INFOGRAMES

SIX-MONTH INTERIM REPORT FY 2003-2004

ATARI

SIX-MONTH INTERIM REPORT

For the six months ended September 30, 2003

Lyon, November 17, 2003

1. ECONOMIC ENVIRONMENT AND HIGHLIGHTS

During the first half of fiscal 2004, the Group reaped the benefits of the industrial and financial restructuring it has undergone over the past 18 months. Operating income was positive and above projections for the period, substantiating revenue and income objectives for the year.

THE MARKET

Sales of videogames continued to expand in volume during 2003, fueled by the popularity of new generations of consoles. Trends in average retail prices for games in those formats have started to stabilize, with an increase in games sold within the authorized price range below premium prices, a normal development at this stage of the current technological cycle.

As of December 31, 2003, there were an estimated 96.4 million new-generation consoles in use (Sony's PlayStation 2, Microsoft's Xbox, Nintendo's GameCube and GameBoy Advance) in Europe and the United States, an increase of close to 70 percent from a year earlier (source: International Development Group, September 2003).

To these existing new consoles must be added the still-operating older models (including PSOne), which generate a fair amount of business, and personal computers, which continue to represent a large market for interactive game software manufacturers.

From January to September 2003, sales of game software in the United States are estimated to have totaled USD 3.9 billion, of which USD 3.0 billion for console games (up 3.8 percent) and USD 0.9 billion for personal computers (down 10.6 percent) (source: NPD Datatrust).

CHANGE IN THE YEAR END DATE FOR THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

- The Board of Directors earlier decided to change the year-end date of the Group's consolidated financial statements from June 30 to March 31. The change became effective March 31, 2003. In order to make the half-year financial statements comparable with previous periods, a restated statement of operations for the six-month period from April 1, 2002 to September 30, 2002, has been included in this report.

- The principal reason for this change was the desire to make the Group's performance comparable with that of its main competitors, most of which have fiscal years that end on March 31. This year-end date is more suitable than either June 30 or December 31, which coincide with peak sales periods in the industry.

- For Infogrames Entertainment, and solely as far as its company financial statements are concerned, the changeover to a fiscal year ending March 31 will take place at a later point in time. This is so because an immediate change in its fiscal year would have very significant adverse tax consequences, due to the deconsolidation of French entities. This is a temporary situation. The switch to a fiscal year ending March 31 will occur later, when tax consolidation is reapplied for, or possibly before that if an agreement can be reached with the tax authorities.

- Thus, even though the year-end date of Infogrames Entertainment, the consolidating entity, will change in a future fiscal year, the change in the consolidated financial statements' year-end date was made possible, in accordance with accounting rules, because most of the fully consolidated entities had also adjusted their fiscal year to end on March 31.

RESTRUCTURING PLAN FOR FRANCE

- The plan, which concerns 280 jobs, was initiated during the previous fiscal year. However, most of the employees concerned left the company in June and July 2003.

STOCK OFFERING BY ATARI, INC.

Atari, Inc. (Nasdaq: ATAR), Infogrames Entertainment's principal US subsidiary, filed a prospectus with the Securities and Exchange Commission on August 8, 2003 for a public offering of Atari, Inc. common stock. The prospectus was subsequently updated on September 5, 2003.

The final terms and pricing of the offering (US$ 4.25 per Atari, Inc. share) were decided on September 18, 2003. In connection with that operation:

- Infogrames Entertainment and its California US Holding subsidiary converted some of the advances and loans extended earlier to Atari, Inc. into stock; total debt of US$ 165.9 million was accordingly exchanged for 39 million Atari, Inc. shares;

- The balance of US$ 46.6 million in non-converted shareholder loans and bonds still outstanding was offset by Atari, Inc. through the transfer to Infogrames Entertainment of receivables from other Group subsidiaries, namely US$ 44.7 million from Atari Interactive, Inc. and US$ 1.9 million from Atari Australia Pty Ltd; as a result of these transfers, neither Infogrames Entertainment nor CUSH are owed any funds by Atari, Inc.;

- For the purpose of this offering, Atari, Inc. issued 9.8 million shares of common stock, which, combined with the 17.2 million shares contributed by Infogrames Entertainment, brought the total offering to 27 million shares before any additional allotment. An over-allotment option was included in the event the offering was oversubscribed. That option was exercised in October 2003 for 3.9 million shares, all of which were provided by Infogrames Entertainment. The offering generated aggregate costs of US$ 6.7 million (€ 6.0 million);

- The license to the Atari name (which is owned by Atari Interactive, Inc.) was extended for another 10 years, ending in 2013, in exchange for 2 million Atari, Inc. shares and the payment over the second half of the period of a fee based on Atari, Inc.'s total sales.

As of September 30, 2003, subsequent to the offering and prior to the exercise of the US$ 16.4 million over-allotment option in October 2003:

- Infogrames Entertainment received a direct cash payment of US$ 73.0 million (€ 64.6 million); Atari, Inc. received a direct cash payment of US$ 41.7 million (€ 37.0 million). In all, the Group thus collected US$ 114.7 million (€ 101.6 million) before charges of US$ 2.3 million (€ 2.0 million);

- Infogrames Entertainment now holds, either directly or indirectly, 70.72 percent of Atari, Inc.'s capital, compared with about 88 percent before the offering;

- Insofar as US subsidiaries are concerned, Infogrames Entertainment is still owed US$ 86.8 million (€ 74.5 million) by Atari Interactive, Inc.

The full impact of the offering, except for the October 2003 exercise of the over-allotment option of US$ 16.4 million, is reflected in the financial statements for the period ended September 30, 2003, namely:

- Goodwill was reduced by € 7.5 million

- A dilution profit of € 19.9 million was recorded.

In October 2003, in connection with the Atari, Inc. public offering (see note 2.A) and following the exercise of the over-allotment option:

- Infogrames Entertainment received a direct cash payment of US$ 16.4 million (€ 15.6 million);

- Infogrames Entertainment now has a direct or indirect ownership interest in Atari, Inc. of 67.53 percent, compared with approximately 70.72 percent on September 30, 2003.

IMPROVEMENT OF THE GROUP'S FINANCIAL STRUCTURE

The Group announced that it intended to overhaul its entire financial structure. This concerns OCEANE 1999 and OCEANE 2000 convertible bonds as well as other debt. This restructuring could have a significant impact, either positive or adverse, depending on the circumstances, on the nature, maturity, breakdown by currency or other aspects of the debt, financial structure and equity of Infogrames Entertainment SA and/or its subsidiaries. The Group also reserves the right to continue buying back additional OCEANE convertible bonds during the coming period.

This approach was initiated several months ago and led in particular to the repurchasing of OCEANE 2000 bonds. Changes have also affected other debt and borrowings, with the aim of putting greater emphasis on local-level financing and on streamlining the terms and conditions of borrowing. As a result, Infogrames Entertainment has obtained new short-term financing (cash loans, credit guarantees, documentary credit) for its operating cycle. New loans have been extended primarily to Atari, Inc. (GECC) and to European distribution subsidiaries, and are secured by trade receivables, with additional sureties from the parent company on loans to European subsidiaries. The terms and conditions of the loans have been harmonized. Other borrowings and debt are primarily contracted by the parent company. They are secured by collateral consisting of shares of certain subsidiaries and a limited group of European intellectual property rights.

six-month interim report

2. SIX-MONTH REVIEW OF BUSINESS AND CONSOLIDATED STATEMENT OF OPERATIONS

STATEMENT OF OPERATIONS

(€ millions)	September 30, 2003 (6 months)		September 30, 2002 6 months pro forma (unaudited)		March 31, 2003 (9 months)	
Revenue	314.9	100.0%	417.6	100.0%	660.8	100.0%
Gross margin	**158.7**	**50.4%**	**215.4**	**51.6%**	**334.4**	**50.6%**
Research and development expenses	(52.3)	(16.6%)	(92.5)	(22.2%)	(128.0)	(19.4%)
Marketing and distribution expenses	(68.3)	(21.7%)	(97.1)	(23.3%)	(152.8)	(23.1%)
General and administrative expenses	(36.4)	(11.6%)	(38.2)	(9.1%)	(66.1)	(10.0%)
Operating income (loss)	**1.7**	**0.5%**	**(12.4)**	**(3.0%)**	**(12.5)**	**(1.9%)**

CONSOLIDATED REVENUE

Group consolidated revenue was down 24.6 percent (15.6% on a constant exchange-rate basis) from the same period a year ago. Sales for the period nonetheless exceeded the target of € 310 million. Revenue was affected by the fact that most new games were scheduled for release in October and November 2003, as well as by the decline in the value of the US dollar.

One of the highlights of the first half of fiscal 2004 was the success of “Enter The Matrix”, which was released in May of 2003 and outsold all games worldwide (with 4.7 million units sold), including in the United States, along with the continued high sales of games in the Dragon Ball Z and Dungeons & Dragons series and Backyard sports games.

The decline in volume was accounted for by the limited number of major products released in the second quarter, in line with seasonal fluctuations in the market. By comparison, during the same period last year several holiday-season hits had been released (Stuntman, Test Drive 2001, Neverwinter Nights, DBZ: Legacy of Goku, Unreal Tournament 2003, etc.). In this fiscal year, such games were scheduled for release in the October-to-December quarter.

Revenue from sales was also affected by the impact on sales in dollars of the decline in the value of the US dollar against the euro. It should also be noted that costs incurred in connection with sales in US dollars are also in dollars and accordingly fell in the same proportion.

Consolidated sales divided up geographically as follows:

	September 30, 2003	March 31, 2003
Europe/Asia	44%	40%
United States	56%	60%

In the Europe/Asia region, the share of Group sales recorded in Asia increased from 5 percent to 8 percent over the first six months.

Consolidated sales divided up among formats as follows:

	September 30, 2003	March 31, 2003
PC	44%	40%
PlayStation 2	22%	24%
Xbox	9%	12%
GameCube	7%	6%
GameBoy Advance	7%	9%
PlayStation 1	9%	7%
GameBoy Color	1%	2%
Others	1%	-
TOTAL	100%	100%

CONSOLIDATED GROSS MARGIN

The consolidated gross margin came to € 158.7 million. As a percentage of sales, the gross margin dropped by 1.2 points, as a result of changes in the product mix.

CONSOLIDATED RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs amounted to € 52.3 million, € 40.2 million (or 43.5 percent) less than for the same period last year. The decline was due to the following factors:

- Write-downs of prepaid fees totaled € 10.5 million, as against € 24.9 million for the period ended September 30, 2002;
- A reduction in payments to outside studios (€ 37.6 million, down from € 58.3 million for the period to September 30, 2003) following the closure of studios in Europe and the positive impact of changes in the dollar/euro exchange rate in the case of in-house US studios,
- Savings of some € 5.1 million from reduced amortizations of catalogs and other intangibles.

CONSOLIDATED MARKETING AND DISTRIBUTION EXPENSES

Marketing and distribution expenses amounted to € 68.3 million, compared with € 97.1 million over the same period the previous year, a relative drop of 1.6 points (21.7 percent of sales, compared with 23.3 percent a year earlier). The sharp decline in expenses reflected lower sales and the positive impact of the dollar/euro exchange rate. The 1.6 point improvement also was achieved thanks to the restructuring of marketing and distribution in the US and Europe and a more rational use of marketing budgets.

CONSOLIDATED GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses amounted to € 36.4 million, € 1.8 million less than for the same period a year ago, when they totaled € 38.2 million. The effect of various cost-cutting plans continued to be felt.

six-month interim report

CONSOLIDATED OPERATING INCOME

Consolidated operating income of € 1,7 million was recorded, or 0.5 percent of revenue, versus a loss of € 12.4 million (3 percent of revenue) for the same period a year ago. In spite of a decline in sales, controls over variable costs and the lowering of the break-even point made it possible to generate an operating profit.

OTHER STATEMENT OF OPERATIONS ITEMS

(€ millions)	September 30, 2003 (6 months)		September 30, 2002 6 months pro forma (unaudited)		March 31, 2003 (9 months)	
Operating income (loss)	1.7	0.1%	(12.4)	(3.0%)	(12.5)	(1.9%)
Financial income (expense)	(14.3)	(4.5%)	(14.2)	(3.4%)	(16.4)	(2.5%)
Current income (loss) before non-recurring items, tax, share of net income of equity method investments and amortization of goodwill	(12.6)	(4.0%)	(26.6)	(6.4%)	(28.9)	(4.4%)
Non-recurring income (loss)	18.9	9.0%	(4.3)	(1.0%)	(5.0)	(0.8%)
Income tax	(0.2)	(0.1%)	10 .4	2.5%	(41.4)	(6.3%)
Net income (loss) before share of income of equity method investments and amortization of goodwill	6.1	(1.9%)	(20.5)	(4.9%)	(75.3)	(11.4%)
Entities consolidated using the equity method	-	-	(0.5)	(0.0%)	0.9	0.1%
Net income before amortization of purchased development expenses and goodwill	6.1	1.9%	(21.0)	(5.0%)	(74.4)	(11.3%)
Amortization of acquired in-process R&D costs	-	-	(9.0)	(2.2%)	-	-
Amortization of goodwill	(12.8)	(4.1%)	(15.5)	(3.7%)	(22.1)	(3.3%)
Consolidated net income (loss)	(6.7)	(2.1%)	(45.5)	(10.9%)	(96.5)	(14.6%)
Net income (loss) after minority interests	(9.8)	(3.1%)	(44.8)	(10.7%)	(98.5)	(14.9%)

The consolidated financial loss amounted to € 14.3 million for the period ended September 30, 2003, virtually unchanged from the six-month period to September 30, 2002, when it was € 14.2 million.

The Group had non-recurring gains of € 18.9 million, compared with losses of € 4.3 million for the same period last year, from the following:

(€ millions)	September 30, 2003 (6 months)	September 30, 2002 6 months pro forma (unaudited)
Gains (losses) on the sale of assets	-	0.2
Restructuring expenses	(2.1)	(2.7)
Write down of receivables	-	(2.4)
Gains from the repurchase of convertible bonds	0.5	0.7
Proceeds from the Atari, Inc. public offering	19.9	-
Other net non-recurring gains (losses)	0.6	(0.1)
Total	18.9	(4.3)

• Restructuring expenses for the period to September 30, 2003 including € 1.3 million in restructuring charges by French subsidiaries and other expenses of € 0.8 million for the restructuring of operations in the United Kingdom and Korea.

A net profit of € 0.5 million was generated by the repurchase of convertible bonds (75 OCEANE 99 and 61,373 OCEANE 2000).

Tax expense for the period amounted to € 0.2 million, whereas € 10.4 million in tax credit was generated a year earlier. The expense comes from the tax to which profit-making subsidiaries are subject and that cannot be offset with past losses.

A net profit of € 6.1 million was recorded before the amortization of purchased development expenses and goodwill, compared with a loss of € 21.0 million for the half year to September 30, 2002.

After taking into account the results of entities accounted for by the equity method and the amortization of goodwill, the consolidated net loss was € 6.7 million, compared with € 45.5 million for the same period a year ago.

After adjustments to reflect minority interests in subsidiaries, the Group had a net loss of € 9.8 million compared with € 44.8 million for the same period a year ago.

3. CONSOLIDATED BALANCE SHEET ON SEPTEMBER 30, 2003

Balance sheet items on September 30, 2003

(€ millions)	September 30, 2003	March 31, 2003
Stockholders' equity	53.3	75.9
Minority interests	77.6	9.3
Contingency and loss provisions	13.2	21.6
Debt	447.0	487.5
Cash and cash equivalents	98.3	20.7
Net working capital	40.8	68.6
Goodwill	209.0	243.8
Intangible assets	213.8	229.9
Other fixed assets	29.2	31.3

Consolidated stockholders' equity was € 53.3 million on September 30, 2003 versus € 75.9 million on March 31, 2003. The following changes in stockholders' equity were recorded during the period:

Consolidated stockholders' equity as of March 31, 2003	75.9
Net income after minority interests	(9.8)
Disposals (purchases) of treasury shares, net of tax	14.8
Stock options and stock ownership plan	2.6
Unrealized foreign-exchange losses and other reserves	(30.5)
Consolidated stockholders' equity as of September 30, 2003	53.3

The decline in the bond conversion reserve (€ 30.5 million) was primarily caused by the change in the dollar/euro exchange rate.

The debt, net of cash and cash equivalents amounted to € 348.7 million on September 30, 2003 (€ 466.8 million on March 31, 2003), including € 342.4 million in convertible bonds outstanding (€ 345.3 million on March 31, 2003) maturing in 2004 and 2005. The Group had cash and cash equivalent balances of € 98.3 million on September 30, 2003, compared with € 20.7 million on March 31, 2003. The debt declined considerably – by € 118.1 million – under the combined impact of the increase in cash flow from operations, the Atari, Inc. stock offering and, to a lesser extent, the buyback of convertible bonds during the period.

Goodwill on the books amounted to € 209.0 million on September 30, 2003, down from € 243.8 million on March 31, 2003. The difference of € 34.8 million resulted from amortizations of € 12.8 million during the period, the diluting effect of the Atari, Inc. stock offering (€ 7.6 million) and the depreciation of US dollar in relation to the euro (€ 14.4 million).

The value of intangible assets fell to € 213.8 million on September 30, 2003 from € 229.9 million on March 31, 2003, the difference being attributable chiefly to exchange-rate effects (€ 12.4 million).

Net working capital and other net assets and liabilities declined by € 27.8 million, reflecting the accounting impact of lower sales in the last quarter (July – September), due to normal seasonal fluctuations.

4. SIGNIFICANT DEVELOPMENTS SUBSEQUENT TO SEPTEMBER 30, 2003

ATARI, INC. STOCK OFFERING

In October 2003, as part of the stock offering by Atari, Inc. and subsequent to the exercise of the over-allotment option:

- Infogrames Entertainment received a direct cash payment of US$ 16.4 million;
- Infogrames Entertainment now has a direct or indirect ownership interest in Atari, Inc. of 67.53 percent, compared with approximately 70.72 percent on September 30, 2003.

SIMPLIFIED OFFER TO REPURCHASE OCEANE 1999 AND OCEANE 2000 IN EXCHANGE FOR SECURITIES AND CASH

Infogrames Entertainment has made an irrevocable commitment to the Conseil des Marchés Financiers (Securities Markets Oversight Board) and the Board's successor to offer holders of its OCEANE 1999 and OCEANE 2000 bonds a combination of new shares, convertible bonds ("OCEANE 2003/2009") with warrants and cash (in the case of OCEANE 1999 only) in exchange for their bonds, on the terms below (the "Offer"). The Offer is in the form of the simplified procedure set forth in sections 5-3-1 et seq. of the General Rules (Règlement Général) of the Conseil des Marchés Financiers.

By offering to redeem the OCEANE 1999 and OCEANE 2000 bonds before their maturity, the Offer seeks to accelerate the Group's financial restructuring. It has resulted in a lowering of the corporate debt, an extension of average maturities as well as an increase in equity - immediately through the issuance of new stock and in the future through the possible conversion of the OCEANE 2003/2009 or exercise of the warrants. The Offer is part of the Group's continued efforts to streamline its financing.

Under the Offer, OCEANE bond holders have tendered a total of 404,228 OCEANE 1999 and 1,517,420 OCEANE 2000 bonds, representing respectively 30.6 percent of all OCEANE 1999 and 32.1 percent of all OCEANE 2000 bonds that could have been exchanged.

The Offer is for all OCEANE 1999 and OCEANE 2000 outstanding and not held by Infogrames Entertainment or its subsidiaries, i.e.:

- 1,323,005 OCEANE 1999 owned by the public (after deducting those owned by I-DRS) which could require the issuance of up to 6,945,776 Infogrames Entertainment shares; and

- 4,730,123 OCEANE 2000 owned by the public (after deducting those owned by I-DRS) which could require the issuance of up to 4,966,629 Infogrames Entertainment shares.

I-DRS is a wholly-owned subsidiary of Infogrames Entertainment that holds 75 OCEANE 1999, which are convertible into 394 new Infogrames Entertainment shares, and 1,727,210 OCEANE 2000 which are convertible into 1,813,571 Infogrames Entertainment shares. I-DRS will not tender its bonds under the Offer.

The table below shows the cash and securities (new shares and warrants) that would be offered in exchange for the OCEANE 1999 and OCEANE 2000 bonds if all were tendered:

(€ millions)	OCEANE 1999 bonds	OCEANE 2000 bonds	Total
Bonds outstanding on 9/30/03	€ 124	€ 218	€ 342
Offered value:			
Cash	€ 39.7	-	€ 39.7
New shares (1)	€ 32.0	€ 22.8	€ 54.8
Warrants (2)	€ 48.6	€ 165.6	€ 214.2

(1) On the basis of an issue price of € 4.60 corresponding to the closing price on October 24, 2003.
(2) One stock warrant is attached to each OCEANE 2003/2009 bond.

The Offer was registered with the Conseil des Marchés Financiers and filed under number 203c1768 on October 28, 2003. It was announced by Euronext Paris SA in a notice on October 28, 2003. The Conseil des Marchés Financiers examined the proposed offer at its meeting of November 5, 2003 and declared it effective on November 6, 2003, under reference number 203c1827.

The Offer is not contingent on the number of OCEANE 1999 and OCEANE 2000 bonds tendered.

October 28, 2003:	Registration of the Offer
November 6, 2003:	Offer declared effective by the *Conseil des Marchés Financiers* Approval of the prospectus by the *Commission des Opérations de Bourse*
November 11, 2003:	Start of the Offer period
November 19, 2003:	Publication of six-month interim financial statements for fiscal 2004
December 1, 2003:	Expiration of the Offer period
December 9, 2003 (or earlier):	Results of the Offer
December 12, 2003:	Annual and Special Shareholders' Meeting (first notice)
December 18, 2003:	Annual and Special Shareholders' Meeting (second notice)
December 23, 2003 (or earlier)	Settlement and delivery of the Offer and initial listing of the new shares, OCEANE 2003/2009 bonds and warrants.

Copies of the prospectus and of the annual report and proxy statement can be obtained free of charge from the offices of Infogrames Entertainment at 1 Place Verrazzano, 69252 Lyon Cedex 09; or from the bank handling the offer: UBS Securities France SA, 65 Rue de Courcelles, 75008 Paris; and are available on the Infogrames Entertainment Website (www.atari.com) and the Commission des Opérations de Bourse Website (www.cob.fr).

six-month interim report

5. PROSPECTS FOR THE FUTURE

The Group reaffirms its target for fiscal 2004 revenue of between 850 and 925 million euros. The forecast for the full fiscal year assumes that the publishing business will grow by 5 to 15 percent, depending on the region, and takes into account a planned cut-back in low-margin distribution activities. It also anticipates a euro/dollar exchange rate of 1.15.

On this basis, the Group expects to post an operating profit in the range of 6 to 7 percent of revenue.

Expected highlights for the second half of the year include the release of major products representing a mix of established franchises and new games, including:

- Mission Impossible Operation Surma and Terminator 3 Rise of the Machines, produced under licenses from major film studios,
- Dragon Ball Z Budokai 2, under an international license, and aimed at a younger public,
- Asterix & Obelix XXL, for the first time in a format for new generation consoles,
- Kya Dark Lineage, a new Atari franchise,
- the much anticipated Driver 3, a best-selling Group title that is scheduled for release during the first quarter of 2004.

Consolidated financial statements

Consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS

(€ millions)	Sept. 30, 2003 (6 months)	Dec. 31, 2002 (6 months)	March 31, 2003 (9 months)	Notes
Revenue	314.9	517.4	660.8	18
Cost of goods sold	(156.2)	(248.5)	(326.4)	
Gross margin	158.7	268.9	334.4	
Research and development expenses	(52.3)	(85.9)	(128.0)	
Marketing and distribution expenses	(68.3)	(122.7)	(152.8)	
General and administrative expenses	(36.4)	(46.2)	(66.1)	
INCOME (LOSS) FROM OPERATIONS (a)	1.7	14.1	(12.5)	
Investment income (loss)	(14.3)	(11.9)	(16.4)	20
CURRENT INCOME (LOSS) BEFORE NON-RECURRING ITEMS, TAX, SHARE OF NET INCOME OF EQUITY METHOD INVESTMENTS AND AMORTIZATION OF GOODWILL	(12.6)	2.2	(28.9)	
Non-recurring income (loss)	18.9	(2.7)	(5.0)	21
Income tax	(0.2)	(18.7)	(41.4)	22
NET INCOME (LOSS) BEFORE NON-RECURRING ITEMS, TAX, SHARE OF NET INCOME OF EQUITY METHOD INVESTMENTS AND AMORTIZATION OF GOODWILL	6.1	(19.2)	(75.3)	
Share of net income (loss) of equity method investments	-	-	0.9	8
Amortization of goodwill	(12.8)	(14.9)	(22.1)	4
NET INCOME (LOSS) BEFORE MINORITY INTERESTS	(6.7)	(34.1)	(96.5)	
Minority interests	3.1	3.3	2.0	14
NET INCOME (LOSS)	(9.8)	(37.4)	(98.5)	
Net income (loss) per share, not diluted (in euros)	(0.09)	(0.36)	(0.94)	
Net income (loss) per share, fully diluted (in euros) (b)	(0.09)	(0.36)	(0.94)	
Weighted average number of shares outstanding, not diluted	109 455 168	103 369 973	104 348 391	
Weighted average number of shares outstanding, fully diluted (b)	128 450 843	123 244 745	124 101 946	

(a) Included in operating losses are write-downs of prepaid royalties of € 10.5 million on September 30, 2003 (6 months), € 23.4 million on December 31, 2002 (6 months) and € 43.1 million for the period ended March 31, 2003 (9 months).

(b) Including the impact of dilutive securities (see note 1.V).

CONSOLIDATED BALANCE SHEET

(€ millions)	Sept. 30, 2003	March 31, 2003	Dec. 31, 2002	Notes
Goodwill	209.0	243.8	266.9	4
Intangible assets	213.8	229.9	248.1	5
Property and equipment	22.0	23.9	26.7	6
Investments	7.2	7.4	7.0	8
Total fixed assets	452.0	505.0	548.7	
Inventories	45.6	58.8	69.5	9
Royalty advances and prepaid license fees	83.0	64.2	74.9	10
Trade receivables	42.5	67.6	144.2	11
Other assets and adjustment accounts	34.2	47.8	88.8	12
Marketable securities	53.9	-	2.8	
Cash	44.4	20.7	45.0	
Total current assets	303.6	259.1	425.2	
Total assets	755.6	764.1	973.9	
Capital stock	68.1	67.3	67.3	
Additional paid-in capital	398.4	493.2	493.0	
Consolidated retained earnings (deficit)	(413.2)	(484.6)	(397.4)	
Total stockholders' equity	53.3	75.9	162.9	13
Minority interests	77.6	9.3	10.8	14
Contingency and loss provisions	13.2	21.6	20.3	15
Long-term debt	225.4	407.0	460.0	16
Total long-term liabilities	238.6	428.6	480.3	
Short-term debt	221.6	80.5	55.1	16
Trade accounts payable	25.6	135.0	234.1	
Other liabilities and adjustment accounts	38.9	34.8	30.7	17
Total short-term liabilities	386.1	250.3	319.9	
Total liabilities and stockholders' equity	755.6	764.1	973.9	

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(€ millions)	Number of shares issued	Treasury shares	Number of shares outstanding	Capital Stock	Other paid-in capital	Consolidated retained earnings (deficit)	Unrealized foreign-exchange gains (losses)	Stock holders' equity
Balance on June 30, 2002	**110 240 081**	**(7 398 478)**	**102 841 603**	**67.2**	**492.7**	**(298.7)**	**(51.3)**	**209.9**
Income (loss) for the period	-	-	-	-	-	(98.5)	-	(98.5)
Unrealized foreign exchange income (loss), net	-	-	-	-	-	-	(48.6)	(48.6)
Stock options and employee saving plans	202 688	-	202 688	0.1	0.5	-	-	0.6
(Acquisitions) disposed of treasury shares	-	3 550 722	3 550 722	-	-	12.6	-	12.6
Other	-	-	-	-	-	(0.1)	-	(0.1)
Balance on March 31, 2003	**110 442 769**	**(3 847 756)**	**106 595 013**	**67.3**	**493.2**	**(384.7)**	**(99.9)**	**75.9**
Income (loss) for the period	-	-	-	-	-	(9.8)	-	(9.8)
Unrealized foreign exchange income (loss), net	-	-	-	-	-	-	(30.5)	(30.5)
Stock options and employee saving plans	1 298 345	-	1 298 345	0.8	1.8	-	-	2.6
(Acquisitions) disposed of treasury shares		3 358 077	3 358 077	-	-	14.8	-	14.8
Other	-	-	-	-	-	0.3	-	0.3
Balance on September 30, 2003	**111 741 114**	**(489 679)**	**111 251 435**	**68.1**	**495.0**	**(379.4)**	**(130.4)**	**53.3**

CONSOLIDATED STATEMENT OF CASH FLOW

(€ millions)	Sept. 30, 2003 (6 months)	Dec. 31, 2002 (6 months)	March 31, 2003 (9 months)
Net income (loss)	(9.8)	(37.4)	(98.5)
Share of net income (loss) of equity method investments	-	-	(0.9)
Minority interests	3.1	3.3	2.0
Amortization of goodwill	12.8	14.9	22.1
Depreciation and amortization allowances on tangible and intangible assets	9.3	21.8	35.8
Capital losses (gains) on the sale of fixed assets	-	(0.1)	(0.2)
Capital losses (gains) on the sale of investments	(19.7)	(0.1)	(0.1)
Gains from the repurchase of convertible bonds	(0.5)	(21.8)	(37.6)
Deferred tax expense (income)	(0.1)	16.5	38.4
Write-downs of royalty advances and prepaid license fees	18.4	44.5	92.4
Other allowances, net	(3.3)	16.3	20.5
Cash flow from consolidated entities	**10.2**	**57.9**	**73.9**
Change in inventories	11.8	(4.2)	6.4
Change in advances on royalties	(40.7)	(44.2)	(83.3)
Change in trade receivables	22.7	(3.2)	70.7
Change in accounts payable to suppliers	(9.3)	5.7	(91.2)
Change in other current assets	10.3	16.0	20.1
Change in working capital requirements	**(5.2)**	**(29.9)**	**(77.3)**
Net cash flow from operations (1)	**5.0**	**28.0**	**(3.4)**
Purchases of intangible assets	(1.7)	(11.5)	(12.2)
Purchases of property and equipment	(2.9)	(3.7)	(4.6)
Proceeds from the sale of fixed assets	-	4.2	4.6
Change in other loans and investments	0.1	0.3	0.8
Atari, Inc. public offering	99.6	-	-
Impact of changes in reporting entities	-	(8.9)	(8.7)
Net cash flow from financing	**95.1**	**(19.6)**	**(20.1)**
Proceeds from equity issues	2.6	0.6	0.6
Repurchases of treasury shares	(4.9)	-	(1.0)
Repurchases of convertible bonds 2000/2005	(1.8)	(5.2)	(17.1)
Gains on the sale of financial instruments	-	8.7	17.9
Gains on the sales of treasury shares	19.6	2.2	4.5
Increase in other debts	18.1	29.3	31.3
Decrease in other debts	(41.9)	(37.0)	(43.9)
Net cash flow from financing	**(8.3)**	**(1.4)**	**(7.7)**
Impact of exchange rate fluctuations on cash	(1.0)	(0.7)	
Change in cash	**90.8**	**6.3**	**(31.2)**

CASH AND CASH EQUIVALENTS	Sept. 30, 2003	Dec. 31, 2002	March 31, 2003
Balance at year's start	4.6	35.8	35.8
Balance at year's end (a)	95.4	42.1	4.6
Change	90.8	6.3	(31.2)
(a) of which			
Cash	44.4	45.0	20.7
Marketable securities	53.9	2.8	-
Bank overdrafts	(2.9)	(5.7)	(16.1)
Total	95.4	42.1	4.6
Additional information			
Interest paid	(7.5)	(13.9)	(17.1)
Taxes paid	(1.0)	(0.8)	(1.2)
Acquisition of entities in exchange for stock	-	-	-
Increase in equity through the capitalization of debts	-	-	-

(1) The table below shows net cash flow from operations adjusted to exclude financial, non-recurring and other items that do not contribute to operating income.

	Sept. 30, 2003	Dec. 31, 2002	March 31, 2003
Net cash flow from operations	5.0	28.0	(3.4)
From interest and investment income and expense	9.1	12.5	20.7
From non-recurring gains and losses	11.5	6.8	11.1
From other revenue and expenses	0.3	2.3	3.0
From non-operating changes in working capital	-	(1.6)	2.9
Adjusted net cash flow from operations	25.9	48.0	34.3

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

A. NATURE OF BUSINESS

Infogrames Entertainment SA, together with its subsidiaries (collectively, the “Group”), is a major international designer, producer, publisher and distributor of entertainment software, interactive or otherwise, for various media systems (game consoles, PCs, etc.) The Group’s revenue is generated primarily from the sale and licensing of its own products, the sale and licensing of third parties’ products under publishing agreements, the distribution of other publishers’ products, and the production of software on behalf of third parties. The Group’s customers include mass merchandisers, specialty software stores, computer superstores, and other publishers and developers throughout the world.

B. GENERAL ACCOUNTING PRINCIPLES – INTERIM FINANCIAL STATEMENTS

The Board of Directors has decided to change the year-end date of the Group’s consolidated financial statements from June 30 to March 31. The change became effective March 31, 2003. In order to make the half-year financial statements comparable with previous periods, a restated statement of operations for the six-month period from April 1, 2002 to September 30, 2002, has been included in note 3.

The Group's consolidated financial statements have been prepared in accordance with accounting methods and principles generally accepted in France ("French GAAP"). The Group's consolidated financial statements are in compliance with Regulation 99-02 of the French Financial Accounting Standards Board (Comité de la Réglementation Comptable - CRC). The interim financial statements for the six-month period ended September 30, 2003 have been prepared in accordance with the same principles as those for the period ended March 31, 2003 and are consistent with Commission des Opérations de Bourse Recommendation 98-01 on interim financial statements.

CRC Regulation 2002-10 pertaining to the amortization and depreciation of fixed assets will apply to fiscal years starting on or after January 1, 2005 and may be implemented in advance starting January 1, 2002. The Group has not implemented the regulation. However the Group has ascertained that, as of September 30, 2003, there was no indication that its assets may have been impaired.

C. PRINCIPLES OF CONSOLIDATION

The financial statements of entities under the Group's exclusive control are fully consolidated from the date on which control is acquired. By exclusive control is meant the direct or indirect holding of a majority of the voting rights in any given subsidiary. The Group does not have any subsidiary in which it is assumed to have exclusive control, resulting from its direct or indirect ownership, over two consecutive years, of more than 40 percent of the voting rights, and from the fact that no other partner or stockholder holds, either directly or indirectly, voting rights in excess of those held by the Group.

Entities in which the Group has an ownership interest of between 20 and 40 percent and exercises significant management and financial influence are consolidated using the equity method.

Entities that meet the foregoing criteria but in which the Group holds only a temporary interest are not consolidated.

In accordance with the joint COB and Banking Commission recommendation of November 15, 2002 concerning spin-off arrangements and the disposal of assets, as well as with the subsequent January 14, 2003 recommendation by the French Society of Auditors (Compagnie Nationale des Commissaires aux Comptes - CNCC), the Group performed a review of all of its existing operations as of September 30, 2003. This review did not disclose the need for a restatement of the consolidated financial statements for the period ended September 30, 2003.

All transactions between fully consolidated entities have been eliminated. A list of consolidated entities on September 30, 2003 and March 31, 2003 is included in note 28.

Unconsolidated investments are reported at their historical cost, adjusted to reflect any long-term impairment of value, if applicable.

The consolidated statement of operations includes the financial results of entities acquired or disposed of during the year from their date of purchase or until their date of sale. Whenever the Group acquires a majority interest in an entity, its fair value is reported in the consolidated financial statements, including any portion of its assets and liabilities still held by minority stockholders. Accordingly, if the Group subsequently increases its interest, no fair value adjustment is recorded.

D. D. TRANSLATION OF FOREIGN SUBSIDIARIES' FINANCIAL STATEMENTS AND REPORTING OF TRANSACTIONS IN FOREIGN CURRENCIES

TRANSLATION OF FOREIGN SUBSIDIARIES' FINANCIAL STATEMENTS

Group companies operating in countries that are members of the European Monetary Union ("EMU") adopted the euro as their operating currency on July 1, 2001. Group companies outside of the EMU continue to use their respective domestic currencies. The financial statements of Group companies outside of the EMU are translated into euros using the following methods:

- balance sheet items (including goodwill on the books of acquired entities in their operating currency) are translated using exchange rates in effect at the end of the fiscal year;

- statements of operations and statements of cash flow are translated at the average exchange rates for the fiscal year;

- unrealized foreign exchange gains and losses are recorded in the balance sheet and the consolidated statement of changes in financial position as "Consolidated reserves" for the portion attributable to the Group and as "Minority interests" for the portion attributable to minority stockholders.

The consolidated financial statements for the periods ended September 30, 2003, December 31, 2002 and March 31, 2003 are presented in euros.

Unless otherwise indicated, all amounts included in the notes to the consolidated financial statements are in millions of euros.

TRANSLATION OF TRANSACTIONS IN FOREIGN CURRENCIES

Transactions by Group entities in currencies other than their domestic operating currency are translated using the exchange rates in effect on the transaction date or, if applicable, the hedging rates. The values of identifiable assets and liabilities stated in a currency other than a company's operating currency are translated using the exchange rate in effect at the reporting date or the applicable hedging rate. Foreign exchange gains or losses are recorded in "Interest income and expense".

E. CASH FLOW STATEMENT

Change in cash for the year is broken down in the cash flow statement between funds generated by or used for operating, investment and financing activities. Net change is adjusted to reflect accrued charges and revenue not yet disbursed or collected, as well as cash flow from investment and financing. Bank overdrafts are deducted from total cash and cash equivalents.

F. GOODWILL

Whenever the Group acquires a new entity, the acquired entity's identifiable assets and liabilities (including intangible assets described in note 1.G) are recorded in the consolidated balance sheet at their estimated fair market value on the acquisition date. Initial estimates of fair value may be adjusted in the subsequent fiscal year. Any excess of the net purchase price over the net fair value of identifiable assets is reported as "Goodwill" in the consolidated balance sheet and is amortized on a straight-line basis over a period not to exceed the assets' estimated useful life which, unless otherwise indicated, is assumed to be ten years. The net purchase price includes any fees and expenses directly related to the acquisition. The fair value of identifiable assets and liabilities takes into account incidental acquisition expenses, if any, such as provisions for reorganization and/or restructuring charges.

Prior to the Group's implementation of Regulation 99-02 (see note 1.B), goodwill arising from acquisitions paid for with newly-issued stock was charged to "additional paid-in capital" in the balance sheet, as permitted by the Commission des Opérations de Bourse rules (Instruction (Avis) 98-559 in Monthly Bulletin No. 210 and 1997 Annual Report).

Net goodwill on the books is reviewed periodically in light of events or changes likely to reduce the value and long-term prospects of the assets concerned. Appraisals take into consideration outside factors (overall trends in the sector, Group's market share, trading prices, price multiple, etc.) and internal ones (past and projected growth in revenue, profitability, cash flow, etc.). If this process points to a possible loss of value, a comparison is made between the present value of future cash flows generated by the entity concerned and the net book value of the investment. If necessary, goodwill is adjusted to reflect estimated fair market value.

G. INTANGIBLE ASSETS

The Group makes a distinction between amortizable and non-amortizable intangible assets.

AMORTIZABLE INTANGIBLE ASSETS

Amortizable intangible assets, other than goodwill, include identifiable intangible assets resulting from acquisitions of businesses (e.g., game catalogs) and software purchased for internal use (e.g., accounting software). These assets are amortized to "General and administrative expenses" or "Research and development expenses" on a straight-line basis over a period not in excess of their estimated useful life (ranging from 1 to 4 years).

Amortizable intangible assets also include entertainment software products purchased from external software producers under production fund development agreements. Under these agreements, which differ from the Group's royalty-based development agreements (see note 1.L), the Group agrees, in advance, to purchase products for a set price, subject to contractually specified production benchmarks. Such products are capitalized and amortized to "Cost of sales" over each product's expected sales life (generally 1 to 3 years) commencing on the product release date.

NON-AMORTIZABLE INTANGIBLE ASSETS

Non-amortizable intangible assets include market share and trademarks resulting from acquisitions, to the extent that an accurate and objective fair value can be determined for these items.

H. PROPERTY AND EQUIPMENT

Property and equipment is reported at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. Leasehold improvements are depreciated over the shorter of the estimated useful life of the assets concerned or the lease term (including possible lease extension periods). Land is not depreciated. Assigned economic lives of property and equipment are as follows:

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

Certain leased assets are treated as if purchased on credit and are reported as capital leases on the basis of the current value of future lease payments. They are depreciated over their estimated useful lives.

I. FIXED ASSET WRITE-DOWNS

The Group conducts annual reviews of its principal intangible and tangible fixed assets to determine whether write-downs are necessary if events or changed circumstances cause the assets' book value to exceed their market value. In the case of acquired intangible assets, this review is performed on the basis of both external factors (overall market trends, the Group's market share, etc.) and internal ones (past and projected trend in sales, profitability and cash flows). If it appears that the book value of assets exceeds their market value, the Group estimates future cash flows from the use and possible disposal of the asset concerned and, if necessary, sets aside a provision for the excess of book value over fair value. After the write-down, the asset appears on the balance sheet at its new net book value. If it is depreciable, depreciation is calculated on the basis of the new net book value and the residual estimated useful life of the asset.

J. INVESTMENTS

INVESTMENT HOLDINGS

The Group's investment holdings in non-consolidated entities are recorded at cost. A loss provision is recorded whenever an investment's going-concern value is deemed to be less than its book value. The going-concern value is estimated based on various criteria including the expected return on the Group's investment.

TREASURY SHARES

Treasury shares held by the Group are deducted from consolidated stockholders' 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 statement of operations and recorded to stockholders' equity.

K. INVENTORIES

The value of inventories is calculated using the first-in, first-out method. The gross value of inventories reflects purchase prices and incidental expenses. Interest expense is not included in the value of inventories. A loss provision is set aside in order to reduce the value of inventories to net market value whenever their probable market value is less than their cost. The write-down is charged to "Cost of sales" in the consolidated statement of operations.

L. ROYALTIES AND PREPAYMENT OF ROYALTIES

Prepaid royalties to external software developers under development agreements for certain products and to intellectual property rights holders for the use of their trademarks or copyrights are capitalized and amortized as "Cost of sales" in the consolidated statement of operations. Amortization in the statement of operations commences on the product's release date and varies according to the actual volume of sales and the agreed-upon royalty payment schedule.

The Group's management evaluates the future realization of these assets on a regular basis and records a charge for any amounts deemed unlikely to be realized due to the expected volume of sales. Write-downs of advances, and write-offs, if any, are reported as "Research and development expenses". On the other hand, whenever they arise due to the closing of operations, they are reported as non-recurring losses.

M. MARKETABLE SECURITIES

"Marketable securities" in the consolidated balance sheet are highly liquid securities with an original maturity of three months or less and are considered cash equivalents. Their fair value approximates their book value due to their short-term maturity.

N. OTHER RECEIVABLES AND ADJUSTMENT ACCOUNTS

ISSUE AND REDEMPTION PREMIUMS ON BONDS

The value of bonds is reported inclusive of any issue or redemption premiums. Issue and redemption premiums are also reported on the asset side of the consolidated balance sheet under "Other receivables and adjustment accounts" and are amortized over the life of the bonds along with interest payments, unless the redemption risk has been specifically hedged.

BOND ISSUE EXPENSES

Bond issue expenses are reported in "Other receivables and adjustment accounts" in the consolidated balance sheet and are amortized over the life of the bonds under "Interest income and expense" in the consolidated statement of operations.

O. CONTINGENCY AND RISK PROVISIONS

Starting July 1, 2002, the Group has been implementing the new regulation pertaining to liabilities (CRC Rule 2000-06 / CNC Statement 00-01).

P. REVENUE

SALE OF ENTERTAINMENT SOFTWARE

Revenue from the sale of entertainment software is reported when products are shipped to customers and a reserve is set aside to cover expected returns of merchandise in the amount of the products' sale price net of their cost. The Group is not contractually obligated to accept returns but it can authorize certain customers to exchange products sold to them. In addition, the Group may provide warranties, rebates for unsold products and other concessions to specific customers. Whenever it does so, management estimates the amount of future credits and sets aside reserves that are deducted from sales and from "Trade receivables" in the consolidated balance sheet. The Group also performs ongoing credit assessments of its customers and sets aside provisions for potential losses where necessary, which are reported as "Marketing and distribution expenses" and "Trade receivables".

LICENSING

Under various licensing agreements, licensees are entitled to make multiple copies of entertainment software in return for payment of a guaranteed minimum fee. 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 minimum license fee is reported when such sales occur.

SERVICES

Revenue from development and publishing services performed for third parties includes fees and other payments received. They are considered earned and are reported in the books based on development schedules included in service agreements.

Q. CLASSIFICATION OF OPERATING EXPENSES

Operating expenses are recorded in the statement of operations based on the nature of the expenses, including depreciation and provision allowances.

Costs incurred for shipping and handling are included in “Marketing and distribution expenses” in the consolidated statement of operations. Shipping and handling expenses reported by the Group amounted to € 7.7. € 12.3 and € 16.6 million, respectively for the years ended September 30, 2003 (6 months), December 31, 2002 (6 months) and March 31, 2003 (9 months).

R. RESEARCH AND DEVELOPMENT EXPENSES

In-house production costs are charged to “Research and development expenses” in the consolidated statement of operations when they are incurred and until such time as technological feasibility has been established for a product. The technological feasibility requirement is considered satisfied when a prototype has been made, which in practice marks the end of the development period. Accordingly, since expenses incurred after completion of technical feasibility tests are not significant, the Group has not capitalized any significant in-house software production costs to date.

Expenses incurred to develop software for third parties under production fund agreements (see note 1.G) are charged to “Research and development expenses” as incurred.

"Research and development expenses" also include

- amortization and depreciation allowances on game catalogs, games acquired under production funding agreements and other tangible or intangible development studio assets. For the period ended September 30, 2003 (6 months), these allowances amounted to € 4.2 million. They amounted to € 11.4 million for the year ended December 31, 2002 (6 months) and to € 15.6 million for the year ended March 31, 2003 (9 months). The difference was due to the fact that game software acquired under production funding agreements is fully depreciated.
- as applicable, write-downs of advances made to software developers under development agreements calling for the payment of royalties (see note 1.L). The Group wrote down prepaid royalties of € 10.6 million in the period ended September 30, 2003 (6 months) and € 23.4 and € 43.1 million, respectively, for the year ended December 31, 2002 (6 months) and for the year ended March 31, 2003 (9 months).

S. ADVERTISING

Advertising expenses are reported at the time they are incurred under “Marketing and distribution expenses” in the consolidated statement of operations, except for expenses directly related to the promotion of unreleased products. Advertising costs for such products are capitalized in the consolidated balance sheet (under “Other receivables and adjustment accounts”) and reported as expenses at the time of the start of the advertising campaign for the products concerned. The Group reported advertising expenses of € 30.6 for the period ended September 30, 2003 (6 months) and € 70.2 and € 78.9 million, respectively, for the year ended December 31, 2002 (6 months) and for the year ended March 31, 2003 (9 months).

T. TAXES

Taxes for the year are calculated in accordance with rules and rates applicable in the countries where the Group does business.

Deferred taxes are calculated using the inter-period tax allocation method for all timing differences between the tax values of assets and liabilities and their book values in the consolidated financial statements. Deferred taxes are calculated using the going tax rates in the countries where the Group operates for the years in which timing differences are expected to be settled. A provision is set aside for net deferred tax assets whenever it is deemed doubtful (a likelihood of less than 50%) that some or all of the deferred tax assets will not be used.

A provision has been set aside for taxes that would become payable if the undistributed earnings of French and foreign subsidiaries were distributed, except when those earnings are intended to remain permanently in the subsidiaries concerned.

U. NON-RECURRING ITEMS

Non-recurring gains and losses pertain mainly to items deemed to be of an extraordinary, one-time nature and which as such are not considered part of the Group's normal business. They include in particular capital gains and losses from the sale of fixed assets and restructuring charges.

V. EARNINGS PER SHARE

Earnings per share are calculated on the basis of the weighted average number of shares outstanding during the year (excluding treasury shares not included for the purpose of stockholders' equity). Net earnings per share, fully diluted, take into account potential diluting factors at the end of the year (e.g. convertible bonds, stock warrants and options). Whenever there is a net loss per share, the fully diluted amount is the same as the net loss per share.

W. FINANCIAL INSTRUMENTS

The fair values of the Group's trade and other receivables, trade accounts payable, and other short-term liabilities approximate their book values due to the short-term maturity of these items. The fair value of other financial instruments is provided in the attached notes whenever it could be calculated. The calculation of fair value is largely a matter of judgment and estimates are not necessarily indicative of the amounts that the Group could obtain on the market. Fair values are calculated at year's end and may fluctuate considerably subsequent to that date.

The Group uses derivative financial instruments to manage and reduce its exposure to fluctuations in interest and foreign exchange rates. Derivative financial instruments are generally used to hedge underlying exposure. The reporting of gains and losses from such instruments reflects gains and losses on the hedged items (i.e. gains and losses on interest rate and foreign currency contracts used to hedge interest rate and foreign exchange risks are generally reported in the same period as gains and losses on the hedged items). Whenever an instrument is no longer effective as a hedge due to a change in the underlying exposure, gains and losses are reported under "Interest income and expense" in the consolidated statement of operations.

X. EMPLOYEE FRINGE BENEFITS AND RETIREMENT COMPENSATION

In compliance with the laws and practices of the country in which they operate, Group subsidiaries have obligations with respect to employee pension, life and disability insurance plans and health insurance and other fringe benefits for active employees. The Group accounts for these obligations as and when contributions are made only in the case of obligations with respect to defined contribution plans.

Obligations with respect to retirement plans are computed using a prospective actuarial method. The consolidated balance sheet does not include provisions for these commitments, which are reported as off balance sheet commitments (note 23). They are updated annually at the end of the fiscal year.

The Group may grant bonuses to certain officers and employees in the form of stock options or warrants. Those grants are not reported on the grant date. When options or warrants are exercised, the Group reports the resulting increase in capital based on the exercise price paid in cash by officers or employees.

The Group has set up a Stock Savings Plan that enables its employees to invest in securities.

Y. USE OF ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with generally accepted accounting principles requires that the Group's management make estimates and assumptions which have an impact on the value of assets and liabilities on the balance sheet, assets and liabilities referred to in the notes to the financial statements, and revenue and expenses reported in the statement of operations. Actual amounts may differ from these estimates and assumptions.

2. ACQUISITIONS – DISPOSALS

A. TRANSACTIONS FOR THE YEAR ENDED SEPTEMBER 30, 2003

ACQUISITIONS

No acquisition was made during the year ended September 30, 2003.

ATARI, INC. STOCK OFFERING

Atari, Inc. (Nasdaq: ATAR), Infogrames Entertainment's principal US subsidiary, filed a prospectus with the Securities and Exchange Commission on August 8, 2003 for a public offering of Atari, Inc. common stock. The prospectus was subsequently updated on September 5, 2003.

The final terms and pricing of the offering (US$ 4.25 per Atari, Inc. share) were decided on September 18, 2003. In connection with that operation:

- Infogrames Entertainment and its California US Holding subsidiary converted some of the advances and loans extended earlier to Atari, Inc. into stock; total debt of US$ 165.9 million was accordingly exchanged for 39.03 million Atari, Inc. shares;

- The balance of US$ 46.6 million in non-converted shareholder loans and bonds still outstanding was offset by Atari, Inc. through the transfer to Infogrames Entertainment of receivables from other Group subsidiaries, namely US$ 44.7 million from Atari Interactive, Inc. and US$ 1.9 million from Atari Australia Pty Ltd; as a result of these transfers, neither Infogrames Entertainment nor CUSH are owed any funds by Atari, Inc.;

- For the purpose of this offering, Atari, Inc. issued 9.8 million shares of common stock, which, combined with the 17.2 million shares contributed by Infogrames Entertainment, brought the total offering to 27 million shares before any additional allotment. An over-allotment option was included in the event the offering was oversubscribed. That option was exercised in October 2003 for 3.9 million shares, all of which were provided by Infogrames Entertainment. The offering generated aggregate costs of US$ 6.7 million (€ 6.0 million);

- The license to the Atari name (which is owned by Atari Interactive, Inc.) was extended for another 10 years, ending in 2013, in exchange for 2 million Atari, Inc. shares and the payment over the second half of the period of a fee based on Atari, Inc.'s total sales.

As of September 30, 2003, subsequent to the offering and prior to the exercise of the of US$ 16.4 million over-allotment option in October 2003:

- Infogrames Entertainment received a direct cash payment of US$ 73.0 million (€ 64.6 million); Atari, Inc. received a direct cash payment of US$ 41.7 million (€ 37.0 million). In all, the Group thus collected US$ 114.7 million (€ 101.6 million) before charges of US$ 2.3 million (€ 2.0 million);

- Infogrames Entertainment now holds, either directly or indirectly, 70.72 percent of Atari, Inc.'s capital, compared with about 88 percent before the offering;

- Atari Interactive, Inc. owes Infogrames Entertainment US$ 86.8 million (€ 74.5 million)

The position subsequent to the exercise of the over-allotment option is shown in note 27.

The full impact of the offering, except for the October 2003 exercise of the over-allotment option of US$ 16.4 million, is reflected in the financial statements for the period ended September 30, 2003, namely:

- Goodwill was reduced by € 7.6 million
- A spin-off profit of € 19.9 million was recorded.

B. ACQUISITIONS MADE DURING THE YEAR ENDED MARCH 31, 2003

No acquisition was made during the year ended March 31, 2003.

C. ACQUISITIONS MADE DURING THE YEAR ENDED JUNE 30, 2002

ACQUISITION OF EDEN STUDIOS IN EXCHANGE FOR NEWLY-ISSUED INFOGRAMES ENTERTAINMENT STOCK

The Special Stockholders' Meeting of May 29, 2002 approved the acquisition by Infogrames Entertainment SA of 80.2% of Eden Studios SA, a development studio based in Lyon, France, bringing the Group's interest in this company to 100%. Consideration for the purchase took the form of 587,064 newly-issued Infogrames Entertainment SA shares. Based on the share price on May 29, 2002, the price paid for the additional equity interest was € 3.5 million.

The total purchase cost € 10.4 million, including acquisition expenses. Eden Studios was consolidated by the purchase method on June 1, 2002, generating goodwill of € 8.3 million, which will be amortized on a straight-line basis over 10 years.

The acquisition agreement between the parties includes a price adjustment clause based on future sales in excess of a given minimum from games developed by Eden Studios over the next 5 years. The price supplement, if any, would be payable in cash, or up to half in Infogrames Entertainment shares.

As of March 31, 2003, the above clause required the payment of an additional € 1.0 million.

The acquisition price of € 11.4 million divides up as follows:

(€ millions)	
Fair value of acquired assets and assumed liabilities (1)	2.1
Goodwill	9.3
Acquisition price	11.4

(1) The fair value of acquired assets and assumed liabilities includes € 0.8 million in research and development expenditures related to work in progress, all of which was reported as a "Goodwill amortization" expense for the year ended June 30, 2002.

ACQUISITION OF SHINY ENTERTAINMENT

On April 30, 2002, Infogrames, Inc. acquired all of Shiny Entertainment, a California development studio, for a total of USD 59.2 million (€ 65.7 million), including USD 49.8 million for the company's stock, USD 1 million for incidental expenses and USD 8.4 million in restructuring charges. Shiny Entertainment was consolidated by the purchase method on May 1, 2002, generating goodwill of € 54.8 million, which is being amortized on a straight-line basis over a period of ten years.

The acquisition price of € 65.7 million divides up as follows:

(€ millions) at the exchange rate in effect on April 30, 2002	
Fair value of acquired assets and assumed liabilities (1)	10.9
Goodwill	54.8
Acquisition price	65.7

(1) The fair value of assets and liabilities acquired includes an intangible asset of USD 2.7 million (€ 3.0 million) representing the "Matrix" license and research and development expenditures of USD 7.4 million (€ 8.3 million) for in-progress game development, all of which was reported as "Goodwill amortization" expenses for the year ended June 30, 2002.

ACQUISITION OF 37.5% OF OZISOFT IN EXCHANGE FOR INFOGRAMES ENTERTAINMENT STOCK

On April 15, 2002, the Group acquired an additional 37.5% of Ozisoft Pty Ltd.'s equity in exchange for 400,000 of its own shares in order gain full control of this subsidiary, which distributes Group products in Australia. The cost of this additional interest amounted to € 4.3 million, including acquisition fees and expenses. The purchase generated goodwill of € 4.3 million, which is being amortized on a straight-line basis over a period of ten years.

ACQUISITION OF INTERACTIVE PARTNERS AND MERGER INTO INFOGRAMES ENTERTAINMENT SA

The Special Stockholders' Meeting of December 17, 2001 approved the merger of Interactive Partners SA into Infogrames Entertainment SA. A Form-E report pertaining to this transaction and a supplement thereto were approved by the Commission des Opérations de Bourse under numbers E.01-465, dated November 21, 2001, and E.01-487, dated December 14, 2001, respectively. Interactive Partners' principal business consisted of coordinating, managing and controlling an equity interest in Infogrames Entertainment SA, as well as providing assistance and advisory services to Infogrames Group companies. As of December 17, 2001, Interactive Partners' chief asset consisted of its Infogrames Entertainment SA shares. The merger was paid for in stock, so that it is reported in the consolidated financial statements on the basis of the net book value of Interactive Partners' assets and liabilities, as permitted under article 215 of regulation 99-02. The company has been consolidated since December 17, 2001.

MULTI-STEP ACQUISITION OF MISTIC INC.

On December 1, 2001, the Group acquired the balance of the equity of Mistic Inc., a development studio based in Montreal (Canada), after purchasing an interest in the company from Den-O-Tech (a 61%-owned subsidiary of Infogrames Entertainment), at the time Den-O-Tech was spun off to its minority stockholders.

This additional acquisition generated goodwill of € 0.1 million, which is being amortized on a straight-line basis over a period of ten years.

D. IMPACT OF ACQUISITIONS ON THE CONSOLIDATED STATEMENT OF OPERATIONS

No acquisition was made during the year ended September 30, 2003.

3. PRO FORMA STATEMENT OF OPERATIONS IN CONNECTION WITH THE CHANGE IN YEAR-END DATES

Because of the change in the consolidated year-end date to March 31, 2003, and in order to provide comparable financial information for the six-month periods, the table below shows financial results for:
- the six-month period from April 1, 2003 to September 30, 2003 ;
- the restated six-month period from April 1, 2002 to September 30, 2002 ;
- the 3-month period from April to June 2002 ;
- the 3-month period from July to September 2002.

(€ millions)	Sept. 30, 2003 (6 months)	Sept. 30, 2002 restated (6 months)	Apr.-June, 02 (3 months)	July-Sep., 02 (3 months)
Revenue	314.9	417.6	236.7	180.9
Cost of goods sold	(156.2)	(202.2)	(113.7)	(88.5)
Gross margin	158.7	215.4	123.0	92.4
	50.4%	51.6%	52.0%	51.1%
Research and development expenses	(52.3)	(92.5)	(46.4)	(46.1)
Marketing and distribution expenses	(68.3)	(97.1)	(53.8)	(43.3)
General and administrative expenses	(36.4)	(38.2)	(17.2)	(21.0)
INCOME (LOSS) FROM OPERATIONS (a)	**1.7**	**(12.4)**	**5.6**	**(18.0)**
Investment income (expense)	(14.3)	(14.2)	(8.1)	(6.1)
CURRENT INCOME (LOSS) BEFORE NON-RECURRING ITEMS, TAX, SHARE OF NET INCOME OF EQUITY METHOD INVESTMENTS AND AMORTIZATION OF GOODWILL	**(12.6)**	**(26.6)**	**(2.5)**	**(24.1)**
None-recurring income (loss)	18.9	(4.3)	(2.3)	(2.0)
Income tax	(0.2)	10.4	9.6	0.8
NET INCOME (LOSS) BEFORE SHARE OF INCOME OF EQUITY METHOD INVESTMENTS AND AMORTIZATION OF GOODWILL	**6.1**	**(20.5)**	**4.8**	**(25.3)**
Share of net income (loss) of equity method investments	-	(0.5)	(0.5)	-
Amortization of goodwill	(12.8)	(24.5)	(16.9)	(7.6)
NET INCOME (LOSS) BEFORE MINORITY INTERESTS	**(6.7)**	**(45.5)**	**(12.6)**	**(32.9)**
Minority interests	3.1	(0.7)	(1.0)	0.3
NET INCOME (LOSS)	**(9.8)**	**(44.8)**	**(11.6)**	**(33.2)**

(a) Operating income includes write-downs of advances on royalties of € 10.5 million for the period ended September 30, 2003 (6 months) and € 24.9 million for the period ended September 30, 2002 (6 months).

4. GOODWILL

Goodwill consists of the following :

(€ millions) Susidiaries or Divisions	Sept. 30, 2003 Gross	Amort.	Net	March 31, 2003 Gross	Amort.	Net
Atari Interactive, Inc.	109.8	(19.7)	90.1	117.4	(17.4)	100.0
Atari, Inc.	99.9	(39.1)	60.8	114.8	(36.1)	78.7
Shiny Entertainment, Inc	42.4	(6.1)	36.3	45.4	(4.2)	41.2
Paradigm Entertainment, Inc.	14.2	(4.5)	9.7	15.1	(4.0)	11.1
Eden Studio	9.3	(1.2)	8.1	9.3	(0.7)	8.6
Others	6.3	(2.3)	4.0	6.3	(2.1)	4.2
Goodwill	281.9	(72.9)	209.0	308.3	(64.5)	243.8

The tables below show changes in the gross value and accumulated amortization of goodwill:
For the period ended September 30, 2003:

(€ millions) Gross value	March 31, 2003	Acquisitions	Divestments (1)	Other transactions (2)	Sept. 30, 2003
Infogrames Interactive, Inc.	117.4	-	-	(7.6)	109.8
Infogrames, Inc.	114.8	-	(7.6)	(7.3)	99.9
Shiny Entertainment, Inc.	45.4	-	-	(3.0)	42.4
Paradigm Entertainment, Inc.	15.1	-	-	(0.9)	14.2
Eden Studio	9.3	-	-		9.3
Others	6.3	-	-	-	6.3
Total	**308.3**	**-**	**(7.6)**	**(18.8)**	**281.9**

(€ millions) Amortization	March 31, 2003	Allowances	Divestments (1)	Other transactions (2)	Sept. 30, 2003
Infogrames Interactive, Inc.	(17.4)	(3.6)	-	1.3	(19.7)
Infogrames, Inc.	(36.1)	(5.5)	-	2.5	(39.1)
Shiny Entertainment, Inc.	(4.2)	(2.2)	-	0.3	(6.1)
Paradigm Entertainment, Inc.	(4.0)	(0.7)	-	0.2	(4.5)
Eden Studios	(0.7)	(0.5)	-		(1.2)
Others	(2.1)	(0.3)	-	0.1	(2.3)
Total	**(64.5)**	**(12.8)**	**-**	**4.4**	**(72.9)**
Net value	**243.8**	**(12.8)**	**(7.6)**	**(14.4)**	**209.0**

(1) Primarily the reduction of the Atari, Inc. goodwill due to the dilution resulting from Atari, Inc. stock offering (see note 2.A).

(2) Impact of changes in exchange rates on goodwill on the books of foreign subsidiaries

For the year ended March 31, 2003:

(€ millions) Gross value	June 30, 2002	Acquisitions	Divestments	Other transactions (3)	March 31, 2003
Infogrames Interactive, Inc.	133.1	-	-	(15.7)	117.4
Infogrames, Inc.	125.4	-	-	(10.6)	114.8
Shiny Entertainment, Inc.	49.5	-	-	(4.1)	45.4
Paradigm Entertainment, Inc.	17.3	-	-	(2.2)	15.1
Eden Studios	8.3	1.0	-	-	9.3
Others	6.3	-	-	-	6.3
Total	**339.9**	**1.0**	**-**	**(32.6)**	**308.3**

(€ millions) Amortization	June 30, 2002	Allowances	Divestments	Other transactions (3)	March 31, 2003
Infogrames Interactive, Inc.	(12.7)	(6.6)	-	1.9	(17.4)
Infogrames, Inc.	(29.7)	(9.3)	-	2.9	(36.1)
Shiny Entertainment, Inc.	(1.1)	(3.6)	-	0.5	(4.2)
Paradigm Entertainment, Inc.	(3.3)	(1.2)	-	0.5	(4.0)
Eden Studio	(0.1)	(0.6)	-	-	(0.7)
Others	(1.3)	(0.8)	-	-	(2.1)
Total	**(48.2)**	**(22.1)**	**-**	**5.8**	**(64.5)**
Net Value	**291.7**	**(21.1)**	**-**	**(26.8)**	**243.8**

(3) Impact of changes in exchange rates on goodwill on the books of foreign subsidiaries.

Goodwill is amortized over a period of 10 years, except for that of Atari Interactive Inc., which is amortized over 15 years (term of the licensing agreement with Hasbro, Inc.).

Goodwill amortization allowances reported in the consolidated financial statements of the Group amounted to € 12.8 million, € 14.9 million and € 22.1 million, respectively, for the period ended September 30, 2003 (6 months), for the period ended December 31, 2002 (6 months) and for the year ended March 31, 2003 (9 months).

Had the Group not implemented COB Directive 98-559 (note 1.F.) in prior years, the additional amortization allowance on goodwill would have amounted to € 7.5 million, € 7.5 million and € 11.3 million, respectively, for the period ended September 30, 2003 (6 months), for the period ended December 31, 2002 (6 months) and for the year ended March 31, 2003 (9 months). Likewise, the Group's stockholders' equity, and correlatively goodwill, would have been € 60.8 million, € 72.0 million and € 68.3 million higher, respectively, on September 30, 2003, December 31, 2002 and March 31, 2003.

5. INTANGIBLE ASSETS

Intangible assets consist of the following:

(€ millions)	March 31, 2003	Changes in reporting entities	Acquisitions/ allowances	Disposals/ cancellations	Other changes	Sept. 30, 2003
Non-amortizable items						
Market shares	191.4				(10.3)	181.1
Trademarks	19.7				(1.3)	18.4
Total I	**211.1**	**-**	**-**	**-**	**(11.6)**	**199.5**
Amortizable items						
Game catalogs	26.5				(1.4)	25.1
Licences	5.1				(0.3)	4.8
Software	57.3		1.5	-	(1.0)	57.8
Other assets	0.7		0.2	-	(0.1)	0.8
Total gross value	**89.6**	**-**	**1.7**	**-**	**(2.8)**	**88.5**
Accumulated amortization	(70.8)		(9.3)	3.9	2.0	(74.2)
Total II	**18.8**	**-**	**(7.6)**	**3.9**	**(0.8)**	**14.3**
Total I+II	**229.9**	**-**	**(7.6)**	**3.9**	**(12.4)**	**213.8**

(€ millions)	June 30, 2002	Changes in reporting entities	Acquisitions/ allowances	Disposals/ cancellations	Other changes	March 31, 2003
Non-amortizable items						
Market shares	206.9	-	-	-	(15.5)	191.4
Trademarks	21.5	-	-	-	(1.8)	19.7
Total I	**228.4**	**-**	**-**	**-**	**(17.3)**	**211.1**
Amortizable items						
Game catalogs	28.7	-	-	-	(2.2)	26.5
Licences	5.3	-	-	-	(0.2)	5.1
Software	46.8	-	12.1	-	(1.6)	57.3
Other assets	8.9	-	-	(0.8)	(7.4)	0.7
Total gross value	**89.7**	**-**	**12.1**	**(0.8)**	**(11.4)**	**89.6**
Accumulated amortization	(54.1)	-	(28.2)	0.8	10.7	(70.8)
Total II	**35.6**	**-**	**(16.1)**	**-**	**(0.7)**	**18.8**
Total I+II	**264.0**	**-**	**(16.1)**	**-**	**(18.0)**	**229.9**

Amortization and valuation allowances on intangible assets reported in the Group's consolidated statement of operations amounted to € 9.3 million, € 17.2 million and € 28.2 million, respectively, for the period ended September 30, 2003 (6 months), for the period ended December 31, 2002 (6 months) and for the year ended March 31, 2003 (9 months).

Other changes primarily reflect changes in exchange rates.

6. PROPERTY AND EQUIPMENT

Changes in property and equipment were as follows:

(€ millions)	March 31, 2003	Changes in reporting entities	Acquisitions/ allowances	Disposals/ cancellations	Other changes	Sept. 30, 2003
Land	0.8	-	-	-	-	0.8
Buildings	15.6	-	0.6	-	(0.7)	15.5
Computer hardware	28.3	-	1.2	-	(3.0)	26.5
Other equipment, furniture and fixtures	16.9	-	1.1	-	(0.5)	17.5
Total gross value	**61.6**	**-**	**2.9**	**-**	**(4.2)**	**60.3**
Depreciation	(37.7)	-	(3.9)	-	3.3	(38.3)
Total net value	**23.9**	**-**	**(1.0)**	**-**	**(0.9)**	**22.0**

(€ millions)	June30, 2002	Changes in reporting entities	Acquisitions/ allowances	Disposals/ cancellations	Other changes	March 31, 2003
Land	1.8	-	-	(1.0)	-	0.8
Buildings	18.2	-	1.2	(2.5)	(1.3)	15.6
Computer hardware	35.3	-	2.1	(7.6)	(1.5)	28.3
Other equipment, furniture and fixtures	18.3	-	1.3	(1.5)	(1.2)	16.9
Total gross value	**73.6**	**-**	**4.6**	**(12.6)**	**(4.0)**	**61.6**
Depreciation	(40.5)	-	(7.6)	8.9	1.5	(37.7)
Total net value	**33.1**	**-**	**(3.0)**	**(3.7)**	**(2.5)**	**23.9**

Depreciation allowances on property and equipment reported in the Group's consolidated statement of operations amounted to € 3.9 million, € 5.2 million and € 7.6 million, respectively, for the period ended September 30, 2003 (6 months), December 31, 2002 (6 months) and for the year ended March 31, 2003 (9 months).

Other changes for the period primarily reflect changes in foreign-exchange rates and reclassifications.

7. LEASES

The Group leases office space and equipment, primarily under operating leases. Lease payments reported as operating expenses amounted to € 7.2 million for the period ended September 30, 2003 (6 months), € 6.9 million for the period ended December 31, 2002 (6 months) and € 10.6 million for the year ended March 31, 2003 (9 months).

Future minimum annual payments under the Group's operating leases amounted to € 44.7 million on September 30, 2003 (6 months). They amounted to € 66.8 million for the 6 months ended December 31, 2002 and to € 51.2 million for the 9 months ended March 31, 2003. The schedule of future payments can be found in note 23.

8. LOANS AND INVESTMENTS

Loans and investments consist of the following:

(€ millions)	Sept. 30, 2003	March 31, 2003
Investments accounted for by the cost method (1)	3.6	3.9
Investments accounted for by the equity method (2)	1.0	1.0
Loans	0.2	0.3
Security deposits	2.4	2.2
Other investments	-	-
Total	7.2	7.4

Investments reported at cost: As described in note 1.C, investments in non-consolidated entities are reported at their historical cost net of any write-off in the event of long-term impairment of value.

Investments accounted for by the cost method were as follows on September 30, 2003 and March 31, 2003:

(€ millions)			Sept. 30, 2003			March 31, 2003	
Companies	Country	Ownership interest	gross value	write-down	Net book value	Market value (a)	Net book value
OddWorld	United States	(b)	6.1	(3.1)	3.0	N/A	3.2
I Phone	United Kingdom	20% (c)	1.7	(1.7)	0.0	N/A	0.0
Games.com	United States	100% (d)	11.7	(11.7)	0.0	N/A	0.0
Others	Various	Various	5.4	(4.8)	0.6	N/A	0.7
			24.9	(21.3)	3.6		3.9

(a) Fair market value is provided for listed securities only. Investments for which market value is not readily available are reported at the lesser of historical cost or net trading value. The Group estimates net trading value based on the total assets, stockholders' equity or net income of the entities concerned, or on other relevant factors.

(b) The Group's investment in OddWorld consists of non-voting preferred stock convertible into approximately 50% of OddWorld's common equity.

(c) The Group does not exercise significant management influence in that company, which is cutting down on its business.

(d) The Group intended from the start to dispose of this investment.

Investments consolidated by the equity method – The following entities were accounted for by the equity method:

(€ millions)	Sept. 30, 2003			March 31, 2003		
Investment	Ownership interest (%)	Book value	Group share of income for the year	Ownership interest (%)	Book value	Group share of income for the year
Sunflowers	30.02	1.0	-	30.02	0.1	0.9
Total		1.0	-		0.1	0.9

9. INVENTORIES

Inventories consist of the following:

(€ millions)	Sept. 30, 2003	March 31, 2003
Finished products	50.3	66.8
Raw materials and supplies	0.3	
Gross value	50.8	66.8
Provisions for obsolescence reserves	(5.2)	(8.0)
Net value	45.6	58.8

The table below shows changes in provisions for write-downs:

(€ millions)	Sept. 30, 2003 (6 months)	March 31, 2003 (9 months)
Balance at year's start	8.0	10.4
Additions	9.7	13.9
Cancellations and recaptures	(10.4)	(12.9)
Other changes (1)	(2.1)	3.4
Balance at year's end	5.2	8.0

(1) Other changes were accounted for essentially by exchange rate differences.

10. ROYALTY ADVANCES AND PREPAID LICENSE FEES

The table below shows changes in royalty advances and prepaid license fees:

(€ millions)	Sept. 30, 2003 (6 months)	March 31, 2003 (9 months)
Balance at year's start	174.3	181.0
Advances and prepayments made	40.7	83.3
Write-downs of advances and prepayments	(7.8)	(43.5)
Changes in reporting entities	-	-
Cancelled advances	(11.9)	(38.0)
Impact of exchange rates	(5.6)	(8.5)
Gross value at year's end	189.7	174.3
Provisions at year's start	(110.1)	(103.5)
Net (allowances) recaptures	(10.6)	(47.6)
Cancelled provisions	11.9	36.7
Impact of exchange rates	2.0	4.3
Provisions at year's end	(106.7)	(110.1)
Net value at year's start	64.2	77.5
Net value at year's end	83.0	64.2

The table below shows the breakdown between short-term and long-term advances on royalties:

(€ millions)	Sept. 30, 2003	March 31, 2003
Short-term advance	57.7	47.7
Long-term advance	25.3	16.5
Total	83.0	64.2

11. TRADE RECEIVABLES

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

(€ millions)	Sept. 30, 2003	March 31, 2003
Gross value	59.1	83.3
Provisions for write-downs	(16.6)	(15.7)
Net value	42.5	67.6

The table below shows changes in provisions for write-downs:

(€ millions)	Sept. 30, 2003	March 31, 2003
Balance at year's start	15.7	33.4
Additions	5.4	8.5
Recaptures and uses	(4.0)	(5.1)
Cancelled or reclassified provisions	0.1	(19.5)
Impact of exchange rate	(0.6)	(1.6)
Balance at year's end	16.6	15.7

Given the large number of customers and the various countries in which they are located, the Group does not consider its credit risk exposure to be significant. Sales to the Group's largest single client in the period ended September 30, 2003 and the year to March 31, 2003 accounted for 15.3 and 13.8 percent of total revenue, respectively. Total receivables due by a single customer represented 15.3 and 11.8 percent of total trade receivables on September 30, 2003 and March 31, 2003, respectively.

All trade receivables are payable in less than one year.

12. OTHER RECEIVABLES AND ADJUSTMENT ACCOUNTS

The items below are included under the heading "Other receivables and adjustment accounts":

(€ millions)	Sept. 30, 2003	March 31, 2003
Bond premiums (note 16)	12.1	17.6
Prepaid expenses	7.2	11.4
Bond issue costs	1.6	2.3
Receivables from the government	8.6	10.2
Other receivables (1)	4.0	5.6
Deferred tax assets (note 22)	0.7	0.7
Total	34.2	47.8

(1) Including a € 1.1 million short-term security deposit on the assignment of receivables (Dailly Act) and € 1.0 million in expenses to be spread over the life of the Boston building's leaseback agreement.

As of September 30, 2003, other receivables matured in less than one year, with the exception of bond premiums and bond issue costs.

13. STOCKHOLDERS' EQUITY

COMMON STOCK

As of September 30, 2003, 111,741,114 Infogrames Entertainment SA shares of common stock, with a nominal value of € 68.1 million had been issued, of which 111,251,435 were outstanding. On March 31, 2003, 110,442,769 shares of common stock with a par value of € 67.3 million had been issued, 106,595,013 of which were outstanding. 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 matters submitted to a vote of stockholders. All paid-up shares held in registered form by the same stockholder for two years or more are entitled to double voting rights, as are additional shares acquired pursuant to rights attached to registered shares entitled to double voting rights.

DIVIDENDS

The Board of Directors may propose to Infogrames Entertainment SA stockholders that dividends be distributed for up to the amount of the Company's distributable earnings. Decisions regarding dividends are made by Infogrames Entertainment SA's stockholders at their Annual Meeting. The Group distributed no dividends for the past three fiscal years.

STOCK REPURCHASE PROGRAM – TREASURY SHARES

Authority has been granted to the Board of Directors, until June 2004, to buy back up to 10% of Infogrames Entertainment SA's common stock outstanding. Repurchased shares may be retired or used for other purposes, including to maintain an orderly market in them, for distribution to employees or in connection with acquisitions. The maximum price at which shares may be purchased is € 30 and the minimum price at which they may be sold is € 2.

The Group holds some of its own shares. Those treasury shares were not purchased under a buyback program but were acquired primarily when Interactive Partners was merged into the Company on December 17, 2001 (see note 2.C), as well as in connection with the price adjustment agreement with Hasbro, which caused Hasbro to return stock to IESA. The table below shows changes in treasury shares for the period.

	March 31, 2003	Additions	Disposals (1)	September 30, 2003
Stock repurchase program	0	789,412	(789,412)	0
Interactive Partners merger	1,674,799		(1,674,799)	0
Stock dividend (1/20)	268,400		(268,400)	0
Hasbro price adjustment	1,769,083		(1,414,878)	354,205
Other transactions	135,474			135,474
Total	3,847,756	789,412	(4,147,489)	489,679

(1) as part of refinancing transactions (not including trades to maintain an orderly market).

Treasury shares are deducted from consolidated shareholders' equity, as recommended by the COB (Monthly Bulletin of February 1999), which advises that treasury shares should be deducted from shareholders' equity in the consolidated financial statements whenever such shares are not specifically earmarked for particular purposes.

As of September 30 2003, the Group held 489,679 treasury shares (compared with 3,847,756 treasury shares on March 31, 2003), which are reported in the balance sheet under "Consolidated Reserves" for a negative value of € 2.9 million or € 5.96 a share (€ 57.7 million or € 15 a share on March 31, 2003). Transactions during the period had a positive impact on consolidated shareholders' equity of € 14.8 million.

WARRANTS ISSUED TO HASBRO, INC.

In connection with the Hasbro Interactive acquisition, the Stockholders' Meeting of January 23, 2001 authorized the issuance in favor of Hasbro, Inc. of 1,500,000 subscription warrants entitling their holder to purchase 1,575,000 Infogrames Entertainment SA shares for a price of € 19.19 per share, and representing 1.20% of Infogrames Entertainment SA capital on September 30, 2003, on a fully diluted basis (assuming that all warrants will be exercised). The exercise of the warrants is contingent on certain changes occurring in the ownership of Infogrames Entertainment SA. The warrants expire on January 26, 2004.

INFOGRAMES ENTERTAINMENT SA STOCK OPTION PLAN

Authority has been granted to the Board of Directors, until February 17, 2005, to grant options for new or existing shares of Infogrames Entertainment SA to officers, directors and certain employees of the Group. Options may be offered for a number of shares not in excess of 5 percent of those outstanding and the exercise price of these options may not be less than 95% of the average trading price of Infogrames Entertainment SA common stock over the twenty trading days immediately preceding the date on which the respective options are granted. Options generally vest ratably over a four- or five-year period from their date of grant under certain conditions and are generally exercisable over a period of up to 8 years. No options may be granted to officers, directors, or employees who already own more than 10% of Infogrames Entertainment SA common stock (see note 19 for more detailed information on Infogrames Entertainment SA stock options outstanding).

14. MINORITY INTERESTS

The table below shows changes in minority interests:

(€ millions)	Sept. 30, 2003	March 31, 2003
Balance at year's start	9.3	8.5
Equity issues purchased by third parties (1)	75.7	0.1
Changes in reporting entities	-	-
Changes in unrealized exchange gains or losses	(10.5)	(1.1)
Other changes	-	(0.2)
Minority interests' share of the year's income (loss)	3.1	2.0
Balance at year's end	77.6	9.3

(1) Following the Atari, Inc. stock offering (see note 2.A), the ownership interest in Atari, Inc. of minority shareholders increased to 29.28 percent from 12 percent before the offering.

15. CONTINGENCY AND LOSS PROVISIONS

The tables below show changes in contingency and loss provisions:

(€ millions)	Period ended September 30, 2003 (6 months)						
	Year's start	Impact of changes in reporting entities	Additions	Uses	Recaptures (unused provisions)	Other changes	Year's end
Restructuring allowances	15.3	-	3.4	(13.5)	-	(0.2)	5.0
Other allowances	6.3	-	2.0	(0.6)	-	0.5	8.2
Total	21.6	-	5.4	(14.1)	-	0.3	13.2

Additions, uses and recaptures had a negative impact of € 8.7 million, broken down as follows:

Operating income	1.5
Investment income	-
Non-recurring income	(10.2
Total	(8.7)

Additional allowances for restructuring charges for the period concerned primarily the planned restructuring of the Group's French business.

(€ millions)	Period ended March 31, 2003 (9 months)						
	Year's start	Impact of changes in reporting entities	Additions	Uses	Recaptures (unused provisions)	Other changes	Year's end
Restructuring allowances	3.1	-	13.1	(0.7)	-	(0.2)	15.3
Other allowances	9.2	-	5.8	(6.2)	-	(2.5)	6.3
Total	12.3	-	18.9	(6.9)	-	(2.7)	21.6

Additions, uses and recaptures had a positive impact of € 12.0 million, broken down as follows:

Operating income	(0.2)
Investment income	(5.8)
Non-recurring income	18.0
Total	12.0

16. DEBT

Breakdown of the debt:

(€ millions)	Sept. 30, 2003	March 31, 2003
2000 convertible bonds	218.2	221.0
1999 convertible bonds	124.3	124.3
Other borrowings and debt	101.7	126.1
Bank overdrafts	2.8	16.1
Total	447.0	487.5
Less debt maturing in less than one year (1)	(221.6)	(80.5)
Total long-term debt	225.4	407.0

(1) The portion of the debt maturing in less than one year consists of the following:

(€ millions)	Sept. 30, 2003	March 31, 2003
1999 convertible bonds	124.3	-
Portion of other borrowings and debt maturing in less than one year	94.5	64.4
Bank overdrafts	2.8	16.1
Total short-term debt	221.6	80.5

The table below shows the maturity schedule of the Group's borrowings:

Maturity year (in millions of euros) - Period ended September, 30	Amount
2004	221.6
2005	219.2
2006	1.0
2007	0.9
Subsequent years	4.3
Total	**447.0**

OCEANE 2000

On May 18, 2000, Infogrames Entertainment SA issued 8,941,517 convertible bonds (the "2000 Convertible Bonds") with a face value of € 39, exchangeable for new or existing common stock, for an aggregate of € 412.3 million (inclusive of aggregate premiums of approximately € 63.6 million). The bonds mature on July 1, 2005 and carry interest at 1.5% (for a yield of 4.75%, including premiums). Each bond can be exchanged by its holder for 1.05 Infogrames Entertainment SA shares. The Group has the option of calling the bonds if, prior to their maturity date, the price of Infogrames Entertainment SA common shares rises above a pre-defined level. A prospectus was published in connection with the bond issue and approved by the COB on May 18, 2000 under No. 00-823.

During the period ended September 30, 2003, the Group bought back 61,373 OCEANE 2000 convertible bonds on the market. This caused its long-term debt to decline by € 2.9 million and generated a non-recurring gain of € 0.5 million (taking into account the write-off of the premiums and the issue cost of the bonds repurchased, the impact of the disposal of premium hedging instruments and incidental expenses for the transactions). As of September 30, 2003, 4,730,123 bonds were outstanding (4,791,496 as of March 31, 2003) and none was likely to be called by the Group. Another 1,727,210 bonds were held by a Group subsidiary (1,665,839 bonds as of March 31, 2003). These bonds, which no longer appear in the consolidated financial statements, will be either converted or retired shortly. As of September 30, 2003, premiums on OCEANE 2000 bonds were no longer specifically hedged, and had not been since March 31, 2003.

OCEANE 1999

On June 28, 1999, Infogrames Entertainment SA issued 2,500,000 convertible bonds (the "1999 Convertible Bonds") with a face value of € 86.0, exchangeable for new or existing common stock, for an aggregate of € 234.5 million (inclusive of aggregate premiums of approximately € 20.0 million). The bonds mature on July 1, 2004 and carry interest at 1% (for a yield of 2.75%, including the premium). Each bond can be exchanged by its holder for 5.25 Infogrames Entertainment SA shares. The Group has the option to call the bonds if, prior to their maturity date, the price of Infogrames Entertainment SA common shares rises above a pre-defined level. A prospectus was published in connection with the bond issue and approved by the COB on June 16, 1999 under No. 99-844.

As of September 30, 2003, 1,323,005 bonds (1,330,080 bonds as of March 31, 2003) remained outstanding and none were eligible for redemption by the Group. Movements over the period were insignificant. As of September 30, 2003, redemption premiums on OCEANE 2000 bonds were no longer specifically hedged, and had not been since March 31, 2003.

OTHER BORROWINGS AND DEBT

Other borrowings and debt consist mainly of bank borrowings in Europe and bank guarantees (standby letters of credit or documentary credit). Borrowings are reported as long-term or short-term debt based on the corresponding original agreements, or renegotiated ones if applicable.

In the United States, the Group secured a revolving credit facility from GECC on November 12, 2002 for up to USD 50 million over a period of 30 months. As of September 30, 2003, a total of USD 8.7 million (€ 7.5 million) had been drawn down in the form of letters of credit in favor of suppliers.

FAIR VALUE OF DEBT

The fair value of the Group's debt has been estimated on the basis of listed prices at the end of the period (in the case of OCEANE bonds) and of terms extended to the Group for debt with the same residual maturities (in the case of other borrowings). The fair value of the Group's long-term debt obligations is accordingly as follows:

(€ millions)	Sept. 30, 2003	March 31, 2003
Fair value	402.8	277.6
Carrying amount	447.0	487.5

FINANCIAL STRUCTURE

The Group has made it known that it intended to overhaul its entire financial structure. This concerns OCEANE 1999 and OCEANE 2000 convertible bonds as well as other debts. This restructuring could have a significant impact, either positive or adverse, depending on circumstances, on the nature, maturity, breakdown by currency or other aspects of the debt, financial structure and equity of Infogrames Entertainment SA and/or its subsidiaries. In this connection, the Group may have to provide guarantees (see note 23). The Group also reserves the right to continue buying back additional OCEANE convertible bonds during the coming period.

This approach was initiated several months ago and led in particular to the repurchasing of OCEANE 2000 bonds. Changes have also affected other debt and borrowings, with the aim of putting greater emphasis on local-level financing and on streamlining the terms and conditions of borrowing. As a result, Infogrames Entertainment has obtained new short-term financing (cash loans, credit guarantees, documentary credit) for its operating cycle. New loans have been extended primarily to Atari, Inc. (GECC) and to European distribution subsidiaries, and are secured by trade receivables, with additional sureties from the parent company on loans to European subsidiaries. The terms and conditions of the loans have been harmonized. Other borrowings and debt are primarily contracted by the parent company. They are secured by collateral consisting of shares of certain subsidiaries and a limited group European intellectual property rights.

The Atari, Inc. shares have not been pledged.

DEBT CURRENCY

The table below shows the currencies in which the Group's debt is denominated:

(€ millions)	Sept. 30, 2003	March 31, 2003
European Monetary Union currencies	437.1	467.2
United States dollars	7.0	17.6
Other currencies	2.9	2.7
Total	447.0	487.5

EVENTS OF DEFAULT / FINANCIAL RATIOS

In the case of short-term credit facilities of the Dailly type or its equivalent outside France, such as the US$ 50-million credit line extended by General Electric, covenants reflect the conditions to which credit is subject, namely the assignment of trade receivables or their use as collateral for a security interest and the allocation of proceeds from such receivables to repay loans, the Company being entitled to continue drawing down on the facility provided that it assigns additional receivables or creates new security interests. Accordingly covenants pertain primarily to the manner in which accounts operate (opening of specific accounts for the credit facility drawdowns; cross-guarantees by the parent company; default by the subsidiary; failure to disclose financial information to the bank, etc.)

The General Electric credit facility contains provisions requiring Atari, Inc. to satisfy certain financial ratios. Failure to do so would mainly result in further drawdowns under the facility being suspended (earlier drawdowns would be covered by maturing receivables). At this time, the full credit facility is available, provided that the corresponding trade receivables are set aside. The facility was initially extended in November 2002 for a period of 30 months.

The table below shows the events of default and financial ratio clauses to which the Group's consolidated debt was subject as of September 30, 2003.

Nature of the debt	Events of default / Financial ratios
OCEANE 1999 / OCEANE 2000 convertible bonds	The convertible bonds are not subject to any accelerated-maturity clause based on financial ratios. The main provision affecting them is a pari passu clause with other bonds with respect to security interests.
Other borrowings and debt	
By the parent company: € 82.2 million	Theses loans are subject to a cross-default clause that creates an event of default if the company fails to make payments on other loans when due. For example, failure to make payments when due on a bank loan would constitute an event of default not just for that entire loan but also for all other bank loans. To date, the Company has made all payments when due. The loans are not subject to event-of-default clauses based on financial ratios.
By European subsidiaries: (Australia, Germany and Great Britain) € 9.2 million	These are short-term credit facilities secured by trade receivables, for which the parent company stands surety.
Lease financing: € 7.0 million	The leases are not subject to event-of-default clauses based on financial ratios.

Nature of the debt	Events of default / Financial ratios
By the Atari, Inc. subsidiary: No loans outstanding on September 30, 2003	The General Electric credit facility extended to Atari, Inc. contains clauses that make failure by Atari, Inc. and other Group entities in the US to meet certain financial ratios events of default under the facility. The financial ratios are calculated on a consolidated basis for the entities in accordance with US accounting principles (US GAAP). The covenants may be adjusted on a case-by-case basis subject to General Electric's agreement. As of September 30, 2003, only € 7.5 million (US$ 8.7 million) in bank guarantees had been drawn down, and reported as off balance-sheet commitments, under a US$ 50-million credit facility. The financial covenant are as follows: **(i) Maximum capital expenditures** Capital expenditures are defined as assets purchased for cash or credit, including improvements and replacements, with a useful life of more than one year and which US GAAP requires to be reported on the balance sheet. Ceilings on capital expenditures are as follows: Quarter ended March 31, 2003 — $ 12,000,000 Quarter ended June 30, 2003 — $ 12,000,000 Quarter ended September 30, 2003 — $ 12,000,000 Quarter ended December 31, 2003 — $ 12,000,000 Subsequent quarters — $ 15,000,000 **(ii) Minimum EBITDA** EBITDA is calculated in accordance with US GAAP and is defined in the agreement. It mainly includes pre-tax income for the period, financial expense and extraordinary gains and losses, exclusive of purely accounting income and expenses (e.g. depreciation and amortization allowances and cancellations, revaluations). Minimum EBITDA for the 12-month period ending at the close of each quarter is as follows: Quarter ending December 31, 2002 — $ (7,000,000) Quarter ending March 31, 2003 — $ 20,000,000 Quarter ending June 30, 2003 — $ 20,000,000 Quarter ending September 30, 2003 — $ (500,000) Quarter ending December 31, 2003 and beyond — $ 20,000,000 **(iii) Minimum ratio of EBITDA - capital expenditures to interest expense + repayments of principal** This ratio must be above 1.5 at the end of each quarter, starting with the quarter ending March 31, 2003. The ratio is not applicable on September 30, 2003. **(iv) Receivables turnover ratio** Trade receivables must not amount to more than 55 days' sales at the end of any month, starting in November 2002. **(v) Eligible trade receivables outstanding** must provide for a minimum drawdown capacity of US$ 5 million under the credit facility while it remains in effect.
Accrued interest and other liabilities: € 3.3 million	This refers mainly to accrued interest on convertible bonds outstanding and other debt.

17. OTHER SHORT-TERM LIABILITIES

The table below shows the items under the heading “Other short-term liabilities”.

(€ millions)	Sept. 30, 2003	March 31, 2003
Taxes and employee benefits payable	25.9	28.5
Deferred tax liabilities (note 22)	-	-
Deferred revenue	5.7	6.0
Other liabilities (1)	7.3	0.3
Total	38.9	34.8

(1) including liabilities from rebates and other credit to be granted on assigned trade receivables (Dailly Act) by Atari France.

18. INFORMATION CONCERNING MARKET SEGMENTS AND REGIONS

The Group operates in two main market segments: entertainment software (products published by the Group and developed either in-house or by third parties and distribution of other publishers’ products) and Internet operations (Game Nation). Key operating decisions are made by the Group’s Chairman and Chief Executive Officer, based on consolidated financial data and information on sales in regions where Group subsidiaries operate. The purpose is to arrive at operating decisions and assess the financial performance of the software and interactive entertainment business.

That segment accounted for more than 99.9 percent of consolidated Group sales for the periods ended September 30, 2003, March 31, 2003 and December 31, 2002.

Data by region and for the “interactive entertainment” and “Game Nation” segments is presented below:

SALES BY SEGMENT AND REGION

Sales		Sept. 30, 2003 (6 months)	Share %	Dec. 31, 2002 (6 months)	Share %	March 31, 2003 (9 months)	Share %
Interactive games	United States	196.2	62.3%	340.9	65.9%	419.8	63.5%
	Europe	121.7	38.6%	184.0	35.6%	249.3	37.7%
	Asia	27.4	8.7%	28.1	5.4%	37.6	5.7%
	Corporate	9.9	3.1%	13.1	2.5%	18.0	2.7%
Game Nation		0.3	0.1%	0.3	0.1%	0.4	0.1%
Intercompany sales		(40.6)	(12.9%)	(49.0)	(9.5%)	(64.3)	(9.7%)
Total		**314.9**	**100.0%**	**517.4**	**100.0%**	**660.8**	**100.0%**

OPERATING INCOME BY SEGMENT AND REGION

Operating income		Sept. 30, 2003 (6 months)	Dec. 31, 2002 (6 months)	March 31, 2003 (9 months)
Interactive games	United States	1.4	21.1	7.8
	Europe	0.8	(4.0)	(15.3)
	Asia	1.5	(0.3)	(0.4)
	Corporate	(1.6)	(1.6)	(3.5)
Game Nation		(0.4)	(1.1)	(1.1)
Total		**1.7**	**14.1**	**(12.5)**

NET INCOME BY SEGMENT AND REGION

Net income		Sept. 30, 2003 (6 months)	Dec. 31, 2002 (6 months)	March 31, 2003 (9 months)
Interactive games	United States	(7.8)	(1.1)	(21.5)
	Europe	(3.1)	(31.5)	(67.6)
	Asia	0.8	(0.4)	(0.9)
	Corporate	0.9	(2.3)	(6.4)
Game Nation		(0.6)	(2.1)	(2.1)
Total		**(9.8)**	**(37.4)**	**(98.5)**

NET FIXED ASSETS BY SEGMENT AND REGION

Net value		Goodwill	Intang. assets	Property and equipment	Loans and investments	Sept. 30, 2003	March 31, 2003
Interactive games	United States	196.9	177.3	15.7	3.9	393.8	444.2
	Europe	8.3	29.7	3.4	1.6	43.0	43.0
	Asia	3.7	4.2	1.2	0.2	9.3	9.3
	Corporate	-	2.6	1.6	1.5	5.7	7.3
Game nation		0.1	-	0.1	-	0.2	0.2
Total		**209.0**	**213.8**	**22.0**	**7.2**	**452.0**	**504.0**

Consolidated financial statements

19. PAYROLL, PERSONNEL AND STOCK OPTIONS

PAYROLL

The table below shows the Group's payroll expenses for the periods ended September 30, 2003, December 31, 2002 and March 31, 2003.

(€ millions)	Sept. 30, 2003 (6 months)	Dec. 31, 2002 (6 months)	March 31, 2003 (9 months)
Officers and management	0.6	0.9	1.3
Other employees	50.1	66.7	95.9
Total	50.7	67.6	97.2

The members of the Board of Directors received combined directors' fees of € 5,000 for the period ended September 30, 2003, € 0 for the six months ended December 31, 2002 and € 25 000 for the nine months ended March 31, 2003.

WORKFORCE

The Group employed a total of 1,603 in the period ended September 30, 2003, compared with 1,870 and 1,846, respectively, during the periods concerned.

STOCK OPTIONS

As set forth in note 13, the Board of Directors has been given authority to grant options for shares of Infogrames Entertainment's common stock to the officers and directors and to certain employees of the Group. The table below shows the options that were outstanding on September 30, 2003 and March 31, 2003.

	Exercise price	Options outstanding as of	
Grant date	(€ per share)	September 30, 2003	March 31, 2003
December 16, 1996	2.83	-	-
June 6, 1997	4.27	-	26,250
October 7, 1997	4.23	259,875	259,875
February 3, 1998	5.64	869,400	869,400
October 16, 1998	7.81	271,951	270,864
March 15, 1999	11.07	61,950	61,950
October 1, 1999	13.52	1,168,650	1,273,650
October 30, 2000	20.90	21,000	21,000
October 24, 2001	7.60	815,063	892,500
October 24, 2001	13.52	123,377	135,188
March 15, 2002	11.10	96,000	96,000
November 7, 2002	2.56	1,075,000	1,090,000
November 7, 2002	2.69	525,000	553,875
September 16, 2003	4.67	1,100,000	-
Total		6,387,266	5,550,552

The table below shows the number of Infogrames Entertainment SA stock options granted, exercised and outstanding.

Number of options	Sept. 30, 2003 (6 months)	Dec. 31, 2002 (6 months)	March 31, 2003 (9 months)
Options outstanding at year's start	5 550 552	4 361 515	4 361 515
Options granted	1 100 000	1 643 875	1 643 875
Options exercised	(25 163)	(202 688)	(202 688)
Cancelled options (due to the holder's departure or death)	(238 123)	(223 950)	(252 150)
Options outstanding at year's end	6 387 266	5 578 752	5 550 552

20. INVESTMENT INCOME

The table below shows the Group's investment income for the periods ended September 30, 2003, December 31, 2002 and for the year ended March 31, 2003.

(€ millions)	Sept. 30, 2003 (6 months)	Dec. 31, 2002 (6 months)	March 31, 2003 (9 months)
Foreign-exchange gains	12.2	5.8	7.1
Foreign-exchange losses	(13.0)	(3.6)	(3.1)
Interest income on marketable securities	0.1	0.8	1.2
Interest expense on convertible bonds and hedging instruments	(7.7)	(8.7)	(12.6)
Interest expense on bank borrowings	(5.0)	(4.6)	(6.1)
Impairments of non-consolidated loans and investments	(0.1)	(0.3)	(1.0)
Other invesment income (expenses)	(0.8)	(1.3)	(1.9)
Total investment income (loss)	**(14.3)**	**(11.9)**	**(16.4)**

21. NON-RECURRING GAINS AND LOSSES

The table below shows non-recurring items for the periods ended September 30, 2003, December 31, 2002 and for the year ended March 31, 2003.

(€ millions)	Sept. 30, 2003 (6 months)	Dec. 31, 2002 (6 months)	March 31, 2003 (9 months)
Capital gains (losses) on the sale of capital assets	-	0.3	0.2
Business closures	-	(0.9)	(0.9)
Restructuring charges	(2.1)	(20.0)	(37.5)
Write-down of receivables	-	(3.2)	-
Net gains from the repurchase of convertible bonds (see note 16)	0.5	21.8	37.6
Adjustment of royalty advances (previous year)	-	-	-
Atari, Inc. stock offering	19.7	-	-
Other non-recurring income and expenses	0.8	(0.7)	(4.4)
Non-recurring gains (losses)	18.9	(2.7)	(5.0)
Theorical tax on non-recurring itmems	(0.7)	(10.7)	(13.5)
Net non-recurring gains	18.2	(13.4)	(18.5)

22. INCOME TAX

INCOME (LOSS) BEFORE TAXES

Pre-tax income (loss) was as follows:

(€ millions)	Sept. 30, 2003 (6 months)	Dec. 31, 2002 (6 months)	March 31, 2003 (9 months)
Current income (loss) before non-recurring items, tax, share of net income of equity method investments and amortization of goodwill	(12.6)	2.2	(28.9)
Non-recurring income (loss)	18.9	(2.7)	(5.0)
Net income (loss) before share of income of equity method investments and amortization of goodwill	6.3	(0.5)	(33.9)
Share of net income (loss) of equity method investments	-	-	0.9
Goodwill amortization	(12.8)	(14.9)	(22.1)
Net income (loss) before taxes	**(6.5)**	**(15.4)**	**(55.1)**

TAX INCOME (EXPENSE)

The table below shows net income (loss) before taxes and net tax income (expense) for the six-month period ended September 30, 2003 and the nine-month period ended March 31, 2003.

(€ millions)	September 30, 2003 (6 months)		March 31, 2003 (9 months)	
	Net income before taxes	Net tax (expense) income	Net income before taxes	Net tax (expense) income
French Group entities	-	0.2	(28.1)	(37.3)
Other Group entities	(6.5)	(0.4)	(27.0)	(4.1)
Total	**(6.5)**	**(0.2)**	**(55.1)**	**(41.4)**
Net tax expense (income)				
Current tax (1)		(0.2)		(3.0)
Deferred tax		-		(38.4)
Total		(0.2)		(41,4)

(1) Current tax income (expense) represents tax payable or refundable in less than one year.

The table below reconciles the Group's theoretical taxes, calculated at the normal corporate income tax rate applicable in France (34.33 percent on September 30, 2003 and 34.33 percent on March 31, 2003) and the actual tax expense.

(€ millions)	Sept. 30, 2003 (6 months)	Dec. 31, 2002 (6 months)	March 31, 2003 (6 months)
Income (loss) before taxes	(6.5)	(15.4)	(55.1)
Normal corporate income tax rate in France	34.33%	34.33%	34.33%
Tax (expense) income at the normal rate	(2.2)	(5.3)	(18.9)
- Amortization of non-deductible goodwill	3.3	4.8	5.8
- Other permanent differences (1)	(23.2)	1.1	(6.9)
- Impact of foreign normal tax rates	(0.3)	0.6	(0.1)
- Ceiling on deferred tax assets or losses not recognized			
=> France	21.3	(15.3)	26.4
=> Other subsidiaries	0.5	(7.4)	17.2
- Use of losses carried forward	0.4	21.6	(7.3)
- Write-downs of deferred tax assets previously recognized	0.1	17.6	26.1
- Other differences	0.3	1.0	(0.9)
Net tax expense (income)	**0.2**	**18.7**	**41.4**
Effective Group tax rate (2)	**-3.1%**	**-121.5%**	**75.1%**

(1) Other permanent differences mainly consist of the elimination of € 14.3 million in internal provisions and the dilution profit of € 7.1 million generated by the Atari, Inc. public offering.

(2) The effective Group tax rate is the ratio of net tax expense (income) to pre-tax income for the year.

DEFERRED TAX ASSETS AND LIABILITIES

The table below shows deferred tax assets and liabilities.

(€ millions)	Sept. 30, 2003 (6 months)	Dec. 31, 2002 (6 months)	March 31, 2003 (6 months)
Deferred tax assets (net, by subsidiary)	333.1	295.5	322.5
Variation allowance	(332.4)	(272.6)	(321.8)
Deferred tax assets net of variation allowance (note 12)	0.7	22.9	0.7
Deferred tax liabilities (note 17)	-	(0.2)	-
Net deferred tax assets (liabilities)	0.7	22.7	0.7

The table below shows deferred tax assets and liabilities.

(€ millions)	Sept. 30, 2003 (6 months)	Dec. 31, 2002 (6 months)	March 31, 2003 (9 months)
Impact of tax losses carried forward	**309.4**	**278.4**	**290.8**
Impact of timing differences related to			
Restructuring allowances	6.9	4.0	5.3
Inventory valuation allowance	5.0	2.8	5.3
Allowance for bad debts	8.9	10.7	10.2
Amortization of convertible bond premiums	13.4	4.2	11.5
Write-down of purchased research and development	-	-	-
Other deferred assets	11.5	12.1	14.6
Total timing differences	**45.7**	**33.8**	**46.9**
Gross deferred tax assets	**355.1**	**312.2**	**337.7**
Impact of timing difference related to			
Amortization of capitalized bond issue costs	(0.6)	(1.2)	(0.8)
Catalog depreciation	(0.6)	(2.2)	(1.4)
Royalty advances and prepaid license fees	(20.8)	(13.5)	(13.0)
Gross deferred tax liabilities	**(22.0)**	**(16.9)**	**(15.2)**
Valuation allowance	**(332.4)**	**(272.6)**	**(321.8)**
Net deferred tax assets (liabilities)	**0.7**	**22.7**	**0.7**

As of September 30, 2003, the valuation allowance reported concerns primarily losses carried forward by Group entities in the United States (Atari, Inc.), the United Kingdom (Atari UK) and France.

As of September 30, 2003 and March 31, 2003, losses that the Group was entitled to carry forward (approximately € 829.7 million and € 806.8 million, respectively) could be kept on the books until various dates, the last expiring in 2020. Those losses may be used to offset taxable income only in the countries where they have been incurred.

Deferred tax assets on September 30, 2003 concern items on which the Group has generated income in previous years or where the Group expects to report gains in the near future.

23. OFF BALANCE-SHEET COMMITMENTS

OPERATING LEASE COMMITMENTS

The Group leases its premises and some equipment under operating leases that expire at various times up to 2012. The Group's lease on its principal office was signed in June 2001 and is for a term of 9 years.

The schedule of minimum future lease payments to be made on non-cancelable leases is as follows:

	Sept. 30, 2003	March 31, 2003
N+1	10.4	8.5
N+2	9.2	9.2
N+3	7.7	8.2
N+4	5.7	8.1
N+5	4.1	6.9
Subsequent years	7.6	10.3
Total future lease payments	**44.7**	**51.2**

OTHER OFF BALANCE SHEET COMMITMENTS

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

(€ millions)	Sept. 30, 2003	March 31, 2003	Note
Commitments made as part of commercial agreements			
Guarantees given to suppliers (letters of credit)	31.7	22.7	(1)
Minimum prepayments to game producers	40.3	48.8	(2)
Commitments to employees			
Vested retirement benefits	NS	0.7	(3)
Financing commitments			
General Electric Capital Corporation revolving credit	35.4	34.0	(4)
Assignment of receivables (Dailly Act)	7.1	11.5	(5)
Discounted receivables	10.4	-	(6)
Guarantee on the sale of land	0.2	0.3	
Financing commitments received			
Bank guarantees (standby credit, letters of credit, documentary credit, etc.)	41.0	28.0	(1)
General Electric Capital Corporation revolving credit	42.9	34.0	(4)
Assignment of receivables (Dailly Act)	4.0	-	(5)
Discounted receivables	10.5	1.5	(6)
Bank guarantee (4.5 million Australian dollars)	1.1	2.5	(7)

(1) As part of its day-to-day operations, the Group provides guarantees in the form of letters of credit to its principal suppliers. This primarily concerns purchases from console manufacturers.
The Group is authorized by banks to draw down up to € 41 million in letters of credit.

(2) In the normal course of its business the Group makes royalty payments to third parties under development agreements entered into for certain products or under licensing agreements. As of September 30, 2003, the Group had undertaken to advance a minimum of € 40.3 million over the coming years (including € 6.7 million in the short term). On March 31, 2003, its commitments amounted to € 48.8 million (see note 1.L on prepaid royalties).

(3) The Group accounts for its obligations with respect to employee benefits on the basis of contributions payable. The Group's obligations with respect to retirement benefits are not material. (see note 1.X on employee fringe benefits and pensions).

(4) As of September 30, 2003, as guarantee for a credit facility of USD 50 million (see note 15), the Group pledged to General Electric Capital Corporation the trade receivables and inventories of its Atari, Inc. subsidiary, the shares of Reflections Interactive Ltd. and Atari Interactive Inc., as well as USD 25 million in intellectual property rights owned by Atari, Inc. The unused portion of the facility on September 30, 2003 amounted to € 35.4 million and is the amount that can be drawn down provided that certain financial ratios are satisfied, primarily regarding trade receivables. (see note 16 on debts).

(5) As of September 30, 2003, the Group, through its Atari France subsidiary, had obtained € 6 million in financing in exchange for the assignment of € 7.1 million in trade receivables (Dailly Act). This financing could be increased to € 10 million, provided that € 12.5 million in trade receivables is available.

(6) As of September 30, 2003, the Group, through its Atari Deutschland and Atari UK subsidiaries, had obtained € 7.5 million in financing through the discounting of € 10.4 million in trade receivables. This financing could be increased to up to € 18 million in exchange for the discounting of € 22.7 million in trade receivables.

(7) As of September 30, 2003, the Group had obtained a financing facility of AU$ 4.5 million for its Australian subsidiary. This financing is guaranteed by pledged receivables of AU$ 4.5 million. As of September 30, 2003, a total of € 1.5 million (AU$ 2.6 million) had been drawn down under the facility.

24. ALLIED ENTITIES

No material transaction involving allied entities took place in the period ended September 30, 2003.

25. HEDGING INSTRUMENTS

The Group makes use of financial instruments to hedge its exposure to fluctuations in interest and exchange rates. The parent corporation handles foreign exchange and interest-rate risk management on behalf of most Group subsidiaries.

(€ millions)	September 30, 2003		March 31, 2003	
	Notional value	Fair value	Notional value	Fair value
Forward FRA purchase contracts - July 2003	-	-	50.0	-
Forward FRA purchase contracts – October 2003	-	-	50.0	(0.1)

FOREIGN EXCHANGE FUTURES CONTRACTS

The Group hedges its exposure to currency risks from commercial and financial transactions by trading in foreign exchange futures and foreign exchange options. Hedging is carried out by the parent company, which handles all foreign-currency transactions and hedges the balance of commitments in foreign currencies on behalf of all Group companies. Group companies outside of the euro zone invoice the Group and are invoiced by the Group in their local currency.

The table below shows the position of the foreign exchange portfolio.

(€ millions)	September 30, 2003	March 31, 2003
Forward purchases EUR / GBP	-	-
Forward purchases EUR / USD	-	1.0
Forward sales EUR / USD	-	1.0
Total	-	2.0

Forward currency contracts are hedged by a portfolio of currency options as shown in the table below:

(€ millions)	September 30, 2003		March 31, 2003	
	Notional value	Fair value	Notional value	Fair value
EUR/USD options – purchases of put EUR / call USD	8.6	-	-	-
EUR/USD options – purchases of call EUR / put USD	17.2	0.1	-	-
EUR/USD options – sales of call EUR / put USD	17.2	-	-	-
EUR/USD options – sales of put EUR / call USD	25.8	(0.5)	-	-

All foreign-exchange instruments have maturities of less than one year,

A provision was set aside on September 30, 2003 for unrealized losses on financial instruments.

The Group is exposed to the counterparty risks inherent in the financial instruments contracts. However, as the Group's transactions are with leading banks and financial institutions, it estimates that its risk exposure is not significant.

26. LITIGATION

The Group is involved in a number of disputes and lawsuits arising in the normal course of its business. Notwithstanding the final outcome of such disputes and lawsuits, the Group estimates that the obligations that may result from these actions would have no significant impact on its consolidated financial situation or statement of operations.

27. EVENTS SUBSEQUENT TO THE END OF THE FISCAL YEAR

Atari, Inc. STOCK OFFERING

The October 2003 exercise of the over-allotment option under the Atari, Inc. stock offering (see note 2.A) had the following consequences:

- Infogrames Entertainment received a direct cash payment of US$ 16.4 million (€ 15.6 million);

- Infogrames Entertainment now has a direct or indirect ownership interest in Atari, Inc. of 67.53 percent, compared with approximately 70.72 percent on September 30, 2003.

SIMPLIFIED OFFER TO REPURCHASE OCEANE 1999 AND OCEANE 2000 IN EXCHANGE FOR SECURITIES AND CASH

Infogrames Entertainment has made an irrevocable commitment to the Conseil des Marchés Financiers (Securities Markets Oversight Board) and the Board's successor to offer holders of its OCEANE 1999 and OCEANE 2000 bonds a combination of new shares, convertible bonds ("OCEANE 2003/2009") with warrants and cash (in the case of OCEANE 1999 only) in exchange for their bonds, on the terms below (the "Offer"). The Offer is in the form of the simplified procedure set forth in sections 5-3-1 et seq. of the General Rules (Règlement Général) of the Conseil des Marchés Financiers.

By offering to redeem the OCEANE 1999 and OCEANE 2000 bonds before their maturity, the Offer seeks to accelerate the Group's financial restructuring. It has resulted in a lowering of the corporate debt, an extension of average maturities as well as an increase in equity - immediately through the issuance of new stock and in the future through the possible conversion of the OCEANE 2003/2009 bonds or exercise of the warrants. The Offer is part of the Group's continued efforts to streamline its financing.

Under the Offer, OCEANE bond holders have tendered a total of 404,228 OCEANE 1999 bonds and 1,517,420 OCEANE 2000 bonds, representing respectively 30.6 percent of all OCEANE bonds 1999 and 32.1 percent of all OCEANE 2000 bonds that could have been exchanged.

The Offer is for all OCEANE 1999 bonds and OCEANE 2000 bonds outstanding and not held by Infogrames Entertainment or its subsidiaries, i.e.:

Consolidated financial statements

- 1,323,005 OCEANE 1999 bonds owned by the public (after deducting those owned by I-DRS) which could require the issuance of up to 6,945,776 Infogrames Entertainment shares; and

- 4,730,123 OCEANE 2000 bonds owned by the public (after deducting those owned by I-DRS) which could require the issuance of up to 4,966,629 Infogrames Entertainment shares.

I-DRS is a wholly-owned subsidiary of Infogrames Entertainment that holds 75 OCEANE 1999 bonds, which are convertible into 394 new Infogrames Entertainment shares, and 1,727,210 OCEANE 2000 bonds which are convertible into 1,813,571 Infogrames Entertainment shares. I-DRS will not tender its bonds under the Offer.

The table below shows the cash and securities (new shares and warrants) that would be offered in exchange for the OCEANE 1999 bonds and OCEANE 2000 bonds if all were tendered:

(€ millions)	1999 convertible bonds	2000 convertible bonds	Total
Bonds outstanding on 9/30/03	€ 124	€ 218	€ 342
Offered value:			
Cash	€ 39.7	-	€ 39.7
New shares (1)	€ 32.0	€ 22.8	€ 54.8
Warrants (2)	€ 48.6	€ 165.6	€ 214.2

(1) On the basis of an issue price of € 4.60 corresponding to the closing price on October 24, 2003.
(2) One stock warrant is attached to each 2003/2009 convertible bond.

The Offer was registered with the Conseil des Marchés Financiers and filed under number 203c1768 on October 28, 2003. It was announced by Euronext Paris SA in a notice on October 28, 2003. The Conseil des Marchés Financiers examined the proposed offer at its meeting of November 5, 2003 and declared it effective on November 6, 2003, under reference number 203c1827.

The Offer period is from November 11 to December 1, 2003, inclusive, covering 15 trading days.

The Offer is not contingent on the number of 1999 convertible bonds and 2000 convertible bonds tendered.

October 28, 2003:	Registration of the Offer
November 6, 2003:	Offer declared effective by the Conseil des Marchés Financiers
	Approval of the prospectus by the Commission des Opérations de Bourse
November 11, 2003:	Start of the Offer period
November 19, 2003:	Publication of six-month interim financial statements for fiscal 2004
December 1, 2003:	Expiration of the Offer period
December 9, 2003 (or earlier):	Results of the Offer
December 12, 2003:	Annual and Special Shareholders' Meeting (first notice)
December 18, 2003:	Annual and Special Shareholders' Meeting (second notice)
December 23, 2003 (or earlier)	Settlement and delivery of the Offer and initial listing of the new shares, 2003/2009 convertible bonds and warrants.

Copies of the prospectus and of the annual report and proxy statement can be obtained free of charge from the offices of Infogrames Entertainment at 1 Place Verrazzano, 69252 Lyon Cedex 09; or from the bank handling the offer: UBS Securities France SA, 65 Rue de Courcelles, 75008 Paris; and are available on the Infogrames Entertainment Website (www.atari.com) and the Commission des Opérations de Bourse Website (www.cob.fr).

28. CONSOLIDATED ENTITIES

Companies	Fiscal year end date	Country	Voting rights (%) 9/30/2003	Voting rights (%) 3/31/2003	Ownership (%) 9/30/2003	Ownership (%) 3/31/2003
A+ Multimedia Ltda	June 30	Portugal	100.00	100.00	100.00	100.00
California US Holdings Inc.	March 31	United States	100.00	100.00	100.00	100.00
Curved Logic Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Dynamic Systems GmbH	June 30	Austria	100.00	100.00	100.00	100.00
Eden Studios SAS	June 30	France	100.00	100.00	100.00	100.00
Infogrames Learning Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Infogrames Learning Interactive Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Gamecity GmbH	March 31	Switzerland	90.00	90.00	90.00	90.00
Game Nation Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Gremlin Holding Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Gremlin Group Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Atari Interactive Australia Pty Ltd	March 31	Australia	100.00	100.00	100.00	100.00
Hartland Trefoil Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Atari Interactive Inc	March 31	United States	100.00	100.00	100.00	100.00
Infogrames Interactive Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Infogrames Interactive Direct Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Infogrames Interactive GmbH	March 31	Germany	100.00	100.00	100.00	100.00
Atari Interactive Asia Pacific Pty Ltd	March 31	Australia	100.00	100.00	100.00	100.00
I-Music SARL	June 30	France	100.00	100.00	100.00	100.00
Atari Studio Asia Pty Ltd	March 31	Australia	100.00	100.00	100.00	100.00
Atari Asia Holding Pty Ltd	March 31	Australia	100.00	100.00	100.00	100.00
Atari Asia Pacific Pty Ltd	March 31	Australia	100.00	100.00	100.00	100.00
Atari Benelux BV	March 31	Netherlands	100.00	100.00	100.00	100.00
Infogrames Castlefield Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Atari Deutschland GmbH	March 31	Germany	100.00	100.00	100.00	100.00
Atari do Brasil Ltda	December 31	Brazil	100.00	100.00	100.00	100.00
Infogrames Entertainment SA	June 30	France	100.00	100.00	100.00	100.00
Atari Entertainment GmbH	March 31	Germany	100.00	100.00	100.00	100.00
Infogrames España Unipersonal	March 31	Spain	100.00	100.00	100.00	100.00
Atari Europe SAS	June 30	France	99.99	99.99	99.99	99.99
Atari France SAS	June 30	France	100.00	100.00	100.00	100.00
Atari Hellas EPE	June 30	Greece	100.00	100.00	100.00	100.00
Atari, Inc.	March 31	United States	70 .72	88.20	70 .72	88.20
Infogrames Interactive SA	June 30	France	99.97	99.97	99.96	99.96
Atari Israël Ltd	June 30	Israel	100.00	100.00	100.00	100.00
Atari Italia SPA	June 30	Italy	100.00	100.00	100.00	100.00
Atari Japan KK	March 31	Japan	100.00	100.00	100.00	100.00
Atari Korea Ltd	March 31	Korea	100.00	100.00	100.00	100.00
Infogrames Entertainment Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Atari Melbourne House Pty	March 31	Australia	100.00	100.00	100.00	100.00
Atari Nordic AB	March 31	Sweden	100.00	100.00	100.00	100.00
Atari Norway	March 31	Norway	100.00	100.00	100.00	100.00
Atari Denmark	March 31	Denmark	100.00	100.00	100.00	100.00
Suomen Infogrames	March 31	Finland	100.00	100.00	100.00	100.00
Infogrames Studios Ltd.	March 31	United Kingdom	100.00	100.00	100.00	100.00
IAtari UK	March 31	United Kingdom	100.00	100.00	100.00	100.00

Sociétés	Date de clôture d'exercice social	Pays	Pourcentage de contrôle 30/09/2003	31/03/2003	Pourcentage d'intérêt 30/09/2003	31/03/2003
Atari Taiwan Ltd	March 31	Taiwan	100.00	100.00	100.00	100.00
IDRS SA	June 30	France	100.00	100.00	100.00	100.00
Infogrames Hudson KK	June 30	Japan	70.00	70.00	70.00	70.00
Microprose Software Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Microprose Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Mistic Logiciel Inc	March 31	Canada	100.00	100.00	100.00	100.00
Ocean International Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Ocean Holding Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Ocean Europe Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Maritquest Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Ocean Software Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Ocean Media Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Atari Australia Pty Ltd	March 31	Australia	100.00	100.00	100.00	100.00
Paradigm Entertainment Inc	March 31	United States	100.00	100.00	100.00	100.00
Reflection Ltd	March 31	United Kingdom	70.72	88.20	70.72	88.20
Spectrum Holobyte Japan KK	June 30	Japan	100.00	100.00	100.00	100.00
Stewart Holdings Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Welcom Media SA	June 30	France	100.00	99.96	100.00	99.92

Entities consolidated by the equity method

Sunflowers	December 31	Germany	30.02	30.02	30.02	30.02

Consolidated financial statements

AUDITORS' REVIEW REPORT ON THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

(Section L.232-7 of the Commercial Code and section 297-1 of the Decree of March 23, 1967)

(Free translation of a French language original for convenience purposes only. Accounting principles and auditing standards and their application in practice vary from one country to another. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than France. In addition, the procedures and practices followed by the statutory auditors in France with respect to such financial statements included herein may differ from those generally accepted and applied by auditors in other countries. Accordingly, the French financial statements and the auditors' report of which a translation for convenience purposes only is presented in this document are for use by those knowledgeable about French accounting procedures, auditing standards and their application in practice.)

Period from April 1 to September 30, 2003

Pursuant to article L. 232-7 of the French Companies Act (Code de commerce), we have reviewed the accompanying half year consolidated financial statements of Infogrames Entertainment, covering the period from April 1 to September 30, 2003 and verified the information contained in the half year management report.

The half year consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. Those standards require that we perform limited procedures, to obtain an assurance, which is less than obtained in an audit, as to whether the half year consolidated financial statements are free of material misstatement. We have not performed an audit as a review is limited primarily to analytical procedures and to inquiries of group management and knowledgeable personnel on information that we deemed necessary.

Based on our review, nothing has come to our attention that causes us to believe that the half year consolidated financial statements, prepared in accordance with accounting principles generally accepted in France, do not give a true and fair view of the financial position and the assets and liabilities of the Group as at September 30, 2003 and of the results of its operations for the six month period then ended.

Without qualifying the conclusion expressed above, we draw attention to the first part of Note 1.B to the consolidated financial statements which describes the change in year-end date, from June 30 to March 31.

We have also verified, in accordance with professional standards applicable in France, the information contained in the half year management report supplementing the half year consolidated financial statements submitted to our review.

We have no comment to make as to the consistency with the half year consolidated financial statements and the fairness of the information contained in the half year management report.

Lyon and Villeurbanne, December 8, 2003
The Statutory Auditors

PIN ET ASSOCIÉS
Jean-François PIN

DELOITTE TOUCHE TOHMATSU
Joël JULLIEN Alain DESCOINS

HEADQUARTERS
1, place Verrazzano - 69252 Lyon Cedex 09 - France
Tél. : +33 (0)4 37 64 30 00 - Fax : + 33 (0)4 37 64 30 01

INFOGRAMES