

**INFOGRAMES**

*Entertainment*

## **Infogrames to acquire Cryptic Studios, a leading MMO games developer, publisher and operator**

**Lyon, France - December 9, 2008** - Infogrames Entertainment (“Infogrames”) today announced that it has entered into a definitive agreement to fully acquire Cryptic Studios Inc. (“Cryptic”), one of the world’s leading developers, publishers and operators of Massively Multiplayer Online (“MMOs”) games.

In order to finance the acquisition, Infogrames plans to launch a process to issue bonds giving access to the company’s capital. In conjunction with this issuance, Infogrames plans to launch two simplified public exchange offers, one on its existing ORANE issued in 2008 and the other on its existing warrants issued in 2007.

All these transactions represent a continuation of the positive initiatives established over the last several months aimed at implementing Infogrames’ business strategy and allowing it to emerge as one the leading players in the online game market.

<p><b>I- Cryptic Studios Inc.: a strategic acquisition, contributing to the creation of a 21st century online game company</b></p>
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***Leading MMO game creator, developer and operator will provide state-of-the-art games and technology expected to boost Atari’s online business growth***

The transaction encompasses all of Cryptic’s proprietary IP, tools, technology and work-in-progress and integrates all members of the leadership team and employees into Infogrames. This acquisition is a critical step in the implementation of Infogrames strategy to become a leading online game developer and publisher.

- Cryptic is currently developing three unique MMO franchises, planned for release over the next three years on PC and next-generation consoles, including *Champions Online* to be released in 2009 and *Star Trek Online* to be released in 2010. A third game currently in development will be announced in the near future;
- Established in 2000 and headquartered in Los Gatos, California, USA, Cryptic has a proven track record of delivering successful MMO franchises (*City of Heroes* and *City of Villains* sold to NCSoft) generating over USD 100 million in lifetime revenues and up to 180,000 peak subscribers;
- Cryptic is led by a highly experienced management team who shares Atari’s vision in online gaming and who has committed to stay with the group;
- Cryptic employs approximately 150 professionals, comprising leading industry creative, technical and operation experts with a proven track record in delivering on-time, on-budget titles, Cryptic revenues for fiscal year ending June 30, 2008 amounted to USD 17 million;

- Atari will benefit from Cryptic's powerful proprietary engine, scalable content development tools and online server architecture to deliver very high productivity-per-employee and industry-leading client/server performance and create unique, high quality MMO games on 18 to 24-month cycles;
- Atari will gain a proven, set of high-quality MMO game operating tools for sophisticated customer service and account management.

David Gardner, CEO of Infogrames, said: *"The acquisition of Cryptic Studios brings to Infogrames an outstanding creative organisation, with a proven track-record of success in the fast-growing MMO category. Cryptic's success is founded on leading-edge technology and the vision of a seasoned executive management team. I am impressed with the tools and technology that Cryptic has developed to make MMOs less expensive to build. Creating vast worlds and interesting interactions can be very people intensive but with the use of Cryptic's toolset they have a proven way of cutting average production costs in half. This is exactly the type of company we wanted to acquire in order to build Atari for the 21<sup>st</sup> century."*

*"We share a common vision with Atari and their leadership team."* said John Needham, Chief Executive Officer of Cryptic Studios, *"With our game development and online platform technology skills, we're very excited about the opportunities that this unique combination with Atari creates. I am committed to helping Atari grow into a leading online game company and look forward to being part of the team."*

Infogrames' offer for all of the issued and outstanding equity of Cryptic is comprised of the following:

- USD 27.6 million (i.e. approx. EUR 21.7 million) upfront cash payment at closing;
- A potential earn-out mechanism for a maximum amount estimated as of today at USD 27.5 million (i.e. approx. EUR 21.6 million):
  - USD 17.8 million to be paid in cash, USD 6.7 million estimated as of today to be paid in Infogrames shares (i.e. up to 889,242 shares) and USD 3.0 million estimated as of today to be paid to holders of Cryptic stock options either in Infogrames shares (i.e. up to 407,603 shares, subject to Infogrames' shareholders approval) or in cash.
  - Earn-out is based on the completion of 2010/2011 revenues targets of *Champions Online* and *Star Trek Online*, half of the earn-out in relation to *Champions Online* online revenues being paid on June 30, 2010, the other half on March 1<sup>st</sup>, 2011;
- a bonus for a maximum amount of USD 20 million (i.e. approx. EUR 15.7 million) is to be paid in cash or Infogrames stock (at the option of Infogrames, subject to the shareholders' approval), if *Champions Online* and *Star Trek Online*'s 2010/2011 online revenues over perform revenues targets. This bonus is to be paid on August 2010 and on May 2011.

This transaction is expected to create value for shareholders, with a view to:

- significantly contribute to Infogrames' revenues due to new games and a recurring revenue, subscription and micro transaction based business model;
- reduce development risks for future online games developed internally and improve margins due to the low cost structure of the Cryptic engine's technology and tools;
- improve Infogrames' sales to R&D ratio as Cryptic Studios is known for delivering on-time, on-budget, profitable titles and avoid significant investment to build this activity;

- enable the rapid and efficient integration of Cryptic and Atari as both entities are highly complementary;
- shift the business model from traditional publishing to a higher margin online business model.

UBS Investment Bank was Infogrames' bank advisor on this transaction. Higley and Company, LLC was Cryptic's bank advisor on this transaction. Closing of the transaction remains subject to the satisfaction of customary conditions and is expected to take place on December 11, 2008.

<b>II- Issuance of bonds with stocks giving access to Infogrames' capital attached to finance the Cryptic acquisition and other transactions</b>
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Infogrames plans to launch a process to issue bonds with stocks giving access to the company's capital attached.

This issuance would be preferentially reserved for Infogrames' existing shareholders and would be committed by BlueBay, Infogrames' main shareholder, for almost all the issuance amount.

A prospectus issue would need to be approved by the *Autorité des marchés financiers* (AMF).

This issuance would permit:

- the financing of the acquisition of Cryptic for USD 27.6 million (i.e. EUR 21.7 million), before potential earn-out and bonus, by repayment of a EUR 30 million bridge loan granted by BlueBay on December 1, 2008 to finance (i) the initial price (including costs and fees) of the acquisition of Cryptic Studios and (ii) future working capital requirements of Cryptic; and
- the repayment by Infogrames of Atari Inc.'s USD 14.0 million loan (i.e. approximately EUR 11 million) granted by BlueBay to Atari Inc., as part of Atari, Inc. restructuring, as Infogrames currently holds 100% of Atari Inc.

In conjunction with this financing, Infogrames is undertaking the launch of two simplified public exchange offers, one on ORANE issued in January 2008 and listed on Euronext Paris under ISIN FR0010560615 ("2008 ORANE") and the other one on BSA (warrants) issued in December 22, 2006 and January 24, 2007 and listed on Euronext Paris under ISIN FR0010413237 ("2007 BSA")

The exchange offer on ORANE aims to exchange 2008 ORANE for similar stock (excluding the payment of the first coupon), 2009 ORANE having a higher exchange ratio (which will be set at 17 shares per 2009 ORANE compared to 8.91 shares per 2008 ORANE).

The exchange offer on warrants aims to exchange 2007 BSA for similar stock, 2009 warrants having a lower exercise price (which will be set at EUR 6 for 2009 warrants compared to EUR 15 for 2007 warrants) and a higher maturity (2012 for 2009 warrants compared to 2009 for 2007 warrants).

The two exchange offers would be subject to i) the approval by the AMF (*décision de conformité*) and to ii) the approval by an Extraordinary General Meeting of the resolutions on 2009 ORANE and 2009 BSA issuance to be exchanged with 2008 ORANE and 2007 BSA.

The terms of the simplified exchange offers will be reviewed by an independent expert who will conclude if they are fair and in the interest of the minority shareholders and of holders of financial instruments giving access to the Company's capital.

NATIXIS acts as sole lead manager and bookrunner of the issue of bonds with stock giving access to capital attached and presenting bank of the simplified public exchange offers.

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**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](http://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).

**About Cryptic Studios:**

Cryptic Studios, Inc., based in Los Gatos, CA, and established in July 2000, is one of the leading independent developers of massively multiplayer online games. Cryptic is developing three major titles for the PC and current generation consoles, including Star Trek Online, Champions Online and an unannounced project. For more information on Cryptic Studios, please visit [www.crypticstudios.com](http://www.crypticstudios.com)

**Disclaimer:**

A prospectus, in French, pertaining to an issue of bonds with stocks giving access to Infogrames' capital attached comprising (i) the "reference document" registered with the AMF Financial Markets Authority on August 1, 2008 under number D.08-0577, (ii) a supplement to the last reference document, and (iii) an offering memorandum (note d'opération) (including a summary of the prospectus) is subject to AMF approval.

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Notably, no communication or information pertaining to the issuance by Infogrames of bonds with stocks giving access to Infogrames' capital attached and to the simplified exchange tender offers for the ORANE 2008 bonds and the 2007 Warrants might be publicly disseminated in any country where it is subject to approval or registration requirements. No attempt has been or will be made to obtain such approval or registration outside France, in any country where this would be required.

This press release does not constitute an offering of securities in the United States of America. The bonds with stocks giving access to Infogrames' capital attached are not and will not be registered under the Securities Act of 1933 and may be offered or sold in the United States exclusively under exemptions provided by the Securities Act. Infogrames does not intend to register any part or all of the issue in the United States, nor to make a public offering in the United States.

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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 and in the Supplementary reference document ("Actualisation du document de référence") which will be filed with the AMF and which will be published in case of approval by the AMF. 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.

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