive impact of stocks options			
Dilutive impact of stocks w arrants			
Dilutive impact of free shares granted			
Dilutive impact of OCEANE bonds	-	-	-
From continuing and discontinued operations - diluted	**(23.2)**	**15 150 987**	**(1.53)**
From continuing operations - diluted	**(26.9)**	**15 150 987**	**(1.78)**

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 2009/2010 and 2010/2011, 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, 2010				
Current	3.0		4.7	7.7
Non-current	-			-
Provisions at March 31, 2010	**3.0**	**-**	**4.7**	**7.7**
Changes during the period				
Charges	1.4		0.3	1.7
Reversals (surplus provisions)			(1.2)	(1.2)
Reversals (utilized provisions)	(2.5)		(2.1)	(4.6)
Changes in scope of consolidation				-
Reclassification of liabilities held for sale				-
Other				-
Translation adjustments				-
Provisions at March 31, 2011	**1.9**	**-**	**1.7**	**3.6**
At March 31, 2011				
Current	1.9		1.7	3.6
Non-current		-		-
Provisions at March 31, 2011	**1.9**	**-**	**1.7**	**3.6**

At March 31, 2011 and 2010, the provision for restructuring costs consisted of:

(€ millions)	March 31, 2011	March 31, 2010
Employee-related expenses	-	0.3
Rent on unused premises	1.4	2.5
Other	0.5	0.2
Total	1.9	3.0

During Fiscal Year ended March 31, 2009, the Company announced a restructuring plan on June 17, 2008. The provision for restructuring as of March 31, 2011, is mainly composed of provision for rent on unused premises (€ 1.4 million) and provision for other risks.

Other provisions for contingencies and losses consisted primarily of various provisions for litigation.

12.2. POST-EMPLOYMENT BENEFITS

All of the Company's post-employment benefits are provided under defined contribution plans or defined benefit programs 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. Therefore, the Company has no material amounts to report.

NOTE 13 – DEBT

13.1. DEBT BY TYPE

The Group's debt breaks down as follows:

(€ million)	OCEANE 2011	OCEANE 2020	ORANE bonds	BlueBay - credit facility	Other debt and borrowings	Total
Short-term				5.3	3.3	8.6
Long-term	5.3	0.6	4.2		0.9	11.0
Debt at March 31, 2010	**5.3**	**0.6**	**4.2**	**5.3**	**4.2**	**19.5**
Changes during the period						
New borrowings				37.1		37.1
Repayments			(2.0)		(2.6)	(4.6)
Application of IAS 32 - 39 and increase in accrued interest			0.4			0.4
Translation adjustments						-
Debt at March 31, 2011	**5.3**	**0.6**	**2.6**	**42.4**	**1.6**	**52.4**
Short-term	5.3			42.4	1.3	49.0
Long-term		0.6	2.6		0.3	3.4
Debt at March 31, 2011	**5.3**	**0.6**	**2.6**	**42.4**	**1.6**	**52.4**

At March 31, 2011, other debt and borrowings totaled €1.6 million and consisted of the following:

- A leaseback liability of €1.2 million.
- Interest payables to BlueBay amounting to €0.4 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 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. In January 2010 the ratio was further adjusted to 0.27266 shares to reflect the issue of free warrants to purchase shares or ORANE.

As of March 31, 2011 there were a total of 135,031 OCEANE 2011 bonds still outstanding, which could be converted into or exchanged for 36,818 Atari shares. If all of these bonds were converted into new shares, this would have a dilutive effect of 0.2% on the Company's capital as of March 31, 2011. As of July 2, 2011, these bonds will no longer have potential dilutive impact on the company share capital as they will be reimbursed on July 1, 2011.

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 €124.3 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.

Since April 1, 2009, the OCEANE bondholders are no longer able to convert their bonds into new Atari shares or exchange them for existing shares, the OCEANE have no dilutive impact since that date. As of March 31, 2011 a total of 82,906 OCEANE 2020 bonds were still outstanding.

BLUEBAY 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.).

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 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 this credit facility.

The Company, Atari Europe SAS and The BlueBay Value Recovery (Master) Fund Limited met on December 10, 2009 and signed amendment 9 to the loan agreement of April 21, 2006, extending the maturity date of the senior credit facility to December 31, 2010.

The Company, Atari Europe SAS and The BlueBay Value Recovery (Master) Fund Limited met on October 1, 2010 and signed amendment 11 to the loan agreement of April 21, 2006, extending the maturity date of the senior credit facility to June 30, 2011. As per addendum 12 signed on June 30, 2011, the Company and BlueBay have agreed the extension of a credit facility of €49 million to December 30, 2011.

At March 31, 2011, a total of € 42.4 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 BlueBay credit facility can be analyzed as follows at March 31, 2011 and 2010:

(€ million)	March 31, 2011	March 31, 2010
Short- and medium-term credit facility (historical)	-	-
New credit facility (cash)	42.4	5.3
Sub-total	**42.4**	**5.3**
New credit facility (standby)	-	-
Total amount drawn down under the BlueBay facility	**42.4**	**5.3**

ORANE bonds issued in 2008 ("ORANE 2008 bonds")

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.

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. Taking into account the adjustment made to the related exchange parities in January, 2010, one ORANE 2008 bond is redeemable for 9.97 new or existing shares.

As of March 31, 2011 there were 5,253 ORANE 2008 bonds outstanding. If all of the bonds were redeemed this would result in the issue of 52,372 shares with a dilutive effect of 0.2% on the Company's capital as of March 31, 2011.

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.

Taking into account the adjustment made to the related exchange parities in January 2010, one ORANE 2009 bond is redeemable for 29.29 new or existing shares.

As of March 31, 2011 there were 384,945 of these ORANE 2009 bonds outstanding. If all the bonds were redeemed this would result in the issue of 11,275,039 new shares with a dilutive effect on the Company's capital of 46.3% as of March 31, 2011.

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.

Taking into account the adjustment made to the related exchange parities in January 2010, one ORANE 2009 bond is redeemable for 18.96 new or existing shares.

As of March 31, 2011 there were 1,335,591 of these ORANE 2009 bonds outstanding. If all the bonds were redeemed this would result in the issue of 25,322,805 new shares with a dilutive effect on the Company's capital of 104.1% as of March 31, 2011.

ORANE 2010 BONDS (ISIN code: FR0010833053)

In December 2009, Atari launched a financial transaction, which was finalized in January 2010, resulting from the free allocation of warrants to its shareholders entitling them to subscribe, at the option of Warrant holders, to new shares and/or to bonds redeemable into new or existing shares ("the ORANE 2010 bonds"), under the conditions set out in the prospectus which received the AMF visa number 09-367 on December 10th, 2009.

In January 2010, the Company issued 156,428 bonds redeemable for new or existing shares ("ORANE 2010 bonds", ISIN FR0010833053), maturing on April 1, 2015. The bonds have a nominal value of €100 each and are redeemable for 26.39 new or existing shares. 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, 2011 there were 155,117 of these ORANE 2010 bonds outstanding. If all the bonds were redeemed this would result in the issue of 4,093,538 new shares with a dilutive effect on the Company's capital of 16.8% as of March 31, 2010.

No other securities exist carrying a right to the Company's capital other than those described above.

13.2. DEBT BY MATURITY

The Group's debt breaks down as follows by maturity:

	March 31, 2011	March 31, 2012		March 31, 2013		March 31, 2014		March 31, 2015		March 31, 2016 and beyond		**Total**	
€ in million		Nominal	Interests	Nominal	Interests	Nominal	Interests	Nominal	Interests	Nominal	Interests	**Nominal**	**Interests**
Bond debt	8.5	5.3	1.0		0.8		0.7		0.1	0.6	-	**5.9**	**2.6**
Financial debt	42.8	42.4	0.4									**42.4**	**0.4**
Other financial debt	1.1	0.9		0.2								**1.1**	**-**
Total financial liabilities	52.4	48.6	1.4	0.2	0.8	-	0.7	-	0.1	0.6	-	**49.4**	**3.0**

The €50 million due by March 31, 2011 primarily corresponds to the amount drawn down under the BlueBay credit facility (€42.4 million) as well as the corresponding interest and charges (€0.4 million).

13.3. DEBT BY CURRENCY

The Group's debt breaks down as follows by currency:

(€ million)	**March 31, 2011**	**March 31, 2010**
European Monetary Union currencies	51.2	17.3
USD	1.2	2.2
Other currencies	-	-
Total	52.4	19.5

13.4. GUARANTEES AND COVENANTS

Guarantees

The Company has given various guarantees as security for the Banc of America / BlueBay 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.
- 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, 2011:

Type of debt	Amount at March 31, 2011 (€ millions)	Acceleration clauses/Financial ratios
Bond debt		
ORANE bonds	2.6	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	The OCEANE 2020 bonds are not subject to any acceleration clauses based on financial ratios. 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). 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. 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.
Other debt and borrowings		
BlueBay facility	42.8 (incl. interest and charges)	As per amendment 10 to the loan agreement of April 21, 2006, signed on October 1, 2010, the maturity date of the senior credit facility has been extended from December 31, 2010 to June 30, 2011. Other terms and conditions remain unchanged. The Group had no covenants to observe for the BlueBay credit facility at March 31, 2011.
Finance lease commitments	1.1	The Group's finance leases are not subject to any acceleration clauses based on financial ratios.
TOTAL	**52.4**	

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, 2011	March 31, 2010
Floating rate	42.8	7.0
Fixed rate	9.6	12.5
Total	**52.4**	**19.5**

At March 31, 2011, 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, 2011 would have been approximately €0.2 million.

NOTE 14 – OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities can be analyzed as follows:

(€ million)	March 31, 2011	March 31, 2010
Hasbro guaranteed minimum	4.7	5.7
Other	0.1	7.0
Other non-current liabilities	**4.8**	**12.7**
Accrued payroll and other taxes	6.5	6.6
Liability towards the shareholder vendors of Cryptic		5.1
Hasbro guaranteed minimum	0.7	0.7
Other	0.1	8.2
Other current liabilities	**7.3**	**20.6**

At March 31, 2011 other non-current assets chiefly corresponded to a liability recognized in relation to guaranteed minimum representing the Group's commitments to Hasbro Inc.

The liability towards the shareholder of Cryptic was paid and settled as of March 31, 2011. The Company cash amounts equaling 3.1 million euro and issues 383,000 shares for a value equaling 3.0 million euro. See Note 1.4.

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, 2011

	March 31, 2011			Breakdown of carrying amount by category of instrument				
(€ millions)	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
Non-current financial assets	2.1	2.1	2.1	-	-	-	2.1	-
Other non-current assets	-	-	-	-	-	-	-	-
Trade receivables	9.7	9.7	9.7	-	-	-	9.7	-
Other current assets	3.4	3.4	3.4	-	-	-	3.4	-
Cash and cash equivalents	16.4	16.4	16.4	16.4	-	-	-	-
Assets	**31.6**	**31.6**	**31.6**	**16.4**	**-**	**-**	**15.2**	**-**
Non-current financial liabilities	3.4	3.4	2.9	-	-	-	3.4	-
Other non-current liabilities	4.8	4.7	4.7	-	-	-	4.8	-
Current financial liabilities	49.0	49.0	49.0	-	-	-	49.0	-
Trade payables	21.5	21.5	21.5	-	-	-	21.5	-
Other current liabilities	7.7	0.7	0.7	-	-	-	7.7	-
Liabilities	**86.4**	**79.3**	**78.8**	**-**	**-**	**-**	**86.4**	**-**

15.2. RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES IN THE BALANCE SHEET AT MARCH 31, 2010

	March 31, 2010			Breakdown of carrying amount by category of instrument				
(€ millions)	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
Non-current financial assets	3.2	3.2	3.2	-	-	-	3.2	-
Other non-current assets	-	-	-	-	-	-		-
Trade receivables	9.8	9.8	9.8	-	-	-	9.8	-
Other current assets	5.5	1.7	1.7	-	-	-	1.7	-
Cash and cash equivalents	10.3	10.3	10.3	10.3	-	-	-	-
Assets	28.8	25.0	25.0	10.3	-	-	14.7	-
Non-current financial liabilities	10.9	10.9	9.7	-	-	-	10.9	-
Other non-current liabilities	17.8	12.0	12.0	-	-	-	17.8	-
Current financial liabilities	8.6	8.6	8.6	-	-	-	8.6	-
Trade payables	28.1	28.1	28.1	-	-	-	28.1	-
Other current liabilities	15.5	1.7	1.7	-	-	-	15.5	-
Liabilities	80.9	61.3	60.1	-	-	-	80.9	-

15.3. RECOGNITION IN THE INCOME STATEMENT FOR YEAR ENDED MARCH 31, 2011

(€ millions)	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, 2011
Financial instruments at fair value through profit			-	-		(0,1)
Available-for-sale financial assets	-	-	-	-		-
Held-to-maturity investments	-	-	-	-		-
Loans, receivables and liabilities at amortized cost	(0.7)	(1.0)	1.0	(1.0)	(0.3)	(1.9)
Derivatives	-	-	-	-		-
Total	**(0.7)**	**(1.0)**	**1.0**	**(1.0)**	**(0.3)**	**(2.0)**

15.4. RECOGNITION IN THE INCOME STATEMENT FOR YEAR ENDED MARCH 31, 2010

(€ millions)	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, 2010
Financial instruments at fair value through profit	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	-	-
Loans, receivables and liabilities at amortized cost	(3.1)	-	0.6	(1.9)	-	(4.4)
Derivatives	-	-	-	-	-	-
Total	**(3.1)**	**-**	**0.6**	**(1.9)**	**-**	**(4.4)**

15.5. RISKS RELATED TO TRADE RECEIVABLES

Risks related to trade receivables broke down as follows at March 31, 2011 and 2010:

(€ million)	Past due receivables to the balance sheet date					Impaired receivables	Sound receivables	**Total**
	0-3 mths	3-6 mths	6-12 mths	More than 1 year	Total	Total	Total	
Trade receivables at March 31, 2011	2.7	1.3	2.3	1.7	8.0	(2.3)	4.0	9.7
Trade receivables at March 31, 2010	2.8	0.1	1.1	2.0	6.0	(1.0)	4.8	9.8

NOTE 16 – SEGMENT INFORMATION

IFRS 8.5 defines an operating segment as a component of an entity:

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

The Group has adopted the provisions of IFRS 8.5 and present segment information in accordance with how the Group's chief operating decision maker reviews financial operations. The Group has focused its future operations on the expansion of its online businesses and will report its segments as online, publishing and other. In addition, management believes that geographic and platform revenue analyses are not relevant to the operations of its business. Therefore, the Group has discontinued the past practice of disclosing these analyses.

Note that the activity related to Cryptic Studios has been reclassified to the line profit (loss) from discontinued operations for both periods in accordance with IFRS 5.

	March 31, 2011			
	Online	**Publishing**	**Corporate & Other**	**Group**
Revenue	11.1	45.6	-	56.7
Gross Margin	**10.7**	**23.8**	**-**	**34.5**
Current Operating Income	**(0.9)**	**5.1**	**(3.7)**	**0.5**
Restructuring and other operating costs	-	(0.6)	(0.3)	(0.9)
Operating Income	**(0.9)**	**4.5**	**(4.0)**	**(0.4)**
Costs of debt				(1.9)
Other financial income / (expense)				0.7
Income tax				0.7
Profit (loss) from continued operations				**(0.9)**
Profit (loss) from discontinued operations				(5.3)
Net income (loss) for the year				**(6.2)**
Minority interest				-
Net income (loss) for the year attributable to equity holders of the Parent				**(6.2)**
Balance Sheet				
Goodwill	-	5.4	-	5.4
Segment fixed assets	0.1	2.4	0.2	2.7
Other segment assets (1)	5.1	22.7	0.4	28.2
Unallocated assets (2)				18.9
Assets held for sales				42.3
Total assets	**5.2**	**30.5**	**0.6**	**97.4**
Segment liabilities (3)	3.6	30.0	51.0	84.6
Unallocated liabilities (4)				1.6
Liabilities related to assets held for sale				11.4
Total liabilities	**3.6**	**30.0**	**51.0**	**97.6**

	March 31, 2010 Online	Publishing	Corporate & Other	Group
Revenue	8.0	102.3	0.9	111.2
Gross Margin	**7.6**	**47.0**	**0.9**	**55.5**
Current Operating Income	**(4.5)**	**2.2**	**(3.9)**	**(6.2)**
Restructuring and other operating costs	(0.1)	0.5	(3.1)	(2.7)
Operating Income	**(4.6)**	**2.7**	**(7.0)**	**(8.9)**
Costs of debt				(4.4)
Other financial income / (expense)				(0.2)
Income tax				(0.7)
Profit (loss) from continued operations				**(14.2)**
Profit (loss) from discontinued operations				(9.1)
Net income (loss) for the year				**(23.3)**
Minority interest				3.9
Net income (loss) for the year attributable to equity holders of the Parent				**(19.4)**
Balance Sheet				
Goodwill	18.7	5.8	-	24.5
Segment fixed assets	22.7	9.5	3.1	35.3
Other segment assets (1)	1.2	13.6	1.2	16.0
Unallocated assets (2)				15.9
Assets held for sales				-
Total assets	**42.6**	**28.9**	**4.3**	**91.7**
Segment liabilities (3)	11.4	40.7	3.3	55.4
Unallocated liabilities (4)				36.3
Liabilities related to assets held for sale				-
Total liabilities	**11.4**	**40.7**	**3.3**	**91.7**

(1) Other segment assets include inventories and trade accounts receivable and other
(2) Unallocated assets include deferred tax assets, current tax receivables, cash and cash equivalents as well
(3) Segment liabilities include provisions, other non-current liabilities and trade accounts payable
(4) Unallocated liabilities include borrowings and other financial liabilities, deferred tax liabilities, current tax payables

NOTE 17 – RESTRUCTURING COSTS

Restructuring costs break down as follows:

(€ million)	Year ended March 31, 2011	Year ended March 31, 2010
Employee-related costs	0.2	0.7
Unused office space	0.4	1.4
Assets	-	-
Professional fees and other costs	-0.2	0.5
Total	0.4	2.6

NOTE 18 – PAYROLL EXPENSES

Payroll expenses from continuing operations, adjusted in accordance with IFRS 5, can be analyzed as follows:

Payroll expenses	Year ended March 31, 2011	Year ended March 31, 2010
Wages and salaries	11.6	6.6
Payroll taxes	2.2	2.5
Incentive and profit-sharing bonuses	0.1	0.1
Share-based payments	0.1	(1.5)
Total payroll expenses	**14.0**	**7.7**

The Group's workforce breaks down as follows by employee category:

Number of employees	March 31, 2011	March 31, 2010
Managerial staff	202	228
Non-managerial staff	152	152
Total workforce – Continuing and discontinued operations	**354**	**380**
Managerial staff	119	138
Non-managerial staff	28	16
Total workforce – Continuing operations	**147**	**154**

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, 2011 and 2010 breaks down as follows:

(€ millions)	Year ended March 31, 2011	Year ended March 31, 2010
Grant of free Infogrames Entertainment shares	-	0.5
Infogrames Entertainment SA stock option plans	0.1	0.4
Atari Inc stock option plans	-	-
Employer social security contributions on stock options	-	0.0
Incentive bonus	-	(2.4)
Share-based payment expense (income)	**0.1**	**(1.6)**

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 three years.

The table below summarizes the information concerning the Company's current stock option plans:

	2010-2011		2009-2010	
	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	**57,605**	**18.2**	**275,613**	**18.2**
Options granted (1)	330.0	4.0	2,495	36.3
Options cancelled	(785)	4.7	(218,252)	11.9
Options exercised				
Options forfeited	(3,790)	165.6	(2,251)	335.0
Number of options outstanding at the end of the year	**53,360**	**23.1**	**57,605**	**19.3**
Of which, exercisable	-	-	-	-

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 for the stock options granted prior to March 4, 2008. For stock options granted after March 4, 2008, the exercise ratio is 1 option for 1 share.

(1) of which 330,000 stock options granted in July 2010 (potentially converted to 330,000 new shares) , out of which 40,000 stock option have already been cancelled as some employees had left the Group.

A €0.1 million expense was recorded in relation to these plans in the year ended March 31, 2010, including the cost of employer social security contributions. The expense recorded in relation to these plans for the year ended March 31, 2010 was €0.9 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 2010/2011:

Principal assumptions	2010-2011 # 1	2010-2011 # 2	2010-2011 # 3
Valuation model	Black & Scholes	Black & Scholes	Black & Scholes
Price of shares on option grant date	€5.26	€3.96	€4.03
Exercise price on option grant date (per share)	€5.16	€4.28	€4.00
Expected volatility	92.98%	81.30%	72.00%
Risk-free interest rate on grant date	2.05%	1.62%	1.17%
Expected dividend rate	0.00%	0.00%	0.00%
Fair value of options on grant date	€3.14	€1.86	€1.93

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 2010/2011 and 2009/2010:

	Year ended March 31, 2011	Year ended March 31, 2010
Number of free shares outstanding at the beginning of the year	**237 731**	**487 417**
Free shares granted during the year	-	-
Shares cancelled	-	(249 686)
Shares vested	(14 731)	-
Number of free shares outstanding at the end of the year	**223 000**	**237 731**

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, 2011 and 2010 (including the cost of employer social security contributions) amounted to €0.0 million and €0.5 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 income recognized in the year ended March 31, 2010 amounted to €2.4 million. Since March 31, 2010, the Company has no longer incentive bonus scheme.

NOTE 20 – NET FINANCIAL INCOME (EXPENSE)

(€ million)	Year ended March 31, 2011	Year ended March 31, 2010
Interest on bond debt	(0.5)	(0.9)
Interest on bank debt	(1.4)	(3.2)
Other	-	(0.3)
Cost of debt	**(1.9)**	**(4.4)**
Foreign-exchange gains and losses	(0.2)	
Impairment of non-current financial assets	1.0	
Other	(0.1)	(0.2)
Other financial income (expense)	**0.7**	**(0.2)**
Total	**(1.2)**	**(4.6)**

NOTE 21 – INCOME TAX

21.1. ANALYSIS OF THE TAX CHARGE

By destination

(€ million)	Year ended March 31, 2011	Year ended March 31, 2010
Current income tax benefit (expense)	**-**	**-**
French entities	-	-
Foreign entities	-	-
Deferred tax benefit (expense)	**0.7**	**(0.7)**
French entities	0.7	(0.7)
Foreign entities	-	-
Total income tax expense	**0.7**	**(0.7)**
Effective tax rate	-43.75%	5.22%

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, 2011	Year ended March 31, 2010
Net deferred tax assets at April 1	**-**	**-**
Deferred tax benefit	-	-
Translation adjustments	-	-
Recognized directly in equity	-	-
Reclassification of assets held for sale	-	-
Changes in scope of consolidation		-
Deferred tax assets at March 31	**-**	**-**

The table below shows changes in deferred tax liabilities for the two periods under review:

(€ million)	Year ended March 31, 2011	Year ended March 31, 2010
Net deferred tax liabilities at April 1	**0.7**	**3.2**
Deferred tax benefit	(0.7)	(2.6)
Translation adjustments	-	0.1
Recognized directly in equity	-	-
Reclassification of assets held for sale	-	-
Changes in scope of consolidation		-
Deferred tax liabilities at March 31	**0.0**	**0.7**

The sources of deferred tax assets and liabilities were as follows at March 31, 2011 and 2010:

(€ million)	March 31, 2011	March 31, 2010
Tax loss carryforw ards	-	-
Temporary differences	-	-
Deferred tax assets at March 31, 2011	**-**	**-**

(€ million)	March 31, 2011	March 31, 2010
Tax loss carryforwards	-	-
Temporary differences	-	0.7
Deferred tax liabilities at March 31, 2011	**-**	**0.7**

Unrecognized deferred tax assets resulting from tax loss carryforwards amounted to €426.8 million at March 31, 2011 and €439.4 million at March 31, 2010.

Unrecognized deferred tax assets resulting from other temporary differences amounted to €5.7million at March 31, 2011 and €24.2 million at March 31, 2010.

At March 31, 2011 and 2010, 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, 2011 and 2010 group tax relief amounted to nil.

At March 31, 2011 the Group had tax loss carryforwards amounting to €1 253.7, compared with €1 294.8 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 carry forwards can expire as follows:

(€ million)	**Total**	Within 1 year	In more than 1 year but less than 5 years	In 5 or more years
France	204.5	-	-	204.5
US (*)	212.5	-	-	212.5
UK	2.4	-	-	2.4
Australia	1.9	-	-	1.9
Other	3.9	-	-	3.9
	425.2	-	-	425.2

(*) 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, 2011. In France, deferred taxes were calculated based on a tax rate of 33.33% at March 31, 2011 and 2010.

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, 2011	Year ended March 31, 2010
Net income (loss) for the year attributable to equity holders of the parent	(6.2)	(19.4)
Income tax	(0.7)	0.7
Minority interests	-	(3.8)
Share of profit of associates	-	-
Profit (loss) from discontinued operations	(5.3)	9.1
Pre-tax profit	**(12.2)**	**(13.4)**
Theoretical income tax benefit (expense)	**4.1**	**4.5**
Impairment of goodwill		-
Other permanent differences	(1.2)	(5.6)
Use of deferred tax assets on prior-year losses	0.4	-
Deferred tax assets recognized on prior-year losses	-	-
Deferred tax assets not recognized for the period and restriction of recognition of deferred tax assets	(3.2)	(9.4)
Effect of variations in tax rates between countries	0.6	0.8
Effect of changes in tax rates	-	-
Use of previously unrecognized deferred tax assets and tax loss carryforwards	-	-
Share-based payments	-	0.5
Other (tax credits, etc.)	-	8.5
Actual income tax expense	**0.7**	**(0.7)**

NOTE 22 – DISCONTINUED OPERATIONS

22.1. PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

As described in Note 1.5, Atari declared their intent to sell Cryptic within semester 1 of Fiscal Year 2011/2012. In accordance with IFRS 5, profit (loss) from discontinued operations includes the results of Cryptic Studios both for the period ended March 2010 and 2011 and the results all of the Group's video game retail distribution activities in Europe, Asia, Africa, the Middle East and South America only for the year ended March 31, 2010. 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, 2011	Year ended March 31, 2010
Revenue from discontinued operations	15.9	30.8
Cost of goods sold	(3.9)	(22.2)
Gross profit	**12.0**	**8.6**
Research and development expenses	(15.3)	(18.1)
Marketing and selling expenses	-	(8.0)
Overhead and administrative expenses	(1.4)	(8.3)
Current operating income (loss) - Discontinued operations	**(4.6)**	**(25.9)**
Gains (losses) from disposals of assets*	-	13.3
Restructuring costs	-	(0.1)
Other income (expenses)	-	(0.2)
OPERATING INCOME (LOSS) - Discontinued operations	**(4.6)**	**(12.9)**
Cost of debt	-	(0.4)
Other financial income (expense)	(0.6)	(0.3)
Income tax	(0.1)	4.5
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**(5.3)**	**(9.1)**

22.2. ASSETS AND LIABILITIES HELD FOR SALE

(€ million)	Year ended March 31, 2011	Year ended March 31, 2010
Goodwill, net	19.7	-
Intangible assets	20.1	-
Property, plant and equipment	0.4	-
Non-current financial assets, net	0.6	-
Other non-current assets	-	-
Deferred tax-assets, net	-	-
Non-current assets	**40.8**	**-**
Inventories, net	-	-
Trade receivables	0.4	-
Current tax assets	-	-
Other current assets	0.4	-
Cash and cash equivalents	0.7	-
Current assets	**1.5**	**-**
Assets held for sale	**42.3**	**-**

(€ million)	Year ended March 31, 2011	Year ended March 31, 2010
Provisions for non-current contingencies and losses	-	-
Non-current financial liabilities	-	-
Deferred tax liabilities	0.1	-
Other non-current liabilities	5.5	-
Other non-current financial liabilities	-	-
Non-current liabilities	**5.6**	**-**
Provisions for current contingencies and losses	-	-
Current financial liabilities	-	-
Trade payables	1.3	-
Tax liabilities payable	0.1	-
Other current liabilities	4.4	-
Current liabilities	**5.8**	**-**
Liabilities held for sale	**11.4**	**-**

22.3. SEGMENT INFORMATION ON DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES HELD FOR SALE

(€ millions)	March 31, 2011 Online	Retail	Corporate & other	Total
Revenue from discontinued operations	**15.9**			**15.9**
Current operating income (loss) - Discontinued operations	**-4.6**			**-4.6**
Profit (loss) from discontinued operations	**-5.3**			**-5.3**
Balance sheet				
Goodwill	19.7			19.7
Segment fixed assets	20.5			20.5
Other segment assets (1)	1.4			1.4
Unallocated assets (2)				0.7
Total assets held for sale	**41.6**	**-**	**-**	**42.3**
Segment liabilities (3)	11.3			11.3
Unallocated liabilities (4)				0.1
Total liabilities held for sale	**11.3**	**-**	**-**	**11.4**

(€ millions)	March 31, 2010 Online	Retail	Corporate & other	Total
Revenue from discontinued operations	**4.6**	**26.2**		**30.8**
Current operating income (loss) - Discontinued operations	**-15.9**	**3.0**		**-12.9**
Profit (loss) from discontinued operations	**-12.8**	**3.7**		**-9.1**
Balance sheet				
Goodwill				-
Segment fixed assets				-
Other segment assets (1)				-
Unallocated assets (2)				0.7
Total assets held for sale	**-**	**-**	**-**	**0.7**
Segment liabilities (3)				-
Unallocated liabilities (4)				0.1
Total liabilities held for sale	**-**	**-**	**-**	**0.1**

(1) Other segment assets include inventories and trade accounts receivable and other
(2) Unallocated assets include deferred tax assets, current tax receivables, cash and cash equivalents as well
(3) Segment liabilities include provisions, other non-current liabilities and trade accounts payable
(4) Unallocated liabilities include borrowings and other financial liabilities, deferred tax liabilities, current tax payables

22.4. NET CASH FLOW FROM DISCONTINUED OPERATIONS

(€ millions)	Year ended March 31, 2011	Year ended March 31, 2010
Profit (loss) from discontinued operations	(5.3)	(9.1)
Non-cash expenses and revenue	5.6	(5.0)
Cost of debt	-	0.4
Income taxes (deferred and current)	0.1	(4.5)
Cash flow before net cost of debt and taxes	**0.4**	**(18.2)**
Income taxes paid	-	0.2
Changes in working capital	3.7	(3.0)
Net cash used in operating activities	**4.1**	**(21.0)**
Purchases of/additions to non-current assets	(4.4)	(11.6)
Disposals/repayments of non-current assets	-	22.7
Net cash provided by investing activities	**-4.4**	**11.1**
Net funds raised from:		
New borrowings	-	0.7
Net funds disbursed for:		
Interest and other financial charges, net	-	(0.4)
Debt repayment	-	(5.6)
Net cash provided by (used in) financing activities	**0**	**-5.3**
Impact of changes in exchange rates	-	0.7
Net change in cash and cash equivalents	**-0.3**	**-14.5**
	-	-
CASH AND CASH EQUIVALENTS:		
At beginning of year	1.0	15.5
At end of year **(a)**	0.7	1.0
Change	**-0.3**	**-14.5**

(a) Of which:

Cash	0.7	1.0
Cash equivalent	-	-

NOTE 23 – OFF-BALANCE SHEET COMMITMENTS

The table below summarizes the Group's off-balance sheet commitments:

(€ million)	March 31, 2011	March 31, 2010	Notes
Commitments given			
Guarantees given to suppliers (letters of credit)	-	-	
Non-cancelable operating leases	11.3	15.5	1
Development and licensing agreements	3.9	1.0	2
Assignments of receivables (under "Dailly Act" arrangements, etc.)	-	-	
Total commitments given	**15.2**	**16.5**	
Commitments received			
Bank guarantees (standby credit, letters of credit, documentary credit, etc.)	6.6	43.9	3
Other credit facilities secured by trade receivables	-	-	
Total commitments received	**6.6**	**43.9**	

(1) 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, 2011	March 31, 2010
Y+1	2.0	2.9
Y+2	1.2	3.0
Y+3	0.9	1.3
Y+4	0.9	1.0
Y+5	0.9	0.9
Subsequent years	5.4	6.4
Total minimum future lease payments – Continuing operations	**11.3**	**15.5**

(2) 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, 2011, the Group had undertaken to pay € 3.9 million over the coming year, subject to the fulfillment of all contractually specified production criteria. At March 31, 2010, this commitment represented €1 million.

(3) At March 31, 2011, the €6.6 million in commitments received correspond mainly to the undrawn BlueBay credit facility.

Collateral provided as security for debt is disclosed in Note 13.

NOTE 24 – MANAGEMENT OF MARKET RISKS

24.1. 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.

24.2. 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, 2011, 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 €0.6 million decrease in consolidated revenue in the financial statements for the year ended March 31, 2011 and would have had respective positive impacts of €0.1 million and €2 million on the consolidated loss for the year and equity.

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

(USD millions)	**March 31, 2011**
Total assets	**98.8**
Total liabilities	**55.2**
Net	**43.6**
Off-balance sheet position	**21.7**
Net position after hedging	**43.6**

24.3. INTEREST-RATE RISKS

The Group does not have an aggressive interest-rate risk management policy. As of March 31, 2011, borrowings at floating interest rates amounted to €42.8 million.

In the event of a 100 basis point increase in interest rates, the resulting additional interest expense for the year ended March 31, 2011 would have been approximately €0.2 million or 10.6% 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.

24.4. 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 25 – CONTINGENT LIABILITIES

In the ordinary course of business, Group entities may be involved in various court, arbitration, administrative and tax proceedings. 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.

25.1 DISPUTES WITH 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 was seeking damages for moral prejudice and financial loss suffered as a result of the allegedly unlawful distribution by the Group of games based on that universe. The claim was for close to €17 million. At this stage of the proceeding, 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 respective briefs with the judge in charge of preparations for the trial, after no significant progress was made during the Fiscal Year 2010/2011.The preliminary audience's court started in September 2010. The audience has been postponed to the summer of 2011 and no court decision is expected before end of 2011.

Based on pending proceedings and the available information, the Company considers the dispute as a contingent liability as prescribed by IAS 37. Accordingly, no significant provision has been set aside.

25.2 DISPUTES TO WHICH ATARI IS PARTY

25.2.1. BVT production fund v. Atari Europe SAS

This dispute concerns two German entities, the BVT production funds, which financed the production of certain interactive games, under a series of agreements entered into with various Group companies.

Following exchanges of letters and an audit in December 2008, the BVT funds instituted proceedings in February and March 2009 in Germany, claiming that Atari Europe had failed to perform several contractual obligations arising from its publishing agreements with the funds. The funds are suing Atari Europe in the German courts for 2 million euros in damages.

Atari Europe contested all of the plaintiffs' allegations. A full complaint was filed with the courts of competent jurisdiction in early November 2009 and a hearing took place in November 2009. The Munich Court issued an opinion in February of 2010 where most of BVT's claims were dismissed. The Munich Court ordered Atari to provide data related to the MAC sales to BVT. Atari complied but appealed the Munich Court's ruling. BVT has also appealed the court's decision. Oral argument on these appeals took place in December 2010. Subsequently, the parties successfully settled the suit. In exchange for a full release, Atari agreed to pay 400K Euros for each suit for a total of 800K Euros. These payments have been made in full and the settlement was filed with the court.

25.2.2. Hasbro, Inc. v. ATARI SA

Hasbro, Atari's licensor for exclusive, world-wide rights to create, design, develop, manufacture, have manufactured, market and sell digital games based upon the Dungeons & Dragons worlds, sued Atari in federal District Court in Rhodes Island on December 16, 2009. Hasbro's Complaint alleged breach of contract, asserting that Atari had entered into unapproved sublicenses, allowed access by an un-authorized sublicensee to confidential information as well as other claims such as intentional misrepresentation and an accounting of monies paid for certain activities. Hasbro is requesting that the court determine that contract can be terminated. Atari countersued Hasbro on December 22, 2009 for over $100 million in damages, alleging, among other things, breaches of contract including unapproved removal of certain Dungeons and Dragons realms, and a claim of tortious interference with Atari's relationship with its potential sublicensees. In 2010, Atari and Hasbro engaged in mediation. Upon the conclusion of the mediation, the case had not settled. Subsequently, discovery commenced and will be ongoing through early to mid-2011. The partied have engaged in motion practice on various issues. There has been discussion between the parties, but it has not been finalized. There is no scheduled trial date.

25.2.3. Atari, Inc. v. Zoo Publishing, Inc.

On March 2, 2011, Atari, Inc. filed suit against Zoo Publishing, Inc. in the federal court of the Southern District of New York. Atari alleged that Zoo breached its contracts with Atari by failing to deliver games and make payments to Atari as were appropriate under those agreements. Atari has alleged damages of $1.5 million. The parties commenced settlement discussions and a settlement agreement and release was executed. Zoo agreed to provide Atari with approximately $1.5 million in product that Atari expects to sell over the next 12 months.

25.2.4. Walker Digital v. Atari, Inc., Cryptic Studios, Inc. and others.

Atari, Inc. and Cryptic Studios, Inc. have been sued, along with 20 other video-game-industry entities by a company known as Walker Digital LLC for patent infringement. The suit resides in federal court in the District of Delaware and was filed on April 11, 2011. Atari has not yet been served. The patent at issue is numbered 5,970,143 and is titled "Remote Auditing of Computer Generated Outcomes, Authenticated Billing and Access Control and Software Metering Systems Using Cryptographic and other Protocols". Walker Digital is operated out of Stamford, CT. Cryptic is being sued for technology associated with the game known as Star Trek Online. The technology allegedly infringed is associated with making and using systems for remote auditing of computer generated outcomes, allowing saving of game outcomes for further use as well as monitoring the amount of time a player spends playing a game. Atari is being sued for technology that is claimed to be utilized by Faries vs. Darklings in that the Atari system allows the saving of game outcomes for further use, as well as monitoring the amount of time a player spends playing a game. The Company has entered into a joint defense.

25.2.5. Walker Digital v. Cryptic Studios, Inc. and others.

Cryptic Studios, Inc. has been sued, along with 8 other video-game-industry entities in a second suit patent infringement initiated by Walker Digital LLC. In the second suit, also filed in federal court in the District of Delaware, the patent involved is 6,527,638 and is titled "Secure Improved Remote Gaming System" and the technology is associated with pre-paid cards for gaming credits associated with Champions Online and Star Trek Online. The suit was filed on April 11, 2011 and the company has entered into a joint defense.

NOTE 26 – RELATED PARTY TRANSACTIONS

26.1 RELATIONS WITH BLUEBAY RECOVERY FUND AND ITS AFFILIATES

BlueBay is the Company's principal shareholder. As of March 31, 2011, BlueBay had two seats at the Board of Directors: The Bluebay Value Recovery (Master) Fund Limited represented by Gene Davis, and The BlueBay High Yield Investment (Luxembourg) SARL represented by Nolan Bushnell, this last fund resigned as of April 8, 2011. As a result, at that date, BlueBay had only one seat on Atari's Board of Directors.

During the period ended March 31, 2011, BlueBay and its affiliated funds performed the following transactions:

- Pursuant to the amendment number 11 of the loan agreement signed on April 21th 2006, signed on October 1, 2010, the maturity date of the credit facility was extended from December 31th 2010 to June 30, 2011.
- On March 31th 2011, the total amounts draw on the credit line is 42.3 million euros.

At the date of the present document, the Company and BlueBay have agreed the extension of a credit facility of €49 million to December 30, 2011.

26.2 COMPENSATION AND BENEFITS PAID TO EXECUTIVES AND DIRECTORS

The Group considers that key management personnel as defined by IAS 24 are the members of the Executive Committee at 31 March 2011. The Group's executives and/or directors received the following compensation and benefits for the years ended March 31, 2011 and 2010:

(€ million)	Year ended March 31, 2011	Year ended March 31, 2010
Cash compensation		
Fixed compensation	1.1	1.9
Variable compensation	0.3	0.5
Special bonuses	0.2	0.6
Severance benefits	0.5	0.4
Directors' fees	0.3	0.1
Other compensation	-	-
Employee benefits	-	
Share-based compensation (excl. Employer social security contributions)	0.1	(1.6)
Total	**2.5**	**1.9**

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 approximately €0.6 million.

NOTE 27 – SUBSEQUENT EVENTS

27.1 CORPORATE GROVERNANCE EVOLUTION

In accordance with French regulation and its internal rules, Atari's Board of Directors reviewed on April 8, 2011 its composition and the independence of its Directors. Following the resignations of Mr. D'Hinnin, Mr. Lamouche, and of The BlueBay High Yield Investment (Luxembourg) SARL, Atari's Board of Directors is composed as follows at the date of this document:

- Frank Dangeard, Chairman, Independent Director;
- Jim Wilson, Chief Executive Officer, Director (subject to the approval of the next AGM);
- Tom Virden, Independent Director;
- The BlueBay Value Recovery (Master) Fund Limited, represented by Gene Davis;
- Alexandra Fichelson, Director (subject to the approval of the next AGM).

27.2 RESTRUCTURING AT EDEN GAMES

In April 2011 Atari announced the restructuring of Eden Games, its development studio headquartered in Lyon (France). The proposed plan aims to reduce the workforce to approximately 30 employees, adjusting costs to the size of the business and its revenues. The restructuring ended at the end of the first quarter of Fiscal Year 2010/2011. This restructuring is part of Atari's long-term strategy to adapt to the changing marketplace and direct resources against the most profitable business segments. Atari continually evaluates its resources to ensure that they are properly matched against its product slate and strategic goals.

27.3 CREDIT LINE MATURITY EXTENDED

As per addendum 12 signed on June 30, 2011, the Company and BlueBay have agreed the extension of a credit facility of €49 million to December 30, 2011.

27.4 CRYPTIC STUDIOS DIVESTITURE

In line with the previously stated strategy of fewer but more profitable releases and further expansion into casual online and mobile games, the Company has determined that external development creates more flexibility in the changing marketplace. Therefore, the Company has made the decision to divest itself from Cryptic Studios.

On May 31, 2011, Perfect World Co., Ltd. and Atari announced that they have entered into an agreement whereby Perfect World would acquire 100% equity interest in Cryptic Studios from Atari, the sole shareholder of Cryptic Studios. Under the stock purchase agreement, Perfect World will pay an aggregate purchase price of approximately €35.0 million in cash, subject to working capital and other adjustments as provided in the agreement. The consummation of the transactions contemplated in the agreement is subject to satisfaction of closing conditions.

As of March 31, 2011, the Company accounted Cryptic as a "discontinued operation" in the Statement of Income starting on April 1, 2009 and as "assets / liabilities held for sale" in the Balance Sheet as of March 31, 2011.

On a standalone basis and after intercompany eliminations, Cryptic accounted for revenue on a full year basis of approximately €15.9 million as of Fiscal Year 2010/2011 – as compared to approximately €4.5 million on a full year basis for Fiscal Year 2009/2010. The net result of Cryptic was a loss of approximately -€5.3 million as of Fiscal Year 2010/2011, as compared to a loss of -€12.6 million on a full basis for Fiscal Year 2009/2010.

NOTE 28 – CONSOLIDATED COMPANIES

Company	Fiscal year end	Country	% control		% interest	
			31/03/2011	31/03/2010	31/03/2011	31/03/2010
Atari Asia Pacific Pty Ltd	31-mars	Australie	100.00	100.00	100.00	100.00
Infogrames Entertainment GmbH	31-mars	Allemagne	100.00	100.00	100.00	100.00
Atari Europe SAS	31-mars	France	99.99	99.99	99.99	99.99
Atari Inc.	31-mars	Etats Unis	100.00	100.00	100.00	100.00
Atari Interactive Australia Pty Ltd	31-mars	Australie	100.00	100.00	100.00	100.00
Atari Interactive Inc	31-mars	Etats-unis	100.00	100.00	100.00	100.00
Atari Japan KK	31-mars	Japon	100.00	100.00	100.00	100.00
Atari Melbourne House Pty	31-mars	Australie	100.00	100.00	100.00	100.00
Atari Studio Asia Pty Ltd	31-mars	Australie	100.00	100.00	100.00	100.00
California US Holdings Inc.	31-mars	Etats Unis	100.00	100.00	100.00	100.00
Cryptic Studios	30-juin	Etats Unis	100.00	100.00	100.00	100.00
Curved Logic Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Dynamic System GmbH	30-juin	Autriche	100.00	100.00	100.00	100.00
Eden Studios SAS	31-mars	France	100.00	100.00	100.00	100.00
Game Nation Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Gamecity GmbH	31-mars	Suisse	90.00	90.00	90.00	90.00
Gremlin Group Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Gremlin Holding Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Hartland Trefoil Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Humongous Inc	31-mars	Etats Unis	100.00	100.00	100.00	100.00
Infogrames Castlefield Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Infogrames Entertainment SA	31-mars	France	100.00	100.00	100.00	100.00
Infogrames Entertainment Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Infogrames Interactive Direct Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Infogrames Interactive GmbH	31-mars	Allemagne	100.00	100.00	100.00	100.00
Infogrames Interactive Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Infogrames Learning Interactive Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Infogrames Learning Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Infogrames Studios Ltd.	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Maritquest Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Microprose Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Microprose Software Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Ocean Europe Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Ocean Holding Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Ocean International Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Ocean Media Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Ocean Software Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Game Nation.net Inc	31-mars	Etats Unis	100.00	100.00	100.00	100.00
Reflection Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Stewart Holdings Ltd	31-mars	Royaume Uni	100.00	100.00	100.00	100.00
Sociétés mises en équivalence						
Game One	31-déc	France	38.63	38.63	38.63	38.63

In addition, the Group is implementing a rationalization of its legal organization.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2011

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 users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified 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 and construed in accordance with, French law and professional auditing standards applicable in France**.**

To the Shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meeting, we hereby report to you for the year ended March 31, 2011 on:

- the audit of the accompanying consolidated financial statements of ATARI;
- 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 consolidated 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. These 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 includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position and the assets and liabilities of the Group as of March 31, 2011 and of the results of its operations for the period then ended.

Without qualifying the above opinion, we draw your attention to the uncertainty in respect of the going concern principle mentioned in Note 2.1 to the financial statements:

- describing the main assumptions on which the Company's Senior Management relied to apply this principle, and
- stating that, should the Company's financial resources be insufficient, Senior Management believes that the Blue Bay credit line would be renewed beyond December 30, 2011.

II. JUSTIFICATION OF ASSESSMENTS

The accounting estimates used in the preparation of the financial statements for the year ended March 31, 2011 were made in the context of an undeniable difficulty in anticipating the economic outlook. These conditions are described in Note 2.1 to the financial statements. It is in this context and in accordance with article L. 823-9 of the French Commercial Code (Code de Commerce) that we have conducted our own assessments, which we bring to your attention:

Going concern principle

As mentioned in the first part of this report, Note 2.1 to the financial statements describes the uncertainties surrounding the Company's ability to continue as a going concern. We have been led to review the provisions being considered in this respect. On the basis of our procedures and the information provided to us to date and as part of our assessment of the accounting methods and principles used by the Company, we believe that the Note to the financial statements provides relevant information on the Company's position in regard of the above-mentioned uncertainty surrounding the Company's ability to continue as a going concern.

Goodwill

The Company tests goodwill for impairment under the methods described in Note 2.12 to the financial statements. The criteria used and the results of these tests are set out in Note 3.3 to the financial statements. We have reviewed these methods, the cash flow forecasts and the criteria used, and have verified that Notes 2.12 and 3.3 to the financial statements provided relevant disclosure.

Intangible assets having an indefinite useful life

The Company tests intangible assets having an indefinite useful life for impairment under the methods described in Note 2.12 to the financial statements. The results of these tests are set out in Note 4 to the financial statements. We have reviewed these methods, the cash flow forecasts and the criteria used, and have verified that Notes 2.12 and 4 to the financial statements provided relevant disclosure.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

III. SPECIFIC PROCEDURES

We have also performed the other procedures required by law on the information on the Group given in the management report, in accordance with professional standards applicable in France.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Villeurbanne, July 27, 2011
The Statutory Auditors

MAZARS	**DELOITTE & ASSOCIÉS**
Jean-Paul Stevenard	Dominique Valette

INFORMATION CONCERNING THE PARENT COMPANY

ANNUAL FINANCIAL STATEMENTS

1. BALANCE SHEET

(€ thousands)	Notes	03/31/2011	03/31/2010
Assets			
Intangible assets	3	-	39
Property, plant and equipment	3	-	126
Financial assets	4	239,264	260,566
Total fixed assets		**239,264**	**260,731**
Down payments and advances made		-	468
Trade receivables	5	6,928	8,918
Other receivables	6	1,208	1,143
Cash and cash equivalents	7	86	550
Total current assets		**8,222**	**11,079**
Accruals	8	42,352	30,496
Total assets		**289,838**	**302,306**
Liabilities			
Capital stock		24,329	21,114
Share premium		182,720	168,381
Legal reserve		946	946
Other reserves		-	-
Retained earnings		(142,532)	(165,095)
Net income (loss) for the year		(21,772)	22,564
Equity	9	**43,691**	**47,910**
Other equity	10	**188,091**	**202,685**
Provisions for contingencies and losses	11	38,454	23,759
Bond debt	12	5,951	8,344
Bank debt		-	-
Other financial liabilities	13	8,915	9,396
Operating liabilities	14	3,338	9,014
Accruals	8	1,397	1,198
Total shareholders' equity and liabilities		**289,838**	**302,306**

2. INCOME STATEMENT

(€ thousands)	Notes	03/31/2011	03/31/2010
Revenue		5,488	12,928
Other income		43	3,221
Operating revenue	15	5,531	16,149
Other purchases and expenses	16	(3,858)	(6,727)
Taxes		(26)	(196)
Payroll expenses	17	(1,549)	(4,010)
Depreciation, amortization and provisions	18	(2,094)	(2,245)
Operating expenses		(7,527)	(13,179)
Operating income		**(1,997)**	**2,971**
Financial income		43,938	131,864
Financial expense		(64,040)	(92,574)
Net financial income and expense	19	**(20,102)**	**39,290**
Current income before taxes		**(22,098)**	**42,260**
Non-recurring income		334	1,385
Non-recurring expenses		(8)	(21,082)
Non-recurring income and expense	20	**326**	**(19,697)**
Income tax	21	-	-
Employee profit sharing		-	-
Net income (loss) for the year		**(21,772)**	**22,564**

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements for the year ended March 31, 2011 of Atari (hereinafter the "Company"), which had total assets of €290 million and reported a loss of €21.8 million in its income statement, presented in list form.

The annual financial statements for the periods ended March 31, 2011 and March 31, 2010 cover periods of 12 months.

1. MATERIAL EVENTS

1.1 Changes to corporate governance

Jim Wilson, previously CEO of Atari Inc., was appointed CEO of Atari S.A. and a member of the Board. Hindol Datta, Vice President of Finance and Administration of Atari, was appointed interim Chief Financial Officer. Pascal Cagni resigned from the Board.

1.2 Change in the headquarter location

As authorized by the September 30, 2010 AGM, the Company's headquarter was moved from Lyon, France to Paris, France.

1.3 Credit line maturity extended

As per amendment 11 to the loan agreement of April 21, 2006, signed on October 1, 2010, the maturity date of the senior credit facility has been extended from December 31, 2010 to June 30, 2011. Other terms and conditions remain unchanged.

As of March 31, 2011, the total amount of the credit facility outstanding was €42.3 million.

1.4 Payment of the Cryptic Earn out

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"), under which the existing shareholders were eligible to an earnout payment, subject to the achievement of online revenue targets. As March 31, 2011, Cryptic completed its earn-out period resulting in an earn-out totaling €4.6 million in cash and €2.1 million euro in shares, attributable to the performance of the Star Trek Online Video Game.

1.5 BlueBay stake disposal process

On October 21, 2010, Atari was notified that its reference shareholder BlueBay was exploring a disposal of its shares and equity-linked instruments held by them. On January 31, BlueBay informed Atari that the disposal process had not resulted in the signing of a binding protocol with one of the potential investors and that they had therefore interrupted their process.

2. ACCOUNTING PRINCIPLES AND METHODS

2.1. Accounting basis

The financial statements of Atari 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

At March 31, 2011 shareholders' equity amounted to €43.7 million, taking into account the €21.8 million loss posted for 2010/2011.

In order to ensure that it has the requisite funds to finance its operations in 2011/2012 (and after) and to improve its capital structure, the Company's strategy focused on 4 main priorities:

- Continue the focus on Atari owned franchises and key strategic licenses for fewer but more profitable releases and further expansion into online, digital download, mobile game segments. This is supported by a strict investment discipline addressing all appropriate platforms (online, console, mobile). At this stage, Atari's games will mainly be developed externally with selected third party game studios to contribute to a more flexible and cost efficient organization;
- Reinforcing licensing and franchise revenue streams through licensing of games and merchandising to continually leverage Atari's strong catalogue of popular games and third party franchises;
- Continuing to optimize operations, focusing at this final stage to adapt the overhead and the Research and Development expenses to Company's the revenue and product strategy;
- Setting up partnerships to support the Company's development, publishing and distribution efforts to derive maximum benefit from its large portfolio of intellectual properties, its brand and its organization.

On this basis, the Group has applied the going concern principle in preparing its parent company financial statements, based on the following assumptions:

- Disposal of the Cryptic Studios;
- Extension of the credit facility line granted by BlueBay until December 30, 2011 for €49 million (for more information, refer to note 27.3), and
- Operating cash flows for of the Fiscal Year 2011/2012 in line with the Business plan.

Group management believes that its projections are reasonable. However, in light of the uncertainties inherent in financial negotiations and strategic refocusing under adverse economic circumstances, results may differ from forecasts. Those circumstances could restrict the Group's ability to finance its current operations and result in adjustments in the value of the Group's assets and liabilities.

Based on the above-described measures and assumptions, as well as the Budget for the next 12 months, the management of the Group believes that the Group's financial resources – including the extension of the credit facility- will be sufficient to cover the Group's operating expenses and capital expenditure for the 12-month period ending as of March 31, 2012. In the case the financial resources of the Group would not be sufficient, the management believes that the BlueBay credit facility would be extended beyond December 30, 2011.

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**

Intangible assets and property, plant and equipment are measured at cost (purchase price and incidental expenses). They are depreciated over periods which vary according to the nature of the asset:

- 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 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 adjusted according to 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.

- **Consolidated Tax Group**

Atari and some of its French subsidiaries have set up a consolidated tax group. 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 carry forwards 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. During the fiscal period ended March 31, 2011, Atari SA was the parent company of the consolidated group made up of Atari SA, Eden Games and Atari Europe.

- **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)	3/31/2010	Acquisitions/ Allowances	Disposals/ Revaluations	Other changes	3/31/2011
Software	371			-	371
Fixed assets in progress	-	-	-	-	-
Total gross value	**371**	**-**	**-**	**-**	**371**
Accumulated amortization and provisions	**(332)**	**(39)**	**-**	**-**	**(371)**
Total net value	**39**				**-**

The table below shows changes in property, plant and equipment for the year:

(€ thousands)	3/31/2010	Acquisitions/ Allowances	Disposals/ Revaluations	Other changes	3/31/2011
Machinery and equipment	74	-	-	-	74
General fixtures and fittings	1,591	-	-	-	1,591
Office equipment and computers	210	-		-	0
Total gross value	**1,875**	**-**	**-**	**-**	**1,875**
Accumulated depreciation and provisions	**(1,749)**	**(126)**		**-**	**(1,875)**
Total net value	**126**	**-**	**-**	**-**	**0**

4. FINANCIAL ASSETS

4.1. Changes in financial assets

(€ thousands)	3/31/2010	Increases	Decreases	Currency impact	3/31/2011
Investments in subsidiaries and associates	736 613		(1 363)		735 250
Receivables from subsidiaries and associates	308 990	2 268	(2 180)	(13 519)	295 559
Accrued interest on receivables	2 201	4 284		(674)	5 811
Loans and other fixed assets	9 716	-	(3 075)	(255)	6 386
Total gross value	**1 057 521**	**5 094**	**(12 629)**	**(14 507)**	**1 043 006**
Provisions	**(796 954)**	**24 829**	**18 043**		**(803 742)**
Total net value	**260 567**				**239 264**

The decrease of €1,363 k in investments in subsidiaries is due to the adjustment of the definitive price of Cryptic studio shares. The earn out payable as at February 2011 was accrued in previous years for an over-estimated amount.

As of March 31, 2011, the gross value of receivables from subsidiaries represented primarily shareholder advances of 172 million euros to Atari Interactive Inc., 19 million euros to Studio Cryptic and 91 million euros to Atari Europe. The decrease of receivables from subsidiaries came mainly from the impact of exchange rate between $US and € (for €13 m) concerning the loan to Atari Interactive Inc.

All receivables from subsidiaries are due in more than one year.

As of March 31, 2011, the Company holds 2,470 treasury shares.

4.2. Provisions for impairments of financial fixed assets

(€ thousands)	3/31/2010	Additions	Reversals	3/31/2011
Investments in subsidiaries and associates	624,600	6,000	(8,329)	633,065
Receivables from subsidiaries and associates	170,106	18,829	(8,714)	170,477
Loans	2,249		(1,000)	1,249
Total	796,955	24,829	(18,043)	803,742

Changes in provisions on financial fixed assets primarily reflect:

- Movement of provisions on investments and receivables:
  - Addition to provisions in the amount of €18.3 million recognized on the shares of Atari Europe
  - Addition to provisions in the amount of €2 million recognized on the shares of Eden Games
  - Addition to provisions in the amount of €4.5 million recognized on the shares of Cryptic Studios

  As well as:
  - Reversal of provision in the amount of € 7.6 million recognized on the shares of California US Holding;
  - Reversal of provision in the amount of € 0.7 million recognized on the shares of Game One
  - Reversal of provision in the amount of € 8.6 million recognized on the shares of Atari Interactive Inc.

- Movement of loans:
  - Reversal of provision concerning the loan to BB26 of €1 million.

5. TRADE RECEIVABLES

(€ thousands)	3/31/2011			3/31/2010
	Gross	Impairment	Net	Net
Trade receivables				
- external		-		48
- intra-group	197	-	197	5,816
- accrued	6,731	-	6,731	3,054
Total	**6,928**	**-**	**6,928**	**8,918**

All of the above receivables are due in less than one year.

6. OTHER RECEIVABLES

(€ thousands)	3/31/2011	3/31/2010
Corporate income tax	530(1)	590
Sales taxes	371	551
Receivables from the Group in connection with tax consolidation	-	-
Other receivables	307	2
Total	1,208	1,143

All of the above receivables are due in less than one year.

(1) As of March 31, 2011, "Corporate income tax" amounting to €530 thousand mainly corresponds to research tax credits at Group level.

7. CASH

(€ thousands)	3/31/2011	3/31/2010
Marketable securities		157
Cash	86	393
Total	86	550

8. ACCRUALS

(€ thousands)	3/31/2011	3/31/2010
Prepaid expenses	205	370
Bond discounts	14	14
Bond issue costs	5,993	7,922
Unrealized foreign exchange losses on financial fixed assets	36,140	22,190
Unrealized foreign exchange losses on receivables and liabilities		
Total accruals (assets)	42,352	30,496

Unrealized foreign exchange gains on receivables and liabilities	1,397	1,198
Deferred revenue	-	-
Total accruals (liabilities)	1,397	1,198

Prepaid expenses consist of operating expenses (insurance and rent).

The €14 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, amortized over the life of the bonds. The corresponding amortization expense for the year amounted to €1.9 million.

9. EQUITY

(€ thousands)	Number of shares outstanding	Capital stock	Other paid-in capital	Legal reserve	Retained earnings	Profit (loss)	Total
Shareholders' equity as of March 31, 2010	**21,113,623**	**21,113**	168,381	946	(165,095)	22,564	**47,909**
Exercise of 2009 warrants (1)	488	0.5	2				
Conversion of 2008, 2009 and 2010 ORANE bonds (2)	2,816,610	3.4	11,778				
Equity issue as part of free shares (3)	14,732	14.7	(15)				
Equity issue (4)	383,517	383.5	2,573				
Appropriation of 2010 profit					22,564	(22,564)	
Netting of retained earnings and other reserves							
Profit (loss) for the year ended March 31, 2011						(21,772)	
Shareholders' equity as of March 31, 2011	**24,328,970**	**24.329**	182,719	946	¨(142,531)	(21,772)	**43,691**

(1) A total of 426 warrants were exercised during the year ended March 31, 2011, resulting in the issue of 488 new shares and

generating proceeds of €2 thousand. A further 2,063,174 "2009 warrants" remained outstanding as of March 31, 2011, the exercise of which could generate additional proceeds of € 8million.

(2) A total of 145,948 ORANE bonds were converted during the year ended March 31, 2011, resulting in the issue of 2,816,610 new shares and generating proceeds of € 11.78 million.

(3) A total of 14,732 shares have been issued as part of the vesting of 14,732 free shares to Mathias Hautefort, as permitted by the 16th resolution adopted by the extraordinary shareholder's meeting of November 15, 2006 which granted to the Board of Directors full authority to carry out equity issues as required by the vesting of share awards.

(4) Pursuant to the authorization granted by the annual shareholders meeting of September 25, 2008 and September 30, 2009, the Company issued 383,517 shares as part of the earn out payment related to the acquisition of Cryptic Studios, out of which 264,769 were issued as a result of the conversion of OC B bonds and 118,748 were issued as part of debt compensation.

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. The old shares were listed on the Euronext Paris market until September 4, 2008. The shareholders had two years to exchange them for new shares. On March 4, 2010, new shares not claimed by holders of old shares were 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, 2011, the Company had 24,328,970 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 29, 2013, 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. Options generally vest ratably over a three-, 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, 2011, a total of 53,359,935 stock options had been granted, exercisable for 1,834,731 Company shares (adjusted to reflect an issue of securities in January 2010), out of which 330,000 were granted during Fiscal Year 2010/2011.

9.3. Employee Savings Plan (PEE)

The Shareholders' Meeting of September 30, 2010 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 created following the issue of ORANE bonds and the public exchange offer, maturing in 2012 (2009 warrants)

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.

Taking into account the adjustment made to the related exchange parities in January, 2010, 1.12 warrant is exercisable for one new share at a price of €6.

As of March 31, 2011 a total of 2,063,174 "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 2,310,755 shares with a dilutive effect of 9.5% on the Company's capital as of March 31, 2011.

9.5. Share awards

As of March 31, 2011, the total number of free shares outstanding for all existing plans amounted to 223,000 free shares and represented 0.9% of the share capital at that date.

Main characteristics of the free share plans are detailed in the “Corporate Officers” section of the “INFORMATION ON MANAGEMENT AND THE FINANCIAL STATEMENTS” section.

The table below shows a summary of transactions involving:

	2010-2011	2009-2010
Free shares granted at beginning of year	237,731	487,417
Grants		
Cancellations	(14,732)	(249,686)
Free shares granted at end of year	223,000	237,731

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 2010/2011 was €6.9 per share.

The fair value recognized is based on the assumption that all performance conditions will be fulfilled.

No expense was recognized for the year ended March 31, 2011 and the one ended March 31, 2010.

10. OTHER EQUITY

(€ thousands)	3/31/2011	3/31/2010	Change
ORANE 2008 (FR0010560615)	525	559	(34)
ORANE 2009 (FR0010690081)	38 495	38 908	(414)
ORANE 2009 (FR0010696153)	133 559	147 574	(14 015)
ORANE 2010 (FR0010833053)	15 512	15 643	(131)
Total	**188 091**	**202 685**	**(14 594)**

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 represented by 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%.

On January 22, 2010, as part of the financing transactions of December 2009 and January 2010 (see note 1.4 “Material events”), the Company issued bonds redeemable in new or existing shares, maturing April 1, 2015. The nominal value of the bond issue was €15,642,800, represented by 156,428 bonds with a nominal value of €100 each, of which 126,964 were paid for by means of the cancellation of debt of 12.6 million euros. The bonds bear annual interest at 0.5%.

11. PROVISIONS FOR CONTINGENCIES AND LOSSES

(€ thousands)	3/31/2010	Additions	Reversals		3/31/2011
			Utilized	Surplus	
Provisions for future commitments	296			296	0
Provisions for foreign exchange risks	22 192	36 140		22 192	36 140
Provisions for losses on investments in subsidiaries	1 252	1 052			2 304
Provision for employee risk: severance benefits due to restructuring	9			9	
Other provisions	10				10
Total	**23 759**	**37 192**	**0**	**22 497**	**38 454**
o/w operating	306			296	10
o/w financing	23 444	37 192		22 192	38 444
o/w non recurring	9			9	

Provisions for losses on investments are designed to cover risks stemming from subsidiaries with a negative net worth. On March 31, 2011, this provision concerns Atari Japan.

Provision for future commitments was designed to cover rents on vacant premises. This provision is not needed anymore.

Provision for employee risk was reversed as the Company's restructuring is over.

12. BOND DEBT

12.1. Position as of March 31, 2011

(euro in thousand)	Oranes 2008-2014	Oranes 2009-2014	Oranes-Bsa 2009-2014	Oranes 2010-2015	Total other equity
% of bonds converted or exchanged	99.70%	9.74%	5.05%	0.84%	
Number of bonds outstanding	5,253	1,335,591	384,945	155,117	
Nominal value	525	133,559	38,494	15,511	
Discount (1)	-	-	-	-	
TOTAL	**525**	**133,559**	**38,494**	**15,511**	**188,089**
o/w maturing in 1 year or less	-	-	-		
o/w maturing in more than 1 year	525	133,559	38,494	15,511	188,089

(euro in thousand)	Océane 2000-2011	Océane 2003-2020	TOTAL Bond debt
% of bonds converted or exchanged	98.49%	99.49%	
Number of bonds outstanding	135,031	82,906	
Nominal value	5,266	580	
Discount (1)	-	45	
TOTAL	**5,266**	**625**	**5,891**
o/w maturing in 1 year or less	5,266	-	5,266
o/w maturing in more than 1 year		625	625

(1) Securities acquired subject to an earn-out have been subsequently adjusted to take account of the definitive acquisition price.

12.2. ORANE bonds issued in 2008 ("ORANE 2008 bonds") (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.

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. Taking into account the adjustment made to the related exchange parities in January, 2010, one ORANE 2008 bond is redeemable for 9.97 new or existing shares.

As of March 31, 2011 there were 5,253 ORANE 2008 bonds outstanding. If all of the bonds were redeemed this would result in the issue of 52,372 shares with a dilutive effect of 0.2% on the Company's capital as of March 31, 2011.

12.3. Stock warrants created following the issue of ORANE bonds and the public exchange offer, maturing in 2012 (2009 warrants)

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.

Taking into account the adjustment made to the related exchange parities in January, 2010, 1.12 warrant is exercisable for one new share at a price of €6.

As of March 31, 2011 a total of 2,063,174 “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 2,310,755 shares with a dilutive effect of 9.5% on the Company’s capital as of March 31, 2011.

12.4. ORANE 2009 bonds with warrants (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.

Taking into account the adjustment made to the related exchange parities in January 2010, one ORANE 2009 bond is redeemable for 29.29 new or existing shares.

As of March 31, 2011 there were 384,945 of these ORANE 2009 bonds outstanding. If all the bonds were redeemed this would result in the issue of 11,275,039 new shares with a dilutive effect on the Company’s capital of 46.3% as of March 31, 2011.

12.5. 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.

Taking into account the adjustment made to the related exchange parities in January 2010, one ORANE 2009 bond is redeemable for 18.96 new or existing shares.

As of March 31, 2011 there were 1,335,591 of these ORANE 2009 bonds outstanding. If all the bonds were redeemed this would result in the issue of 25,322,805 new shares with a dilutive effect on the Company’s capital of 104.1% as of March 31, 2011.

12.6. ORANE 2010 bonds (ISIN code: FR0010833053)

In December 2009, Atari launched a financial transaction, which was finalized in January 2010, resulting from the free allocation of warrants to its shareholders entitling them to subscribe, at the option of Warrant holders, to new shares and/or to bonds redeemable into new or existing shares (“the ORANE 2010 bonds”), under the conditions set out in the prospectus which received the AMF visa number 09-367 on December 10th, 2009.

In January 2010, the Company issued 156,428 bonds redeemable for new or existing shares (“ORANE 2010 bonds”, ISIN FR0010833053), maturing on April 1, 2015. The bonds have a nominal value of €100 each and are redeemable for 26.39 new or existing shares. 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, 2011 there were 155,117 of these ORANE 2010 bonds outstanding. If all the bonds were redeemed this would result in the issue of 4,093,538 new shares with a dilutive effect on the Company’s capital of 16.8% as of March 31, 2010.

No other securities exist carrying a right to the Company's capital other than those described above.

12.7. OCEANE 2003-2020 (formerly 2003-2009) 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 €124.3 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.

Since April 1, 2009, the OCEANE bondholders are no longer able to convert their bonds into new Atari shares or exchange them for existing shares, the OCEANE have no dilutive impact since that date. As of March 31, 2011 a total of 82,906 OCEANE 2020 bonds were still outstanding.

12.8. Category A and B convertible bonds (CBs) issued as consideration for the transfer of Cryptic Studios Inc. 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.

In Fiscal Year 2010/2011, Category A convertible bonds have been cancelled as *Champions Online* online revenues did not met the earn out targets. As of March 1st, 2011, as part of the payment of the earn out based on *StarTrek Online online* revenues, the aggregate number of deferred consideration shares issuable upon the conversion of 1,056,478 Category B Convertible bonds amounted to 264,769 shares.

12.9. 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 right 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.

In Fiscal Year 2010/2011, *Champions Online* online revenues did not meet the earn out targets. As of March 1st, 2011, as part of the payment of the earn out based on *StarTrek* Online online revenues, the aggregate number of deferred consideration shares issuable upon the debt obligation amounted to 118,748 shares.

12.10. 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.

In regards with *Champions Online* and *StarTrek* Online online revenues, no bonus payment is due. .

13. OTHER FINANCIAL LIABILITIES

(€ in thousand)	**31/03/2011**	**31/03/2010**
Accrued interest on bond debt	60	60
Bank overdrafts	-	
Accrued interest on ORANE bonds	-	15
Accrued interest on bank borrowings and overdrafts	-	-
Liabilities to Group subsidiaries	8 864	9 308
Other	51	88
Total other financial debts	**8 915**	**9 396**
Total other debt and accrued interest	**8 974**	**9 471**
o/w due in more than 1 year	8 864	9 308
o/w due in less than 1 year		

14. OPERATING LIABILITIES

(€ thousands)	3/31/2011	3/31/2010
Trade payables	867	7 108
Personnel	139	71
Employee benefits	266	415
Taxes payable	1 443	1 044
Other tax and employee related liabilities	37	94
Other liabilities	586	282
Total	**3 338**	**9 014**

All operating liabilities are due in less than one year.

15. OPERATING REVENUE

The table below shows a breakdown of operating revenue:

(€ thousands)	3/31/2011	3/31/2010
Revenue	5.488	12.928
Other operating revenue (transfers of expenses)	43	3.221
Total	**5.531**	**16.149**

Revenue essentially consists of services performed and rebilled to Group entities.

16. OTHER PURCHASES AND EXPENSES

"Other purchases and expenses" break down as follows:

0(€ thousands)	31/03/2011	31/03/2010
Purchase not included in inventories	-	6
Sub-contracting costs	6	340
Royalties	1 160	1 068
Rent (including service and maintenance charges)	117	1 861
Leased equipment (including capital leases)	27	111
Cleaning, maintenance and repairs	14	13
Insurance	355	528
Fees	1 206	1 979
Advertising, publications, public relations	46	107
Travel, assignment and entertainment	87	80
Postage and communications	13	15
Bank charges (essentially ORANE issue costs)	78	556
Directors' fees	546	- 13
Other expenses	203	76
Total	**3 858**	**6 727**

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, 2011	4	2	6
March 31, 2010	9	1	10

Compensation paid by the Company to the members of its management and governing bodies for the Fiscal Year ended March 31, 2011 included €543 thousand in salary, and €328 thousand 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 du 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). Employees did not take advantage of this right in 2011. As of March 31, 2011, the Company's obligations under the system amounted to 137 hours, up from 88 hours the previous year.

18. DEPRECIATION AND AMORTIZATION ALLOWANCES AND REVERSALS - RECOGNITION AND REVERSALS OF OPERATING PROVISIONS

(€ thousands)	31/3/2011	31/3/2010
Provisions for contingencies and losses	0	8
Provisions for the impairment of current assets	0	0
Total reversals	**0**	**8**
Depreciation and amortization:		
- intangible assets	39	124
- property, plant and equipment	126	346
Amortization of expenses attributable to several periods	1,928	1,175
Provisions for contingencies and losses	0	0
Provisions for the impairment of current assets	-	-
Total depreciation and amortization	**2,094**	**2,245**

19. NET FINANCIAL INCOME AND EXPENSE

(€ thousands)	3/31/2011	3/31/2010
Financial income:		
- Foreign exchange gains	0	292
- Dividends	0	424
- Interest income	3,838	4,233
- Reversals of provisions and expense transfers	40,100	126,914
- Other financial income	-	-
- Proceeds from the sale of securities	-	1
Total financial income	43,938	131,864
Financial expenses:		
- Foreign exchange losses	8	191
- Interest expense	1 057	1,068
- Depreciation, amortization and provisions	61 990	91,271
- Other financial expenses	985	44
Total financial expenses	64 040	92,574
Net financial income (loss)	**(20 102)**	**39,290**

Financial income for the year ended March 31, 2011 reflected:

- Interest income of €3.8 million, corresponding to interest charged on loans to other Group companies,
- Reversals of provisions of € 22.2 million, concerning foreign-exchange provision;
- Reversals of provision of €17.9 million mainly including reversal of provision on:
  - Shares in Atari Interactive Inc. for €8.6 million;
  - Shares in California US Holding for €7.6 million.

Financial expenses for the year ended March 31, 2011 included:

- Interest at 0.5% on ORANE bonds for 1 million euro,
- A provision of € 37 million for foreign exchange losses,
- Impairment allowances on interests in subsidiaries and related receivables of:
  - € 18 million for Atari Europe,
  - €6.5 million for shares (€ 4.5 million for Cryptic Studio, € 2 million for Eden Games),
  - for subsidiaries' risks related to Atari Japan for €1.2 million.

Financial income for the year ended March 31, 2010 reflected:

- Interest income of €4.2 million, corresponding to interest charged on loans to other Group companies.
- Reversals of provisions of 127 million euros, primarily concerning:
  - provision on the shares of California US Holding (47 million euro) and Game Nation Texas (18 million euro, a subsidiary liquidated during the year),
  - shareholder advances to Atari Europe (20 million euro),
  - Foreign-exchange provision of 20 million euro,
  - Atari Europe contingency provision (20 million euro).

Financial expenses for the year ended March 31, 2010 included:

- interest at 0.5% on ORANE bonds for 1 million euros,
- an impairment allowance of 91 million euros on investments in subsidiaries primarily consisting of:
  - shareholder advances of 48 million euro (including 27 million euro to Atari Interactive, 20 million euro to Atari Europe)

- an allowance for foreign-exchange of 22 million euro.
- investments of 11.3 million euro (7.8 million euro for Cryptic, 2.3 million euro for GameOne and 1.2 million euros for Eden Games)
- a provision for losses on investment mainly related to Atari Europe (8.7 million euro) and Atari Japan (1.4 million euro).

20. NON-RECURRING INCOME AND EXPENSE

(€ thousands)	Income	Expense	Net
Year ended March 31, 2011			
- Operating activities	-	8	(8)
- Investing activities	28	-	28
- Amortization and provisions	306	-	306
Total	**334**	**8**	**326**
Year ended March 31, 2010			
- Operating activities	17	2,598	(2,581)
- Investing activities	447	18,188	(17,741)
- Amortization and provisions	921	296	625
Total	**1,385**	**21,082**	**(19,697)**

In fiscal 2010/2011, non-recurring result mainly relates to the reversal of a €297 K provision booked last year for vacant premises.

In fiscal 2009/2010, expenses from operating transactions primarily corresponded to Atari restructuring charges of 2.5 million euro, penalties and fines of 33 k euro and litigation costs of 44 k euro.

Non-recurring income from investment transactions primarily consisted of the proceeds from the sale of:

- The Atari Publishing subsidiary to Atari Europe for 40 k euro and Imusic to Atari Europe for 8 k euro.
- Disposal of assets, for 149 k euro.

Non-recurring expenses on investment transactions primarily consisted of:

- The write-off of Game Nation Texas shares for 18 million euros.

“Amortization and provisions” primarily reflects the reversal of a provision of 0.1 million euro for vacant premises and of severance compensation and expenses of 0.6 million euro relating to the layoff plan.

21. CORPORATE INCOME TAX AND PROFIT SHARING

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 and Eden Games.

INCREASES AND REDUCTIONS IN THE FUTURE TAX BURDEN AS OF MARCH 31, 2011

- Factors resulting in a future tax:

Factors	Bases (€ thousands)
Provisions deducted in period N to be added back in N+1	36,140

- Factors resulting in a reduction in future taxes

Factors	Bases (€ thousands)
Non-deductible provisions	37 044
Regular tax-loss carryforwards	618 074

22. STATEMENT OF ACCRUED INCOME AND EXPENSES

Accrued expenses

(€ thousands)	3/31/2011	3/31/2010
Trade payables - pending invoices	513	1,261
Tax and employee-related liabilities:		
- Provision for bonuses, paid leave, working hour reductions, working time credits	139	71
- Other employee benefits payable	203	32
- Tax liabilities	37	94
- Other		
Total accrued expenses	**892**	**1,458**

Accrued income

(€ thousands)	3/31/2011	3/31/2010
Trade receivables - pending invoices	6,730	3,054
Total accrued income	**6,730**	**3,054**

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 (transferred to BlueBay)

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-demand guarantee,
- the pledge of all of the shares of the following subsidiaries: Cryptic Studios, Inc., Eden Games SAS, Atari Interactive, Inc., Atari, Inc. and Atari Europe SAS,
- 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. Hasbro commitment

In connection with agreements entered into by the Company and Hasbro Inc., the Company has undertaken to pay Hasbro Inc. USD 7.5 million (€5.6 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	1.5m	1.1m
1 to 5 years	6.0m	4.5m
Total	**7.5m**	**5.6M**

23.1.3. Commitments to corporate officers and directors

The Company's Board of Directors has made certain commitments to Mr. Wilson concerning compensation that could be paid to him if his appointment with the Company were to end, contingent on the fulfillment of certain performance criteria. In the event Mr. Wilson is removed from office before the end of his appointment, the Board agreed a fixed severance package equal to one year of his annual fixed gross compensation plus applicable bonus and benefits as determined by the Board according to performance criteria.

23.2. Operating lease commitments

The Company leases the premises where it has its Lyon's office. The lease is for nine years and began in June 2001. The Company has opted for a partial extension of the lease. The lease expires March 31st, 2012 only for an area of approximately 1,700 square meters.

The Company signed a three-year lease starting on June 15, 2010 for its headquarters office in Paris. The annual rent is €51,000.

23.3. Capital leases

As of March 31, 2011 no capital lease was in effect.

23.4. Pension obligations

Given the small size of the Company's workforce, pension obligations are not material.

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 was seeking damages for moral prejudice and financial loss suffered as a result of the allegedly unlawful distribution by the Group of games based on that universe. The claim was for close to €17 million. At this stage of the proceeding, 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 respective briefs with the judge in charge of preparations for the trial, after no significant progress was made during the Fiscal Year 2010/2011.The preliminary audience's court started in September 2010. The audience has been postponed to the summer of 2011, no court decision is expected before end of 2011.

24.2. BVT production funds v. Atari Europe SAS

This dispute concerned two German entities, the BVT production funds, which financed the production of certain interactive games, under a series of agreements entered into with various Group companies.

Following exchanges of letters and an audit in December 2008, the BVT funds instituted proceedings in February and March 2009 in Germany, claiming that Atari Europe had failed to perform several contractual obligations arising from its publishing agreements with the funds. The funds are suing Atari Europe in the German courts for €2 million in damages.

Atari Europe contested all of the plaintiffs' allegations. A full complaint was filed with the courts of competent jurisdiction in early November 2009 and a hearing took place in November 2009. The Munich Court issued an opinion in February of 2010, where most of BVT's claims were dismissed. The Munich Court ordered Atari to provide data related to the MAC sales to BVT. Atari complied but appealed the Munich Court's ruling. BVT has also appealed the court's decision. Oral argument on these appeals took place in December 2010. Subsequently, the parties successfully settled the suit. In exchange for a full release, Atari agreed to pay 400K Euros for each suit for a total of 800K Euros. These payments have been made in full and the settlement was filed with the court.

24.3. Hasbro, Inc. vs. ATARI SA, ATARI Inc., ATARI Interactive Inc.

Hasbro, Atari's licensor for exclusive, world-wide rights to create, design, develop, manufacture, have manufactured, market and sell digital games based upon the Dungeons & Dragons worlds, sued Atari in federal District Court in Rhodes Island on December 16, 2009. Hasbro's Complaint alleged breach of contract, asserting that Atari had entered into unapproved sublicenses, allowed access by an un-authorized sub-licensee to confidential information as well as other claims such as intentional misrepresentation and an accounting of monies paid for certain activities. Hasbro is requesting that the court determine that contract can be terminated. Atari countersued Hasbro on December 22, 2009 for over $100 million in damages, alleging, among other things, breaches of contract including unapproved removal of certain Dungeons and Dragons realms, and a claim of tortuous interference with Atari's relationship with its potential sub-licensees. In 2010, Atari and Hasbro engaged in mediation. Upon the conclusion of the mediation, the case did not settle. Subsequently, discovery commenced and will be ongoing through early to mid-2012. The parties have engaged in motion practice on various issues. There have been settlement discussions between the parties, but it has not been finalized. There is no scheduled trial date.

24.4. Atari, Inc. vs. Zoo Publishing, Inc.

On March 2, 2011, Atari, Inc. filed suit against Zoo Publishing, Inc. in the federal court of the Southern District of New York. Atari alleged that Zoo breached its contracts with Atari by failing to deliver games and make payments to Atari as were appropriate under those agreements. Atari has alleged damages of $1.5 million. The parties commenced settlement discussions and a settlement agreement and release wasexecuted. Zoo agreed to provide Atari with approximately $1.5M in product that Atari expects to sell over the next 12 months.

24.5.Walker Digital v. Atari, Inc., Cryptic Studios, Inc. and others.

Atari, Inc. and Cryptic Studios, Inc. have been sued, along with 20 other video-game-industry entities by a company known as Walker Digital LLC for patent infringement. The suit resides in federal court in the District of Delaware and was filed on April 11, 2011. Atari has not yet been served. The patent at issue is numbered 5,970,143 and is titled “Remote Auditing of Computer Generated Outcomes, Authenticated Billing and Access Control and Software Metering Systems Using Cryptographic and other Protocols”. Walker Digital is operated out of Stamford, CT. Cryptic is being sued for technology associated with the game known as *Star Trek Online*. The technology allegedly infringed is associated with making and using systems for remote auditing of computer generated outcomes, allowing saving of game outcomes for further use as well as monitoring the amount of time a player spends playing a game. Atari is being sued for technology that is claimed to be utilized by Faries vs. Darklings in that the Atari system allows the saving of game outcomes for further use, as well as monitoring the amount of time a player spends playing a game. The Company has entered into a a joint defense.

24.6. Walker Digital v. Cryptic Studios, Inc. and others.

Cryptic Studios, Inc. has been sued, along with 8 other video-game-industry entities in a second suit patent infringement initiated by Walker Digital LLC. In the second suit, also filed in federal court in the District of Delaware, the patent involved is 6,527,638 and is titled “Secure Improved Remote Gaming System” and the technology is associated with pre-paid cards for gaming credits associated with Champions Online and Star Trek Online. The suit was filed on April 11, 2011 and the company has entered into a joint defense.

25. CONSOLIDATING ENTITY

The Company publishes consolidated financial statements.

26. SUBSIDIARIES AND ASSOCIATES

(€ in thousands)	Subsidiaries & Associates	
	Gross	**Net**
Assets		
Investments in subsidiaries and associates and equity interests	735 250	121 560
Receivables from subsidiaries and associates	299 668	107 429
Other financial fixed assets	-	-
Current receivables	6 928	6 928
LIABILITIES		
Other financial liabilities		7 712
Operating liabilities		1 152
OPERATING INCOME & EXPENSE		
Operating income		5 488
Operating expense		0
FINANCIAL INCOME AND EXPENSES		
Interest income		3 838
Interest expense		34
Other net financial expenses		63 011
Other net financial income		40 100

The Company holds equity interests in subsidiaries and associates providing it with control over them and with significant influence over their management.

The Company is the parent entity and head of the Atari Group. It generates most of its revenue by charging for services to subsidiaries of Group of companies. It is both a lender to and a borrower from its subsidiaries, of amounts subject to rebilling or bearing interest.

Subsidiaries and associates (in millions of euros)

Subsidiaries and associates as of March 31, 2011	Capital stock	Share-holders' equity (other than capital)	Ownership interest (%) as of March 31, 2009	Carrying amount of securities held: Gross	Net	Loans and advances outstanding	Guarantees and endorsements	Revenue for the last Fiscal Year	Profit (loss) for the last Fiscal Year	Notes
1. Detailed information on subsidiaries and associates 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	(108,2)	100%	200.3	0.0	91.0	-	14.0	(0,2)	
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	(4,0)	100%	0.3	0.0	2.2	-	0.1	0,0	(2)
California US Holdings Inc.	0,0	29,4	100%	429.4	92.2	0.0	-	0.0	(0,1)	
Atari Interactive Inc.	0,0	(120,6)	100%	43.6	0.0	172.9	-	0.0	(2,2)	(3)
Microprose Ltd	4,8	(2,2)	100%	2.8	0.0	0.0	-	0.0	0,0	(1)
Eden Games SAS	0,3	(9,9)	100%	10.2	0.0	2.9	-	(1.0)	(8,0)	
Total for subsidiaries more than 50%-owned				700.9	92.6	269.0				
1.2. Associates (ownership interest of between 10% and 50%)										
Game One SAS	0.1	(0.7)	38%	4.9	3.3	0.6	-	5	0.4	Year ended 30/09/10
2 Aggregate information on interests held with a value of less than 1% of the Company's capital										
2.1. French subsidiaries and holdings				-	-	-	-			
2.2. Foreign subsidiaries and holdings				0.1	0.0	3.4	-			
GRAND TOTAL				**705.9**	**95.9**	**273.0**				

(1) Dormant companies.

(2) The company is in the process of being wound down. As of March 31, 2011, the Company has set aside provisions for all of its shares and debt.

(3) As of March 31, 2011, the Company has set aside provisions in the financial statements in an amount of €99.9 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. Corporate governance evolution

In accordance with French regulation and its internal rules, Atari's Board of Directors reviewed on April 8, 2011 its composition and the independence of its Directors. Following the resignations of Mr. D'Hinnin, Mr. Lamouche, and of The BlueBay High Yield Investment (Luxembourg) SARL, Atari's Board of Directors is composed as follows at the date of this document:

- Frank Dangeard, Chairman, Independent Director;
- Jim Wilson, Chief Executive Officer, Director (subject to the approval of the next AGM);
- Tom Virden, Independent Director;
- The BlueBay Value Recovery (Master) Fund Limited, represented by Gene Davis;
- Alexandra Fichelson, Director (subject to the approval of the next AGM).

27.2 Restructuring at Eden Games:

In April 2011 Atari announced a project to restructure Eden Games, its development studio headquartered in Lyon (France). The proposed plan aims to reduce the workforce to approximately 30 employees, adjusting costs to the size of the business and its revenues. The restructuring ended at the end of the first quarter of Fiscal Year 2010/2011. This restructuring is part of Atari's long-term strategy to adapt to the changing marketplace and direct resources against the most profitable business segments. Atari continually evaluates its resources to ensure that they are properly matched against its product slate and strategic goals.

27.3 Extension of the credit facility

As per addendum 12 signed on June 30, 2011, the Company and BlueBay have agreed the extension of a credit facility of €49 million to December 30, 2011.

27.4 Cryptic Studios divestiture:

In line with the previously stated strategy of fewer but more profitable releases and further expansion into casual online and mobile games, the Company has determined that external development creates more flexibility in the changing marketplace. Therefore, the Company has made the decision to divest itself from Cryptic Studios.

On May 31, 2011, Perfect World Co., Ltd. and Atari announced that they have entered into an agreement whereby Perfect World would acquire 100% equity interest in Cryptic Studios from Atari, the sole shareholder of Cryptic Studios. Under the stock purchase agreement, Perfect World will pay an aggregate purchase price of approximately €35.0 million in cash, subject to working capital and other adjustments as provided in the agreement. The consummation of the transactions contemplated in the agreement is subject to satisfaction of closing conditions.

28. AUDITORS' FEES

Auditors' fees of € 515,000 for the audit of the company and consolidated financial statements were recognized for the year ended March 31, 2011, no audit-related costs have been recognized this year.

	31-Mar-2011						31-Mar-2010			
	Mazars & Guérard		Deloitte & Associés		PIN Associés		PIN Associés		Deloitte & Associés	
€ in thousand	Euros	%	Euros	%	Euros	%	Euros	%	Euros	%
Audit										
- Statutory and contractual audits										
* Issuer	140		140				68		211	
* Fully-consolidated subsidiaries	150		75		10		23		193	
- Audit related work										
* Issuer							35		60	
* Fully-consolidated subsidiaries										
Sub total (1)	**290**	100%	**215**	100%	**10**	100%	**126**	100%	**465**	100%
Other Services										
- Other services										
- Other (describe if > 10% of audit fees)										
Sub total (1)	**0**	0%	**0**	0%	**0**	0%	**0**	0%	**0**	0%
TOTAL (1)+(2)	**290**	100%	**215**	100%	**10**	100%	**126**	100%	**465**	100%

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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 users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the Company 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 Company financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the Company financial statements. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meeting, we hereby report to you for the year ended March 31, 2011 on:

- the audit of the accompanying financial statements of ATARI SA,
- the justification of our assessments;
- the specific verifications and disclosures 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. These 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 includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of March 31, 2011 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

Without qualifying the above opinion, we draw your attention to the uncertainty in respect of the going concern principle mentioned in Note 2.1 to the financial statements:

- describing the main assumptions on which the Company's Senior Management relied to apply this principle, and
- stating that, should the Company's financial resources be insufficient, Senior Management believes that the Blue Bay credit line would be renewed beyond December 30, 2011.

II - Justification of our assessments

The accounting estimates used in the preparation of the financial statements for the year ended March 31, 2011 were made in the context of an undeniable difficulty in anticipating the economic outlook. These conditions are described in Note 2.1 to the financial statements. It is in this context and in accordance with Article L. 823-9 of the French Commercial Code (*Code de Commerce*) that we conducted our own assessments, which we bring to your attention:

- *Going concern principle*

As mentioned in the first part of this report, Note 2.1 to the financial statements describes the uncertainties surrounding the Company's ability to continue as a going concern. We have been led to review the provisions being considered in this respect.

On the basis of our procedures and the information provided to us to date and as part of our assessment of the accounting methods and principles used by the Company, we believe that the Note to the financial statements provides relevant information on the Company's position in regard of the above-mentioned uncertainty surrounding the Company's ability to continue as a going concern.

- *Investments, related receivables and provisions for subsidiary-related risks*

Note 2.2 to the financial statements sets out the policies and methods relating to the assessment and impairment of investments and related receivables, and the assessment of provisions for subsidiary-related risks.

Our procedures consisted in assessing the appropriateness of these accounting policies and methods, the data and assumptions on which such estimates are based and in verifying the calculations performed and the disclosures in the Notes.

These assessments were performed as part of our audit approach for the financial statements taken as a whole and therefore contributed to the expression of our opinion in the first part of this report.

III - Specific verifications and disclosures

We have also performed the other procedures required by law, in accordance with professional standards applicable in France.

We have no matters to report regarding the fair presentation and consistency with the financial statements of the information given in the management report of the Board of Directors and the documents addressed to the shareholders in respect of the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 25-102-1 of the French Commercial Code (*Code de Commerce*) relating to remunerations and benefits received by the corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.
Pursuant to the law, we have verified that the management report contains the appropriate disclosures as to the identity of and voting rights held by shareholders.

Villeurbanne and Courbevoie, July 27, 2011

The Statutory Auditors

DELOITTE ASSOCIES	**&** DOMINIQUE VALETTE
MAZARS	JEAN-PAUL STEVENARD

GENERAL INFORMATION CONCERNING THE COMPANY

NAME AND REGISTERED OFFICE (ARTICLES 3 AND 4 OF THE ARTICLES OF INCORPORATION)

Atari S.A.
Registered office:
78 rue Taitbout – 75 009 Paris - France

Telephone: + 33 (0) 4 26 68 93 59

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

Paris 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 3 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 three-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 THE 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 BYLAWS)

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 BYLAWS)

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 BYLAWS)

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 BYLAWS)

The Annual Shareholders' Meeting of December 17, 2001 resolved to amend the Company’s Bylaws 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 BYLAWS)

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 BYLAWS)

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, 2011, the Company had 24,328,970 shares with a par value of €1 each issued and outstanding, fully paid up, with a nominal value of €24,328,970.

AUTHORIZED CAPITAL

The Shareholders' Meeting will be asked to approve the financial statements for the year ended March 31, 2011 and renew the authorization to issue shares and securities with rights to shares of the Company, without preemptive rights for shareholders, by means of offerings governed by article L411-2 (II) of the French Monetary and Financial Code.

The Extraordinary Shareholders' Meetings of September 30, 2010 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 15th resolution.

Stock option plans

During Fiscal Year 2010/2011, the Company granted 330,000 stock options to its employees, out of which 40,000 have been cancelled before March 31, 2011.

As of March 31, 2011, 53,359,935 options remained outstanding (to subscribe to up to 1,834,731 shares), with a potential dilutive effect of 7.5% 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 hereafter:

	Plan N°11	Plan N°12	Plan N°13	Plan N°14	Plan N°15
Date of Shareholders' Meeting	29-May-2002	29-May-2002	29-May-2002	19-Jan-2005	27-Sep-2007
Date of Board of Dircetors' meeting	16-Sep-2003	3-Mar-2004	27-Jul-2004	7-Sep-2005	30-Jan-2008
Number of Stock Options granted (1)	3,037,439	422,480	1,549,093	5,936,813	155,270,440
Of which, to members of the Top Executive Management and Board of directors (2)	-	-	-	-	-
Starting date of the stock option exercise period	16-Sep-2003	3-Mar-2004	270/07/2004	7-Sep-2005	30-Jan-2008
Expiration date of stock option	16-Sep-2011	3-Mar-2012	27-Jul-2012	7-Sep-2013	30-Jan-2008
Exercise price of stock options (€) (1)	165.62	125.36	68.62	30.33	10.48
Vesting of stock options granted	25%/year	25%/year	25%/year	25%/year	1/3 / year*
Total number of stock options outstanding on March 31, 2010	2,579,954	422,480	1,193,507	3,078,004	44,771,716
Stock options exercised between April 1, 2010 and March 31, 2011	-	-	-	-	-
Stock options canecelled between April 1, 2010 and March 31, 2011	-	-	-	-	-
Total number of stock options outstanding on March 31, 2011	2,579,954	422,480	1,193,507	3,078,004	44,771,716
Of which, to members of the Top Executive Management and Board of directors (2)	-	-	-	-	-

	Plan N°16	Plan N°17	Plan N°18	Plan N°19	Plan N°20
Date of Shareholders' Meeting	27-Sep-2007	27-Sep-2007	28-Sep-2007	29-Sep-2007	29-Sep-2007
Date of Board of Dircetors' meeting	2-Mar-2008	9-Sep-2008	25-May-2009	12-Feb-2010	22-Jul-2010
Number of Stock Options granted (1)	130,476,742	344,390	1,304,696	355,000	330,000
Of which, to members of the Top Executive Management and Board of directors (2)	-	-	*1,304,696*	*120,000*	-
Starting date of the stock option exercise period	2-Mar-2008	9-Sep-2008	25-May-2009	12-Feb-2010	22-Jul-2010
Expiration date of stock option	2-Mar-2016	9-Sep-2016	25-May-2017	12-Feb-2018	22-Jul-2018
Exercise price of stock options (€) (1)	13.18	12.07	4.75	4.28	4
Vesting of stock options granted	1/3 / year*	1/3 / year	1/3 / year*	1/3 / year (3)	1/3 / year
Total number of stock options outstanding on March 31, 2010	-	110,000	1,304,696	355,000	330,000
Stock options exercised between April 1, 2010 and March 31, 2011			-	-	-
Stock options cancelled between April 1, 2010 and March 31, 2011	-	-	635,422	110,000	40,000
Total number of stock options outstanding on March 31, 2011	-	110,000	669,274	245,000	290,000
Of which, to members of the Top Executive Management and Board of directors (2)	-	-	*669,274*	-	-

(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, (viii) the issue of free warrants exercisable into shares or ORANE in December 2009.
(2) Members during Fiscal Year 2010/2011
(3)For some of the employees which were granted stock options, vesting period over 2.5 years vs. 3 years.
** Subject to performance criteria*

Grants of free shares

As of March 31, 2011, a total of 223,000 free shares granted under existing plans were outstanding, representing 0.9% of the Company's total capital on that date.

The principal features of Atari share grant plans currently in effect are described in "Corporate officers" section 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. In January 2010 the ratio was further adjusted to 0.27266 shares to reflect the issue of free warrants to purchase shares or ORANE.

As of March 31, 2011 there were a total of 135,031 OCEANE 2011 bonds still outstanding, which could be converted into or exchanged for 36,818 Atari shares. If all of these bonds were converted into new shares, this would have a dilutive effect of 0.2% on the Company's capital as of March 31, 2011. As of July 2, 2011, these bonds will no longer have potential dilutive impact on the company share capital as they will be reimbursed on July 1, 2011.

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.

Since April 1, 2009, the OCEANE bondholders are no longer able to convert their bonds into new Atari shares or exchange them for existing shares, the OCEANE have no dilutive impact since that date. As of March 31, 2011 a total of 82,906 OCEANE 2020 bonds were still outstanding.

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.

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. Taking into account the adjustment made to the related exchange parities in January, 2010, one ORANE 2008 bond is redeemable for 9.97 new or existing shares.

As of March 31, 2011 there were 5,253 ORANE 2008 bonds outstanding. If all of the bonds were redeemed this would result in the issue of 52,372 shares with a dilutive effect of 0.2% on the Company's capital as of March 31, 2011.

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.

Taking into account the adjustment made to the related exchange parities in January, 2010, 1.12 warrant is exercisable for one new share at a price of €6.

As of March 31, 2011 a total of 2,063,174 "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 2,310,755 shares with a dilutive effect of 9.5% on the Company's capital as of March 31, 2011.

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.

Taking into account the adjustment made to the related exchange parities in January 2010, one ORANE 2009 bond is redeemable for 29.29 new or existing shares.

As of March 31, 2011 there were 384,945 of these ORANE 2009 bonds outstanding. If all the bonds were redeemed this would result in the issue of 11,275,039 new shares with a dilutive effect on the Company's capital of 46.3% as of March 31, 2011.

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.

Taking into account the adjustment made to the related exchange parities in January 2010, one ORANE 2009 bond is redeemable for 18.96 new or existing shares.

As of March 31, 2011 there were 1,335,591 of these ORANE 2009 bonds outstanding. If all the bonds were redeemed this would result in the issue of 25,322,805 new shares with a dilutive effect on the Company's capital of 104.1% as of March 31, 2011.

Bonds redeemable for new or existing shares issued in January 2010 in connection with the issue of free warrants to purchase new shares or ORANE ("ORANE 2010 bonds") – ISIN code FR0010833053

In December 2009, Atari launched a financial transaction, which was finalized in January 2010, resulting from the free allocation of warrants to its shareholders entitling them to subscribe, at the option of Warrant holders, to new shares and/or to bonds redeemable into new or existing shares ("the ORANE 2010 bonds"), under the conditions set out in the prospectus which received the AMF visa number 09-367 on December 10th, 2009.

In January 2010, the Company issued 156,428 bonds redeemable for new or existing shares ("ORANE 2010 bonds", ISIN FR0010833053), maturing on April 1, 2015. The bonds have a nominal value of €100 each and are redeemable for 26.39 new or existing shares. 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, 2011 there were 155,117 of these ORANE 2010 bonds outstanding. If all the bonds were redeemed this would result in the issue of 4,093,538 new shares with a dilutive effect on the Company's capital of 16.8% as of March 31, 2010.

No other securities exist carrying a right to the Company's capital other than those described above.

FINANCIAL INSTRUMENTS OR COMMITMENTS WHICH CARRIED RIGHTS TO SHARES

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.

In Fiscal Year 2010/2011, Category A convertible bonds have been cancelled as *Champions Online* online revenues did not met the earn out targets. As of March 1st, 2010, as part of the payment of the earn out based on *StarTrek Online* online revenues, the aggregate number of deferred consideration shares issuable upon the conversion of 1,056,478 Category B Convertible bonds amounted to 264,769 shares.

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 right 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.

In Fiscal Year 2010/2011, *Champions Online* online revenues did not meet the earn out targets. As of March 1st, 2010, as part of the payment of the earn out based on *StarTrek* Online online revenues, the aggregate number of deferred consideration shares issuable upon the debt obligation amounted to 118,748 shares.

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.

In regards with *Champions Online* and *StarTrek* Online online revenues, no bonus payment is due.

INFORMATION CONCERNING THE POTENTIAL DILUTION OF THE COMPANY'S CAPITAL

(As of March 31, 2011)

Potentially dilutive securities	Issue date	Number outstanding on March 31, 2011 (6)	Exercise price in euros (1)	Identity of holders	Maturity	Number of shares for which securities can be exercised (2)	Potential dilution from the exercise of the securities (% of capital stock on March 31, 2011)
Stock options				Persons referred to in sections L225-177 and L-225-180 of the Commercial Code			
	9/16/2003	2,579,954	165.62	**(4)**	9/16/2011	25,800	
	03/03/2004	422,480	125.36	**(4)**	03-03-12	4,225	
	7/27/2004	1,193,507	68.62	**(4)**	7/27/2012	11,935	
	09/07/2005	3,078,004	50.33	**(4)**	09-07-13	30,780	
	1/30/2008	44,771,716	11.39	**(4)**	1/30/2016	447,717	
	09/09/2008	110,000	13.12		09-09-16	110,000	
	5/25/2009	343,100	4.76		5/25/2017	343,100	
	5/25/2009	326,174	4.76		5/25/2017	326,174	
	2/12/2010	245,000	4.28		02/12/2018	245,000	
	07/22/2010	290,000	4		07/22/2018	290,000	Total =
Total		**53,359,935**				**1,834,731**	7.5%
OCEANE 2000/2011	5/18/2000	135,031		Public **(5)**	07/01/2011	36,818	0.2%
ORANE bonds (FR0010560615)	01/04/2008	5,253		Public	04/01/2014	52,372	0.2%
ORANE bonds (FR0010690081)	1/27/2009	384,945		Bluebay approx. 89% + public	04/01/2014	11,275,039	46.3%
ORANE bonds (FR0010696153)	02/10/2009	1,335,591		Bluebay approx. 99% + public	04/01/2014	25,322,805	104.1%
ORANE bonds (FR0010833053)	01/22/2010	155,117		BlueBay approx. 98% + public	04/01/2015	4,093,538	16.8%
Warrants (FR0010690099)	1/27/2009 02/06/2009	2,063,174	6.0	Bluebay approx 81% + public	12/31/2012	2,310,755	9.5%
Free shares	6/19/2007 09-09-08	223,000		**(3)**		223,000	0.9%
Total						**45,149,058**	**185.6%**

(1) *All figures have been adjusted as required by law to reflect the following events: (i) share 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) issuance of stock warrants on January 4, 2005, (iv) distribution of bonus stock warrants to the Company's shareholders on December 22, 2006, (v) rights offering and grant of warrants of January 24, 2007, (vi) March 4, 2008 reverse stock split approved by the shareholders' meeting of November 15, 2006 (vii) December 2008 rights offering of ORANE bonds with warrants and (viii) December 2009 rights offering of free warrants to subscribe to shares or ORANE.*

(2) *The number of shares was adjusted to reflect the reverse stock split of March 4, 2008, approved by the shareholders' meeting of November 15, 2006.*

(3) *Under authority granted by the shareholders' meeting of November 15, 2006 and September 25, 2008, the board of directors, at its meetings of June 19, 2007, February 27, 2008, March 2, 2008 and September 9, 2008 granted an aggregate of 1,511,633 free shares to Patrick Leleu, Mathias Hautefort, Michel Combes and Fabrice Hamaide, of which grants for 1,024,216 were subsequently cancelled. As of March 31, 2009, Patrick Leleu and Michel Combes no longer held any shares awarded to them. As of March 31, 2010, Mr. Fabrice Hamaide still held 223,000 free shares.*

(4) *Stock options granted prior to the reverse stock split of March 4, 2008 became exercisable on the basis of 100 options for one share. Stock options granted subsequent to that date are each exercisable for one Company share.*

(5) *OCEANE 2000/2011 bonds have been reimbursed in cash as of July 1, 2011. OCEANE 2003-2020 are no more convertible or exchangeable since April 1st, 2009.*

CHANGES IN THE COMPANY'S CAPITAL

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		
2008-2009						
06/30/2008 Exercise of stock warrants and conversion of ORANE bonds		12,946,939	103.823	1,081,206		12,946,939
07/31/2008 Exercise of stock warrants		12,947,390	451	6.314		12,947,390
08/11/2008 Conversion of ORANE bonds		12,967,689	20.299	207.54		12,967,689
08/31/2008 Exercise of stock warrants		12,968,089	400	5.6		12,968,089
09/30/2008 Exercise of stock warrants		12,968,329	240	3.36		12,968,329
10/31/2008 Exercise of stock warrants		12,968,452	123	1.722		12,968,452
11/12/2008 Conversion of ORANE		12,973,874	5,422	55,478		12,973,874
11/30/2008 Exercise of warrants		12,973,934	60	1,722		12,973,934
12/31/2008 Exercise of warrants		12,974,026	92	1,288		12,974,026
02/28/2009 Exercise of warrants		12,974,597	571	2,900		12,974,597
03/31/2009 Exercise of warrants		12,975,860	1,263	12,321		12,975,860
2009/2010						
04/30/2009 Redemptions of OCEANE bonds	(1)	12,976,069	209	1,720		12,976,069
05/31/2009 Redemptions of OCEANE bonds	(1)	12,976,105	36	11.273		€12,976,105
05/31/2009 Conversion of ORANE bonds and exercise of warrants	(2)	13,186,691	210,586	676.361		€13,186,691
06/30/2009 Exercise of warrants	(2)	13,187,486	795	5.091		€13,187,486
07/31/2009 Exercise of warrants	(2)	13,188,044	558	5.631		€13,188,044
08/31/2009 Redemptions of ORANE bonds	(2)	13,268,178	80,134	242.966		€13,268,178
08/31/2009 Exercise of warrants	(2)	13,269,203	1,025	5.62		€13,269,203
09/30/2009 Exercise of warrants	(2)	13,270,047	844	4,499		€13,270,047
10/30/2009 Exercise of warrants	(2)	13,279,438	9,391	67,169 (4)		€13,279,438
11/30/2009 Exercise of ORANE	(2)	13,494,001	214,563	688,037		€13,494,001
11/30/2009 Exercise of warrants	(2)	13,494,411	410	2,464		€13,494,411
12/31/2010 Exercise of warrants	(2)	13,500,973	6,562	72,626		€13,500,973
01/22/2010 Creation of 7,610,895 new shares	(3)	21,111,868	7,610,895	19,788,327		€21,111,868
03/31/2010 Exercise of warrants	(2)	21,113,623	1,755	7,612 (5)		€21,113,623

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		
2010/2011						
07/22/2010 Capital increase	(6)	21,128,355	14,732	14,732		21,128,355
07/22/2010 Exercise of warrants and ORANE	(7)	21,234,302	105,947	312,750		21,234,302
09/30/2010 Exercise of ORANE	(7)	23,886,590	2,652,288	11,301,812		23,886,590
02/27/2011 Exercise of warrants	(7)	23,886,679	89	382		23,886,679
02/27/2011 Exercise of ORANE	(7)	23,936,523	49,844	133,056		23,936,523
02/27/2011 Payment of the Cryptic earn out	(8)	24,320,040	383,517	2,572,877		24,320,040
02/28/2011 Exercise of ORANE	(7)	24,328,871	8,831	31,869		24,328,871
03/31/2011 Exercise of warrants	(7)	24,328,970	99	430		24,328,970

(1) 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.
(2) Pursuant to the authorization granted in the 2nd resolution of the Extraordinary Shareholders' Meeting of January 19, 2009, issue of new shares on exercise of "2006-2007 warrants" and of "2009 warrants" and 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 1st resolution of the Extraordinary Shareholders' Meeting of January 19, 2009, issue of shares to redeem "ORANE 2009" bonds issued in connection with the ORANE-BSA issue carried out in January 2009.
(3) Pursuant to the authorization granted by the annual shareholders meeting of January 19, 2009, 7 610 895 new shares have been issued in connection with the free warrant issue in January 2010 (as described in the prospectus filed with the AMF under visa n°09-367 as of December 2009).
(4)Premium figures do not include the amount of the monetary compensation if any, which is decreasing the amount of the issuance premium.
(5) Cumulated data of transactions occurred in February and March 2010.
(6) Capital increase resulting from the vesting of 14,732 free shares to Mathias Hautefort, as permitted by the 16th resolution adopted by the special shareholders' meeting of November 15, 2006 which granted the Board of Directors full authority to carry out equity issues as required by the vesting of share awards.
(7) Pursuant to the authorization granted by the annual shareholders meeting of September 25, 2008 and January 19, 2009
(8) Pursuant to the authorization granted by the annual shareholders meeting of September 25, 2008 and September 30, 2009 issue of 383,517 shares as part of the earn out payment related to the acquisition of Cryptic Studios.

STOCK OWNERSHIP AND VOTING RIGHTS

As of March 31, 2011, the Company's shareholders were entitled to an aggregate of 24,345,974 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, 2011:

Ownership	Number of shares	(%)	Number of voting rights	(%)
BlueBay(1)	4,216,801	17.3%(3)	4,216,801	17.3%
Public(2) (3)	20,112,169	82.7%	20,129,173	82.7%
Total	**24,328,970**	**100.00%**	**24,345,974**	**100.00%**

1. *Through the BlueBay funds. As of March 31, 2010, on a fully-diluted basis, BlueBay owns 65% of the Company's shares and of the voting rights.*
2. *Including GLG, which notified the Company that it hold on November 3, 2010 2,137,910 Company shares (or 8.95% of those outstanding on that date) and 2,137,910 voting rights (or 8.94% of shareholder's voting rights on that date), as well as 15,241 ORANE that could be converted into 400,229 shares and 5,210 warrants that can be exercised by December 2012. On April 13, 2011, GLG notified the Company that it hold 1,741,924 shares (or*

7.16% of the outstanding number of shares at that date, representing 7.15% of the voting rights).
(3) Including 2,470 treasury 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, 2011, no other shareholder owned, alone or in concert, 5% or more of the shares or voting rights.

CROSSING OF REPORTING THRESHOLDS IN THE PERIOD FROM MARCH 31, 2009 TO JUNE 30, 2010

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 January 29, 2010, BlueBay (comprised of The BlueBay Value Recovery (Master) Fund Limited and The BlueBay Multi-Strategy (Master) Fund Limited), crossed, passively as a result of the financial transaction, the reporting thresholds of 30%, 28%, 26%, 24%, 22%, and 20%. The BlueBay Value Recovery (Master) Fund Limited crossed, passively as a result of the financial transaction, the reporting thresholds of 24%, 22%, 20%, 18% and 16%. The BlueBay Multi-Strategy (Master) Fund Limited, crossed, passively the reporting thresholds of 4%. As a result, as of January 27, 2010, BlueBay hold 19.16% of the Company outstanding shares and 19.14% of the voting rights. At the same date, The BlueBay Value Recovery (Master) Fund Limited hold 15.81% of the Company outstanding shares and 15.80% of the voting rights and The BlueBay Multi-Strategy (Master) Fund Limited hold 3.35% of the Company outstanding shares and 3.34% of the voting rights.
- By letter dated October 4, 2010, GLG Partners LP informed the Company that it crossed on August 11, 2010 the reporting thresholds of 5% and 10%. As a result, as of October 4, 2010, GLG Partners LP hold 2,614,413 shares representing 10.95% of the share capital and 10.94% of the voting rights at that date.
- By letter dated November 3, 2010, GLG Partners LP informed the Company that it crossed the reporting thresholds of 10%. As a result, as of November 3, 2010, GLG Partners LP hold 2,137,910 shares representing 8.95% of the share capital and 8.94% of the voting rights at that date.
- By letter dated April 19, 2011, GLG Partners LP informed the Company that it crossed the reporting thresholds of 8%. As a result, as of April 13, 2011, GLG Partners LP hold 1,741,924 shares representing 7.16% of the share capital and 7.15% of the voting rights at that date.

TRADING BY THE COMPANY IN ITS OWN STOCK

Treasury share

As of March 31, 2011, total treasury shares amounted to 2,470 treasury shares directly owned by the Company.

Liquidity agreement

On March 8, 2011, Atari ended the liquidity contract it had with CA Cheuvreux. At that date, the account showed 0 shares and € 131,191.82 in cash.

As of December 31, 2010, the account under the market-making agreement between the Company and Crédit Agricole Cheuvreux showed 38,500 shares and € 3,318.03.

From October 1st, 2009, when the share buy-back program went into effect following the authorization granted by the Annual shareholders meeting of September 30th, 2009, through September 30th, 2010, when the annual and special shareholders' meeting resolved to terminate, effective immediately, the authority to trade in the Company's shares, the total purchases under the liquidity agreement represented 135,011 shares (0.57% of the share capital) worth €759,572.31 and total sales represented 102,084 shares (ie 0.43% of the share capital) worth of €560,251.00.

From September 30, 2010, following the authorization granted by the Annual shareholders meeting, until the end of the liquidity contract on March 8, 2011, the total purchases under the liquidity agreement represented 73,009 shares (0.30% of the share capital) worth €241,264 and total sales represented 86,009 shares (ie 0.35% of the share capital) worth of €299,224.

Share buyback program

The shareholders' meeting of September 30, 2010 granted the Board of Directors authority, for a period of eighteen months, to buy back up to 10 percent of the Company's shares outstanding, as measured on the date the Board of Directors makes use of this authority, provided, however, that the aggregate number of its own shares held by the Company as a result of such buybacks may under no circumstances exceed 10 percent of those outstanding. The authority expires on March 30, 2012.

The purposes of the new share buyback program include the making of a market, the payment for acquisitions in shares as well as the use of shares in the event of the exercise of instruments with rights to Company shares.

The current share buyback program was, until March 8, 2011, carried out under the market-making agreement in compliance with the AFEI code of conduct, entered into on April 7, 2009 with Crédit Agricole Cheuvreux, with an initial contribution of €200,000 and no shares, essentially intended for making a market in the shares. As of March 8, 2011, the Company decided to end this contract.

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 (€)
The BlueBay Value Recovery Fund Limited Member of the Board of Directors	Exchange	02-11-09	1,320,547 warrants	100 warrants 2007 for 1 warrant 2009	
The BlueBay Multi-Strategy Fund Limited Member of the Board of Directors	Exchange	02-11-09	119,028 ORANE bonds	1 ORANE 2008 bond for 1 ORANE 2009	
The BlueBay Value Recovery Fund Limited Member of the Board of Directors	Exchange	02-11-09	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	02-11-09	649 warrants	100 warrants 2007 for 1 warrant 2009	
The BlueBay Multi-Strategy Fund Limited Member of the Board of Directors	Subscription	01-22-2010	26,672 ORANE bonds	100	22,667,200
The BlueBay Value Recovery Fund Limited Member of the Board of directors	Subscription	01-22-2010	125,964 ORANE bonds	100	12,569,400
The BlueBay Value Recovery Fund Limited Member of the Board of directors	ORANE exercise	10-08-10	171,910 shares	NA	171,910 shares

CHANGES IN OWNERSHIP DURING THE FISCAL YEAR

The table below shows changes in treasury shares held by the Company since March 31, 2008:

	March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011*
Trading to maintain an orderly market	-	-	23,600*	-
Other	2,470	-	-	-
Total	**2,470**	**-**	**23,600**	**-**

**On March 8, 2011, the Company ended the liquidity contract it had with CA Cheuvreux.*

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 Year. 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:

	March 31, 2011			March 31, 2010			March 31, 2009		
Shareholders	Shares	% capital	% voting rights	Shares	% capital	% voting rights	Shares	% capital	% voting rights
Principal founders (1)					(1)				
The BlueBay Value Recovery (Master) Fund	4,216,801	17.33%	17.32%	4,044,891	16.63%	16.61%	4,044,891	16.63%	16.61%
GLG	2,137,910	8.79%	8.78%	483,245	1.99%	1.98%	641,484	2.64%	2.63%
Treasury shares	2,470	0.01%	-	26,070	0.11%	-	2,470	0.01%	-
Public (2)	17,965,027	73.84%	73.79%	16,552,655	68.04%		8,280,253	34.03%	
Total	24,328,970	100%	100%	21,113,623	100%	100%	12,975,860	100%	100%

(1) Directly or indirectly held by Bruno Bonnell, Christophe Sapet and Thomas Schmider. As of March 31, 2009, March 31, 2010 and March 31, 2011, the principal founders together held, either directly or indirectly, less than 1% of the capital stock and voting rights.
(2) Including employees, whose holding is less than 0.5% of the capital stock.

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, 2011 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. A new amendment to the agreement was signed in the fourth quarter of 2009/2010 for the purposes of extending the facility's expiration date to December 31, 2010.

As of March 31, 2011, a total of approximately €7 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: 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.

The table below shows the carrying amount of the assets pledged by the Group (other than Atari Inc.) as of March 31, 2011 (€ 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, 2011	-	€12.7	0.0%
Financial assets (2)	April 16, 2003 (renewed on April 13, 2006)	December 31, 2011	€214.3	€239.3	89.6%

(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, 2011 and is the only relevant value, as the subsidiaries concerned are consolidated. The balance sheet amount is the

[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.

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, 2010.

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.

OTHER GUARANTEES

The Company is guarantor of Atari Europe's obligations to production funds; the aggregate amount guaranteed as of March 31, 2010 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

	Monthly highs and lows		**Trading volume**	**Volume of shares traded (€ millions)**
	High (euros)	Low (euros)		
2010				
January	5.20	4.00	3,807,727	17.3824
February	4.46	3.67	1,777,208	7.2146
March	4.36	3.93	1,608,870	6.7028
April	4.80	4.05	3,107,919	13.8350
May	5.05	3.35	4,118,693	18.3535
June	4.70	3.76	2,667,276	11.2355
July	4.27	3.65	1593895	6.3442
August	3.92	3.48	1051426	3.8497
September	4.03	3.50	1410784	5.3191
October	4.07	3.71	3036845	11.7979
November	3.87	2.61	3552864	11.1389
December	2.97	2.60	1669163	4.6327
2011				
January	3.44	2.73	3936920	12.2187
February	3.66	2.93	4041484	13.1568
March	3.26	2.80	2842640	8.5545
April	3.29	2.85	2810053	8.4431
May	3.23	2.81	3138416	9.2163
June	2.92	2.63	1807003	4.9703

(Source: Nyse Euronext)

2009 STOCK WARRANTS - ISIN CODE: FR0010690099

	Monthly highs and lows		Trading volume	Volume of shares traded (€ millions)
	High (euros)	Low (euros)		
2010				
January	2.42	1.98	19,534	0.0433
February	2.40	2.02	5,257	0.0112
March	2.40	2.02	8,684	0.0188
April	2.64	2.25	9,902	0.0234
May	2.70	1.90	14,883	0.0308
June	2.48	1.95	5,666	0.0121
July	2.20	1.81	4,704	0.0091
August	2.00	1.70	10,054	0.0190
September	1.99	1.71	5,293	0.0098
October	2.15	1.77	9,475	0.0190
November	1.98	1.40	8,195	0.0132
December	1.40	0.80	11,435	0.0127
2011				
January	1.50	0.88	9,683	0.0100
February	1.44	0.92	8,201	0.0087
March	1.09	0.81	15,082	0.0149
April	1.18	0.84	14,632	0.0142
May	0.99	0.79	13,627	0.0113
June	0.77	0.70	2,241	0.0016

(Source: Nyse Euronext)

ORANE 2008 BONDS (REDEEMABLE FOR NEW OR EXISTING SHARES) – ISIN CODE: FR0010560615

	Monthly highs and lows		Trading volume	Volume of shares traded (€ millions)
	High (euros)	Low (euros)		
2010				
January				
February	32.55	30.00	34	0.0011
March	30.00	30.00	1	0.0000
April	31.00	31.00	4	0.0001
May	-	-	-	-
June	31.09	31.09	1	0.0000
July	-	-	-	-
August	29.80	29.80	203	0.0060
September	-	-	-	-
October	30.00	30.00	33	0.0010
November	-	-	-	-
December	-	-	-	-
2011				
January	29.45	20.01	305	0.0088
February	31.50	21.00	29	0.0007
March	26.61	26.60	58	0.0015
April	27.50	25.10	13	0.0003
May	-	-	-	-
June	26.00	25.10	12	0.0003

(Source: NYSE Euronext)

ORANE 2009 BONDS (REDEEMABLE FOR NEW OR EXISTING SHARES) – ISIN CODE: FR0010690081

	Monthly highs and lows		Trading volume	Volume of shares traded (€ millions)
	High (euros)	Low (euros)		
2010				
January	123.00	111.44	313	0.0375
February	115.00	101.70	358	0.0392
March	108.00	103.00	263	0.0276
April	126.00	103.55	317	0.0368
May	125.00	108.30	243	0.0294
June	120.50	110.20	178	0.0200
July	110.50	104.44	30	0.00329
August	102.00	99.22	79	0.00798
September	104.00	99.22	224	0.02261
October	105.10	100.05	362	0.03754
November	104.00	81.50	516	0.04803
December	81.50	76.00	430	0.03331
2011				
January	88.00	76.00	582	0.04657
February	87.50	80.02	254	0.02161
March	84.00	77.00	301	0.02440
April	90.00	72.80	38	0.00336
May	85.00	76.01	345	0.0274
June	80.10	72.01	189	0.0146

(Source: NYSE Euronext)

ORANE 2009 BONDS (REDEEMABLE FOR NEW OR EXISTING SHARES) – ISIN CODE: FR0010696153

	Monthly highs and lows		Trading volume	Volume of shares traded (€ millions)
	High (euros)	Low (euros)		
2010				
January	87.40	75.02	214	0.0167
February	109.00	109.00	164	0.0179
March	-	-	-	-
April	105.00	104.00	244	0.0256
May	-	-	-	-
June	-	-	-	-
July	-	-	-	-
August	-	-	-	-
September	-	-	-	-
October	88.33	88.33	10	0.0009
November	88.49	88.33	147	0.0130
December	-	-	-	-
2011				
January	71.00	71.00	8	0.0006
February	71.00	65.00	171	0.0121
March	-	-	-	-
April	66.00	65.00	64	0.0042
May	65.00	65.00	77	0.0050
June	-	-	-	-

(Source: NYSE Euronext)

ORANE 2010 BONDS (REDEEMABLE FOR NEW OR EXISTING SHARES) – ISIN CODE: FR0010833053

	Monthly highs and lows		Trading volume	Volume of shares traded (€ millions)
	High (euros)	Low (euros)		
2010				
January	95.11	95.10	58	0.0055
February	105.00	90.25	739	0.0749
March	93.00	93.00	2	0.0002
April	106.06	100.80	52	0.0055
May	105.00	95.75	201	0.0194
June	105.00	95.75	58	0.0060
July	97.00	96.00	16	0.0015
August	86.41	86.41	6	0.0005
September	-	-	-	-
October	87.60	86.41	28	0.0024
November	87.60	87.60	10	0.0009
December	94.00	82.95	240	0.0205
2011				
January	-	-	-	-
February	60.01	58.00	32	0.0019
March	-	-	-	-
April	69.50	68.00	5	0.0003
May	65.86	65.86	2	0.0001
June	65.86	65.86	2	0.0001

(Source: NYSE 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	Volume of shares traded (€ millions)
	High (euros)	Low (euros)		
2010				
January	-	-	-	-
February	1.15	1.15	2,396	0.00276
March	1.17	1.17	2,961	0.00346
April	-	-	-	-
May	-	-	-	-
June	-	-	-	-
July	-	-	-	-
August	-	-	-	-
September	1.11	1.11	1,000	0.00111
October	-	-	-	-
November	-	-	-	-
December	1.15	1.08	6,226	0.00694
2011				
January				-
February	1.0800	1.0800	1,066	0.0012
March	1.1900	1.1900	383	0.0005
April	-	-	-	-
May	1.2600	1.2600	350.0000	0.0004
June	1.3200	1.3200	300.0000	0.0004

(Source: NYSE 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	Volume of shares traded (€ millions)
	High (euros)	Low (euros)		
2009				
April	-	-	-	-
May	-	-	-	-
June	-	-	-	-
July	-	-	-	-
August	0.70	0.70	600	0.00042
September	-	-	-	-
October	1.12	0.80	3,533	0.00367
November	-	-	-	-
December	1.11	1.11	4	0.00000
2010				
January	-	-	-	-
February	1.15	1.15	2396	0.00276
March	1.17	1.17	2961	0.00346
April	-	-	-	-
May	-	-	-	-
June	-	-	-	-
July	-	-	-	-
August	-	-	-	-
September	1.11	1.11	1000	0.00111
October	-	-	-	-
November	-	-	-	-
December	1.15	1.08	6226	0.00694
2011				
January	-	-	-	-
February	1.0800	1.0800	1,066.0000	0.0012
March	1.1900	1.1900	383.0000	0.0005
April	-	-	-	-
May	1.2600	1.2600	350.0000	0.0004
June	1.3200	1.3200	300.0000	0.0004

(Source: NYSE Euronext)

DIVIDENDS

The Company has not paid any dividends for the past five Fiscal Year and the Board does not anticipate that it will propose a dividend for Fiscal Year 2010/2011.

CORPORATE GOVERNANCE

MANAGEMENT, SUPERVISORY AND OVERSIGHT BODIES

As of the date of the present document, the Board of Directors has the following membership:

- Frank E. Dangeard, Chairman, independent director;
- Jim Wilson, Chief Executive Officer and director (subject to the approval of the next shareholders meeting);
- Tom Virden, independent director;
- The BlueBay Value Recovery (Master) Fund Limited, represented by Gene Davis;
- Alexandra Fichelson, director (subject to the approval of the next shareholders meeting).

Directors are elected by the Shareholders' Meeting for terms of three years.

The Board has set up two permanent committees to help it carry out its assignment: the Audit Committee and the Nomination 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 146-151).

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, 2010 to the date of the filing of the present document:

Name	Date of appointment	Term ends (at the close of the AGM called to approve the financial statements for the year ending 03/31)	Main function in the Company	Main position currently held outside the Company	Age and nationality	Other offices and positions held over the past five years
Frank E. Dangeard	March 15, 2009	2012	Independent Director Director and Chairman of the Board Chairman of the Audit Committee (since April 2011) and member of the Nomination and Compensation Committee		53-year old French	Current offices and positions • Managing Director of Harcourt • Director of Crédit Agricole CIB, Moser Baer (India), Sonaecom (Portugal), Symantec (USA), Telenor (Norway). Member or Chairman of boards or strategy committees of a number of non-listed companies and non-profit organizations. Past offices and positions • From Sept. 2002 to Sept. 2004: Senior Executive Vice-President of France Telecom • From Sept. 2004 to Feb. 2008: Chairman & CEO of Thomson • Until 2009: EDF - Director and Chairman of the audit committee
Jim Wilson*	Director and CEO since 12/23/2010 Director and COO (10/25/10 to 12/23/10)	2012	CEO (since Dec. 2010) and Director (since Oct. 2010)	NA	47 – year old USA	Past offices or positions: • Deputy CEO Atari SA, • CEO and President, Atari Inc • EVP/GM, Sony Wonder
Tom Virden	April 16, 2010	2012	Independent Director Chairman of the Nomination and Compensation Committee Member of the Audit Committee	Founder and Managing Director of Boatbookings.com	54-year old USA	Current offices or positions: • Board of Directors, SweetBeam Networks SAS Past offices or positions: • International Vice President, Lastminute.com, • Number of senior positions at technology companies, including Head of European Websites at Netscape Communications and Vice President, Marketing at Digidesign, variety of marketing and product management role at Apple.

Name	Date of appointment	Term ends (at the close of the AGM called to approve the financial statements for the year ending 03/31)	Main function in the Company	Main position currently held outside the Company	Age and nationality	Other offices and positions held over the past five years
BlueBay Value Recovery (Master) Fund Limited Represented by: **Eugene Davis**	Nov. 15, 2006 Appointed by BlueBay on Dec. 10, 2009	2013	Director Member of the Audit Committee and of the Nomination and Compensation Committee	Chairman of Pirinate Consulting Group, LLC.	56-year old USA	Past offices or positions: • Independent chairman of the Board of Directors and chairman of the audit committee of more than fifteen corporations
Alexandra Fichelson*	July 13, 2011	2014	Director General Secretary	NA	35-year old French	Past offices and positions Various financial positions at Vivendi and SFR
Directors during Fiscal Year 2010/2011 who resigned before June 30, 2011						
Didier Lamouche	Nov. 26, 2007	2011	Resigned in June 2011 Independent director	Since January 2011: COO of ST Microelectronics	52-year old French	Current offices and positions • Since 2005: Director of Soitec Past offices and positions • From 2004 to 2010: Director then Chief Executive Officer of Bull Group From 2006 to 2010: Director of STMicroelectronics • From 1999 to 2009: CEO and Managing Partner of Altis Semiconductor • From 2005 to 2007: director of Cameca From 2003 to 2005: Vice-President in charge of semiconductor industrial transactions of IBM
Dominique D'Hinnin	Nov. 22, 2005	2013	Resigned in Mar. 2011 Independent Director	Since 1998: co-Managing Partner of Lagardère SCA	52-year old French	Current offices and positions • Chairman and General Manager, Ecrinwest 4 SA and Chief Operating Officer, Arjil Commanditee-Arco SA • Member of the Supervisory Board and of the Audit Committee, Canal + France SA • Member of the Board of Directors, European Aeronautic Defence and Space Company – EADS NV (The Netherlands)

Name	Date of appointment	Term ends (at the close of the AGM called to approve the financial statements for the year ending 03/31)	Main function in the Company	Main position currently held outside the Company	Age and nationality	Other offices and positions held over the past five years
						• And EADS Participartions B.V.(The Netherlands) Several Director positions at the Lagardère Group and on Lagardère affiliates and participations
Jeff Lapin	Dec. 10, 2009	2011	Resigned in Dec. 2010 Director and CEO	N/A	55-year old USA	Past offices and positions From 2002 to 2007: • Managing Director of Take Two Interactive Software (USA) • Managing Director of RazorGator Interactive Group Director of the following companies: • 411 Web Interactive (USA) • In-Fusio (USA)
Pascal Cagni	June 13, 2008	2012	Resigned in Oct. 2010 Independent director	Since 2000: Vice-President and EMEIA (Europe, Middle-East, India and Africa) Managing Director at Apple	55-year old French	Current offices and positions • Independent director of Banque Transatlantique (Credit Mutuel/CIC) Past offices and positions • In 2006: Independent director of Egg Plc.
BlueBay High Yield Investments (Luxembourg) SARL Represented by **Nolan Bushnell**	April 16, 2010	2011	Resigned in April 2011 Director	Chairman and founder of Tapcode, Inc.	68-year old USA	Current offices or positions: • Wave Systems Corp. • AirPatrol Corp. Past offices or positions: • Co-founder of the original Atari Corporation and funder of Chuck E. Cheese's Pizza Time Theater • Founder of numerous companies, including Catalyst Technologies, Etak, Androbot, Axlon and ByVideo, • Provided consulting services to numerous corporations, including Commodore International, IBM, Cisco Systems and US Digital Communications.

** Co-opted by the Board of Directors on October 25, 2010, renewal subject to the September 30, 2011 Shareholders meeting approval.*

EMPLOYEE REPRESENTATIVES

Due to recent evolution of the French staff and as there are only as from March 31, 2010 less than 10 employees in France, the Company and its employee representatives have decided to dissolve the Employee representative college (*Comité d'entreprise*), as permitted by the law. The dissolution of the Comité d'entrerprise Infogrames as well as of the UES IESA was effective on May 25, 2010 and authorized by the French legal labor entities ("*Direction régionale des enterprises, de la concurrence, de la consummation, du travail et de l'emploi*").

The Board of Directors does not have any members elected by the employees.

SUPERVISORY AND OVERSIGHT BODIES

THE EXCOM TEAM

The management team has continued to evolve, in order to best help the Group negotiate each step of its far-reaching transformation over the past few years. Thus, Jeff Lapin left the Company in 2010 and Jim Wilson, previously CEO of Atari Inc. has been appointed CEO of Atari.

Comex team as of June 30, 2011

- Jim Wilson - Chief Executive Officer
- Hindol Datta - Interim Chief Financial Officer
- Jack Emmert - Chief Executive Officer, Cryptic Studios
- Kristen Keller - SVP, General Counsel
- Lee Jacobson - SVP Publishing
- Alexandra Fichelson - General Secretary

THE BOARD OF DIRECTORS AND ITS COMMITTEES

As of the date of the present document, the Board of Directors is composed by 5 directors including 40% of Independent Directors and has the following membership:

- Frank E. Dangeard, Chairman, Independent Director;
- Jim Wilson, Chief Executive Officer and Director;
- Tom Virden, Independent Director;
- The BlueBay Value Recovery (Master) Fund Limited, represented by Gene Davis;
- Alexandra Fichelson, Director

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 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.

As described in the Company's Internal Rules approved by the Board of Directors as of April 16, 2010, the Board of Directors is vested with the broadest management powers to act in all circumstances for and on behalf of the Company. It shall set the Company's general business policy and see to it that it is implemented.

The Board of Directors sets strategic guidelines for the Company and ensures that senior management implements them. In particular, the Board of Directors sets prior authorization thresholds necessary for the Chief Executive Officer (or the other executive officers) to finalize and effect the main transactions of the Company, and approves the annual Budget and the multiannual game publishing plan. The Board of Directors also approves any material change in the Budget or in the publishing plan during the year.

The Directors have access to independent and critical information, as provided for by the 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 15 times between April 1, 2010 and March 31, 2011 with an average attendance rate of over 91.0%. All Board meetings were presided over by the Chairman. The meetings were attended by 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, the Budget 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 – including the negotiation of new agreements regarding the Credit Facility, (ii) the Group's financial restructuring, (iii) the implementation of the Company's strategic plan, (iv) changes in the composition of the Board of Directors and of the management team, and (v) the review of major disposals.

The Board of Directors is assisted by two standing committees: the Audit Committee and the Nomination and Compensation Committee.

Each committee meets as often as necessary, upon notice from its chairman or at least half of its members, to examine any matter falling within its purview. Independent Directors account for at least half of the committees' membership. Each committee is chaired by an independent director, appointed by the Board of Directors. Each committee has its own rules, described in the Internal Rules, which specify its competences and operating mode.

INDEPENDENT DIRECTORS:

- Frank Dangeard;
- Tom Virden.

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 146-151).

The Directors are elected or reelected for three-year terms by the annual shareholders' meeting.

The Board of Directors shall see to it that at least one-third of its members are Independent Directors. At the date of the present document, the Board of Directors accounted for 2 independent directors out of 5 members (40%).

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

At the date of the present document, the Board of Directors comprised:

- An **Audit Committee** made up of Frank Dangeard (Chairman), Tom Virden, and Gene Davis and is comprised by 2/3rd of Independent Directors;
- A **Nomination and Compensation Committee** made up of Tom Virden (Chairman), Frank Dangeard and Gene Davis, and is comprised by 2/3rd of Independent Directors.

The Audit Committee's task is to assist the Board of Directors with respect to the review and audit of the financial statements, and to verifying that the information provided to shareholders and the financial markets is clear and accurate.

During Fiscal Year 2010/2011, the Audit Committee met 5 times (average attendance rate was 90.0%) to address issues such as review of the Company's annual and quarterly financial statements, recommendation of the Group's external auditors and global risk assessment and internal control processes.

The Nomination 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. Also, once a year, under the authority of the Nomination and Compensation Committee and with the help of the Corporate Secretary, the Board conducts a self-evaluation of its ability to fulfill the assignment given to it by the shareholders to manage the Company.

During Fiscal Year 2010/2011, the Nomination and Compensation Committee met 4 times (average attendance rate was 87.5%) to address issues such as allocations of Directors fees, change in the management team, executive compensation and the related performance criteria as well as the termination packages related to the changes in the management team, and stock options allocations to management.

The composition 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 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 146-151).

The Board has also set up two ad hoc committees, which have each met at least one a month:

- The Finance and Resources Committee. As of March 31, 2011, the committee members were Frank Dangeard and Jim Wilson
- The Strategy Committee. As of March 31, 2011, the committee members were Frank Dangeard and Jim Wilson.

Lastly, from early October 2010 until the end of January 2011, the Board decided to create an ad-hoc committee composed of 3 independent Directors and in charge of supervising the process regarding the disposal of the BlueBay stake.

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

STATUTORY AUDITORS' FEES

This information is presented Note 28 to the Annual Statutory Accounts “Statutory auditors’ fees”.

INFORMATION CONCERNING EMPLOYEE PROFIT SHARINGPROFIT-SHARING PLAN

EMPLOYEE PROFIT-SHARING AGREEMENT

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, 2011, 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 a fund invested exclusively in money-market instruments; or (2) in diversified mutual funds (international equities and bonds), or (3) in a solidarity fund, as per August 4, 2008 French law).

RELATED PARTY AGREEMENTS

The special report below contains information on related party agreements.

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENT YEAR ENDED MARCH 31, 2011

This is a free translation into English of the statutory auditors' special report on regulated agreements and commitments that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code (Code de Commerce) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and commitments, if any. It is your responsibility, pursuant to Article 225-31 of the French Commercial Code (*Code de Commerce*), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code relating to the implementation during the past year of agreements and commitments previously approved by the Shareholders' Meeting, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

Agreements and commitments submitted to the approval of the Shareholders' Meeting

Pursuant to Article 225-40 of the French Commercial Code, the following agreements and commitments, which were previously authorized by the Board of Directors, have been brought to our attention.

Agreements and commitments authorized during the year

1. Implementation of the terms and conditions under which Mr. Jeffrey Lapin's term of office as the Group's Chief Executive Officer will come to an end

The Board of Directors' meeting of December 10, 2009 set the terms and conditions of Mr. Jeffrey Lapin's appointment as Chief Executive Officer and more specifically the commitments undertaken in his favor should his term of office come to an end, i.e.:

Should Mr. Jeffrey Lapin be removed from his Chief Executive Officer office as a "Good Leaver", the Company has committed to paying him an indemnity equivalent to a twelve-month salary on the basis of his annual gross and variable remuneration on the date he left, i.e.: €600,000. Payment of this indemnity was conditional upon Mr. Jeffrey Lapin leaving as a "Good Leaver", as this expression is defined in the context of the Company's stock option subscription or purchase plan.

Being a "Good Leaver" shall mean that Mr. Jeffrey Lapin:

- was physically disabled or mentally incapacitated (second and third disability categories as defined by Article L. 341-4 of the French Social Security Code) preventing him from discharging substantially the same Company duties as those he discharged prior to the onset of the disability/incapacity for a cumulative period of three (3) calendar months over a period of twelve (12) calendar months as determined by a doctor, whose choice will be acceptable to the Company and the beneficiary, and whose diagnosis will be binding on both the Company and the beneficiary;
- was removed from office or his corporate office was terminated irrespective of the reason, with the Board of Directors' consent and otherwise than as a "Bad Leaver";
- left his corporate office after reaching the age required or authorized by law when he could claim his retirement entitlements under the applicable regulation and the Company by-laws.

"Bad Leaver" shall mean that the beneficiary of the options:

- has resigned from his corporate office or refused to accept the renewal of his term of office when it has expired; except if he resigns to take up another position within the Company in which case he will not be considered as a "Leaver";

- was removed from office for serious misdemeanor, gross negligence, fraud, theft, embezzlement or because he has been dishonest with the Company in the discharge of his duties or is liable for mismanagement contrary to the Company's interests; or
- resigned from his corporate office before reaching the legal age required to accrue all his retirement entitlements under the applicable regulation and the Company by-laws.

This agreement was performed during the fiscal year ended March 31, 2011, as from December 23, 2010, the date on which an agreement was signed with Mr. Jeffrey Lapin as he was leaving his positions within the Group, including that of Chief Executive Officer. This agreement resulted in the payment of €450,000 to Mr. Jeffrey Lapin as "Good Leaver" and he also retains 343,100 options to purchase securities of the Company.

Date of the authorization: Board of Directors meeting of December 23, 2010

Person concerned: Mr. Jeffrey Lapin

2. <u>Terms and conditions of Mr. Nolan Bushnell's remuneration for a special assignment</u>

On May 20, 2010, the Board of Directors authorized, pursuant to Article L. 225-38 of the French Commercial Code, a €5,000 monthly remuneration to Mr. Nolan Bushnell for his work on special assignment as Atari advisor in the United States. This agreement is automatically renewable every three months as from the date it came into effect.

Date of the authorization: Board of Directors meeting of May 20, 2010

Person concerned: Mr. Nolan Bushnell

During the 2010-2011 fiscal year, Mr. Nolan Bushnell's remuneration for his special advisor assignment totaled €60,000.

3. <u>Setting the terms and conditions under which Mr. Jim Wilson's term of office will come to an end</u>

The Board of Directors has set the terms and conditions of Mr. Jim Wilson's appointment as Chief Executive Officer and more specifically the commitments undertaken in his favor should his term of office come to an end.

Should Mr. Jim Wilson be removed from his Chief Executive Officer office as a "Good Leaver", the Company has committed to paying him an indemnity equivalent to a twelve-month salary on the basis of his annual gross and variable remuneration on the date he leaves. Payment of this indemnity is conditional upon Mr. Jim Wilson leaving as a "Good Leaver", as this expression is defined in the context of the Company's stock option subscription or purchase plan.

Being a "Good Leaver" shall mean that Mr. Jim Wilson:

- was physically disabled or mentally incapacitated (second and third disability categories as defined by Article L. 341-4 of the French Social Security Code) preventing him from discharging substantially the same Company duties as those he discharged prior to the onset of the disability/incapacity for a cumulative period of three (3) calendar months over a period of twelve (12) calendar months as determined by a doctor, whose choice will be acceptable to the Company and the beneficiary, and whose diagnosis will be binding on both the Company and the beneficiary;
- was removed from office or his corporate office was terminated irrespective of the reason, with the Board of Directors' consent and otherwise than as a "Bad Leaver";
- left his corporate office after reaching the age required or authorized by law when he could claim his retirement entitlements under the applicable regulation and the Company by-laws.

"Bad Leaver" means that the beneficiary of the options:

- has resigned from his corporate office or refused to accept the renewal of his term of office when it has expired; except if he resigns to take up another position within the Company in which case he will not be considered as a "Leaver";
- was removed from office for serious misdemeanor, gross negligence, fraud, theft, embezzlement or because he has been dishonest with the Company in the discharge of his duties or is liable for mismanagement contrary to the Company's interests; or
- resigned from his corporate office before reaching the legal age required to accrue all his retirement entitlements under the applicable regulation and the Company by-laws.

Date of the authorization: Board of Directors meeting of December 23, 2010

Person concerned: Mr. Jim Wilson

This agreement has not been performed during the fiscal year 2010-2011 as Mr. Jim Wilson is fully discharging his duties.

4. <u>Approval of Addendum No. 11 to the BlueBay Credit Agreement</u>

The Board of Directors authorized the signature of Addendum No. 11 to the Credit Agreement governing the BlueBay Receivable between Atari Europe SAS, the Company and the BlueBay Guarantee Fund (the "**Addendum to the Credit Agreement**") with a view to (i) postponing the Credit Agreement ultimate maturity date from June 30, 2010 to June 30, 2011 and (ii) anticipating the enforceability of a portion of the BlueBay Receivable so that the BlueBay Guarantee Fund may pay in the subscription price of the bonds redeemable in new and/or existing shares (ORANE) via set off with the amounts which may be receivable from the Company pursuant to the Delegation Agreement described below; and

The Board of Directors authorized the signature of an agreement between Atari Europe SAS acting in a delegator capacity, the Company acting in a delegated debtor capacity and the BlueBay Guarantee Fund in a delegatee capacity (the "**Delegation Agreement**") whereby the delegator delegates the delegated debtor to the delegatee so that the delegated debtor is directly answerable to the BlueBay Guarantee Fund for the fraction of the BlueBay Receivable corresponding to the amount which may be payable by the BlueBay Guarantee Fund to the Company for the subscription of ORANEs (be it on exercise of the Bonds which will be granted to it or, if applicable, on exercise of the Redeemed Bonds).

These addendums have had no accounting impact for the year ended March 31, 2011.

Date of the authorization: Board of Directors meeting of September 30, 2010

Persons concerned: BlueBay Value Recovery (Master) Fund Limited, represented by Gene Davis and BlueBay High Yield Investments (Luxembourg) SARL, represented by Nolan Bushnell

Agreements authorized since the year-end closing

The following agreements and commitments, authorized since the year-end closing, and previously authorized by the Board of Directors have been brought to our attention.

5. Approval of Addendum No. 12 to the Blue Bay Credit Agreement

The Board of Directors authorized the signature of Addendum No. 12 to the Credit Agreement governing the BlueBay Receivable between Atari Europe SAS, the Company and the BlueBay Guarantee Fund (the "**Addendum to the Credit Agreement**") with a view to deferring the ultimate maturity date of the €49 million Credit Agreement to a later date from June 30, 2011 to December 30, 2011.

Date of the authorization: Board of Directors meeting of June 29, 2011

Person concerned: BlueBay Value Recovery (Master) Fund Limited, represented by Gene Davis

Agreements and commitments previously approved by the Shareholders' Meeting

Pursuant to Article 225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, previously approved by Shareholders' Meetings of prior years, have remained in force during the year.

6. Special assignment entrusted to a Director: remuneration of Mr. Frank Dangeard for a special assignment

Finally, please be reminded that on March 15, 2009, the Board of Directors decided to appoint Mr. Frank Dangeard as Chairman of the Finance and Resources Committee and the Strategic Committee. Mr. Frank Dangeard receives a €30,000 monthly remuneration for this special assignment.

Pursuant to Article L. 225-46 of the French Commercial Code, the remuneration of this special assignment has been subject to the regulated agreement procedure provided for in Articles L. 225-38 *et seq.* of the French Commercial Code and this agreement remained in force during the year ended March 31, 2011.

Date of the authorization: Board of Directors meeting of March 15, 2009

Person concerned: Mr. Frank Dangeard

During fiscal year 2010-2011, Mr. Frank Dangeard received €360,000 under this agreement.

Villeurbanne and Courbevoie, July 27, 2011
The Statutory Auditors

DELOITTE ET ASSOCIES Dominique Valette Auditor	Mazar SA Jean-Paul Stévenard Auditor

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. It is not intended to demonstrate that the Company manages all the risks to which it is exposed.

The Company has based this report on the corporate governance code for listed companies published by the AFEP-MEDEF in December 2008, 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, 2011 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 July 13, 2011 meeting.
This report contains information on the following matters:

- Composition of the Board of Directors and conditions under which its activities are prepared and organized;
- Restrictions on the Chief Executive Officer's authority;
- Internal control;
- Principles and rules governing the compensation and benefits provided to corporate officers;
- Disclosure of information required by Article L. 225-100-3 of the French Commercial Code;
- 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

At its meeting on April 16, 2010, the Board of Directors of Atari SA unanimously adopted new Internal Rules, which reflected the corporate governance principles contained in applicable recommendations, including the corporate governance principles recommended by the AFEP MEDEF Corporate Governance Code for Listed Corporations (*Code de Gouvernement d'Entreprise des Sociétés Côtées AFEP MEDEF*) of December 2008.

The Internal Rules are an internal document adopted pursuant to the Company's articles of incorporation and bylaws (*statuts*), which it supplements. Their purpose is to set forth in detail the composition, organization, duties and powers and operation of the Board of Directors and its Committees.

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 the Extraordinary shareholders meeting of September 30, 2010, in order to improve the Company's corporate governance, the Directors are elected or reelected for three-year terms by the annual shareholders' meeting.
The Board of Directors shall see to it that at least one-third of its members are independent directors. At the date

of the present document, the Board of Directors accounted for 2 independent directors out of 5 members (40%), and was composed as follows:

- Frank Dangeard, Chairman, independent director;
- Jim Wilson, Chief Executive Officer and director;
- Tom Virden, independent director;
- The BlueBay Value Recovery (Master) Fund Limited, represented by Gene Davis;
- Alexandra Fichelson, director.

The Board of Directors' Internal Rules provide that Directors shall be considered independent if they have no relationship of any kind with the Company, the group to which it belongs or its management, which is liable to impair the free exercise of their judgment or give rise to conflicts between their interests and those of the Company, the group to which it belongs or its management. Accordingly, an independent Director shall not only be a non-executive Director, meaning someone without a management position in the Company or its group, but shall also have no vested interest in the Company or its group (as a significant shareholder, employee or otherwise).

Directors shall be considered independent if they satisfy the following criteria:

- They are not now and for the past five years have not been an employee or officer of the Company or one of its consolidated subsidiaries.
- They are not an officer of a company on whose Board of Directors the Company is represented, either directly or indirectly, or to which a Company employee has been appointed in that capacity, or where a Company officer (either a current officer or one who has served in that capacity within the past five years) is a Director.
- They are not, either directly or indirectly, a customer, supplier, investment banker or significant commercial banker of the Company or the group to which it belongs, and do not do a significant share of their business with the Company.
- They are not a close relative of a Company officer.
- They are not a significant Company shareholder.
- They have not been an auditor of the Company for the past five years.
- They have not been a Company director for more than twelve years.

Directors representing significant direct or indirect shareholders of the Company may be considered independent provided that those shareholders do not control the Company within the meaning of article L. 233-3 of the Commercial Code.

Whenever a Director represents a shareholder or the interests of a shareholder with more than 10% of the Company's shares or voting rights, the Board should always examine whether that Director can be considered independent, on the basis of a report by the Board's Nomination and Compensation Committee and with due consideration of the Company's ownership structure and the existence of a potential conflict of interest.

The Nomination and Compensation Committee shall consider whether members qualify as independent Directors and shall report to the Board.

Directors have been advised to follow AFEP-MEDEF recommendations regarding their investment in the Company's capital (and the Internal Rules of the Company states: "It is recommended that all Directors personally hold Company shares and must undertake to keep such shares for their entire term of office. ")

1.4 Preparation and organization of the Board of Directors' activities

As described in the Company's Internal Rules approved by the Board of Directors as of April 16, 2010, the Board of Directors is vested with the broadest management powers to act in all circumstances for and on behalf of the Company. It shall set the Company's general business policy and see to it that it is implemented.

The Board of Directors sets strategic guidelines for the Company and ensures that senior management implements them. In particular, the Board of Directors sets prior authorization thresholds necessary for the Chief Executive Officer (or the other executive officers) to finalize and effect the main transactions of the Company, and approves the annual Budget and the multiannual game publishing plan. The Board of Directors also approves any material change in the Budget or in the publishing plan during the year.

The Directors have access to independent and critical information, as provided for by the 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 15 times between April 1, 2010 and March 31, 2011 with an average attendance rate of over 91.0%. All Board meetings were presided over by the Chairman. The meetings were attended by 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, the Budget 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 – including the negotiation of new agreements regarding the Credit Facility, (ii) the Group's financial restructuring, (iii) the implementation of the Company's strategic plan, (iv) changes in the composition of the Board of Directors and of the management team, and (v) the review of major disposals.

The Board of Directors is assisted by two standing committees: the Audit Committee and the Nomination and Compensation Committee.

Each committee meets as often as necessary, upon notice from its chairman or at least half of its members, to examine any matter falling within its purview. Independent Directors account for at least half of the committees' membership. Each committee is chaired by an independent director, appointed by the Board of Directors. Each committee has its own rules, described in the Internal Rules, which specify its competences and operating mode.

The Audit Committee's task is to assist the Board of Directors with respect to the review and audit of the financial statements, and to verifying that the information provided to shareholders and the financial markets is clear and accurate.

As of June 2011, the Audit Committee was composed of three members. It is chaired by Frank Dangeard, an independent Director, and is comprised by two thirds of Independent Directors. 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.

During Fiscal Year 2010/2011, the Audit Committee met 5 times (average attendance rate was 90.0%) to address issues such as review of the Company's annual and quarterly financial statements, recommendation of the Group's external auditors and global risk assessment and internal control processes.

The Nomination 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. Also, once a year, under the authority of the Nomination and Compensation Committee and with the help of the Corporate Secretary, the Board conducts a self-evaluation of its ability to fulfill the assignment given to it by the shareholders to manage the Company.

With regard to the Company's size, Board and management, the Nomination and Compensation Committee has not set up a formal succession plan for the Company's officers, but is planning to add this item to its agenda in the next coming months.

As of June 2011, the Nomination and Compensation Committee was made up of three members. It is chaired by Tom Virden, an independent Director, and is comprised by two thirds of independent Directors.

During Fiscal Year 2010/2011, the Nomination and Compensation Committee met 4 times (average attendance rate was 87.5%) to address issues such as allocations of Directors fees, change in the management team, executive compensation and the related performance criteria as well as the termination packages related to the changes in the management team, and stock options allocations to management.

The composition 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, which have each met at least one a week:

- The Finance and Resources Committee. As of March 31, 2011, the committee members were Frank E. Dangeard and Jim Wilson.
- The Strategy Committee. As of March 31, 2011, the committee members were Frank E. Dangeard and Jim Wilson.

Lastly, from October 2010 to January 2011, the Board created an ad-hoc committee composed of 3 independent Directors and in charge of monitoring the process regarding the disposal of the BlueBay stake.

1. RESTRICTIONS ON THE CHIEF EXECUTIVE OFFICER'S AUTHORITY

The Chief Executive Officer represents the Company in its relations with third parties. He chairs meetings of the Group's Executive Committee. He is given the broadest powers to act in all circumstances for and on behalf of the Company, except where such powers are vested by law and the Internal Rules in the Board of Directors and the shareholders' meeting.

At each Board meeting, the Chief Executive Officer reports on current trading and significant corporate developments.

However, the Internal Rules of the Board of Directors specify that the Board of Directors' prior authorization is necessary for the Chief Executive Officer (or the other executive officers) to finalize and effect the following transactions:

- The formation of joint ventures or the acquisition of businesses for more than 750,000 Euros, the acquisition of equity interests or businesses or the execution of joint-venture agreements whenever the transaction involves more than 750,000 Euros;
- The sale or transfer of businesses or assets for more than 750,000 Euros, the disposal of any equity interest or business involving more than 750,000 Euros;
- Mergers or merger plans concerning the Company or, as a general matter, all transactions involving the transfer or sale of all or almost all of the Company's assets;
- In the event of litigation, the signing of any agreement or negotiated settlement, or the acceptance of a

negotiated settlement, whenever the amount involved exceeds 750,000 Euros;
- The granting of security interests on the Company's assets, whenever the secured obligation or the value of the collateral exceeds 750,000 Euros;
- The signing of any licensing or IP agreement, whenever the amount involved exceeds 1 million Euros.

The Board of Directors approves the annual Budget and the multiannual game publishing plan. The Board of Directors also approves any material change in the Budget or in the publishing plan during the year.

3. INTERNAL CONTROL

During Fiscal Year 2010/2011, the Group has been working on relying on the AMF internal control reference framework and implementing guide for small and mid caps ("*Cadre de reference du contrôle interne : Guide de mise en oeuvre pour les valeurs moyennes et petites*"). In July 2010, the Audit Committee, the management of the Group and the auditors met and discussed, among other things, global risk assessment and internal control, first step towards the implementation of the AMF recommendations.

In addition, the audit committee suggested that the Company should establish a €150K annual fund for internal audits, primarily for fraud and other investigations. This fund is available to the CEO to use at his discretion.
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.

(1) 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, in connection with annual review and budgeting processes. A Global Risk Assessment ("GRA") project has been initiated, to be completed in Fiscal Year 2011/2012. The GRA is used to identify, assess and prioritize risk. The GRA conclusions are presented to both the Audit Committee and the Board of Directors for discussion and approval. Based on these discussions, the Group establishes remediation plans where required. Risks are separated into four major categories: Strategic, Operational, Reporting and Compliance. The GRA for Fiscal Year 2010/2011 has been approved by the Board of Directors at its July 22, 2010 meeting. The GRA for Fiscal Year 2011/2012 has been approved by the Board of Directors at itsJuly 2011 meeting. The GRA will be evaluated on a semi-annual basis and accordingly, risks will be reassessed upon subsequent review.

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").

(2) 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.

(3) Internal control documents

Group procedures are communicated to affiliates and are comprised of the reporting methods and accounting policies adopted by the Group's senior management. These procedures are continually updated for changes in accounting policies, financial reporting requirements and consolidation methods. In the coming months, the Group is planning to formally document these procedures.

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:

- New financial reporting and consolidation procedures, consistent with IFRS and used to prepare the Group's financial statements. The new procedures simplify the preparation of financial reports and ensure 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's Chief Financial Officer are in charge of these procedures.

(4) 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 presenting 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 reviews of each operating entity, including 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.

Reporting procedure

The Group's financial management is in charge of ensuring that the reporting procedure is consistent with Group guidelines. 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, weekly cash and revenue reviews by the Executive Committee as well as monthly income statements by entity and quarterly income statements and balance sheets have been implemented. During the year, the financial staff and management focused on the introduction of the new financial reporting and the migration of various financial systems to the United States, the location of key financial and operational management.

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. 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.

(5) Self-assessment of internal control procedures

During Fiscal Year 2010/2011, the Group continued to work on a formal, structured program for the oversight of its internal procedures. The Group has expanded its oversight program by the initiation of the GRA, to be completed in Fiscal 2011/2012.

4. PRINCIPLES AND RULES GOVERNING THE COMPENSATION AND BENEFITS PROVIDED TO CORPORATE OFFICERS

Within the Board of Directors, the three-member Nomination 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. Since Fiscal Year 2010/2011, the director fees policy also encourages physical presence in order to enhance cohesion within the Board.

The gross compensation paid to the Chairman of the Board is composed of fixed compensation, Directors fees and, a monthly cash compensation of €30,000 in his capacity as Chairman of the Finance and Resources and the Strategy as-hoc Committees, for which it is expected that he shall devote 10 days per month. The gross compensation paid to the Chief Executive Officer includes a fixed portion and a variable portion, set annually by the Board of Directors on the basis of proposals submitted by the Nomination and Compensation Committee. The variable compensation of the Chief Executive Officer is contingent on the achievement of annual performance criteria. In addition, officers, executives and selected critical managers were granted stock options.
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

Year ended March 31, 2011

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 the Atari Company's auditors and pursuant to the provisions of article L.225-235 of the Commercial Code, we hereby submit to you our report concerning the report prepared by your company's chairman in accordance with article L.225-37 of the Commercial Code for the fiscal year ended March 31, 2011.

The chairman is required to prepare and submit to the board of directors for approval a report on internal control and risk management procedures implemented by the company, and providing other information as prescribed by article L.225-37 of the Commercial Code, in particular concerning the corporate governance system.

Our responsibility is to:

- report to you any observations on our part regarding the information contained in the chairman's report on internal control and risk management procedures pertaining to the preparation and treatment of accounting and financial data; and
- certify that the report contains such other information as is required by article L.225-37 of the Commercial Code, provided, however, that it is not our responsibility to verify the fairness of such other information.

We have performed our examination in accordance with the standards of our profession applicable in France.

Information concerning internal control and risk management procedures pertaining to the preparation and treatment of accounting and financial data

The standards of our profession require that we carry out examinations to assess the fairness of the information on internal control and risk management procedures as they pertain to the preparation and treatment of the accounting and financial data contained in the chairman's report. These examinations include:

- reviewing internal control and risk management procedures as they pertain to the preparation and treatment of accounting and financial data underlying the information presented in the chairman's report, as well as existing documents;
- reviewing the process by which the information and existing documents were prepared;
- determining whether any major shortcomings in internal control pertaining to the preparation and treatment of accounting and financial data detected by us in the course of our assignment are appropriately disclosed in the chairman's report.

Based on our examinations, we have no observation to make regarding the information concerning the company's internal control and risk management procedures pertaining to the preparation and treatment of accounting and financial data, as contained in the chairman of the board of directors' report prepared pursuant to article L.225-37 of the Commercial Code.

Other information

We hereby certify that the chairman of the board of directors' report contains the other information required by article L.225-37 of the Commercial Code.

Lyon and Villeurbanne, July 27, 2011

The Auditors

MAZARS SA	**DELOITTE & ASSOCIÉS**
Jean-Paul Stévenard	Dominique Valette

RECENT DEVELOPMENTS

PRESS RELEASE OF JULY 18, 2011

REVENUE FOR THE FIRST QUARTER OF FISCAL YEAR 2011/2012

Atari, S.A. announces its consolidated first quarter net revenue for Fiscal Year 2011/2012 (ended June 30, 2011) at €9.2 million, a 36.1% decline at current exchange rates and a 40.3% decline at constant exchange rate. This decrease was mainly due to the Company's continued shift toward digital (online, mobile) revenues, fewer and more profitable retail releases and the strategic exit from the third-party distribution business.

Net revenue breakdown by segment was as follows:

	Q1 2011/2012		**Q1 2010/2011**		**Change**	**Change**
	M€	*% of revenues*	*M€*	*% of revenues*	*M€*	*%*
Revenues	**9.2**	**100.0%**	**14.4**	**100.0%**	**-5.2**	**-36.1%**
Digital	5.5	59.8%	3.5	24.3%	+2.0	+57.1%
Retail	3.7	40.2%	10.9	75.7%	-7.2	-66.1%

Note: The net income of Cryptic Studios business, in the process of being disposed as of March 31, 2011, is reported on the line "discontinued operations" as of April 1, 2009. 2010/2011 and 2011/2012 Group revenues exclude Cryptic Studios business.

Digital revenue, comprised primarily of digital distribution revenues, online, mobile and licensing, was €5.5 million – an increase of €2.0 million over the prior year as the Company continues to expand its business in the digital space. Digital revenue was 59.8 % of total net revenue as compared to 24.3% in the first quarter of the prior Fiscal Year.

Retail revenue, comprised primarily of sales to retail stores, decreased by €7.2 million to €3.7 million as compared to the prior year first quarter primarily due to continued focus on fewer but more profitable products and the strategic exit from the third-party distribution business. Retail and other revenues were 40.2 % of total net revenue as compared to 75.7 % in the first quarter of the previous Fiscal Year.

Outlook for 2011/2012

The Company confirms its guidance and expects to report continued improvement in Actual Current Operating Income in semester 1 and maintain profitability in semester 2 of Fiscal Year 2011/2012, as compared to the equivalent periods of Fiscal Year 2010/2011.

Overall the Company expects continued improvement in Current Operating Income for the full year 2011/2012.

Main events of Q1 2011/2012

Corporate governance evolution: Following the resignations of Mr. D'Hinnin, Mr. Lamouche and of The BlueBay High Yield Investment (Luxembourg) SARL, Atari's Board of Directors was composed as follows at the end of June 30, 2011:

- Frank Dangeard, Chairman, Independent Director;
- Jim Wilson, Chief Executive Officer, Director (subject to September 30, 2011 shareholders meeting approval);
- Tom Virden, Independent Director;
- The BlueBay Value Recovery (Master) Fund Limited, represented by Gene Davis.

Restructuring at Eden Games: In April 2011 Atari announced a project to restructure Eden Games, its development studio headquartered in Lyon (France). The plan which was effective at the end of the first quarter of Fiscal Year 2011/2012 reduces the workforce to just under 30 employees, adjusting costs to the size of the business and its revenues.

Credit line maturity extended: On June 30, 2011, the Company and BlueBay have agreed to an extension of a credit facility of €49 million to December 31, 2011.

Cryptic Studios divestiture: On May 31, 2011, Perfect World Co., Ltd. and Atari announced that they have entered into a definitive agreement whereby Perfect World would acquire 100% equity interest in Cryptic Studios from Atari, the sole shareholder of Cryptic Studios. Under the stock purchase agreement, Perfect World would pay an aggregate purchase price of approximately €35.0 million in cash, subject to working capital and other adjustments as provided in the agreement. The consummation of the transactions contemplated in the agreement is subject to satisfaction of closing conditions. In line with the previously stated strategy of fewer but more profitable releases and further expansion into casual online and mobile games, the Company has chosen to focus on external development to benefit from additional flexibility.

PARTIES RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND STATEMENTS

STATEMENT BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

NAME OF THE PERSON RESPONSIBLE

Jim Wilson, Chief Executive Officer

I hereby certify that, based on all reasonable diligences in this respect, the information contained in this Reference Document, filed with the AMF on July 29, 2011 is, to the best of my knowledge, consistent with the facts and does not omit anything likely to materially affect its import.

I hereby certify that, to the best of my knowledge, the financial statements for the past Fiscal Year have been prepared in accordance with applicable accounting rules and provide a true picture of the assets, financial position and income of the Company and all consolidated entities, and the financial report included page13 to 43 in the present document fairly reflects the principal events that occurred during the past Fiscal Year, their impact on the financial statements, the principal transactions with related parties and the principal risks and uncertainties.

I have received an audit letter from the independent auditors, Mazars S.A. and Deloitte & Associés, in which they state that they have examined the information on the financial position and the financial statements contained herein, and have read this entire document.

The audit letter by the statutory auditors does not contain any observations.

The statutory auditors have issued a report concerning the financial data included in this reference document for Fiscal Year 2010/2011, included in pages 93, 94,116 and 117 hereof, in which they call attention of the readers on the uncertainty related to the ongoing concern mentioned in note 2.1 to the annual financial statements in note 2.1 to the consolidated financial statements.

The historical financial data for Fiscal Year ended March 31, 2010 and March 2009 are incorporated by reference. The report for Fiscal Year ended March 31, 2010 called attention on the ongoing concern in note 2.1 to the annual financial statements in note 2.1 to the consolidated financial statements and to note 16 to the consolidated financial statements on changes in accounting methods resulting from the application of new accounting rules and interpretations starting April 1, 2009. The report for Fiscal Year ended March 31, 2009 called attention to note 2.1 to the annual and consolidated financial statements for Fiscal Year 2008/2009, which examines the considerations underlying the going-concern assumption.

July 28, 2011

Jim Wilson
Chief Executive Officer of Atari S.A.

STATUTORY AUDITORS

PRINCIPAL AUDITORS

Mazars S.A.

Represented by Jean-Paul Stévenard

Tour Exaltis, 61, rue Henri Regnault - 92075 La Defense - France

Initially appointed in September 30, 2010 AGM for a 6-year term. Term expires at the end of the Shareholders' Meeting called to approve the financial statements for Fiscal Year 2016.

Deloitte & Associés

Represented by Dominique Valette

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

Bruno Balaire

61 rue Henri Regnault- 92075 Paris La Défense Cédex- France. Appointed in September 2010

Term expires at the end of the Shareholders' Meeting called to approve the financial statements for Fiscal Year 2016.

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

Jim Wilson - Tel: + 33 (0) 4 26 68 93 59

Hindol Datta - Tel: + 33 (0) 4 26 68 93 59

INVESTOR RELATIONS

Alexandra Fichelson - Tel: + 33 (0) 4 26 68 93 59

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 (first notice):	September 16, 2011

The shareholders meeting might not be able to discuss at this date as the quorum might not be met. As a result a second shareholders meeting will be convinced in a second notice.

Annual Shareholders' Meeting (Second notice):	September 30, 2011
Announcement of fiscal 2011/2012 second-quarter revenues and interim results:	November 5, 2011

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 AND CORPORATE ANNOUNCEMENTS (http://corporate.atari.com and Company's headquarter)	**Release date**
Atari appoints John burns as General Manager Europe	April 15, 2010
Atari reinforces its Board of Directors	April 21, 2010
Atari 2nd half and full year results for FY 2009/2010	May 25, 2010
Atari announces 3-month revenues for FY 2010/2011	July 23, 2010
"Mise à disposition du Document de référence pour l'exercice 2009/2010" (in French)	July 30, 2010
"Mise à disposition des documents préparatoires à l'Assemblée Générale" (in French)	July 30, 2010
Appointment of John Hayase as SVP development	September 15, 2010
Summary of September 20, 2010 AGM	September 20, 2010
Launch of Atari Go	September 24, 2010
Summary of September 30, 2010 AGM	September 30, 2010
Proposed transfer by BueBay of its holding in Atari	October 21, 2010
Changes in corporate governance	October 27, 2010
2010/2011 Half year financial results	November 10, 2010
Release of half year 2010/2011 financial report	November 24, 2010
Atari names Jim Wilson as CEO	December 23, 2010
BlueBay to interrupt the sale process of its holding in Atari	January 31, 2011
9-month revenues for FY 2010/2011	February 14, 2011
"Cessation du contrat de liquidité de la Société Atari" (in French)	March 8, 2011
Corporate governance	April 11, 2011
Second half and Full year results announcement	May 17, 2011
Perfect World and Atari announce agreement for the acquisition of Cryptic Studios	May 31, 2011

AGM - September 20, 2010 (1st notice) and September 30, 2010 (2nd notice)
Notice of the meeting (1st and 2nd notice) , Document d'information des actionnaires, Shareholders presentation, Annual report for fiscal year 2009/2010, Chairman report on Internal Control, Board reports (in French: "Rapport sur les résolutions", "Rapport sur l'attribution de stock options", "Rapport sur l'attribution d'actions de performance", "Rapport complémentaire"), Auditors reports (in French: "Rapport sur le rapport du Président", "Rapport général sur les comptes consolidés", "Rapport général sur les comptes sociaux", "Rapport spécial sur les conventions réglementées", "Rapports complémentaires"), How to vote, Vote form, "Modèle d'attestation de participation".

FINANCIAL REPORTS
(http://corporate.atari.com and Company's headquarter)
Annual report for fiscal year 2009/2010
Half year report for fiscal year 2010/2011

ANNOUNCEMENTS IN THE LEGAL GAZETTE (www.balo.journal-officiel.gouv.fr)	Notice number	Date of release
Notice of meetings - shareholders meeting	1004703	04-08-10
Notice of meetings - shareholders meeting	1005116	03-09-10
Notice of meetings - shareholders meeting	1005362	24-09-10
Filing of FY 2009/2010 financial statements	1006185	01-12-10

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16.4	Statement of compliance with corporate governance regime		146
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17	**Employees**		
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18	**Major shareholders**		
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20	**Financial information on the Company's assets and liabilites, financial position and profits and losses**		
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CROSS-REFERENCE TO THE ANNUAL FINANCIAL REPORT

In order to facilitate the reading of the annual financial report, the following table indicates the main information provided for in article L.451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*).

ATARI

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