



Results of the first half of 2018-2019

Continued profitable growth, with strong growth in revenues (+27%) and current operating income (+87%)

- **Turnover of 10.8 million euros**
(+27% at current exchange rate, +31% at constant exchange rate)
- **Strong increase of current operating income (+87%) to +2.2 million euros, representing an operating margin of 20% of consolidated turnover**
- **Net cash position of +€8.1 million**
- **Confirmation of annual objectives for the year ended March 31, 2019**

The audit review of the consolidated financial statements is being finalized. The Auditors' report will be issued after verification of the notes to the financial statements and of the information set forth in the half-year financial report.

Paris, France – December 20, 2018. The Atari Group announces its consolidated results for the first half ending September 30, 2018, of its 2018-2019 financial year. These consolidated results were approved by the Board of Directors on December 18, 2018.

"We continue to deliver profitable growth by exploiting our catalog of more than 200 globally known Atari games", said Frederic Chesnais, CEO of Atari. "Our strategy is centered around the development of our four divisions: Atari Games, Atari Casino, Atari VCS and Atari Partners. Each of them operates in a sector that is experiencing strong growth, which is a key asset for the Group and long term value creation."

■ Highlights of the first half ended September 30, 2018:

- Continued performance of RollerCoaster Tycoon on mobile platforms and consoles
- Strong contribution from licensing activities, including the Atari Flashback hardware product, and extension of the AtGames distribution agreement
- Sale of Alone in the Dark and Act of War to THQ Nordic
- \$3 million pre-orders for the **Atari VCS** through an Indiegogo campaign

■ Operational projects for the second half of 2018-2019:

- **Atari Games:** Release of mobile games, in particular *Citytopia*, *Days of Doom*, *Food Truck Frenzy* and *Ninja Golf*; settlement agreement with a US company (\$1.1 million net contribution for Atari), 3 other ongoing infringement proceedings could be completed in 2019-2020
- **Atari Casino:** Ongoing development of direct operations with an anticipated contribution starting in fiscal year 2019-2020
- **Atari VCS:** Continuation of work for shipment during the 2019-2020 financial year with a contribution to the results for the years 2019-2020 and thereafter
- **Atari Partners:** High selectivity of projects. Continuation of the blockchain platform project

■ Other highlights:

- April 2018: Capital increase of 7.5 million euros
- September 2018: Settlement of the dispute with Mr. Raynal over the Alone in the dark franchise
- November 2018: Admission to the Nasdaq International Program

- **In light of the first half results, the Group reiterates its annual objective of increased profitability with the key priority of increasing the value of its portfolio of intellectual properties.**

First application of IFRS15

As of April 1, 2018, the Group has for the first time applied IFRS 15 - *Revenue from Contracts with Customers*. The Group has chosen to apply the new standard retrospectively to contracts that have not been completed as of April 1, 2018, by additionally accounting for the cumulative effect of the initial application at the date of first application through an adjustment of the opening balance of shareholder's equity on April 1, 2018. The application of this standard to the financial statements closed on September 30, 2018 did not have a significant impact on turnover for the period and the same will apply to turnover for the year ended 31 March 2019. The restatement of the accounts of each balance sheet item is detailed in an appendix to this press release.

Atari: pursuit of profitable growth strategy

Revenue growth was strong (+31% at constant currency exchange rates, +27% at current currency exchange rates), with solid performance on mobile platforms and simulation/strategy games.

For the period, there is strong improvement of current operating income (+87%) to 2.2 million euros, a 20% operating margin, compared with 1.2 million euros for the previous half-year, or a 14% operating margin. This improvement is the result of strong growth of the business, a favorable seasonality factor for licensing activities in the first half of the current fiscal year, combined with a control of development costs and overhead costs. The sale of intellectual property rights (Alone in the Dark, Act of War), non strategic for Atari, also contributes 0.5 million euros to this current operating result.

In keeping with its strategy, the Group favors the partnership model of leveraging its brand and its assets, with fixed costs borne by partners in exchange for revenue sharing.

<i>(in millions of euros)</i>	2018/2019 (April - Sept.)	2017/2018 (April - Sept.)	Variation %
Revenue	10.8	8.5	27%
Current operating income	2.2	1.2	87%
Net profit	1.8	1.1	60%
Shareholders' equity Group share	23.1	7.9	194%
Net cash / (Net debt)	8.1	(0.9)	N/A

Revenue for the first half ended September 30, 2018: growth of 27%

Revenue in the 1st half-year	2018/2019 (April - Sept.)	2017/2018 (April - Sept.)	Variation %
In millions of US dollars	12.7	9.7	31%
In millions of euros	10.8	8.5	27%

The sales dynamics of the first half mainly reflect:

- The good performance of the entire video game catalog including RollerCoaster Tycoon Touch;
- The strong contribution of Atari Flashback hardware products;
- The very good performance of other licensing activities.

Current operating income for the first half of 2018/2019: 20% operating margin

Summary income statement (in millions of euros)	09.30.2018	09.30.2017
Revenue	10.8	8.5
Cost of sales	(2.7)	(1.1)
GROSS PROFIT MARGIN	8.1	7.3
Research and development costs	(3.1)	(2.2)
Marketing and commercial expenses	(1.5)	(1.9)
General and administrative expenses	(1.7)	(1.7)
Other income and operating expenses	0.5	(0.4)
CURRENT OPERATING INCOME	2.2	1.2
% of turnover	20.4%	13.9%

- **Gross profit margin**

The good performance of the business is reflected in a gross profit increase of 10%. It amounts to 8.1 million euros and represents 75% of turnover.

- **Research and development costs**

The Group favors the Atari and RollerCoaster Tycoon franchises, with a strong focus on mobile platforms and simulation/strategy games.

- **Marketing and commercial expenses**

Marketing and commercial expenses amounted to 1.5 million euros for the first half of the 2018/2019 financial year. As of September 30, 2017, they amounted to 1.9 million euros. The decrease is attributable to the optimization of RollerCoaster Tycoon Touch's marketing expenses and the existence of launch costs in the prior period.

- **General and administrative expenses**

General and administrative expenses were stable at 1.7 million euros as of September 30, 2018, compared to 1.7 million euros as of September 30, 2017. This amount reflects the focus on maintaining a low fixed cost base.

- **Other income and operating expenses**

As of September 30, 2018, other net operating income amounted to +0.5 million euros, a contribution resulting from the sale of the *Alone in the Dark* and *Act of War* franchises to THQ Nordic. As of September 30, 2017, other net operating income amounted to -0.4 million euros and corresponded to write-downs of receivables to cover a possible risk of non-collection.

- **Current operating income**

The Atari Group generated a current operating profit of 2.2 million euros in the first half of 2018/2019, compared to a profit of 1.2 million euros in the first half of 2017/2018. As of September 30, 2018, this operating profit represents 20% of turnover compared with 14% in the previous year.

Net income for the first half of 2018/2019: +1.8 million euros

Summary income statement <i>(in millions of euros)</i>	09.30.2018	09.30.2017
CURRENT OPERATING INCOME	2.2	1.2
Restructuring costs	-	-
Other operating income and expenses	(0.2)	0.1
OPERATING INCOME	2.0	1.3
Cost of financial debt	(0.0)	(0.1)
Other financial income and expenses	0.0	(0.1)
Income tax	(0.2)	-
NET RESULT OF CONTINUED ACTIVITIES	1.8	1.1
Net income from discontinued operations	-	-
NET RESULT OF CONSOLIDATED SET	1.8	1.1
Share attributable to the Group	1.8	1.1
Share attributable to minority interests	0.0	0.0

- Cost of financial debt**

The cost of financial debt is nil given the net cash position of the Atari Group.

- Income tax**

Given its results and tax loss carryforwards, the Group recorded a tax expense limited to 159 K€ for its US entities.

In France, deferred tax assets on tax loss carryforwards not recognized as of September 30, 2018 are in the order of 245 million euros subject to the usual restrictions on their use, i.e. approximately 0.96 euros per existing share as of September 30, 2018, excluding treasury shares.

In the United States, tax loss carryforwards amount to nearly 600 million US dollars, representing a potential tax saving in the order of 200 million US dollars subject to the usual restrictions in their use, or approximately 0.78 US dollars per existing share as of September 30, 2018, excluding treasury shares.

The amount of tax loss carryforwards charged to income for the year ended March 31, 2018 amounted to \$2.5 million for US entities and 0.7 million euros for French entities.

- Net income (Group share)**

The net result for the first half of 2018/2019 showed a profit of 1.8 million euros, without any non-recurring items, an improvement of nearly 60% on the profit generated for the period ended September 30, 2017 which showed a profit of 1.1 million euros.

Summary balance sheet as of September 30, 2018

ASSETS <i>(in millions of euros)</i>	09.30.2018	03.31.2018
Intangible assets	11.7	9.2
Property, plant and equipment	0.0	0.0
Non-current financial assets	5.2	4.9
Deferred tax assets	0.9	0.5
NON-CURRENT ASSETS	17.8	14.6
Inventories	0.2	0.2
Trade receivables	6.5	3.9
Current tax assets	0.0	0.0
Other current assets	0.5	0.4
Cash and cash equivalents	8.8	3.1
Assets held for sale	-	-
CURRENT ASSETS	16.0	7.6
TOTAL ASSETS	33.8	22.2

EQUITY & LIABILITIES (in millions of euros)	09.30.2018	03.31.2018
Capital	2.6	2.4
Share premium	7.9	11.6
Consolidated reserves	10.9	(2.5)
Net income Group share	1.8	2.3
Shareholders' equity as Group share	7.8	7.4
Minority interests	0.0	0.0
SHAREHOLDERS' EQUITY OF CONSOLIDATED SET	23.1	13.8
Provisions for non-current contingencies and losses	0.0	0.0
Non-current financial liabilities	0.6	0.6
Deferred tax liabilities	-	-
Other non-current liabilities	-	-
NON-CURRENT LIABILITIES	0.7	0.7
Provisions for current contingencies and losses	0.1	0.4
Current financial liabilities	-	-
Trade payables	5.4	5.4
Current tax liabilities	-	-
Other current liabilities	4.6	2.0
CURRENT LIABILITIES	10.1	7.8
TOTAL EQUITY AND LIABILITIES	33.8	22.2

The balance sheet highlights the actual deleveraging of the Atari Group, with good working capital management. Shareholders' equity, which is positive, continued to strengthen over the period.

Publication of final accounts / Audit opinion

The half-year financial statements, including the notes and the update of the Registration Document, will be published after finalization by the auditors of all the required limited review procedures.

The qualification as to the valuation of Infinity Networks Limited Shares (0.4 M€) in the Statutory Auditors' report for the year ended March 31, 2018 is maintained as of September 30, 2018.

The qualification as to the valuation of the receivable vis-à-vis Infinity Networks Limited (0.7 M€) in the Statutory Auditors' report for the year ended March 31, 2018 is no longer maintained as of September 30, 2018, since this receivable no longer appears in the consolidated financial statements due to restatements related to the introduction of IFRS15 in the accounts for the period ended September 30, 2018.

Outlook for 2018/2019

The Group reiterates its objectives for the 2018/2019 financial year which will end on March 31, 2019. For this financial year, the Group set itself the objectives of growing the business, improving profitability and cash generation, all within a seasonality similar to that of the 2017/2018 financial year.

The second half of the year will be marked by several important projects, in particular:

Atari Games:

- Continued success of *RollerCoaster Tycoon Touch*, with restaurant attractions (Jonathan Foodgod), *Halloween* events and new water parks;
- *RollerCoaster Tycoon Joyride* for PlayStation 4 has been approved in Europe and the United States by Sony®. The digital version was released on October 26, 2018 in Europe (distributor: Bigben Interactive). The digital and physical versions were released on December 13, 2018 in the United States (distributor: AtGames). This game offers Virtual Reality features.
- Launch of the mobile game *Citytopia*: this original simulation game using the *RollerCoaster Tycoon Touch* engine was released in Australia and New Zealand in December 2018 as planned and is launched gradually, country by country;
- *Food Truck Frenzy*, a mobile game in partnership with Jonathan Foodgod, is currently being reviewed by the latter and will be released gradually over the coming weeks.;

- *Days of Doom*: developed in partnership with Phosphor Studios, this is one of the first survival games on mobile platforms. It was released as a private beta and is scheduled for worldwide release on February 19, 2019 as planned; this game will allow players to manage a vulnerable town in a zombie-infested world, strengthening their defenses to survive onslaughts of increasingly powerful hordes of zombies;
- *Ninja Golf*: this game developed in partnership with Alpha Dog Studios will be released worldwide on February 26, 2019; it is based on the famous original Atari game which manages to combine touch-based golf with endless running beat'em up elements;
- *RollerCoaster Tycoon Adventures* for Nintendo Switch® is the first version of the franchise on this flagship platform. The game was released as announced in November 2018 in the first European countries (distributor: Bigben Interactive) and was released in advance in the United States during the week of December 10, 2018 (distributor: AtGames).
- Positive impact of a settlement agreement with a US company (\$1.1 million earnings contribution), it being noted that the Atari Group has initiated proceedings against 3 other similar companies.

Atari Casino:

- Continued development of this new activity for which the Group is in the process of acquiring expertise;
- Priority to investments and partnerships.

Atari VCS:

- Establishment of distribution channels and operations;
- Atari VCS has no impact on the 2018-19 financial year ended March 31, 2019, and will contribute starting in the 2019-2020 fiscal year.

Atari Partners:

- Continued work on the blockchain platform. This platform project, whose long-term vision and strategic importance for the Group are undeniable, remains in the short-term subject to recent changes in the economic and financial environment of the blockchain industry as well as the evolution of the regulatory environment.;
- Very selective review of partnership opportunities.

There are always inherent uncertainty in achieving objectives, the operating budget and the financing plan, and the non-realization of assumptions may have an impact on the valuation of the Group's assets and liabilities.

About Atari

Atari, comprised of Atari SA and its subsidiaries, is a global interactive entertainment and multiplatform licensing group. The true innovator of the video game, founded in 1972, Atari owns and/or manages a portfolio of more than 200 games and franchises, including globally known brands such as Asteroids®, Centipede®, Missile Command® and Pong®. From this important portfolio of intellectual properties, Atari delivers attractive online games for smartphones, tablets, and other connected devices. Atari also develops and distributes interactive entertainment for Microsoft, Sony and Nintendo game consoles. Atari also leverages its brand and franchises with licensing agreements through other media, derivative products and publishing. For more information: www.atari.com and www.atari-investisseurs.fr Atari shares are listed in France on Euronext Paris (Compartment C, Code Isin FR0010478248, mnémo ATA) and are eligible for the Nasdaq International program in the United States (OTC - Ticker PONGF).

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APPENDIX:

IMPACT OF THE FIRST APPLICATION OF IFRS 15

As of April 1, 2018, the Group has for the first time applied IFRS 15 - *Revenue from Contracts with Customers*. The latter replaces IAS 18 - *Revenue*, and the corresponding interpretations.

The principle of the new standard is as follows: Revenue recognition should reflect the transfer of goods and services promised to customers for an amount equal to the remuneration expected to be payable by the seller.

In addition, the transfer of goods and services is supposed to reflect the notion of transfer of control to the customer. It can occur on a given date or over a period of time.

IFRS 15 also introduces new revenue recognition principles, including the identification of performance obligations and the allocation of the transaction price for multi-component contracts. It also modifies the analyzes to be carried out on the notions of agent and principal, as well as on the consideration of variable counterparties.

For the Group, the main change introduced by the new standard concerns revenues associated with sales of intellectual property licenses.

These licenses transfer to the customer:

- a right to use the intellectual property as it exists at the precise moment when the license is granted (*static license*),
- a right of access to the intellectual property as it exists throughout the period covered by the license (*dynamic license*).

Revenue is recognized when the performance obligation promised in the contract is satisfied (*static license*) or as it is satisfied (*dynamic license*), that is, when the seller has transferred the risks and benefits related to the right of use/access of intellectual property and that the customer has taken control of the use of/access to the license. Thus, the turnover of static licenses is recognized at the precise moment when the license is granted (mode known as "Point in time") and when the customer can use and withdraw the benefits of the license. The turnover of dynamic licenses is progressively recognized (so-called "Over time"), throughout the license term from the beginning of the period in which the customer will be able to use and benefit from the license

The Group has chosen to apply the new standard retrospectively to contracts that have not been completed as of April 1, 2018, by additionally accounting for the cumulative effect of the initial application at the date of first application as an adjustment of the opening date of April 1, 2018.

For the Group, game license agreements are accounted for using "Point in time" and there is no difference in accounting treatment between IAS 18 and IFRS 15. Brand licensing agreements are accounted "Over time".

The following table presents the adjustments recognized for each balance sheet item. Items that have not been affected by these normative changes have not been included therefore, subtotals and totals can not be calculated from the figures provided.

<i>(Numbers in millions of euros)</i>	03.31.2018	Restatements IFRS 15	04.01.2018
Balance Sheet Assets			
Deffered tax assets	0.5	0.4	0.9
Sub-total Non-current assets	14.6	0.4	15.0
Trade receivables	3.9	(0.6)	3.3
Sub-total Current assets	7.6	(0.6)	6.9
Total assets	22.2	(0.3)	22.0
Balance sheet Equity and Liabilities			
Consolidated reserves	(2.5)	(1.0)	(3.4)
Sub-total Equity	13.8	(1.0)	12.8
Other current liabilities	2.0	0.7	2.8
Sub-total Current liabilities	7.8	0.7	8.5
Total equity and liabilities	22.2	(0.3)	22.0