

Infogrames Entertainment S.A First-Half 2008/2009 results
(as at September 30th 2008 - IFRS data)

**Strong growth in revenues and reduced operating losses resulting
from implementation of strategic initiatives
and ongoing restructuring plan**

- Revenues up 44.5% (52.4% at constant currency rate) to €131.8 million
- Lower current operating losses (-7.5%)
- Reshaping of US operations with strong revenue growth of 176% at constant currency rate (+145% at current rate)
- Rapid implementation of the new strategy during the first half of the year
- The group reiterates its FY 2008 / 2009 revenues guidance: 12% to 18% revenue growth and return to operating profitability expected by the second half of 2009/2010 on a 12-month basis

Lyon, France - November 13, 2008 – Infogrames Entertainment presents its first-half 2008 / 2009 results.

Infogrames net revenues significantly increased for the first half of fiscal 2008 / 2009 by 44.5%, or +52.4% at a constant exchange rate, to 131.8 millions euros versus 91.2 millions euros in the first half of fiscal 2007/2008.

Commenting on these results, David Gardner, Infogrames' Chief Executive Officer, said: *"Strong revenues growth for the first half of the fiscal year 2008 / 2009 reflect strong sales and solid distribution. This first half of the year also showed improvement of current operating income resulting from improved cost control, the early results of restructuring plan and profitability measures implemented since the beginning of the fiscal year. I also would like to point out the turn around in the US with tremendous revenue growth of 145% and reduction of losses.*

Given current economic situation, we think that holiday period will be very competitive, however we reiterate our full year revenues growth guidance at 12% to 18 % and return to profitability by the second half of 2009 / 2010 on a 12-month basis. We are very confident that this first half is just the beginning of a new positive trend as we are efficiently rolling out our strategy, by strengthening our distribution revenues with new partnerships and improving our 2009 / 2010 products line up with new titles such as the recently announced Ghostbusters and The Chronicles of Riddick ."

I- **Main events that occurred since the beginning of the fiscal year 2008 / 2009 reflect the rapid and effective implementation of the strategy presented in June**

- **Development of distribution operations** with the signature in September 2008 between **Infogrames and Namco Bandai** of a binding letter of intent establishing a **strategic distribution partnership**. Under the terms of the agreement, Namco Bandai would acquire a 34% stake in Infogrames' European and Asian distribution operations, with the remaining stake being retained by Infogrames and Infogrames has agreed to regroup its distribution operations into a standalone entity with exclusive physical packaged-goods distribution rights for video games produced by Namco Bandai and Infogrames within Infogrames' European and Asian territories.
- **Development of on-line publishing operations** with the **creation in November 2008 of a new in-house game development studio** under the creative and production leadership of Paulina Bozek, one of the industry's most successful game producers. The new studio will focus on developing innovative mass-market consumer games and services for online-enabled devices including personal computers and game consoles.
- **Implementation of Atari Transformation** plan to restructure the operations of the Group world-wide and the **closing in October of the merger between Infogrames Entertainment and Atari Inc.**, thus enabling the Group to benefit from an efficient structure on which to expand its operations in the United States

II- **Overview of 1st half 2008 / 2009 results: strong revenue growth, improved margins and US gaining back momentum**

Net revenues for the first semester fiscal 2008/2009 were €131.8 million versus €91.2 millions in the first semester fiscal 2007/2008, representing an increase of 44.5% or 52.4% at a constant exchange rate.

This strong performance has been mainly driven by the sales of three major hit products: *Alone in the Dark*, *Dragon Ball Z* and *Backyard Baseball*, compared to previous year's line up which contained no major new releases.

- Revenues geographical breakdown was as follows:

€m	Actual September 30, 2008		Actual September 30, 2007		Change at current exchange rate		% change at constant exchange rate
	€m	%	€m	%	€m	%	
Europe	77.4	58%	63.5	70%	+13.9	+21.9%	+24.9%
US	36.3	28%	14.8	16%	+21.5	+145.3%	+176.4%
Asia	18.1	14%	12.9	14%	+5.2	+40.3%	+45.7%
TOTAL	131.8	100%	91.2	100%	+40.6	+44.5%	+52.4%

- **The US** led the growth of all the regions with a growth of €21.5 million or 145% driven by the sales of *Alone of the Dark*, *Dragon Ball Z: Burst Limit* and *Backyard Baseball*. In the first half of the year, the US represented approximately 28% of the group's revenues. The momentum in the US also results from the restructuring initiatives implemented at Atari, Inc. as well as the recovery plan put into action by the recently appointed management team.
- **Europe and Asia** represented 72% of the revenues for the group and grew approximately €19.1 million or 25% semester over semester mainly primarily from the release of *Alone in the Dark* and *Dragon Ball Z: Burst Limit*.
- Revenues breakdown by platform are as follow :

	% of Revenues 1H 2008/2009	% of Revenues 1H 2007/2008
Next Gen (PS3, Xbox 360 and Wii)	63%	21%
Handhelds (PSP and NDS)	13%	35%
Other consoles (PS2 and other)	12%	28%
PC	12%	16%

Gross margin, for the first half of fiscal year 2008/2009, amounted to €48.7 million, representing a €21.1 million (+76%) increase when compared to the same period in 2007/2008 mainly due to higher revenues.

Gross margin rate improved by +6.6 points to 36.9%, mainly due to mix shift. Semester over semester the Company has been focusing more on its own product such as *Alone in the Dark*, *Dragon Ball Z: Burst Limit* (for US only) and *Backyard Baseball* which carries higher margin compared to third party distribution product.

Current operating losses decreased by €3.0 million (-7.5%), thanks to higher gross margin combined with better cost control. **Current operational costs now represent 65% of total net revenues** (vs. 74% in the first half of 2007 / 2008) to €86 million, and can be explained as follows:

- Marketing and commercial costs amounted to €28.3 million (compared to €22.3 million in the first half of last year), representing 21.5% of revenues compared to 24.5% in the prior year, mainly resulting from reduced overhead expenses as part of the Atari Transformation plan;
- General and administrative expenses decreased to €20.6 million (representing 15.6% of revenues) compared to €24.1 million in the same period last year (or 26.4% of revenues), mainly following on cost cutting initiatives related to Atari Transformation plan; these were partly offset by:
- Higher R&D expenses at €32.2 million (up €13 million versus the comparable prior period) mainly resulting from *Alone in the Dark* release with depreciation and amortization part amounted to €22.9 million versus €6.1 million in the first half 2007/2008 ; and
- Increased share-based non cash incentives to €4.7 million (compared to €2.1 million in the first half 2007 / 2008) mainly due to the arrival of the new management team.

Net loss for the first semester of fiscal 2008/2009 rose to €50.6 million versus €27.6 million in the prior first semester of fiscal 2007/2008.

This change can be explained by:

- improvement in current operating income by +€3.0 million, driven by higher gross margin (+€21.1 million), and lower general and administrative expenses; offset by higher R&D expenses, marketing and selling expenses (mainly resulting from the launch of key title *Alone in the Dark*) and higher share-based non cash incentive;
- lower cost of debt (+€2.7 million) coming from the restructuring of the debt in the beginning of calendar year 2007 with the issuance of the ORANE;
- lower income taxes (+€0.5 million);

While these decrease were largely offset by none recurring items:

- last year €13.3 million one-time income from the sale of Hasbro rights of which no such income exists in the current semester;
- implementation of Atari transformation plan with higher restructuring expense by €6.5 million recorded in the first semester of fiscal 2008/2009 versus the prior first semester of fiscal 2007/2008 ;
- lower minority interest losses by €6.4 million recorded in the first semester of fiscal 2008/2009, due to reduced losses at Atari Inc..
- additional other financial expense of approximately €3.0 million recorded in the first semester of fiscal 2008/2009 versus the prior first semester of fiscal 2007/2008;

Net debt for the first half of the fiscal year 2008/2009 came up to €3.5 million, a €52.2 million increase during the first six-month of the fiscal year largely due to the holiday season preparation. Decrease in cash position versus March 31, 2008, resulting from increased investment in R&D development process, required funding for the holiday season buildup of inventories and signing of multiple distribution licenses to strengthen upcoming lineup.

III- OUTLOOK FOR THE FULL YEAR 2008/2009

Based on current economic and financial events, the Company acknowledges that this holiday season will be extremely competitive. However the Company reconfirms its guidance of 12% to 18% growth in revenues year over year and expect return to profitability within the second half of 2009/2010, on an annual basis.

Main releases schedule for the second half of the year is as follow:

	Group products	Third-party products
Already released in October:	<i>My Horse and Me 2</i> (Xbox 360, Wii) <i>Legendary</i> (Xbox 360) <i>What's Cooking? Jamie Oliver</i> (NDS) <i>The Witcher: Enhanced Edition</i> (PC)	
To be released for Christmas period:	<i>Alone in the Dark</i> (PS3) <i>My horse and Me 2</i> (PC, PS2, NDS) <i>Lucky Luke Les Daltons</i> (NDS) <i>Neverwinter Nights XP2</i> (PC) <i>Kid Paddle 3</i> (Wii, NDS)	<i>Dragon Ball: Origins</i> (NDS) <i>Dragon Ball Z: Infinite World</i> (PS2) <i>Naruto Ultimate Ninja Storm</i> (PS3) <i>Tamagotchi Connection: Corner Shop 3</i> (NDS)
To be released by the end of fiscal year 2008/2009:	<i>Race Pro</i> (Xbox 360) <i>Heroes over Europe</i> (Xbox 360, PS3, PC)	<i>Afro Samurai</i> (PS3, Xbox 360) <i>Eternal Sonata</i> (PS3)

Forward looking statements

This press release contains forward-looking statements with respect to the financial condition, results of operations, business, strategy and plans of Infogrames. Although Infogrames believes that such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside Infogrames' control, and notably some risks described in the 2007/2008 Document de référence of the group filed with the Autorité des marchés financiers (French securities regulator) under number D.08-0577 and which is also available in English on Infogrames' web site (www.infogrames.com). The present forward-looking statements are made as of the date of the present press release and Infogrames disclaims any intention or obligation to provide, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

About Infogrames Entertainment and Atari

The Infogrames group, including the Atari brand, is a global producer, publisher and distributor of interactive entertainment software for all market segments and all interactive game platforms including consoles from Microsoft, Nintendo and Sony, advanced smartphones, Personal Computers, web and online. Its games are sold in more than 60 countries through an international distribution network and direct to consumers via www.atari.com.

Atari's extensive catalogue of popular games is based on original franchises (Alone in the Dark, Test Drive, V-Rally, My Horse & Me, Backyard Sports franchise, Total Annihilation, Outcast etc.), publishing properties (The Witcher, Legendary, Race Pro etc.), international licenses (Dragon Ball Z, Dungeons & Dragons, Jamie Oliver etc.) and classic games covering the entire history of the video game industry (Pong, Missile Command, Asteroids etc).

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APPENDIX

APPENDIX 1: Revenues analysis

Breakdown of revenues by Geographical area and by quarter

€m	1st half ended September 30, 2008		1st half ended September 30, 2007		Change at current exchange rate		% change at constant exchange rate
	€m	%	€m	%	€m	%	
Europe	77,4	58%	63,5	70%	+13,9	+21,9%	+24,9%
US	36,3	28%	14,8	16%	+21,5	+145,3%	+176,4%
Asia	18,1	14%	12,9	14%	+5,2	+40,3%	+45,7%
TOTAL	131,8	100%	91,2	100%	+40,6	+44,5%	+52,4%

€m	2nd quarter ended September 30, 2008		2nd quarter ended September 30, 2007		Change at current exchange rate	
	€m	%	€m	%	€m	%
Europe	26,1	20%	29,1	32%	-3,0	-10,3%
US	11,3	9%	6,7	7%	+4,6	+68,7%
Asia	4,3	3%	5,3	6%	-1,0	-18,9%
TOTAL	41,7	32%	41,1	45%	+0,6	+1,5%

APPENDIX 2: Consolidated Income Statement

	First half ending September 30, 2008		First half ending September 30, 2007		YoY change	
	Actual	% of revenues	Actual	% of revenues	€m	%
<i>in €m</i>						
Net revenues	131.8	100.0%	91.2	100.0%	+40.6	na
Cost of good sold	-83.1	63.1%	-63.6	69.7%	-19.5	-6.6%pt
Gross Margin	48.7	36.9%	27.6	30.3%	+21.1	+6.6%pt
Marketing and selling expenses	-28.3	21.5%	-22.3	24.5%	-6.0	-3.0%pt
General and Administrative expenses	-20.6	15.6%	-24.1	26.4%	+3.5	-10.8%pt
R&D expenses	-32.2	24.4%	-19.2	21.1%	-13.0	+3.3%pt
Share-based non cash incentive	-4.7	3.6%	-2.1	2.3%	-2.6	+1.3%pt
Current operating income / (loss)	-37.1	28.1%	-40.1	44.0%	+3.0	-15.9%pt
Restructuring expenses	-9.0	6.8%	-2.5	2.7%	-6.5	+4.1%pt
Disposal of Hasbro license	-	na	13.3	14.6%	-13.3	na
Operating Income / (loss)	-46.1	35.0%	-29.3	32.1%	-16.8	+2.9%pt
Cost of debt	-3.1	2.4%	-5.8	6.4%	+2.7	-4.0%pt
Other financial income / (loss)	-1.9	1.4%	1.1	1.2%	-3.0	+0.2%pt
Income taxes	-0.2	0.2%	-0.7	0.8%	+0.5	-0.6%pt
Net income / (loss) from continuing operations	-51.3	38.9%	-34.7	38.0%	-16.6	+0.9%pt
Net income / (loss) from discontinuing operations	-	na	-	na	na	na
Net income / (loss) before minority interests	-51.3	38.9%	-34.7	38.0%	-16.6	0.9%pt
Minority interests	0.7	0.5%	7.1	7.8%	-6.4	-7.3%pt
Net income / (loss)	-50.6	38.4%	-27.6	30.3%	-23.0	8.1%pt

APPENDIX 3: Consolidated Balance Sheet

Consolidated Balance Sheet

	September 30, 2008	March 31, 2008	Change over the period
<i>in €m</i>	Actual	Actual	Actual
Goodwill	81.5	77.9	3.6
Intangible assets	34.1	43.1	-9.0
Tangible assets	5.5	5.5	0.0
Financial assets	3.2	2.9	0.3
Deferred tax assets	5.4	5.5	-0.1
Non current assets	129.7	134.9	-5.2
Inventories	29.7	24.5	5.2
Trade receivable	34.4	43.1	-8.7
Income tax assets	0.3	0.2	0.1
Other current assets	25.7	17.7	8.0
Cash and cash equivalents	32.0	83.4	-51.4
Current assets	122.1	168.9	-46.8
Total Assets	251.8	303.8	-52.0
Capital stock	12.9	12.8	0.1
Other paid-in capital	1,100.0	1,100.1	-0.1
Consolidated reserves	-1,000.9	-959.5	-41.4
Shareholders' equity attributable to the Group	112.0	153.4	-41.4
Minority interest	6.4	6.5	-0.1
Total shareholders' equity	118.4	159.9	-41.5
Provision, non-current	0.8	0.7	0.1
Borrowings, non-current	11.7	11.8	-0.1
Other non-current liabilities	6.9	6.2	0.7
Non current liabilities	19.4	18.7	0.7
Provision, current	1.8	3.4	-1.6
Borrowings, current	23.8	22.9	0.9
Trade payables	66.8	79.3	-12.5
Other current liabilities	21.6	19.6	2.0
Current liabilities	114.0	125.2	-11.2
Total equity and liabilities	251.8	303.8	-52.0

Change in net debt

<i>in €m</i>	September 30, 2008	March 31, 2008	Change over the period
Non current Borrowings	11.7	11.8	-0.1
Current borrowings	23.8	22.9	+0.9
Cash and cash equivalents	-32.0	-83.4	+51.4
Total net debt	3.5	-48.7	+52.2

APPENDIX 4: Consolidated Cash flow Statement

	First half ending September 30, 2008	First half ending September 30, 2007
<i>in €m</i>	Actual	Actual
Consolidated net income (loss)	-51.3	-34.7
Non-cash expenses and revenues	32.4	-1.2
Cost of debt	3.1	5.8
Taxes (deferred and payable)	0.2	0.7
Cash Flow before net cost of debt servicing and taxes	-15.6	-29.4
Income taxes paid	-	-0.1
Change in working capital	-18.0	10.9
Net cash generated by operating activities	-33.6	-18.6
Disbursements for purchases of non-current asset	-15.8	-23.6
Proceeds from disposals of non-current assets	-	14.3
Net cash flows from capital transactions	-15.8	-9.3
Net funds raised by		
Equity	0.1	7.7
Debt	3.5	16.6
Net funds disbursed for		
Net interest and fee expenses	-1.5	-4.8
Debt payment	-5.0	-14.6
Net cash (used in) / generated by financing activities	-2.9	4.9
Net cash flows from discontinued operations	-	0.6
Effect of exchange rate	0.9	-0.2
Change in net cash	-51.4	-22.6