

ATARI

Public limited company (SA)

25 rue Godot de Mauroy

75009 PARIS

Statutory Auditors' Report on the consolidated financial statements

Financial year ending 31 March 2020

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Statutory Auditors' Report on the consolidated financial statements

Financial year ending 31 March 2020

*This is a translation into English of the statutory auditors' report on the financial statements of the Public limited Company Atari SA issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the General Shareholders' Meeting of ATARI

Opinion

In compliance with the engagement entrusted to us by your general shareholders' meetings, we have audited the accompanying consolidated financial statements of ATARI for the financial year ended March 31, 2020. These financial statements were approved by the board of directors on October 28, 2020 on the basis of the information available at that date

in the evolving context of the Covid-19 crisis and difficulties in assessing its impacts and future prospects.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at March 31, 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with the professional standards applicable in France. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the section "Statutory Auditors' responsibilities for the Audit of the Consolidated Financial Statements" of this report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from April 1, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Emphasis of Matter

Without qualifying the conclusion expressed above, we draw your attention to note 2.2 "Change in accounting method" which explains the impacts linked to the initial application of the standards IFRS 16 "Leases".

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key

audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, approved in the context mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Recognition of Revenue from the sale of licences

(Note 2.22 to the consolidated financial statements)

Risk identified

A significant portion of ATARI's business is linked to the sale of licences, where applicable granting a right of use or right of access to intellectual property to third parties who are responsible for the manufacturing and distribution of products or applications in exchange for payment of royalties to ATARI.

The revenue corresponding to the guaranteed minimums (minimum amounts earned by ATARI) for game licence contracts (relating to an intellectual property right of use) is recognised at a point in time, i.e. at the time when the licence is granted and when the client can use and receive the benefits of the licence.

The revenue linked to brand licences (relating to an intellectual property right of access) is spread over the term of the contract ("over time" accounting).

Revenue is an important performance indicator and the verification of the correct recognition of license revenue under the applicable accounting standards and under the contract terms, which are sometimes complex, requires particular attention.

In addition, we have, in the past, identified significant revenue adjustments for certain license agreements.

For these reasons, we considered the recognition of revenue on license sales as a key audit matter.

Our response

Our work on recognition of revenue from licences notably involved:

- acknowledging the internal controls put in place by ATARI's management regarding the recognition of revenue from licence contracts;
- selecting the contracts contributing to revenue for the financial year using the sampling method in monetary units;
- analysing the terms of these contracts and, based on them, assessed whether the corresponding revenue was recognized in accordance with the IFRS 15 standard "Revenue from contracts with customers"

- assessing the recoverability of receivables, based on the client's intention and ability to pay, which is a necessary condition according to the IFRS 15 standard to recognize the amounts under revenue.

Finally, we verified that the paragraph "License sales" of note 2.22 "Revenue Recognition" to the consolidated financial statements gives appropriate information on the Group's license sales recognition.

Measurement of the Recoverable Value of intangible assets resulting from the development of video games and audio-visual production

(Notes 2.9 and 3 to the consolidated financial statements)

Risk identified

As of March 31, 2020, the net book value of video game and audio-visual production developments recorded as assets was €12 million, compared to a balance sheet total of €43.8 million.

At each year-end, or more frequently in the event of an indication of impairment, the Group ensures that the net book value of these assets does not exceed their recoverable value, by means of impairment tests. The methods used to perform these tests are presented in note 3 to the consolidated financial statements.

We considered the impairment tests of intangible assets resulting from the development of video games and TV shows a key audit matter due to their significance in the group's financial statements, and considering the judgement required by Management to determine their recoverable amount, which is based on estimating the discounted cash flows expected when selling the games, and the difficulty in predicting sales in the video games sector. This estimate requires the use of assumptions, including sales volumes and costs related to distribution and marketing, whose outcome is inherently uncertain.

Our response

We have analysed the methods for implementing these impairment tests. Our work notably involved:

- acknowledging the internal controls put in place by ATARI's Management relating to the performance of these impairment tests;
- reconciling the book value of intangible assets resulting from tested development with the value in the consolidated financial statements;
- conducting a retrospective analysis of the impairment tests performed by the Group during the previous financial year;
- becoming familiarized with and assessing the reasonableness of the data and assumptions used by the Management to carry out the impairment tests, including projected video game and tv shows revenue and direct costs, with interviews with the Management;
- comparing the 2-year forecasts used to perform the impairment tests with the Group business plan presented to the board of directors;
- analyzing of the consistency of forecasts with past performance, market prospects, reviews

of video game specialists published in professional journals and available sales statistics. Lastly, we examined the appropriateness of the information provided in Note 3 to the consolidated financial statements.

Going concern

(Notes 2.1 to the consolidated financial statements)

Risk identified

As indicated in note 2.1 "General principles" to the consolidated financial statements, the consolidated financial statements for the year ended March 31, 2020 have been prepared based on the assumption of going concern, on the basis of cash flow forecasts established for the next twelve months, taking into account the following main hypothesis :

- the absence of financial debts over the next twelve months,
- activity forecasts (games, licenses, multimedia production, Atari VCS, Atari Token) which generate themselves positive cash flow,
- the exercise of stock options.

Moreover, the Group has a consolidated cash position of 1.8 million euros as of March 31, 2020.

As part of the preparation of the consolidated financial statement as of March 31, 2020, the management of the company is required to assess the appropriateness of the assumption of going concern over the twelve months following the end of the financial year, with regard to the resources available at the closing date, the cash flow forecasts established for the next twelve months and its ability to obtain new financing solutions to ensure the continuation of its operations over the period considered.

In this context, due to the uncertainties inherent in these forecasts in an evolving context of the Covid-19 crisis, we considered that the appropriateness of the application of the assumption of going concern for the preparation of the consolidated financial statements at 31 March 2020, which is based on the judgment of management, in particular with regard to business forecasts and estimates of future cash flows, was a key audit matter.

Our response

To assess the reasonableness of the hypothesis made by management regarding the application of the going concern principle, we acknowledged internal controls put in place by the management to prepare its cash flow forecasts for the twelve months following the closing date.

Our work on cash flow forecasts also consisted of:

- reconcile the available cash indicated in the forecasts, with the accounts as at March 31, 2020, as well as with the last consolidated cash position available as at September 30, 2020;

- verify the consistency of the assumptions made in the cash flow forecasts with those underlying the latest forecast data established under the control of the Board of Directors;
- analyze the consistency of revenue and margin rate forecasts with past performance, market outlook, reviews from video game specialists published in professional journals and available sales statistics;
- assess the positioning of cash flows over the next twelve months, in particular with regard to expected non-operating resources, with regard to the main deadlines identified;
- carry out our own sensitivity tests by downgrading the revenue assumptions used by management, in particular on new sales activities for VCS consoles and cryptocurrencies, as well as the assumptions for the performance of certain non-operating operations, in order to assess the Group's ability to meet its commitments even in the event of activity significantly below expectations.

We have also verified that the relevant paragraph of Note 2.1 of the appendix to the consolidated financial statements provides appropriate information on the Group's situation with regard to the application of the going concern assumption.

Specific Verification

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information pertaining to the Group presented in the management report of the board of directors approved on October 28, 2020. With regard to the events which occurred and the facts known after the date the financial statements were approved by board of directors relating to the impact of the Covid-19 crisis, the management indicated to us that they will be communicated to the General Shareholders' Meeting called to approve the financial statements.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on Other Legal and Regulatory Requirements Appointment of Statutory Auditors

Appointment of statutory auditors

We were appointed as statutory auditors of ATARI by the General Shareholders' Meeting held on October 1993 for Deloitte & Associés and held on September 30, 2019 for Exponens Conseil & Expertise.

As at 31 March 2020, Deloitte & Associés and Exponens Conseil & Expertise were in the 28th year and 1st year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and for monitoring the effectiveness of the internal control and risks management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities Relating for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on

the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;

- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris and Paris-La Défense, 28 October 2020

The statutory auditors

Exponens Conseil & Expertise

Deloitte & Associés

Anne MOUHSSINE

Benoit PIMONT