

INFOGRAMES

Entertainment

Infogrames Entertainment reports full year 2007-2008 results and completes a year of transition

- FY net revenues stabilized at constant exchange rate
- Net loss reduced to €51.1 million from €103.1 million
- Improved cash position: €83.4 million
- Group reorganization: “Atari transformation” plan underway which should allow a 12% to 18% revenue growth in FY08/09 and the return to profitability at the current operating result within 18 months on an annual basis

Lyon, France, June 17th, 2008 – Infogrames Entertainment today reports full year financial results for fiscal year ended March 31, 2008.

Consolidated FY 2007/2008 revenues of €290.7 million were stabilized at constant exchange rate, (€296.8 m) in spite of delays in the release of *Alone in the Dark* and *Dragon Ball Z Burst* limit.

Gross margin reached €111.1 million, representing a 38.2% of net revenues. Operating loss improved to €-45.5m compared to €-61.8m. Overall, net income loss has been reduced to €-51.1m from €-103.1m on previous year.

Cash and cash equivalents improved to €83.4 million, after a full restructuring of the group debt and capital profiles.

<i>In € million</i>	2007 – 2008	2006 – 2007
Net revenues	290.7	305.3
Gross Margin	111.1	126.0
<i>R&D expenses</i>	(50.4)	(57.9)
<i>Marketing & selling expenses</i>	(54.2)	(58.2)
<i>G&A expenses</i>	(48.2)	(49.2)
<i>Share based non cash incentive</i>	(3.5)	-
Current Operating Income (loss)	(45.2)	(39.3)
Operating Income (loss)	(45.5)	(61.8)
Net Income (loss) (Group share)	(51.1)	(103.1)
Cash and cash equivalents	83.4	46.6

David Gardner, Infogrames' Chief executive Officer said: “Last year has been a difficult but crucial period for the Group. During that period, Infogrames has carried out an intensive restructuring of its capital base, leading to an improved financial situation and has initiated an important reorganization of its global distribution network and management structures. In the months ahead, we will capitalize on the value of the Atari brand and implement the new strategy, with the clear objective of refocusing on profitability while ensuring growth.”

1. YEAR HIGHLIGHTS AND KEY FACTS

Renewed investment capacity

The successful placement of €150m ORANE bonds in December 2007 strengthened the group's capital base and reinforced its liquidity position and investment capacity. Bank of America loans were fully repaid for €78.9m.

Ambitious restructuring plan launched in 2007: "Atari transformation"

The group has engaged in 2007 an ambitious plan to simplify the group's global organization, legal structure and cost base. The first phase of this plan has been reached in the US, with the financial restructuring of Atari Inc. and the final merger agreement reached in April 2008 with Infogrames, which will provide the group with a platform for future growth in the US. In March 2008, Jim Wilson has been appointed Chief Executive Officer and President of Atari Inc. 2008 will see the roll out of the plan throughout the group with a first phase already underway.

Renewed management and board

The group has also renewed its management with appointment of David Gardner as CEO with outstanding experience and vision on the video game industry. He will be supported by Phil Harrison as President and more specifically in charge of the Publishing activity, newly appointed Fabrice Hamaide as Chief Financial Officer and Mathias Hautefort as Chief Operating Officer, Head of global distribution, in charge of implementing the "Atari Transformation" project.

Michel Combes has been appointed Chairman of a renewed Board of Directors and Dominique D'Hinnin Vice President and Chairman of the audit committee, supportive of the announced strategy. As disclosed today, Pascal Cagni, Apple General Manager and Vice President Europe, Middle East and Africa (EMEA) joins the board as an independent Director.

Resilient distribution performances

The firm's global distribution network managed to pull out strong sales from both third party and in-house products throughout the year, including:

- Titles from the Bandai Namco catalogue having performed strongly last year, with DBZ Tenkaichi 3 on PlayStation 2, DBZ Tenkaichi on Wii, Naruto Ultimate on PlayStation 2.
- Strong market acceptance of releases like RPG "The Witcher" on PC
- Co-edition "Astérix at the Olympic Games" on Nintendo DS, Wii, PlayStation 2 and PC, achieving last year a strong performance with more than 530 000 units sold.

2. MAIN INCOME STATEMENT ITEMS

Consolidated net revenues for the period to March 31, 2008 were €290.7m, slightly lower compared with €305.3m the previous year, in spite of the delay from March to June 2008 of the release of Alone in the Dark and Dragon Ball Z Burst Limit.

On the period, Europe and Asia represented over 82% of total Group revenues versus 70% a year ago, with an average growth of over 11% (+9% for Europe and +27% for Asia). The US entities have contributed to 18% of the total net revenues versus 30% a year ago, with overall US business down by 43% compared to last year.

Gross Margin amounted to €111.1m for the period, €14.9m lower than the previous year, representing a 38.2% of net revenues. This trend resulted principally from an unfavourable mix publisher (Group products representing only 28% of total revenues, compared to 36% a year ago), and an unfavourable mix product (16% PC sales versus 22% a year ago).

Operating expenses amounted to €156.3m, a decline versus €165.3m a year ago.

- Research and Development costs amounted to €50.4m for the fiscal year ending March 31, 2008, which represent a decrease by €7.5m compared to last year. They included €26.3m in amortization allowances and write-downs compared with €33.4m in prior year.
- Marketing and selling expenses were in line with net revenues change at €54.2m, standing at 18.6% versus 19.1% a year ago.
- General and administrative expenses decreased by 2.0% compared to prior year, at 48.2m.
- Share based payments amounted to €3.5m, versus nil in prior year.

The **Current Operating Income** (COI) comes out at (€45.2m) vs. (€39.3m) last year. This year's COI was negatively impacted by the unfavourable product mix but in large part compensated by the first steps in cost reductions of the Atari Transformation plan which has started in the USA.

The **operating loss** for the year was reduced to €-45.5m, from an operating loss of €-61.8m a year ago. Last year, operating loss was impacted by a one shot goodwill impairment of €-17.3m.

Financial results for the year amounted to €-15.2m, a significant improvement compared to last year financial loss of €-42.5m. The decrease is primarily due to the impact of the financial restructuring during the second half of fiscal 2006/2007 and fiscal 2007/2008, which reduced cost of debt by €11.6 m.

Net loss (Group share), amounted to €-51.1m, highly reduced compared to €103.1m last year.

3. MAIN BALANCE SHEET ITEMS

Stronger equity base

Consolidated shareholders' equity amounts to €159.9m on March 31, 2008, up from €85.2m recorded last year. Main drivers for changes in net equity were the following:

- A €141.1m net increase resulting from the Orane bonds issued on January 2008.
- Proceeds of €7.8m due to 51 713 827 warrants exercised during the year
- A net loss of the year of €-62.5m

Positive net cash position

Following last year's restructuring measures, the group's net cash position is now positive at €48.7m, versus €-40.5m as of March 31, 2007. This shows a positive change of €89.2m, mainly due to the proceeds from the issuance of Orane bonds.

€ m	31/03/08	31/03/07	Change
OCEANE 2011 and 2020 bonds	(5,9)	(5,9)	-
ORANE	(2,9)	-	(2,9)
BOA borrowings	(0,5)	(46,3)	45,8
Bluebay loan (Atari Inc)	(8,5)	0,0	(8,5)
Production funds	(2,3)	(17,1)	14,8
Other debts	(14,6)	(17,8)	3,2
Cash and cash equivalents	83,4	46,6	36,8
Net cash position (net debt)	48,7	(40,5)	89,2

Cash flow statement

Over the period, cash and cash equivalent have increased by €36.8m to reach €83.4m by end of March 2008.

Net cash provided by new financing (essentially the Orane issuance) reached €83.8m and were partly offset by the net cash used by operating activities, which amounted to €21.4m and cash used for investing activities which reached €24.4 million.

4. STRATEGIC REVIEW AND LONG TERM GOALS

The group's top management, led by CEO David Gardner, will share the main aspects of the business strategy of the periods ahead, aiming at improving the group's profitability while preserving the potential for growth, and with an essential focus on the following drivers:

- Simplify the Group's corporate structure to reduce cost, improve communication and efficiency of business processes, implemented through the "Atari Transformation" plan, to be completed by the end of the year.
- Furthering the strength of the Group's Distribution capability as a world-class business-to-business leader in distribution of game products to retailers around the world.
- Improve the Group's product line-up and development strategy through (i) focus on quality, differentiation and innovation of the titles in production, (ii) a deliberate and focused strategy to build technical, creative and operational management capability for online games, (iii) a balanced, financially diligent approach to portfolio planning and the "greenlight" process.
- Redirect R&D investments away from crowded, highly competitive genres and platforms towards new opportunities where the Group can achieve category leadership, especially online, with innovative business models.
- Maintain at every level a strong financial discipline to ensure a sustainable and profitable growth, with a particular short term focus on (i) efficient use of R&D resources (ii) improve working capital management.

5. OBJECTIVES

We are confident we can achieve a 12 to 18% growth of our net revenues in 2008/2009 and be profitable at the current operating income level within 18 months on an annual basis.

Documentation is available on the company's website: www.infogrames.com

Financial calendar

2008 – 2009 Q1 sales: July, 31st 2008

2008 – 2009 Q2 sales: November, 14th 2008

2008 – 2009 Interim financial results: November, 27th 2008

About Infogrames Entertainment and Atari

Infogrames, the parent company of the Atari Group, is listed on the Paris Euronext stock exchange (ISIN code: FR0010478248) and has two principal subsidiaries: Atari Europe, a privately-held company, and Atari, Inc., a United States corporation listed on NASDAQ (ATAR). The Atari Group is a producer, publisher and distributor of interactive entertainment Software for all market segments and in all existing game formats (Microsoft, Nintendo and Sony) and on CD-ROM for PC. Its games are sold in more than 60 countries. The Atari Group's extensive catalogue of popular games is based on original Franchises (Alone in the Dark, V-Rally, Test Drive, etc.) and international licenses (Dragon Ball Z, Dungeons & Dragons...).

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Appendix

Consolidated income statement

€'m	March 31, 2008		March 31, 2007		FY - PY
Net revenues	290.7	100%	305.3	100%	-4.8%
Cost of goods sold	-179.6	-62%	-179.3	-59%	0.2%
Gross Margin	111.1	38.2%	126.0	41.3%	-11.8%
R&D expenses	-50.4	-17.3%	-57.9	-19.0%	-13.0%
Marketing & Selling expenses	-54.2	-18.6%	-58.2	-19.1%	-6.9%
General & Administrative expenses	-48.2	-16.6%	-49.2	-16.1%	-2.0%
<i>Share based non cash incentive</i>	-3.5	-1.2%	0.0	0.0%	-
Current operating income / (loss)	-45.2	-15.5%	-39.3	-12.9%	15.0%
Disposal of Hasbro licence	13.3	4.6%	-	0.0%	-
Gain / (loss) of disposal of assets	-	0.0%	2.7	0.9%	-100.0%
Restructuring expenses	-13.4	-4.6%	-8.7	-2.8%	54.0%
Goodwill impairment	-	0.0%	-17.3	-5.7%	-100.0%
Other income / (loss)	-0.2	-0.1%	0.8	0.3%	-
Operating income / (loss)	-45.5	-15.7%	-61.8	-20.2%	-26.4%
Cost of debt	-14.0	-4.8%	-25.6	-8.4%	-45.3%
Other financial income / (loss)	-1.2	-0.4%	1.8	0.6%	-166.7%
Tender offer loss	-	0.0%	-18.7	-6.1%	-100.0%
Share of net income / (loss) in equity method investments	-	0.0%	-0.5	-0.2%	-100.0%
Income taxes	-1.3	-0.4%	1.1	0.4%	-218.2%
Net income / (loss) from continuing operations	-62.0	-21.3%	-103.7	-34.0%	-40.2%
Net income / (loss) from discontinuing operations	-0.5	0%	-8.8	-3.1%	-94.3%
Net income / (loss) before minority interests	-62.5	-21.5%	-112.5	-36.8%	
Minority interests	11.4	3.9%	9.4	3.1%	
Net income / (loss)	-51.1	-17.6%	-103.1	-33.8%	

Consolidated Balance Sheet

€'m	March 31, 2008	March 31, 2007	Variance
Goodwill	77.9	89.0	-11.1
Intangible assets	43.1	61.9	-18.8
Tangible assets	5.5	7.0	-1.5
Financial assets	2.9	3.1	-0.2
Other non-current assets	-	0.2	-0.2
Deferred tax assets	5.5	5.4	0.1
Non-current assets	134.9	166.6	-31.7
Inventories	24.5	28.0	-3.5
Trade receivables	43.1	60.5	-17.4
Income tax assets	0.2	0.4	-0.2
Other current assets	17.7	10.6	7.1
Non-current assets classified as held for sale	-	0.9	-0.9
Cash and cash equivalents	83.4	46.6	36.8
Current assets	168.9	147.0	21.9
TOTAL ASSETS	303.8	313.6	-9.8
Share capital	12.8	12.3	0.5
Share premium	1 100.1	952.0	148.1
Consolidated reserves	-959.5	-899.0	-60.5
Shareholders' equity attributable to the Group	153.4	65.3	88.1
Minority interest	6.5	19.9	-13.4
Total shareholders' equity	159.9	85.2	74.7
Provisions, non-current	0.7	0.4	0.3
Borrowings, non-current	11.8	12.5	-0.7
Deferred tax liabilities	-	-	-
Other non-current liabilities	6.2	13.1	-6.9
Non-current liabilities	18.7	26.0	-7.3
Provisions, current	3.4	3.8	-0.4
Borrowings, current	22.9	74.6	-51.7
Trade payables	79.3	99.5	-20.2
Income tax liabilities	0.9	0.4	0.5
Other current liabilities	18.7	24.1	-5.4
Liabilities directly associated with non-current assets classified as held for sale	-	-	-
Current liabilities	125.2	202.4	-77.2
TOTAL EQUITY AND LIABILITIES	303.8	313.6	-9.8

Cash flow statement

€ m	March 31, 2008 (12 months)	March 31, 2007 (12 months)
Net Income	(62.5)	(112.5)
Non cash expenses and income :		
Allowances for the depreciation and impairment of non current assets	44.3	67.1
Share based non cash incentive	2.6	-
Capital (losses) gain on the disposal of property, plant, equipment and intangible assets	(13.3)	7.7
Capital (losses) gain on the disposal of non-current financial assets	(1.1)	0.1
Net gain (loss) from the exchange tender offer	-	18.7
Other	3.0	(4.5)
Net finance costs	14.0	25.6
Income taxes (current and deferred)	1.3	(1.1)
Net cash flow from (used for) operations before tax and finance costs	(11.7)	1.1
Income taxes paid	(1.1)	(0.1)
Change in working capital requirement		
Change in inventories	2.9	6.7
Change in trade receivables	15.0	(13.4)
Change in accounts payable	(16.1)	(5.5)
Change in other items	(10.4)	(0.3)
Net cash flow from (used for) operations	(21.4)	(11.5)
Purchases of assets		
Intangible assets	(34.6)	(31.3)
Tangible assets	(3.5)	(2.4)
Non-current financial assets	(1.3)	(1.2)
Proceeds from the sale of assets		
Intangible assets	13.1	7.8
Tangible assets	0.1	-
Non-current financial assets	1.8	-
Net cash flow from (used for) investing	(24.4)	(27.1)
Cash inflows :		
Proceeds from issuance of shares	7.5	74.5
Proceeds from issuance of Orane bonds	144.1	-
Increase of financial debt	41.3	38.5
Cash outflows :		
Net financial interests paid	(11.0)	(16.0)
Decrease in financial debt	(98.1)	(66.4)
Net cash flow from financing	83.8	30.6
Net cash from discontinued operations	0.6	12.8
Impact of exchange rate fluctuations on cash	(1.8)	(0.8)
Change in cash	36.8	4.0
Cash :	31-mars-08	31-mars-07
Balance at year's start	46.6	42.6
Balance at period's end ('a)	83.4	46.6
Change	36.8	4.0
(a) among which :		
Cash at bank	22.2	46.5
Cash equivalent	61.2	0.1
Total	83.4	46.6