INFOGRAMES Entertainment

ANNUAL REPORT

CORPORATE PROFILE

FISCAL YEAR 2006 - 2007

To our Shareholders,

Infogrames is now entering a new stage in its development. The past year featured a major financial restructuring, vital for the business, that produced a substantial reduction in our debt and an increase in our shareholder's equity. As a result, Infogrames' financial structure today is noticeably improved compared to a year ago. In addition, the past year saw our operating ratios improve, as operating losses were reduced and gross margins increased. In the coming year, we will continue to work on improving Infogrames' operations with the aim of gradually restoring its operating margin, thereby gaining the freedom needed to finance new projects and development.

With your help and the support of our financial and business partners, the Group now has the resources it needs to implement a turnaround strategy. I am determined to restore Infogrames to its former position as a leader in the field of video games and interactive entertainment.

In order to do this, I wish to implement a sustained publishing policy, by relaunching the Group's high-potential historic franchises, addressing new customer segments and developing new franchises to enhance our product line, and by devising new gaming experiences and taking advantage of emerging opportunities, such as the new possibilities offered by broadband Internet access.

Our games, along with those of our key partners, will be distributed through our worldwide network of distribution subsidiaries.

The industry leaders currently hold strong positions but there is still room at the top. Opportunities exist for smaller, innovative companies. The current market offers good prospects of investment, as next-generation consoles arrive with new features and interactive user modes. Thus, the growth of online gaming and changing consumption patterns resulting from new game experiences and interfaces provide Infogrames with many growth opportunities, as does the emergence of a market for advertising in video games and a growing emphasis on brands, where Infogrames enjoys an edge because of its portfolio of trademarks and exclusive intellectual properties.

By following a strong publishing strategy and relying on the talent available at Infogrames, your Company is ready to start growing again.

Together with our shareholders, partners and employees, we are prepared to meet the challenge of bringing Infogrames back at the forefront of the interactive entertainment industry.

Patrick Leleu
Chairman and Chief Executive Officer

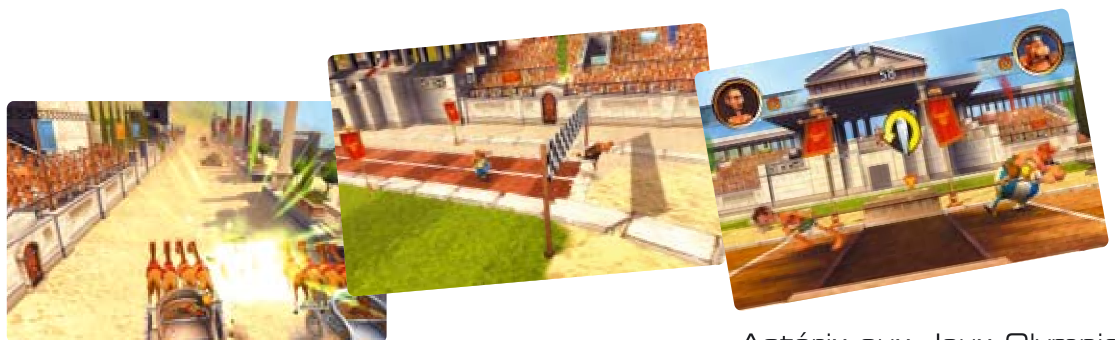
GAMES WITH A HIGH POTENTIAL

Alone in the Dark

Xbox® 360 / PC / Wii® / Playstation® 2

DBZ Budokai Tenkaichi 3

Playstation® 2 / Wii®



Astérix aux Jeux Olympiques

Wii® /PC / NDS® / Playstation® 2

The Witcher

PC

Neverwinter Night 2

PC

Test Drive

Xbox® 360 / PC / PSP® / Playstation® 2

ANNUAL REPORT

CORPORATE PROFILE

This annual report and corporate profile (*Document de Reference*) was filed with the Financial Markets Authority (*Autorité des Marchés Financiers* - AMF) on July 31, 2007 in accordance with articles 212-13 of its General Regulations. It may be used for the purpose of financial transactions only if accompanied by a registration statement approved by the AMF. This document does not include any pro-forma data.

As prescribed by article 28 of European Commission regulation (EC) 809/2004, the documents below are referenced in this annual report and form part of it:

- The consolidated financial statements and the corresponding auditors' report for the fiscal year ended March 31, 2006, as included in the annual report registered on September 22, 2006 under no. D 06-0869, as updated on December 19, 2006 under no. D 06-0869 and on February 9, 2007 under no. D 06-0869-A02;
- the consolidated financial statements and the corresponding auditors' reports for the fiscal year ended March 31, 2005, as included in the annual report filed under number D 05-1115 on August 25, 2005.

Consolidated Financial Statements
Period ended March 31, 2007

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GENERAL INFORMATION

CORPORATE PROFILE

Infogrames Entertainment, ("IESA") is the parent company of the Atari Group. Its shares are listed on the Paris Euronext market (ISIN code: FR-0000052573) and it has two principal subsidiaries: Atari Europe, a private company, and Atari, Inc., its US subsidiary, whose shares are listed on the NASDAQ market (ticker: ATAR).

The Atari Group manufactures, publishes and distributes interactive entertainment software for all market segments and all existing game consoles (Microsoft, Nintendo and Sony), as well as on CD-ROM for PCs, in more than 60 countries throughout the world.

Since its founding in 1983 and until 1999/2000, Infogrames has grown in a sustained manner, both organically and through acquisitions, while vastly expanding its product catalog and consumer base, and developing an international distribution network extending to the United States, Europe and Asia.

While the new acquisitions were being integrated into the Group, Infogrames ran into financial problems caused by the weight of its debt and a particularly abrupt new series of technological changes in fiscal 2000-2001.
These factors have had an adverse impact on the financial results since 2002 and have necessitated successive financial restructurings.

A major financial restructuring took place in fiscal 2006-2007 in order to reduce the corporate debt and improve the Company's consolidated net worth. This resulted in particular in a reduction in revenue caused by the disposal of certain assets and cut-backs in development budgets required by the Group's financial problems.

Since 2006, the interactive entertainment industry has again been in a growth cycle linked to the arrival of so-called next-generation consoles such Sony's PSP, Nintendo's DS and Microsoft's Xbox 360, as well as the more recent PS3. New opportunities have also arisen due to increased public access to broadband service and the growth of mobile multimedia.

In April 2007, the board of directors appointed a new management team to relaunch the Company and carry out a growth strategy.

FINANCIAL HIGHLIGHTS

Revenue from ordinary business for the year ended March 31, 2007 was € 365.3 million (at current exchange rates), compared with € 365.5 million last year. During the year ended, the Group disposed of certain properties, which are accounted for as “discontinued operations” as prescribed by IFRS 5 (sale of the development business of Paradigm, Shiny, Melbourne House and Reflections and of the related “Driver” license). For the record, revenue from these discontinued operations amounted to 25.7 million euros, bringing aggregate revenue to 391.2 million euros.

(€ millions)	3/31/07 12 months IFRS	3/31/2006 12 months IFRS
Revenue	305.3	365.5
Current operating in come	(39.3)	(55.2)
Operating income	(61.8)	(153.0)
Net income (loss) after minority interests	(103.1)	(149.8)
Total assets	313.6	386.4
Shareholders' equity net of minority interests	65.3	(22.1)
Consolidated shareholders' equity	85.2	9.8
Net debt	40.5	173.2
Employees	605	982

SALES BY REGION (FISCAL 2006-2007)

A breakdown of sales by region shows a good performance by European operations, the Group’s original base, which accounted for 62% of total business for the year (compared with 50% the previous year). European sales accounted for 9.2 million euros of consolidated operating income.

United States operations now generate 30% of the Group’s total revenue (down from 42% the previous year) and had a negative impact of 64 million euros on operating income.

Business was stable in Asia and the Pacific, where 8% of revenue for the year was generated.

(€ millions)	US	Europe	Asia*	Corporate	Total
Revenue	91.2	189.3	24.8	-	305.3
Current operating in come	-46.2	10.6	-0.1	-3.6	-39.3
Operating income	-64.0	9.2	-0.1	-6.9	-61.8

SALES BY PLATFORM

The Atari Group develops, publishes and distributes interactive software for all existing video game systems, including special games consoles such as Sony's PlayStation 3, PlayStation 2 and PSP, Microsoft's Xbox 360 or Nintendo's Wii, GameBoy Advance and DS™, as well as personal computers.

For the year ended March 31, 2007, sale figures by format are indicative of the increased popularity of so-called next-generation consoles (Xbox 360, PSP, Nintendo DS, Wii and PS3), which accounted for 36% of total sales for the period, as compared with 6% the previous year. Games in Playstation 2 format for PC accounted respectively for 37% and 22 % of the Group’s total sales.

	March 31, 2007	March 31, 2006
PlayStation 2	37%	44%
PC	22%	31%
PSP	10%	3%
Xbox 360	10%	8%
Nintendo DS	10%	3%
Wii	5%	-%
GBA	4%	7%
PlayStation 3	1%	-%
Other	1%	4%

The Atari Group offers consumers a choice of games based on original franchises (Alone in the Dark, Test Drive, V-Rally) and international licenses (Dragon Ball Z, Dungeons & Dragons), distributed in more that 60 countries through 27 subsidiaries, branches or local offices operating in every continents.

The catalog covers the main videogame market segments (family/children, action/adventure, car racing, strategy, simulation) and it holds significant market positions in action, family/children and car-racing games.
The Group also develops and publishes software based on licenses for well-known universes, including Dragon Ball Z and Arthur and the Minimoys. The Group also owns licenses on family-type entertainment, including Titeuf, Totally Spies, Kid Paddle and Asterix. The Group also owns an exclusive worldwide license to the “Dungeons and Dragons” rights for all interactive formats, including online and wireless.

In 2001, when Infogrames purchased Hasbro Interactive, the former interactive games division of Hasbro, Inc., a US corporation, it also acquired the name Atari. In May 2003, Infogrames decided to use that emblematic video-game brand name for all of its distribution operations and business activities. Accordingly, NASDAQ-traded Infogrames Inc. became Atari Inc. (symbol ATAR). Infogrames Entertainment has kept its own name and Euronext code unchanged.

In addition to the Group's own studio (Eden Games, France), Atari currently outsources production work to many independent studios. Its international reach makes it a highly attractive publishing and distribution group to work for. The Group is accordingly able to attract and work with in-house and outside international videogame experts.

The Group also does business with third-party publishers, who contract with it for the distribution or joint publishing of their products, either worldwide or in a specific region. Companies working with the Group in Europe and the United States since 2005 include Japanese firm Bandai Namco. This activity accounted for 64% of consolidated revenue in fiscal 2006-2007.

The Group's global business strategy is aimed at producing quality interactive entertainment software for all major consumer game platforms and all market segments, while adhering to two ethical principles: respect for human dignity and the rejection of gratuitous violence.

STRATEGY

In fiscal 2006-2007 the Group completed the restructuring of its debt, which it had started four years earlier. Infogrames believes that its balance sheet is now adequately structured to enable it to embark on a new growth phase.

In a changing video-game market that is expected to expand, Infogrames/Atari currently has many advantages, including:

- a global presence with a leading distribution network in Europe that has enabled it to hold on to a large market share by offering quality products adapted to local demand;
- substantial intellectual property (brands) and franchise holdings with considerable potential, that provide it with a product line encompassing all of the formats and categories sold to the public and with a catalog of games combining best-selling established franchises with innovating concepts.

The relaunch strategy is based on three concepts that all play an instrumental role in the future development of the business:

1. Improved Distribution,
2. Relaunch of Publishing,
3. Continued optimization of operations.

1. IMPROVED DISTRIBUTION

The Group plans to improve the distribution of its products by relying on its global presence and international network, as well as by developing new forms of distribution through the Internet. Distribution will be improved in three areas:

- "ATARI GROUP PRODUCTS": by increasing the share of the Group's own products in total distribution and promoting its franchises worldwide, relying on its expertise in the field;
- "ATARI GLOBAL PARTNERSHIPS": by strengthening international partnerships and agreements (Bandaï / Namco, etc.),
- "ATARI LOCAL PARTNERSHIPS": by continuing to make the international distribution network available to other market participants (third-party publishers).

2. RELAUNCH OF PUBLISHING

In the Publishing area, the Group aims to modify its structure and to centralize the management of its franchise and intellectual property holdings. It will first focus on the largest market segments (consoles, PC, digital distribution and online business models), making full use of its resources.

Relaunching the publishing business will involve three complementary projects:

- "ATARI INSIDE": a gradual relaunching plan for the Group's historic franchises (Alone In the Dark, Neverwinter Nights, Test Drive, V-Rally, Dungeons & Dragons, Baldur's Gate, Total Annihilation, etc.) and the development of other intellectual property holdings with significant potential; in the course of the ordinary operation of its publishing business, the Group may also optimize its holdings by disposing of or acquiring intellectual properties.
- "ATARI OPEN TO THE WORLD": developing relationships with gaming communities, relying on independently designed product lines that provide opportunities for the creation of new original franchises – while extending the expertise of the local French publishing staff to other countries. Under this strategy, in addition to its own products, Atari will work with many third-party development studios around the world, with all projects managed by its own production teams.
- "ATARI OUT OF THE BOX": creation of new gaming experiences and positioning the Group on the basis of new business models, by developing online features for all key franchises, in-game advertising and business-to-business services (licensing out, exploitation of the Atari name, spin-offs, etc.).

3. CONTINUED OPTIMIZATION OF OPERATIONS

The improvement of distribution and relaunch of publishing will require a more centralized and rational operating policy in order to adapt to increased sales without incurring higher fixed costs, by:

- streamlining the decision-making process to improve productivity and responsiveness;
- structuring operations on a more global basis to improve operating ratios in connection with anticipated growth;
- giving more attention to the management of research and development budgets so as to improve return on investment.

HISTORY

1983	Bruno Bonnell and Christophe Sapet form Infogrames.
1993	Infogrames Entertainment goes public, on the Second Market (Second Marché) of the Paris Bourse.
1994-1995	Infogrames Entertainment sets up distribution operations in Germany, the United Kingdom and the Benelux countries.
1996	Infogrames embarks on a significant acquisition program by taking over Ocean, a British game publisher specializing in software for next-generation consoles, including Sony's PlayStation.
	Trading of Infogrames shares moves to the First Market (Premier Marché) of the Paris Bourse.
1997	Infogrames continues to expand through acquisitions, by purchasing the distribution business of Philips Media BV, making it Europe's leading distributor of interactive entertainment software.
	Infogrames releases its first title under the V-Rally franchise.
1998	Infogrames acquires 62.5 percent of Ozisoft, an Australian distributor.
	Infogrames acquires an exclusive license from Warner Bros to the Looney Tunes characters.
1999	Infogrames makes a successful, friendly takeover bid for Gremlin, a British company specializing in the simulation of sports events.
	Infogrames adds to its development resources in Asia and the Pacific by acquiring Beam Software, an Australian software firm (now Melbourne House).
	In the United States, Infogrames purchases Accolade, then a 62-percent controlling interest (since increased to 89 percent) in GT Interactive Software Corp., a US game publisher and distributor that became Infogrames Inc. and then Atari, Inc., boosting its development, publishing and distribution business with the addition of a portfolio of titles that include the Driver, Unreal, Unreal Tournament and Deer Hunter franchises.
2000	Infogrames acquires the Dallas-based Paradigm Entertainment development company.
2001	Infogrames acquires the Hasbro Interactive division of Hasbro Inc., including the Atari trademark, and enters into an exclusive licensing agreement with Hasbro for interactive digital versions of Hasbro games and themes. The agreement is for 15 years and may be extended for another five.
	Infogrames signs agreements with: - Bandai, covering exclusive distribution rights for Digimon in Europe - Square Soft, for the exclusive distribution in Europe of Final Fantasy IX - Sega, concerning the publishing and distribution (outside the US and Japan) of Sega software for Xbox, Game Cube and Game Boy Advance.
	Infogrames Inc. acquires US publishing rights to the Dragon Ball Z franchise.
2002	Infogrames enters into an agreement with the Bioware developing company covering worldwide publishing rights to Neverwinter Nights, a game from the designers of Baldur's Gate based on the Dungeons and Dragons license.
	Infogrames purchases Eden Studios S.A. (a French development studio) in charge of work on the V-Rally franchise.
	Infogrames acquires Shiny Entertainment, a US development studio in charge of developing the Matrix game, after securing a license to sequels from the film Matrix ("The Matrix Reloaded" and "The Matrix Revolution") from Warner Bros.
	Infogrames buys an exclusive worldwide license to Terminator 3 games in console and PC formats from C-2 Pictures.
2003	Infogrames changes the year-end date of its consolidated fiscal year from June 30 to March 31.
	“Enter the Matrix” proves highly popular worldwide, with more than 5 million units sold in fiscal 2004.
	Infogrames changes its name and adopts the Atari brand name for its commercial operations worldwide. All major Group entities, with the exception of Infogrames Entertainment S.A., adopt Atari as their company name, including Infogrames, Inc., which becomes Atari, Inc.
	Infogrames sells shares of its Atari, Inc. US subsidiary to the public; following the offering, Infogrames' interest in Atari, Inc. is reduced from 88.20% to 67.36%.
	Infogrames makes a tender offer to exchange OCEANE 2004 and 2005 bonds, resulting in a restructuring of some € 200 million in convertible bond debt.

2004	Infogrames appoints Jean-Michel Perbet chairman of Atari Europe, the entity overseeing all European subsidiaries.
	The Group releases the third game in the Driver series, which immediately rises to the top ten sellers worldwide.
	The Group announces that it has entered into an agreement with Marc Ecko, an urban culture and graffiti art pioneer, to develop a new game.
	Infogrames develops an online strategy and adopts a new distribution approach through specialized entities.
	Infogrames terminates the June 2004 financing arrangement with Nexgen, bringing its interest in Atari Inc. to 61 %.
2005	In January, Infogrames sells 11 million shares of Atari, Inc., reducing its interest in the company to 52%.
	The distribution of warrants to stockholders in connection with the planned retirement of OCEANE 2005 bonds proves successful as their exercise raises € 39 million in new equity.
	Atari, Inc. negotiates a five-year extension on the Dragon Ball Z license in the United States.
	Infogrames continues its financial restructuring and issues a tender offer for its OCEANE 2005 bonds, which ultimately results in the restructuring of € 93.7 million in debt. As a result, the number of Infogrames Entertainment's shares outstanding increases to 183,496,508.
	On June 9, 2005, the Company entered into an agreement with Hasbro Inc, covering the sell-back of digital rights to all Hasbro properties for 65 million dollars. It is part of an effort by the Group to streamline its games catalog, started during fiscal 2004-2005, and designed to enable it to invest more in future developments.
	Infogrames Entertainment purchases the business of Humongous from Atari, Inc.
2006	New measures are taken to deal with the Group's financial obligations, including:
	- the signature of a new agreement with banks - a program of asset disposals resulting in the sale of Games.com, Timeshift, Driver, Stuntman and the Paradigm development studio in the United States, Atari Melbourne House, Reflections and Shiny.
	A financial restructuring plan is announced.
2007	Implementation and completion, on March 16, 2007, of the overall debt restructuring plan under which 165 millions euros in debt was refinanced. The plan includes an equity issue of € 74 million, some of the proceeds of which are used to redeem all 2006-2008 notes; an issue of 265,331,539 stock warrants, of which 217,900,000 are distributed to new investors (BlueBay Value Recovery Fund and Sark Fund) and the balance to existing shareholders; and an exchange tender offer for the 2003-2009 OCEANE bonds.
	BlueBay Value Recovery Fund and GLG together hold 29% of the Company's shares, until the expiration of the agreement between them. When that agreement expires (April 20, 2007), BlueBay Value Recovery Fund becomes the Group's principal shareholder, with 19.3% of its stock; GLG ranks second, with 9.7% of the shares outstanding.
	On April 4, 2007, Patrick Leleu is appointed chairman and chief executive officer of Infogrames, replacing founding chairman Bruno Bonnell.

THE MARKET FOR INTERACTIVE ENTERTAINMENT SOFTWARE

The interactive entertainment software industry primarily comprises software for dedicated game consoles or platforms (such as PlayStation 2, PlayStation 3, Xbox 360, Wii), handhelds (such as Game Boy Advance, Nintendo DS and Sony PSP) and PCs. Publishers of video-game software include console manufacturers, which publish games for their own consoles, or "first-party publishers", and third-party publishers, such as Infogrames/Atari, whose primary role is to develop, publish and distribute video-game software for existing platforms. Additionally, the use of wireless devices (such as mobile phones and personal digital assistants) as a gaming platform, known as "mobile gaming", is growing rapidly. According to International Data Group (IDG), an independent company specializing in the analysis of statistical data in the fields of technology, media, etc., aggregate sales of PC, console, and handheld games (excluding wireless) in North America, Europe and Japan totaled $18.0 billion in 2006.

THE CONSOLE AND HANDHELD MARKET

Console platforms have made significant technological advances since the introduction of the first generation of modern consoles by Nintendo in 1985. Hardware manufacturers have historically introduced a new and more technologically advanced gaming console platform every four to five years. So-called portable consoles have also evolved since they first came out, although the cycles have generally been longer (10 years for the portable GameBoy and 6 years for the GameBoy Advance, versus 4 to 5 years for fixed consoles). With each new cycle, the customer base for video game software has expanded as gaming enthusiasts mature and advances in video game hardware and software technology engage new participants, generating greater numbers of console units purchased than in the prior cycle. The beginning of each cycle is largely dominated by hardware (console) sales as consumers upgrade to the next-generation technology.

Sony was the first manufacturer to introduce the last generation of console hardware with the introduction of the PlayStation 2 platform in 2000. Nintendo introduced its GameCube and Game Boy Advance a year later. This generation also saw the entrance of Microsoft into the industry with the introduction of the Xbox console.

At the end of 2005, Microsoft initiated a new generation of console hardware (sometimes referred to as “nextgen”) when it introduced Xbox 360 on a market dominated by Sony’s Playstation 2 (released in 2000). Nintendo’s Wii was released in December 2006 and Sony’s PS3 at the end of 2006. These systems represent a significant advance in gaming technology, with the potential to reach broader audiences: while Microsoft and Sony increase the power and online features of their consoles to provide even more realistic and advance gaming experience (along with added uses for video entertainment with the new HD laser disc), Nintendo experiments with innovative gaming techniques to replace the traditional gamepad with a remote control and motion sensor.

In addition to the advantages of these technological innovations, there has been greater competition for shelf space and creative talent as well as increased buyer selectivity. As a result, the video game industry has become increasingly hit-driven, which has led to higher per-game production budgets, longer, more expensive development processes that are more difficult to amortize, and generally shorter product life cycles. The importance of the timely release of hit titles, as well as the increased scope and complexity of the projects have increased the need for disciplined product development processes that control cost and production schedules. This in turn has increased the importance of leveraging the technologies, characters or storylines of existing hit titles into additional video game software franchises in order to spread development costs among multiple products.

Innovation also continues in the handheld market with manufacturers offering more sophisticated units, such as Sony's PSP and Nintendo DS, that offer multiple features and capabilities in addition to game play functionality and wi-fi connectivity.

▪ PERSONAL COMPUTERS

Advances in personal computer technology occur in a more straight-line manner than advances in console and handheld technology. Advances in microprocessors, graphics chips, hard-drive capacity, operating systems and memory capacity have greatly enhanced the ability of the PC to serve as a video game platform. These technological advances have enabled developers to introduce video games for PCs with enhanced game play technology and superior graphics. The PC market has typically not been marked by technological cycles and, coupled with the fact that publishers are not required to pay hardware royalties and high manufacturing costs for PC products, this is an attractive market for video game publishers. Though retailers have been allocating diminished shelf space to PC products, this trend may be offset by demand for Massively Multiplayer Online Games, or MMOG. Additionally, the advancements in high-speed connectivity have increased the casual online gaming community. Bringing with it dramatically lower development costs, casual gaming is a new market which will gain in importance in the future.

BUSINESS

The Group publishes, produces and distributes interactive entertainment software for the leading interactive systems on the market.

▪ PUBLISHING

Publishing requires analyzing and segmenting markets, identifying consumer expectations and assembling a product line consistent

with demand, and then marketing products accordingly.
In June 2007, the Group announced a new strategy, based in part on the relaunch of its publishing business. The reorganization of entities in charge of publishing and the redefinition of strategic corporate objectives in this area will make it possible for Infogrames to manage its franchises and intellectual property holdings in a centralized and systematic manner (see the description of the strategy above).

Publishing includes the setting of publishing policies, the management of trademarks and intellectual property rights, the oversight of strategic alliances, the selection of projects, the management of rights, relations with console manufacturers and with the relevant government authorities regulating video games, product development, specific financing as required, global marketing, the management of distribution and royalty agreements, as well as the supply to distributors of video-game software for all platforms.

The Group publishes products designed and created by either in-house or independent developers. Decisions regarding whether to develop products in-house or through third parties are based on various factors, including the availability of experts, responsiveness and profitability. Outsourcing development also makes it possible to find and employ new talent.

- **PRODUCTION / DEVELOPMENT**

Under the publishing division, production and development involve combining all factors needed to develop interactive software content, including setting a game's future performance standards, technical development, the coordination of human resources and quality control, production schedules and financial management. Interactive games are based on an original idea by Atari or a third-party studio, and require contributions by many (script writing, graphics, musical composition, photo realism, etc.) through the development of various software technologies.

The Group's technical and creative expertise enables it to exploit existing licenses as well as to create new franchises. In this connection, the Group works on a regular basis with leading entertainment and interactive software firms.

As of March 31, 2007, the Group's production resources were divided between:
Its own development studio: Eden Games - Lyon, France -Workforce: 133 persons. Original developer of the successful V-Rally franchise, which has sold nearly four million units, currently developing two major games, including for next-generation consoles, with Test Drive Unlimited for Xbox 360 and PC, and Alone in the Dark for Xbox 360, PlayStation 3, and PC, expected to be released in fiscal 2007-2008
renowned independent partner studios, which in 2007 included:

Webfoot Technologies (Dragon Ball Z: The Legacy of Goku)
Eugen Systems (*Act of War***)**
Crafts & Master (*Super Dragon Ball Z***)**
Dimps Digital Innovation *(DBZ Shin Budokai)*
Dream On *(Titeuf 2)*
Etranges Libellules *(Arthur and the Minimoys, Asterix at the Olympic Games)*
Kuju Entertainment *(Dungeons & Dragons Tactics)*
Mistic Software *(Totally Spies, Backyard, Arthur and the Minimoys, Kid Paddle)*
Necko (*Lucky Luke*)
Obsidian (*Neverwinter Nights*)
Pipeworks Software ***(****Godzilla Unleashed)*
Spellbound *(Desperados)*
Spike *(Dragon Ball Z: Budokai Tenkaichi 2 and 3)*
Tate Interactive *(Lucky Luke Goes West)*
Visual Impact (*Lanfeust*)
Wgames (*My horse & Me*)
ZSlide *(HotPXL)*

▪ DISTRIBUTION

Distribution consists in selling and delivering products published by the Group or by third parties, and providing technical support for them, through distribution entities in various countries with a dedicated sales force and expertise in logistics. The Group distributes its products in more than 60 countries throughout the world, through leading retail chains in Europe and the United States. In Japan and other Asian countries, because of the specific nature of this region, distribution is essentially in the form of licensing or through wholesalers supplying the local retail market.

The Group owns an efficient global distribution network (especially in Europe and Asia), and is capable of servicing over 50,000 points of sale, through its 27 subsidiaries, branches or local offices in very continent.
The international range of the Group's business enables it to secure shelf-space for Atari titles and to be fully acquainted with local market conditions.

Virtually all of the Group's distribution subsidiaries in Europe are wholly-owned entities, a fact that contributes to the Group's independence. In the United States, the Group's distribution network makes it possible for it to supply virtually all retailers directly and to do business with the major retail chains.
As a general matter, the Group applies its own terms and conditions of sale. In certain countries where it does not have a distribution operation, its products are sold through licensing agreements.

The Group games are sold by major international retailers, including Wal-Mart, Toys R Us, Auchan, Metro and Carrefour, as well as by large national and regional retail chains (Cora, Casino, etc.), specialized retailers (Virgin, Fnac, Boulanger, etc.), discount stores, video game stores (Micromania, Games, etc.) and convenience stores.

FRANCHISES/LICENSES

The Group's strategy consists of publishing and distributing products for all mass-market interactive systems (game consoles, PCs), based on its own original franchises or prestigious licenses.

Games are developed based on themes or characters owned by or licensed to the Group. In most instances, the Group is the owner of the product software. Intellectual properties that become highly popular are considered "franchises" with a built-in value that can be used for various purposes. As of March 31, 2007, the Group's development and publishing operations had enabled it to acquire a full portfolio of exclusive trademarks and well-known intellectual properties such as, V-Rally, Backyard, Neverwinter Nights, Alone in the Dark and Test Drive. The Group also develops and publishes software under key theme licenses, such as Matrix, Dragon Ball Z and Dungeons and Dragons.

The Group also owns licenses for family entertainment, such as Titeuf, Asterix, Dora, Kid Paddle, etc. Depending on the agreement reached, license fees paid to copyright owners may be stated as a fixed amount or a percentage of sales. Most licensors require that royalties be paid in advance, in installments spread over the entire life of an agreement and subject to guaranteed minimums. Advances are generally deducted from the total consideration payable, so that the licensee can be in a position to earn the equivalent of advances paid before having to pay additional consideration. This is standard practice in the industry.

The acquisition of such licenses provides the Group with a clear edge in terms of product development and distribution:

- during the product development stage, licenses give access to valuable, preexisting content without the need for prior research;
- from a marketing standpoint, the popularity of existing themes or characters helps sell games. Consumer recognition thus reduces the risk that a game will fail. Furthermore, products benefit from all advertising and promotion conducted on behalf of those characters or themes outside the videogame sector.

In order to be in a position to develop games that are compatible with Nintendo, Microsoft or Sony consoles, the Group enters into agreements with those manufacturers, covering such issues as

- the right to use the manufacturer's technology;
- prior approval of the game's editorial content;
- approval of the game's final version before production gets underway;
- financial and technical terms and conditions governing the duplication of games by the manufacturer.

These contracts are master agreements covering a specific type of console. They are entered into for terms of three to five years and are automatically renewable.

Licenses on content and technology entail compliance with certain ethical, graphic and technical standards. A product's release is contingent on prior approval by the copyright holder or the hardware manufacturer.

MAJOR AGREEMENTS TO WHICH THE GROUP IS A PARTY

The principal agreements entered into by the Group concern the use of intellectual property and hardware (consoles). In brief, they consist of the following:

▪ INTRA-GROUP DISTRIBUTION AGREEMENT

This agreement sets forth the terms and conditions for the distribution by Group subsidiaries of products published by the Group or third parties. Among other provisions, Atari, Inc. and Atari Europe have granted each other reciprocal exclusive distribution rights to the games they publish in their respective regions.

▪ HASBRO LICENSING AGREEMENT

As previously noted, Hasbro, Inc. had sold its entire video game division to Infogrames Entertainment in January 2001, including:

- all of the common stock of Hasbro Interactive Inc. (now Atari Interactive, Inc.), a game publisher with an extensive catalog. At the time, Hasbro Interactive Inc. was already a leader in the market for family and children's games, with products developed under its own licenses based on Hasbro corporate properties (Monopoly, Risk, Scrabble, etc.) and under third-party licenses (Wheel of Fortune, Frogger, Jeopardy, NASCAR, etc.). The company also held copyrights to such franchises as Roller Coaster Tycoon and Tycoon City;
- the "Atari" trademark and logo;
- development studios and distribution subsidiaries in Europe, most of which were subsequently either absorbed or closed down.

At the time of the acquisition, an exclusive license agreement was also entered into with Hasbro Inc., (known as the "master license") for an initial term of 15 years, by which Hasbro Inc. granted Infogrames Entertainment and its subsidiaries exclusive rights to its past, present and future intellectual properties (other than those sold with the video game division) for use on all interactive media other than toys, including: Dungeons and Dragons, Monopoly, Scrabble, etc.

In June 2005, Infogrames Entertainment and Hasbro, Inc. renegotiated the 2001 master license and agreed that Hasbro, Inc. would buy back the digital rights to all Hasbro properties covered by the master license for a sum of 65 millions dollars and:

- grant Infogrames a new exclusive ten-year license to the Dungeons & Dragons universe on all current conventional media (so-called "digital" systems, e.g. PC, game cartridges for consoles) and all interactive systems (including online, mobile phone, wireless, interactive television, etc.);
- grant Infogrames a new exclusive seven-year license to nine Hasbro "family/children" properties: Monopoly, Scrabble, Risk, Game of Life, Clue, Yahtzee, Battleship, Boggle and Simon, etc. for online, mobile phone, wireless, interactive television and other applications.

In July 2007, the Group entered into a new partnership agreement with Hasbro on:

- the extension to 2017 of the rights to the Dungeons and Dragons universe, under an exclusive license for all existing formats, including online and wireless;
- the buyback by Hasbro, for 19.5 million dollars, of online and wireless rights to nine intellectual properties (Monopoly, Scrabble, Risk, Game of Life, Clue, Yahtzee, Battleship, Boggle and Simon).

BANDAI/NAMCO DISTRIBUTION AGREEMENTS

The Bandai Namco Group is one of Infogrames' major business partners.

En Europe, the Group has entered into a distribution agreement that gives it access to a significant portion of the Bandai Namco catalog, including the "mangas" segment. Agreements set specific conditions applicable to individual games. To date, the products concerned are Dragonball Z-Shin Budokai, Dragonball Z-Budokai Tenkaichi, Dragonball Z Budokai 2, Dragonball Z Budokai 3, DBZ Harukanaru Densetsu, DBZ Tenkaichi and Naruto Ultimate Ninja.

In North America, Atari, Inc. entered into a exclusive agreement with FUNimation Productions on January 11, 2005 for the Dragonball license, which also covers Australia, New Zealand and South Africa. Under the four-year pact, which can be extended by an additional year, Atari, Inc. has the exclusive right to develop, publish and distribute interactive video games based on the Dragon Ball, Dragon Ball Z® and Dragon Ball GT® animation series and characters, for all current game consoles and handheld game systems.

AGREEMENTS WITH CONSOLE MANUFACTURERS

The special relationship between the Group and console manufacturers are governed by agreements entered into by Infogrames and/or its subsidiaries with Nintendo, Sony Computer Entertainment and Microsoft. They evidence the permission granted by console manufacturers to Infogrames to use their technology for the purpose of manufacturing products compatible with their respective hardware. The agreements include detailed provisions regarding the use of development kits, publishing authorization procedures, royalties payable by the publisher to the manufacturer, the term of the relationship, the territories concerned, the cost of manufacturing and the related logistics, payment terms and the respective confidentiality duties of the parties.

AGREEMENTS WITH MAJOR RETAILERS AND DISTRIBUTORS

In fiscal 2006-2007, the Group's largest customer accounted for 6.85% of total sales. Its five largest customers were responsible for 20.3% of sales, while the ten largest accounted for 30.0%.

CAPITAL PROJECTS

The Group's capital expenditures are primarily to purchase licenses (to acquire the right to exploit a universe or a name on the formats available in interactive entertainment), develop franchises (creation of attractive universes for users of video games) and design games (specialized software), or to add distribution entities.

The Group makes acquisitions (of companies, franchises) and capitalizes development expenses.

Additionally, the Group invests in conventional manufacturing capacity as necessary to carry out its activities (premises, equipment, management software, etc.)

▪ CAPITAL PROJECTS - RESEARCH AND DEVELOPMENT

Since April 1, 2005, Infogrames has been capitalizing its own game development costs incurred after the end of the pre-production stage. The costs are then amortized on a declining balance basis over the six months that follow the release of the games.

Also, as prescribed by IFRS 5, in fiscal 2006-2007, all revenue and expenses related to discontinued operations (the sold development businesses of Paradigm, Shiny, Melbourne House and Reflections and the related “Driver” license) are recognized on a special line for results of discontinued operations. The new presentation has also been applied to the financial statements for fiscal 2005-2006 in order to make them more readily comparable.

Spending over the past two fiscal years was as follows:

(€ millions)	March 31, 2007	March 31, 2006	Changes
Capitalized in-house R & D	11.5	27.8	-16.3
Outsourced R & D	7.4	29.7	-22.3
Other R & D (*)	27.5	15.7	11.8
Total	46.4	73.2	-26.8

(*) This item includes mainly the operating expenses of studios, preproduction on initiated development, the organization cost of the publishing division and the cost of all projects whose feasibility has not been demonstrated.

Group research and development policy: the Group has developed a spending policy aimed at offering a catalog of games for all platforms. Capital projects in publishing are examined in accordance with a strict procedure, project by project, including with regards to the compatibility between the game’s concept, the technical expertise of the development studio, the size and prospects of the installed base of the platform concerned and the targeted consumer segment.

Production is handled in part by the Group's own development studio and by third parties selected on the basis of their technological, content and graphics expertise. Risk exposure is reduced by allocating projects among several platforms. For the current technology cycle (XBox 360, Wii, PS3, PSP and Nintendo DS), the Group has stuck to its strategy and contemplates keeping unchanged its policy of weighted allocation among existing platforms.

Principal capital projects completed during the fiscal year ended March 31,2007 included continued investments by the Group continued in the development of major titles for release this year, including Alone in the Dark, Neverwinter Nights and new franchises such as Hot PXL, The Witcher, etc.

The notes to the consolidated financial statements contain detailed information regarding research and development expenses for the year.
The restructuring of production in the United States and Europe, including through the disposal of studios and/or intellectual property, continued during the year: in May 2006, the Group announced the sale of various assets, including the games.com domain name and Timeshift (owned by Atari Inc.).After the end of the fiscal year, it also disposed of Stuntman and the Paradigm, Shiny, Atari Melbourne and Reflections development studios and the related “Driver” license.

The Group intends to continue investing in major games in several formats, using its own or outside funds (such as production funds).

PROSPECTS FOR THE FUTURE

In a market where growth is expected to be sustained over the next three years and where expansion is anticipated in all segments, regardless of the region and the type of games, Infogrames has access to key resources, including a European distribution network that has proved effective and ownership of franchises and licenses with considerable commercial potential but on which the Group has insufficiently invested in recent years.

In keeping with the strategy announced in June 2007, the Group expects to increase its efforts aimed at relaunching the publishing business, by making full use of its assets (strong intellectual properties) as well as by following market trends and targeting key segments of the gaming public such as the equestrian world, comic strips and local licenses.

At the same time, the Group intends to explore new business models such as online (Internet) and in-game advertising.

The Group's new publishing division and the improvement in the management of research and development budgets are going to make it possible to manage the game holdings and operating resources of the Group in a more rational and profitable manner.

Along with the relaunch of the publishing business, the Group's distribution entities will continue to develop partnership with local publishers.

The Infogrames board of directors has adopted a growth business plan that calls for increased capital spending for the publishing of games and improved use of the Group's resources.

The following games are included among those scheduled to be released in 2007-2008 under the current publishing policy:

Alone in the Dark	PC / PS2 / 360 / Wii
Asterix	PS2/Wii/NDS/PC
DBZ Budokai 2	PSP
DBZ Harukanaru Densetsu	NDS
DBZ Tenkaichi 3	PS2 / Wii
Dungeons & Dragons: Tactics	PSP
Godzilla Unleashed	PSP/Wii/NDS
Jenga	Wii/NDS
Lanfeust of Troy	NDS
Lucky Luke Go West	NDS/PC/Wii
My Horse & Me	NDS/PC/NDS
Naruto Ultimate Ninja 2 (Europe)	PS2
Neverwinter Nights 2 exp. pack 1: Mask of the Betrayer	PC
The Witcher	PC

The Company does not make projections or estimates of future income.

RISK EXPOSURE

During the course of its business, the Group faces risks which could have a material adverse effect for the Company, its business, financial position or income. The main risks identified are reviewed in section 8 of the report. That review should not be considered exhaustive, as other risks, not anticipated when this report was filed, are also liable to have a material adverse effect.

OTHER RISKS

To the best of the Company's knowledge, no specific factors other than those referred to in section 8 of the report are likely to have a material impact on its business.

MEASURES TAKEN TO PROTECT THE BUSINESS

▪ PROTECTION OF INTELLECTUAL PROPERTY

In order to minimize its exposure to the above risks and to maintain a relationship of trust with others, the Group has implemented procedures for formalizing and validating all production and operating steps for individual products, from both a legal and a technical standpoint. An international team of a dozen specialized lawyers in Europe and the United States looks after the management, oversight and acquisition of intellectual property by the Group, which also works with leading copyright law firms. Where appropriate, the Group registers its product names and copyrights in as many countries as possible, besides Europe and the United States. In addition, all console manufacturers incorporate protective features in their systems to prevent unlicensed persons from using them.

A pragmatic approach to fighting piracy is used, based on the degree of risk exposure and the countries concerned. In France and elsewhere in Europe, Atari works closely with the anti-piracy unit set up by institutions such as SELL (the French association of entertainment software manufacturers), the Entertainment Leisure Software Publishing Association (ELSPA) and customs authorities.
In the United States, Atari is a member of the Entertainment Software Association (ESA), a trade group with a program aimed at enforcing compliance with the copyrights of its affiliates, and it participates in the Verified Rights Owner anti-piracy program initiated by eBay. The company also works with customs authorities in the US in the fight against piracy.

The Company also works with specialized companies to fight against unlawful downloading of its products and includes software in its products designed to prevent unlawful duplication.

▪ SUPPLY SHORTAGES

Atari seeks to reduce the risk of supply shortages by diversifying its manufacturing sources. In the case of products for PCs (22% of the Group's sales worldwide), the risk is limited due to the large number of companies in Europe and the United States that can produce disks, and to their adaptability. On the other hand, the Group does not have control over the manufacture of products for other platforms, as this is an area in which console manufacturers have exclusive rights. Its exposure is limited, however, by the fact that manufacturing facilities generally have a dual structure.

The Group does not file patents for its games and its business does not depend on a specific patent.

▪ INSURANCE

The Group is insured worldwide against property damage, business interruption and general business liability. It also purchases liability insurance for its officers and directors. In general, the Group's business does not expose it to any special or unusual risks, with the exception of the possible failure of a supplier or the general recall of a game. Insurance purchased by the Group is complemented by local policies (in particular in North America) that take into consideration the specific nature of the relevant market. The table below shows current coverage provided under the main policies.

	Worldwide except North America (€)	North America (US$)
Property damage / Business interruption	Replacement value up to 19,9 million	Replacement value up to 80 million
Business liability	Ceiling of 12 million	Ceiling of 2 million
Intellectual property liability	Ceiling of 5 million	Ceiling of 2 million
Liability of officers and directors	Ceiling of 20 million	Ceiling of 40 million

During the fiscal year ended March 31, 2007, Infogrames Entertainment paid a total of 860,000 euros in insurance premiums on its own behalf and on behalf of subsidiaries other than Atari Inc..

Atari, Inc. is also covered by a US$ 15-million umbrella business liability policy.

EXTRAORDINARY EVENTS AND LITIGATION

No extraordinary event occurred in fiscal 2006-2007 other than the Group's financial restructuring.

The Company and certain Group entities (excluding Atari, Inc.) are involved in litigation and claims in the ordinary course of their business. None of the litigation is considered likely to have a material impact on the Company's financial statements.

A significant case arose in a previous year, in which Infogrames Entertainment SA was sued by a former employee who claimed that he had co-authored one of the Group's best-selling franchises. The plaintiff was seeking damages for moral prejudice and financial loss suffered as a result of the allegedly unlawful distribution by the Group of games based on that universe. The claim was for close to 17 million euros. At this stage of the proceeding, the Company is categorically rejecting the plaintiff's claim of authorship and/or co-authorship and considers the grounds and amount of his claim to be unfounded. Briefs are currently being filed in this case for submission to the Lyon District Court. The Company considers that, given the status of the proceedings and based on the information at its disposal, a contingent liability should be recognized in connection with this dispute and that accordingly no provision needs to be set aside.
Details regarding litigation to which Atari, Inc. is a party can be found in the Atari, Inc.'s 10-K annual report and 10-Q quarterly reports, which can be downloaded from its website at www.atari.com.

HUMAN RESOURCES AND PERSONNEL

Over the past three fiscal years, the Group has had the following average number of employees:

Fiscal 2004-2005
Average workforce of 1,252 persons (for a reduced Company fiscal year of 9 months; the average workforce over the period from April 1, 2004 to March 31, 2005 was 1,268)
As of March 31, 2005, the Group had an aggregate workforce of 1,221 persons.
The decline in the workforce during fiscal 2004-2005 was due in part to layoffs prior to the closing of US development facilities (Beverly and Santa Monica). It also reflected, to a lesser extent, the completion of the Group's restructuring started in 2002.

Fiscal 2005-2006
Average workforce: 1,125 persons
As of March 31, 2006, the Group had an aggregate workforce of 982 persons.
The decline in the average workforce in fiscal 2005-2006 was attributable to a sizeable cut in staff in the United States, due in part to continued closings of development studios (in particular Humongous), a significant paring down of corporate structures at Sunnyvale and of publishing at Beverly, as well as the closing of the Los Angeles publishing entity. It also reflected, to a lesser extent, continued efforts by the Group to review and optimize its staffing needs.

Fiscal 2006-2007
Average workforce: 719 persons
As of March 31, 2007, the Group had an aggregate workforce of 604 persons.
The reduction in the average workforce in fiscal 2006-2007 occurred as a result of personnel cut-backs in the United States and the sale of development studios (Paradigm, Shiny, Melbourne House and Reflections). It also reflected, to a lesser extent, continued efforts by the Group to review and optimize its staffing needs.

AGREEMENT ON WORKING HOURS

An agreement on the 35-hour workweek was signed in July 2000 for the French employees, who ratified it in September of that year, before it went into effect in October. The agreement provides employees with 12 days of additional "working hour reduction" paid leave, flextime for non-supervisory employees and certain supervisors, as well as an agreement on annual time allowances for other executives.

In addition, the agreement provides for the compensation of overtime with time off.

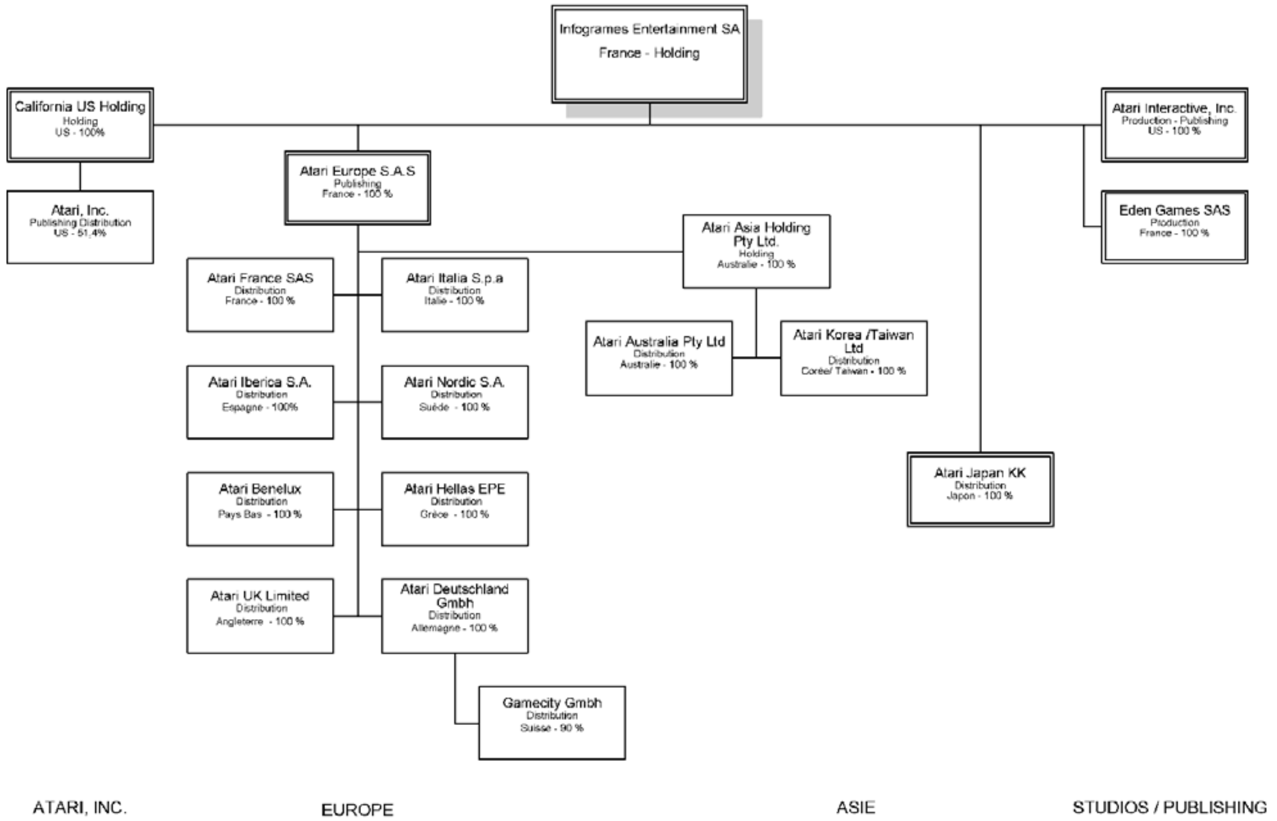
Other information regarding labor relations at the Group’s French entities are included in section 9 of the management report.

GROUP PREMISES

The Group has been operating in France out of its Vaise rented premises in Lyon (except for Eden Games) since 2001 and is committed to staying there for nine years. Group subsidiaries also lease premises. The lessors of all rented premises are third parties that have no other relationship with the Group or its stockholders.

SIMPLIFIED ORGANIZATION CHART

SIMPLIFIED ORGANIZATION CHART OF THE GROUP ON MARCH 31, 2007



INFORMATION ON MANAGEMENT AND THE FINANCIAL STATEMENTS

Period ended March 31, 2007

1. BOARD OF DIRECTORS' REPORT ON THE GROUP'S MANAGEMENT

ECONOMIC ENVIRONMENT AND HIGHLIGHTS

1.1. ECONOMIC ENVIRONMENT

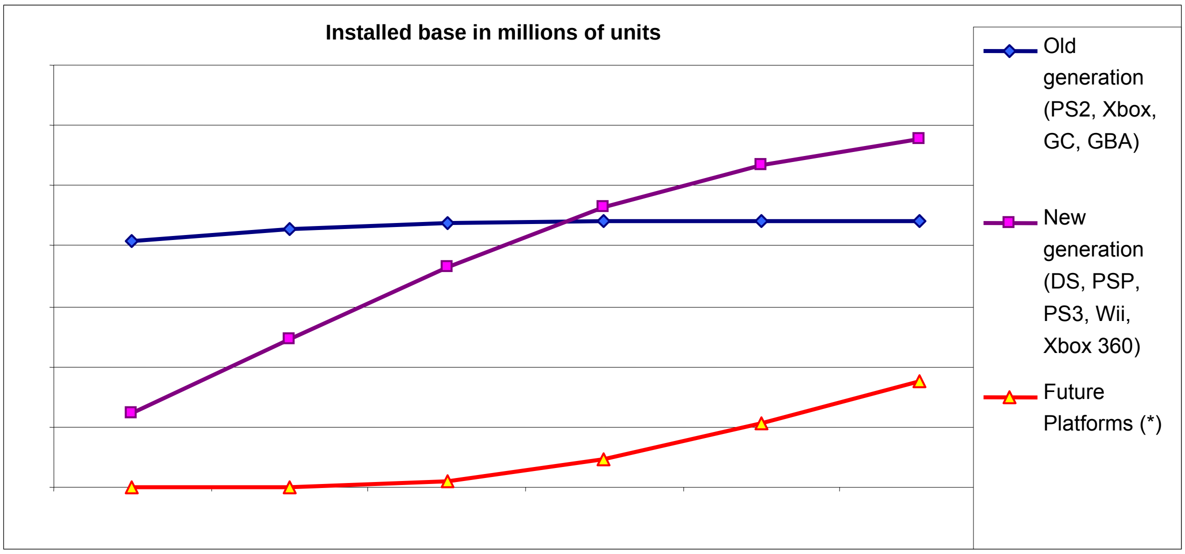
Infogrames Entertainment / Atari (the "Group") is one of the world's foremost developers and publishers of interactive game software. Most of its revenue is generated by sales in North America and Europe, where the trends observed in 2006 are described below:

- **EUROPE (SOURCE: GIFT)**

According to specialized research institutes, sales of entertainment software in Europe grew sharply in Europe during 2006 when they rose by 17% in volume and 9% in value, in spite of a marked decline in sales of Xbox, GameCube and GBA games. This increase, lead primarily by the success of consoles released in 2005 – Nintendo DS, Sony PSP and Microsoft Xbox360 – brought total sales of entertainment software to more than 198 million games and 5,95 billion euros.
In December 2006, Nintendo brought out the Wii, a console designed for the living room with the stated objective of attracting customers other than traditional gamers.

- **UNITED STATES (SOURCE: IDG)**

In North America, 256 million games were sold in 2006, for a total of 7.9 billion US dollars. Sales increased by barely 5% in volume and value, although this indicated that the change in generation had a positive impact following the 4% decline in value in 2004. The key factors in 2006 were the rapid growth of the DS, the continued popularity of the PS2, the successful release of the Nintendo Wii and the smaller impact of the new Sony PS3.



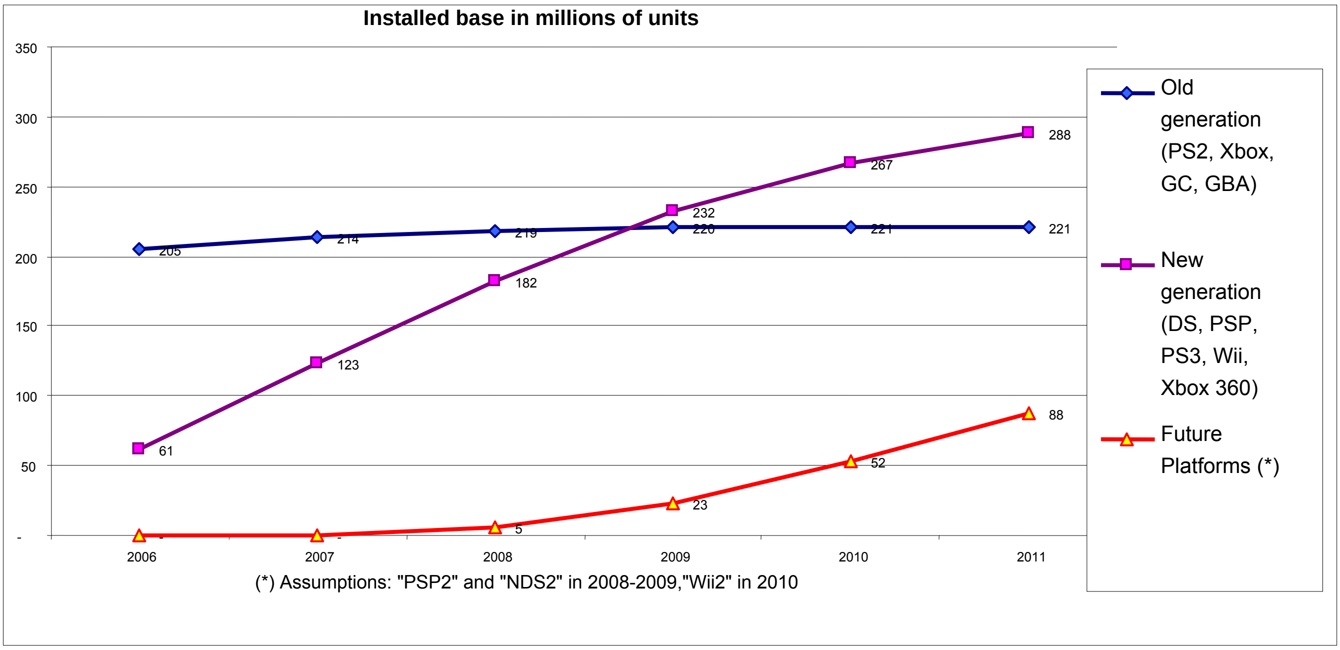
(*) Assumptions: "PSP 2" and "NDS2" in 2008-2009, "Wii2" in 2010

■ **HARDWARE (SOURCE: IDG)**

A highlight of 2006 was the growing popularity of portable consoles, including the Nintendo DS.
The table below shows the installed hardware base:

(millions of units sold)	2006 US hardware sales	2006 European hardware sales
Total consoles	**24.8**	**17.3**
PlayStation 2	5.0	4.1
Xbox 360	4.2	1.7
Wii	1.2	0.7
PlayStation 3	0.7	0
Sony PlayStation Portable (PSP)	3.2	3.2
Nintendo DS	5.7	6.1
Game Boy Advance	3.5	1.0
GameCube	0.8	0.3
Xbox	0.4	0.3

Anticipated trends in worldwide sales of interactive entertainment software are shown in the facing graph (Source: International Development Group).



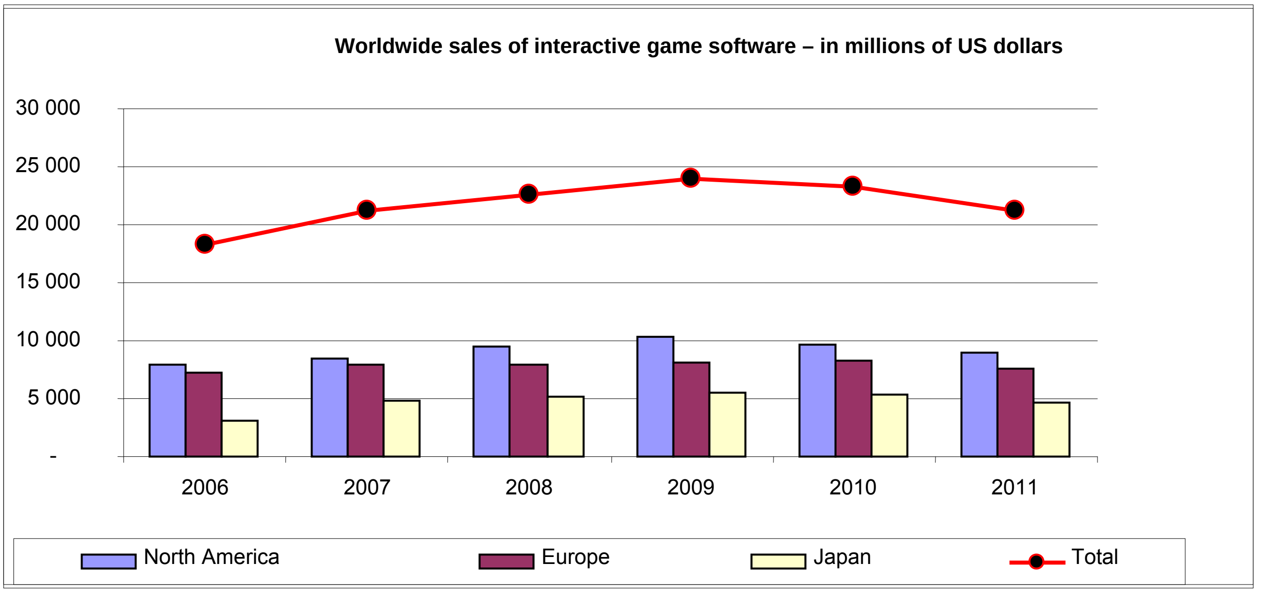
As can be seen on the above chart, the installed base of older consoles, which include the PS2, is almost at its highest point. The next generation will have an installed base larger than the current generation starting at the end of 2009, and will reach 288 million consoles in 2011, compared with 211 million for consoles of the PS2 generation.

▪ **SOFTWARE (SOURCE: IDG)**

The table below shows sales of interactive entertainment software in 2006:

(millions of units sold)	2006 US software sales	2006 European software sales
	256	198.7
PlayStation 2	77.7	66.0
Xbox 360	22.0	9.3
Wii	3.2	1.3
Playstation 3	1.4	-
Sony PlayStation Portable (PSP)	15.1	13.6
Nintendo DS	24.2	19.9
Game Boy Advance	26.5	10.6
Game Cube	18.3	3.9
Xbox	24.3	8.0
PC	43.0	65.9

Anticipated trends in worldwide sales of interactive entertainment software in the principal regions over the coming five years are shown in the facing graph.



Worldwide sales of interactive entertainment software are expected to increase in value until 2009 and the decline slightly thereafter. The drop in value would be caused by two factors: the arrival on the market of budget-priced games for PS3, Xbox360 and Wii and the shift from one generation of consoles to the next, which always causes an initial slow-down of sales.

It also appears that sales of PC software have not been adversely affected by the growth of massively multiplayer games. These games require the payment of monthly subscription fees and have a much longer life span than conventional games. It was therefore feared that they would steer certain gamers away from the market. While it may be true that certain consumers purchase fewer video games, this has not prevented sales of PC games from increasing in North America (by 2%) as well as in Europe (by 15%).

The Group plans to continue developing and distributing its line of games, while maintaining a balance between the various platforms available to consumers and holding on to its technological autonomy.

It should also be noted that the market is subject to seasonal fluctuations, with sales peaking at Christmas time and slowing down from

July to September. Consequently, revenue is generally higher in the third quarter of the fiscal year (October-December) than in other periods.

The Group has two main categories of traditional competitors in its core business: independent publishers of interactive entertainment software such as Electronic Arts, THQ, Activision, Take-Two Interactive, Ubisoft, Vivendi Universal Games, Konami, Sega and Eidos; and console manufacturers working with the Group that are also leading publishers of games for their own platforms, such as Sony, Nintendo and Microsoft.

1.2. HIGHLIGHTS OF THE YEAR

1.2.1. BANK FACILITY SECURED IN APRIL 2006 AND FINAL STEP OF THE DEBT RESTRUCTURING PLAN AND RESTORATION OF THE GROUP'S INVESTMENT CAPACITY

Infogrames Entertainment and its main European subsidiaries finalized a master agreement with Banc of America on April 13, 2006, (term agreement of March 28, 2006) aimed at refinancing the short and medium-term debt of the Company and its subsidiaries (not including Atari Inc.).

The agreement, which was approved by the Lyon Commercial Court on April 14, 2006, as required by articles 611-8 to 611-11 of the Commercial Code, allows the Company to defer to March 31, 2008 the repayment of € 25.5 million in short and medium-term bank credit facilities that expired between December 15, 2008 and March 15, 2005. Infogrames Entertainment and Atari Europe had also agreed to examine with the lender the division of the debt among the Group's operating subsidiaries.

The agreement further resulted in the extension of a one-year short-term credit facility for an initial amount of 20 million euros, that was increased to 45.0 million euros following the agreement of September 8, 2006, when its maturity was also moved from March 31, 2007 to December 31, 2008. Also pursuant to the agreement, a repayment of 10.0 million euros was made following the equity issue of 74.0 million euros by the Company on January 24, 2007; the short-term credit facility was thus reduced to 35.0 million euros, its repayment date of December 31, 2008 remaining unchanged. Drawdowns under the facility can be made in cash or in the form of letters of credit or standby loans to finance the operation of European subsidiaries. The Group retains the option of raising additional financing locally in Europe or Asia, secured by trade receivables for up to 30 million euros at peak periods, a ceiling that may be adjusted upward with the consent of the primary lender.

The short-term credit facility was extended to Atari Europe, Atari France, Atari Deutschland and Atari UK and is guaranteed by Infogrames Entertainment and Atari Europe. The agreement does not affect the borrowing capacity of Atari, Inc. and Atari Interactive, Inc.

The new agreement replaces and supersedes previous ones, as all creditor banks have transferred their receivables to the new lender under the agreement.

The agreement of September 8, 2006 with the Group's principal banks and bondholders also enabled it to implement a financial restructuring plan (the "Plan") and to significantly reduce its debt, improve its net worth and generate sufficient cash to finance its operations.

The Company has asked an independent expert, Associés en Finances (223 Rue Saint Honoré, 75001 Paris), to ascertain that the plan was fair to all parties concerned.

The Plan was divided into five separate steps, all of which were completed before the end of the fiscal year on March 31, 2007:

Step 1: Increase of the short-term facility by € 25 million and rescheduling of its maturity

Under an amendment to existing agreements with banks, Banc of America Securities Limited agreed to:

- increase the short-term credit facility (the "Short-Term Loan") by 25 million euros, from 20 million euros to 45 million euros;
- reschedule its maturity from March 31, 2007 to December 31, 2008.

A € 10-million portion of the loan was repaid following the equity issue referred to in Step 4 below, and the balance on December 31, 2008.

Step 2: Amending of certain terms and conditions of the 2006-2008 Notes

The meeting of September 29, 2006 for holders of 6% notes with a face value of 14 euros maturing March 15 (the "2006-2008 Notes outstanding of 33.7 million euros") agreed to reschedule the repayment date of the first portion of the principal to February 15, 2007 and to amend certain default provisions.

The principal holder of 2006-2008 Notes, a fund managed by Boussard et Gavaudan Asset Management LP, which owned 75.8% of the 2,403,772 Notes outstanding, agreed to vote in favor of the changes.

Step 3: Amending of certain terms and conditions of the OCEANE 2003-2009 bonds

The meeting of September 29, 2006 for holders of bonds convertible into and/or exchangeable for new or existing shares, maturing April 1, 2009 (the "OCEANE 2003/2009" or "OCEANE 2020") approved:

- an extension from April 1, 2009 to April 1, 2020 of the maturity of the OCEANE 2003-2009 bonds, which will no longer be convertible after April 1, 2009;
- a reduction of the bonds' interest rate from 4% to 0.1%,
- the elimination of an event-of-default clause.

Funds managed by GLG Partners and BlueBay Asset High Yield (Master Fund) (referred to as the "Investors"), which own 67.8% of the 16,487,489 OCEANE 2003-2009 outstanding, agreed to vote in favor of the changes.

Step 4: Shareholders' Meeting / Capital increase / Prepayment of 2006-2008 Notes / Restricted distribution of free warrants

The Company issued equity, described in a registration statement filed with the AMF and approved on December 19, 2006 (*visa* 06-484). The new securities issued and admitted to trading on the Eurolist of Euronext Paris consisted of:

- 493,287,990 new Infogrames Entertainment shares, under a rights offering priced at € 0.15 per share, holders being entitled to the subscribe for twenty-six new shares for each ten held. The issue generated gross proceeds of 74.0 million euros, of which 35.5 million euros was used to redeem all 2006-2008 Notes (including the payment of interest), 10 million euros was used to repay part of the Short-Term Loan and 25 million euros was set aside to finance the Company's operations. Expenses of 3.5 million euros were incurred for the issue and charged to share premiums.
- 47,431,539 bonus subscription warrants distributed to shareholders (the "Shareholder Warrants") on the basis of one warrant for each four shares held on December 21, 2006, each Shareholder Warrant being exercisable for one new share at a price of € 0.15.
- 217,900,000 subscription warrants distributed free of charge to the Investors in consideration for their contribution to the arrangement and implementation of the Restructuring Plan, (the "Investor Warrants"), each warrant being exercisable for one new share at a price of € 0.15. A total of 181,600,000 Investor Warrants exercisable for a like number of shares were set aside for The BlueBay Value Recovery Fund, one of the principal holders of OCEANE 2020 bonds, and 36,300,000 Investor Warrants, also exercisable for a like number of shares, were allocated to The Sark Master Fund, managed by Boussard et Gavaudan Asset Management LP (the "Principal Holder of 2006-2008 Notes").

Step 5: Exchange tender offer for the OCEANE 2020 bonds

The Company issued a simplified tender offer, which was in effect from February 12 to March 9, 2007, to buy back the OCEANE 2020 in exchange for 32 new Company shares. The offer was described in a registration statement filed with the AMF and approved on February 2, 2007 (notice no. 207CO246 of February 2, 2007). On March 16, 2007, the AMF issued notice 207C0515 stating that 16,403,083 OCEANE 2020 bonds had been tendered under the offer, representing 99.5% of those outstanding.

The foregoing financing transactions were recognized in the financial statements for the year ended March 31, 2007 as follows:

- capital was increased by 126 million euros, of which a sum of 1.9 million euros was deducted to cover expenses (creation of 524,898,656 shares at a price of € 0.24 each);
- a reduction by 108.9 million euros of the OCEANE bond debt, corresponding to the 16,403,083 bonds tendered;
- a loss of 18.7 million euros, corresponding to the excess of the fair value of shares issued (126 million euros on the basis of a share price of € 0.24 on March 16, 2007) over the book value of the extinguished debt (108.9 million euros) plus expenses of 1.6 million euros.

1.2.2. DISPOSAL OF THE DEVELOPMENT BUSINESS OF CERTAIN STUDIOS

As part of the Group’s program to dispose of assets, Infogrames Entertainment and Atari Inc sold the following assets:

- the development operations of Paradigm, on July 7, 2006;
- the development operations of Reflections and the related “Driver” license, on August 4, 2006. As part of this transaction, the Infogrames Group agreed not to develop a franchise that would compete with “Driver” for a period of 18 months (a three-year no-competition clause applies to Atari Inc); the restriction concerns only games using a universe similar to that of “Driver” and does not extend to car-racing games. The Group remains free to reissue or distribute products published by third parties, even if they compete with “Driver”; Infogrames may no longer distribute “Driver” products (except for those already at distributors);
- the development business of Shiny, on October 2, 2006;
- the development business of Melbourne House, on November 1, 2006.

Those asset disposals have been recognized in the financial statements as prescribed by IFRS 5 on discontinued operations. Losses from discontinued operations amounted to 8.8. million euros for the year ended March 31, 2007.

1.2.3. SALE OF STUNTMAN LICENSE

On May 10, 2006 Atari Inc. sold its investment in the development of Stuntman and the corresponding license. The sale generated a gain of € 2.7 million, after taking into account capitalized development expenses to March 31, 2006 and additional costs incurred up to the sale date.

2. REVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. BUSINESS AND CONSOLIDATED FINANCIAL INCOME STATEMENT

KEY FIGURES

The table below shows operating results for the periods ended March 31, 2007 and March 31, 2006.

(€ millions)	3/31/07		3/31/06 (*)		Changes	
Revenue	**305.3**		**365.5**		**-60.2**	**-16.5%**
Cost of goods sold	-179.3	-58.7%	-220.0	-60.2%	40.7	-18.5%
Gross margin	126.0	41.3%	145.5	39.8%	-19.5	-13.4%
Research and development expenses (**)	-57.9	-19.0%	-53.6	-147%	-4.3	8.0%
Marketing and distribution expenses	-58.2	-19.1%	-82.9	-22.7%	24.7	-29.8%
Overhead and administrative expenses	-49.2	-16.1%	-64.2	-17.6%	15.0	-23.4%
Current operating income	**-39.3**	**-12.9%**	**-55.2**	**-15.1%**	**15.9**	**-28.8%**
Sale of Hasbro license	0.0		36.6		-36.6	
Gains (losses) from disposals of assets	**2.7**		**4.2**		**-1.5**	
Restructuring charges	-8.7		-13.2		4.5	
Impairment of goodwill	-17.3		-125.4		108.1	
Other operating income (expenses)	**0.8**		**0.0**		**0.8**	
Operating income	**-61.8**	**-20.2%**	**-153.0**	**-41.9%**	**91.2**	**-59.6%**

(*)Due to the application of IFRS 5 to the accounting for discontinued operations (Paradigm, Shiny, Reflections/Driver and Melbourne House), the financial statements for the period ended March 31, 2006 have been restated in order to report all of the transactions pertaining to those assets on the same line.

(**)The change in the method for recognizing in-house development expenses had a positive impact of € 1.7 million on March 31, 2007 and € 15.42 million on March 31, 2006 (after application of IFRS 5)

▪ REVENUE

Revenue from ordinary business for the year ended March 31, 2007 was € 305.3 million (at current exchange rates), compared with € 365.5 million last year.

The drop in sales reflected a decline in the number of new releases during the period and the loss of market shares in the United States. Sales in the European region improved by 7%, whereas revenue from the United States declined by 42%.

Sales in Europe and Asia accounted for 70% of the total, with the United States accounting for the other 30%, compared with 57% and 43%, respectively, last year.

Consolidated sales divided up geographically as follows:

	March 31, 2007	March 31, 2006
Europe	62%	48%
United States	30%	43%
Asia	8%	9%
Total	100%	100%

For the year ended March 31, 2007, sale figures by format continue to show the important contribution of traditional PC and Playstation 2 platforms, which accounted for 59% of sales volume, and the growth of portable (PSP and DS) and next generation (Xbox 360, Wii and PS3) systems, which totaled 20% and 16%, respectively.

Consolidated sales divided up by platform as follows:

	March 31, 2007	March 31, 2006
PlayStation 2	37%	44%
PC	22%	31%
Xbox 360	10%	-
PSP	10%	3%
Nintendo DS	10%	3%
Nintendo Wii	5%	-
GameBoy Advance	4%	7%
PS3	1%	-
Xbox	-	8%
Other	1%	4%
TOTAL	100%	100%

▪ GROSS MARGIN

Sales of products published in-house declined in relation to those produced by third parties. Nevertheless, the gross margin improved, reflecting a higher quality of sales, including a decline in price reductions and product returns. For the year ended March 31, 2007 the gross margin was 41.3%, compared with 39.8% the previous year.

▪ RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses amounted to € 57.9 million, compared with € 53.6 million for the previous period, primarily from the amortization and write down of development expenses of 30.4 million euros for fiscal 2006-2007, compared with 37.9 million euros the previous year.

Other expenses included the pre-production cost of projects that did not achieve technical feasibility goals, tests and localizations as well as certain start-up costs.

A total of € 46.4 million was spent on research and development during the year, down from € 73.2 million last year. The Group continued to invest in major titles during the year, for release during the current year, such as Alone in the Dark.

▪ MARKETING AND DISTRIBUTION EXPENSES

Marketing and distribution expenses amounted to € 58.2 million, compared with € 82.9 million for the previous period. The reduction of 24.7 million euros exceeded the reduction in sales and mainly reflected the smaller number of games released during the period, as well as, in a general manner, improved control of marketing costs.

▪ GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses fell by 24.9% for the period, to € 49.2 million, compared with € 64.2 million the previous period. The decline came after an earlier reduction of 10.4% the previous year and concerned primarily the US entities, more specifically Atari, Inc.

▪ RESTRUCTURING CHARGES

Restructuring charges for the period to March 31, 2007 amounted to 8.7 million euros and included essentially the cost of layoffs of € 4.1 million, unused premises (€ 1 million) and asset impairments (€ 2.4 million).

▪ IMPAIRMENT OF GOODWILL

The poor performance of the US distribution entity during the year resulted in the recognition of a goodwill impairment for the "US Distribution" CGU of 17.3 million euros for the year ended March 31, 2007; there is no longer any goodwill attached to that cash generating unit.

▪ OPERATING INCOME

There was an operating loss at the consolidated level of € 61.8 million, compared with € 153.0 million the previous year. This result takes into account goodwill impairments of € 17.3 millions For the year ended March 31, 2006, operating income included an impairment of goodwill of € 125.4 millions and a gain of € 36.6 million on the sale of the Hasbro License.

▪ OTHER STATEMENT OF OPERATIONS ITEMS

(€ millions)	3/31/07		3/31/06		Changes	
Operating income	**-61.8**	-20.2%	**-153.0**	-41.9%	**91.2**	**-59.6%**
Cost of debt	-25.6		-20.1		-5.5	
Other financial income (loss)	1.8		-3.3		5.1	
Loss from the exchange tender offer	-18.7		0.0		-18.7	
Share of income of equity entities	-0.5		-0.1		-0.4	
Income tax	1.1		-1.5		2.6	
Income (loss) from continuing operations	**-103.7**	-34.0%	**-178.0**	-48.7%	**74.3**	-41.7%
Income (loss) from discontinuing operations	-8.8		-1.3		-7.5	
Consolidated net income (loss)	**-112.5**	-36.8%	**-179.3**	-49.1%	**66.8**	-37.3%
Minority interests	9.4	3.1%	29.5	8.1%	-20.1	-68.1%
Net income (loss) group share	**-103.1**	-33.8%	**-149.8**	-41.0%	**46.7**	-31.2%

▪ NET FINANCIAL INCOME

The net loss from financing transactions for the period was 42.5 million euros compared with 23.4 million euros last year. It included a charge of 18.7 million euros related to the exchange tender offer for the OCEANE 2003-2020 bonds, interest of 13.1 million euros on the bond debt, 8.1 million euros in interest related to bank debt and advances by production funds debt.

The loss of 18.7 million euros on the exchange tender offer reflected the excess of the fair value of shares issued (126 million euros on the basis of a share price of € 0.24 on March 16, 2007) over the book value of the extinguished debt (108.9 million euros) plus expenses of 1.6 million euros.

▪ INCOME TAX

A **corporate income tax** credit of 1.1 million euros was recognized for the year, compared with an expense of 1.5 million euros last year.

▪ INCOME (LOSS) FROM DISCONTINUED OPERATIONS

A **loss from discontinued operations** of 8.8 million euros was recognized for the year ended March 31, 2007. It reflected mainly operating expenses of 8.7 million euros incurred by the studios. Proceeds of 21.5 million euros from the disposal of discontinued operations were offset by the allocation of a portion of goodwill and trademarks (16.7 million euros), the write-off of development costs (3.7 million euros) and the net book value of the assets sold (1.2 million euros).

- **NET INCOME (LOSS)**

The Group had a consolidated net loss of 103.1 million euros, compared with a loss of 149,8 million euros the previous period.

2.2. CONTRIBUTIONS BY REGION

The table below shows the contribution by each region to consolidated revenue and operating income:

2006-2007 (€ millions)	Net revenue		Operating income (*)	Net result (**)
United States (*)	91.2	29.9%	(64.0)	(64.7)
Europe	189.3	62.0%	9.2	(2.8)
Asia	24.8	8.1%	(0.1)	(3.0)
Corporate	-	-	(6.9)	(31.9)
Total	**305.3**	**100.0%**	**(61.8)**	**(103.1)**
2005-2006 (€ millions)	Net revenue		Operating income (*)	Net result (**)
United States (*)	157.4	43.1%	(195.1)	(177.9)
Europe	176.1	48.2%	(1.8)	(2.4)
Asia	32.0	8.8%	0.3	1.1
Corporate (***)	-	-	43.6	29.4
Total	**365.5**	**100.0%**	**(153.0)**	**(149.8)**

(*) including the impact of the impairment of goodwill

(**) Net loss group share

(***) including the proceeds from the sale of digital rights to Hasbro

Sales in the United States region during fiscal 2006-2007 generated revenue of € 91.2 million and accounted for 29.9% of total Group sales, compared with € 157,4 million the previous year (43.1% of total sales). During that same period, the Group incurred an operating loss and a net loss group share for the US region of € 64.0 million and € 64,7 million, respectively, compared with an operating loss of € 195.1 million and a net loss of € 177.9 million for the year ended March 31, 2006.

In the European region, revenue rose to € 189.3 million during the year ended March 31, 2007, and accounted for a greater share of the consolidated total, in relation to the United States, with 62% of total sales, compared with revenue of € 176.1 million (48.2% of total sales) the previous year. During that same period, the European region generated operating income of € 9.2 million and a net loss group share of € 2.8 million, compared with of an operating loss of € 1.8 million and a net loss of € 2,4 million for the year ended March 31, 2006.

In Asia, sales also declined in fiscal 2006-2007, to € 24.8 million, or 8.1% of the Group's total, from € 32.0 million (8,8% of total sales). The operating loss and net loss group share generated in Asia during the same period amounted to € 0.1 million and € 3.0 million respectively, down from income of € 0,3 million and € 1.1 million the previous year.

Corporate income for the year ended March 31, 2007 included the loss of 18.7 million euros from the exchange tender offer for the OCEANE 2003-2020 bonds. Income for the previous year included capital gains of 36.6 million euros from the sale of digital rights to Hasbro, Inc.

2.3. CONSOLIDATED BALANCE SHEET

▪ CONSOLIDATED BALANCE SHEET ITEMS ON MARCH 31, 2007 AND MARCH 31, 2006

(€ millions)	3/31/07	3/31/06
Shareholders' equity group share	65.3	(22.1)
Minority interests	19.9	31.9
Consolidated net shareholders' equity	85.2	9.8
Debt	87.1	215.8
Other non-current liabilities (including non-current provisions)	13.5	15.3
Cash and cash equivalents	46.6	42.6
Net working capital (excess liabilities)	(28.3)	42.1
Other non-current assets (including deferred tax assets)	5.6	6.3
Assets of discontinued operations	0.9	-
Goodwill	89.0	128.9
Intangible assets	61.9	90.7

▪ SHAREHOLDERS' EQUITY

Consolidated shareholders' equity amounted to 85.2 million euros on March 31, 2007, up from 9.8 million euros on March 31, 2006. The Group's net worth on March 31, 2007 was 65.3 million euros, compared with a negative net worth of 22.1 million euros on March 31, 2006. The table below shows changes in equity during the year:

Consolidated stockholders' equity as of March 31, 2006	(22.1)
Net income group share	(103.1)
Exchange tender offer	124.1
Share issues	75.5
Change in translation adjustments	(8.1)
Stock options	0.3
Exercise of warrants	3.7
Consolidated stockholders' equity as of March 31, 2007	65.3

The movements of the year include the net loss of the year, after group share, of 103.1 million euros, the exchange tender offer for the OCEANE 2003-2020 bonds (124.1 million euros), the equity increase of 70.5 million euros on January 24, 2007, unrealized foreign exchange losses for the year due to a worsening of the euro/dollar exchange rate (1.3318 on March 31, 2007 compared with 1,2104 on March 31, 2006) and the exercise of warrants for 3.7 million euros.

▪ NET DEBT

Group debt, net of cash and cash equivalents, amounted to 40.5 million euros on March 31, 2007, down from 173.2 million euros on March 31, 2006, and included:

- € 46.3 million owed to Banc of America (BOA), of which € 25.5 million in short- and medium-term bank loans outstanding on March 31, 2006,
- € 5.9 million in bond debt, exclusive of accrued interest (€ 137.4 million on March 31, 2006),
- € 17.1 million owed to production funds (€ 26.7 million on March 31, 2006)
- € 17.8 million in other debt (€ 44.8 million on March 31, 2006),
- € 46.6 million in cash (€ 42.6 million on March 31, 2006).

The net debt was reduced by 132.7 million euros over the period, primarily through:

- the redemption of all 2006-2008 Notes (€ 35.5 million) subsequent to the equity issue of € 74,0 million (before expenses) of January 24, 2007;
- repayments of € 14.2 million to production funds;
- the cancellation of € 108.9 million in OCEANE 2003-2020 by means of the exchange tender offer of March 16, 2007;
- the extension of a new credit facility by BOA for a net sum of € 20.7 million on March 31, 2007.

The table below shows the Group's debt by maturity:

(€ millions) Year ended March 31, 2007:	Amounts
Up to March 2008	74.6 (*)
Up to March 2009	3.1
Up to March 2010	1.0
Up to March 2011	1.1
Beyond	7.3
Total	87.1

(*) An agreement was secured subsequent to the end of the fiscal year modifying the financial covenants of the BoA credit facility, as well as waiving prior reporting not performed by the Company, so that the maturity of a debt of 20.1 million euros again was set at December 31, 2008.

The € 74.6 million in debt maturing prior to March 31, 2008 consists primarily of the following:

- the BOA credit facility of € 46.3 million;
- the current liability of € 15 million to European production funds,
- short-term operating credit facilities secured by trade receivables, under which € 1.6 million had been drawn as of March 31, 2007,
- debt of € 3.7 million from factoring transactions where the Group remains exposed to the risk of default by customers,
- € 6.8 million in accrued interest and bank overdrafts.

As previously noted, production funds finance specific assets. Infogrames has production and distribution agreements for certain games with outside investors ("executive producers") specializing in the financing of interactive productions. These investors finance the entire production of certain games through funds which, in return for covering the cost of developing a game, receive title to the copyrights necessary to produce that game. Infogrames no longer participates in the financing of the games concerned. Under the agreement, the executive producer assigns the development of the game to an associate producer, who may be from within Infogrames or from outside. The associate producer is responsible for bringing the game's development to completion and reports to the executive producer. The executive producer finances all of the development and production costs of the games concerned and enters into an exclusive distribution agreement with the Group, which provides for the payment of minimum royalties. After a given period (generally three years), the transferred rights can revert to the Group for a fee based on their residual value.

The ratio of net debt to equity is as follows:

	3/31/07	3/31/06
Net debt	€ 40.5 million	€ 173.2 million
Shareholders' equity after minority interests	€ 65.3 million	€ -22.1 million
Shareholders' equity	€ 85.2 million	€ 9.8 million
Debt to equity ratio (net of minority interests)	62.0%	<0
Debt-to-equity ratio (total)	47.5%	17.7

As shareholders' equity was negative on March 31, 2006, the debt ratio was also negative on that date.

- **OTHER BALANCE SHEET ITEMS**

Other **non-current liabilities (including non-current provisions)** amounted to 13.5 million euros on March 31, 2007 (15.3 million euros on March 31, 2006). This included 12.3 million euros in guaranteed minimums under the Hasbro license.

Other **current assets (including net deferred tax assets)** totaled € 5.6 million on March 31, 2007 (€ 6.3 million on March 31, 2006). As of March 31, 2007, this included 5.4 millions euros in deferred tax assets.

Available **working capital** (defined as the excess of current assets net of cash and cash equivalents over current liabilities exclusive of current debt and including provisions on current liabilities) declined by 13.8 million euros from the previous period. This resulted primarily from the cut-back in the Group's business and the gradual improvement of its financial position.

Goodwill amounted to 89 million euros on March 31, 2007, against 128.9 million euros on March 31, 2006. The change was essentially due to the disposal of certain studios, the impact of currency translations and the write-off of goodwill from the "US Distribution" cash generating unit recognized during the period because of the poor results posted by the distribution subsidiary in the United States. Note 3 to the consolidated financial statements contains detailed information on the factors that led the Group to recognize this impairment.

Intangible assets were valued at 61.9 million euros on March 31, 2007, compared with 90.7 million euros on March 31, 2006. The decrease in the period reflected the combined effect of capitalized development expenses of 11.5 million euros by the Group and 7.4 million euros by third parties, as well as other intangibles of 12.5 million euros (including licenses) that were more than offset by amortization allowances of 45.4 million euros, the negative effect of exchange rates and reclassifications (5 million euros), as well as asset disposals of 9.8 million euros.

2.4. CONSOLIDATED CASH FLOW

The Group had cash balances of € 46.6 million on March 31, 2007, compared with € 42.6 million at the start of the year.

The Groups' sources of funds during the fiscal year consisted primarily of the following:

- cash flow of € 1.1 million used by the business in addition to working capital;
- proceeds of € 7.8 million from asset disposals;
- equity transactions (share issue raising € 70.8 million and exercise of warrants for € 3.7 million).

Funds were used principally for the following:

- a reduction in available working capital of € 13,8 million (see section 2.3).
- expenditures for research and development (in-house and outsourced) and licenses of € 31.3 million;
- net debt repayments of € 27.9 million, including all of the 2006-2008 Notes, the partial repayments of sums owed to production funds, partly offset by a new credit facility by BoA;
- net interest expense of € 16 million.

Discontinued operations generated cash flow of € 12.8 million for the Group during the year ended March 31, 2007.

3. PARENT COMPANY BUSINESS AND FINANCIAL RESULTS (INFOGRAMES ENTERTAINMENT)

3.1. BUSINESS

The Company is the umbrella entity for the Infogrames/Atari Group, which it heads. It derives most of its revenue (other than investment and interest income) from services performed on behalf of its subsidiaries and billed to them (corporate management, financial and legal management, cash management, data systems, general resources, etc.). Its business is accordingly not at all representative of that of the Group as a whole.

3.2. HIGHLIGHTS

In addition to the financial restructuring plan described in section 1.2.1 above, two significant development affected the parent company during fiscal 2006-2007.

- **SALE OF THE SHARES OF ATARI INC. TO CALIFORNIA US HOLDINGS INC.**

As part of measures aimed at restructuring its US holdings, the Company purchased 2,000,000 Atari Inc. shares from Atari Interactive Inc. on April 5, 2006 for US$ 1.28 million (€ 1.04 million). Subsequently, Infogrames Entertainment transferred all of the Atari Inc. shares it held, or 9,010,663 shares, to California US Holding, Inc. for US$ 5.8 million (€ 4.7 million). As a result, all of the Group's shares of Atari Inc. are now held by California US Holding, Inc.

- **TRANSFER TO ATARI EUROPE OF THE SHARES OF SUBSIDIARIES IN THE UNITED KINGDOM, GERMANY AND AUSTRALIA**

On June 12, 2006, the Company transferred its interests in Ocean International Limited, Infogrames Entertainment GmbH and Atari Asia Holding Pty Ltd to Atari Europe. The transaction took the form of a transfer of holdings in connection with an internal restructuring operation by the Group, designed to streamline it distribution operations.

The ownership transfer helped reorganize the Group's structure by putting most of the distribution entities under the umbrella of Atari Europe SAS, which already distributes the Group's products, either directly or indirectly, including in the European Union.

The following consideration was paid for the transfer of shares valued at € 58.1 million:

- € 23.4 million by means of the assumption by Atari Europe of the loan extended to Infogrames Entertainment by the new lending bank
- write-off of the € 17.7 million shareholder advance between the Company and Atari Europe
- € 17,0 million by means of a payment to Infogrames Entertainment in new shares of Atari Europe.

3.3. CONDENSED INCOME STATEMENT

(€ millions)	March 31, 2007 12 months	March 31, 2006 12 months
Operating income (loss)	(4.6)	(3.8)
Net financial income	(79.5)	(239.4)
Non-recurring items	(6.2)	49.8
Corporate income tax	1.5	0.9
Net income for the year	**(88.8)**	**(192.5)**

Operating revenue amounted to € 14.0 million, up from € 16.9 million the previous year; they represent primarily services billed to Group subsidiaries.
Operating expenses totaled € 18.6 million, compared with € 20.7 million the previous year.

The operating loss was € 4.6 million, compared to € 3.8 million last year. It reflected an imbalance between expenses incurred by the parent company and management fees charged.

The financial loss amounted to € 79.5 million, versus € 239.4 million the previous year. The net financial loss for the year was accounted for primarily by the combination of:

- provisions recognized on investments in and receivables from subsidiaries of respectively € 46.7 million and € 18.9 million;
- the cancellation of a debt of € 11.3 million resulting from a shareholder loan to IDRS SA;
- interest expense of € 10.9 million, including € 6.3 million on loans extended to Group entities and dividends of € 4.4 million paid by Paradigm Entertainment;
- interest and related fees of € 2.2 million on loans extended to the Company by other Group entities;
- a debt servicing cost of € 4.4 million (for bond and bank debt);
- the recognition of an allowance for bond discounts of € 1.6 million;
- a net addition of € 6.6 million to provisions for contingency and losses.

The financial loss for the year ended March 31, 2006 was due primarily to the following:

- interest income of € 5.8 million, including € 5,3 million in interest on loans extended to Group entities;
- the reversal of a provision of € 4 million for contingencies and losses;
- debt servicing costs of € 8.4 million (for bond and bank debt);
- the recognition of provisions of € 197 million on the impairment of shares in subsidiaries and of € 40 million on receivables from subsidiaries, and the recognition of an allowance for bond discounts of € 1.7 million;

There was an extraordinary loss in 2006-2007 of € 6.2 million, compared with gains of € 49.8 million last year. The loss reflected mainly:

- an expense of € 3.0 million for severance benefits;
- the loss of € 3.4 million generated by the exchange tender offer for the OCEANE 2003-2009;
- the recognition of a provision for litigation of one million euros;
- VAT refunds of € 1.7 million by the tax authorities during the third quarter of the fiscal year.

Gains and losses on investment transactions – which has no impact on extraordinary income – were generated primarily by the sale of the shares of Ocean International Limited, Infogrames Entertainment GmbH and Atari Asia Holding Pty Ltd to Atari Europe for a total of € 58.2 million and those of Atari, Inc. to California US Holding for € 4.7 million.

After taking into account the operating loss, financial and non-recurring items, a net tax gain of € 1.5 million (from consolidation), the net loss amounted to € 88.8 million for the year ended March 31, 2006, compared with € 192.5 million on March 31, 2006.

3.4. CONDENSED BALANCE SHEET

(€ millions)	March 31, 2007	March 31, 2006
Intangible assets, property and equipment	0.9	0.9
Loans and investments	242.8	337.8
Other receivables and adjustment accounts	28.2	27.8
Cash and marketable securities	18.9	0.1
TOTAL ASSETS	**290.8**	**366.6**
Shareholders' equity	203.0	95.1
Contingency and loss allowances	33.8	24.9
Debt	42.0	239 .6
Other liabilities and adjustment accounts	12.0	7.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**290.8**	**366.6**

The Company has total assets of € 290.8 million, consisting primarily of long-term investment holdings and loans.

As of March 31, 2007, its financial assets comprised equity holdings (€ 196.8 million) and receivables from subsidiaries (€ 46.0 million).

The € 95-million decline in the value of financial assets from March 31, 2006 to March 31, 2007 was essentially due to:

- the sale of Infogrames Entertainment GmbH, Ocean International Ltd and Atari Asia Holding Pty Ltd to Atari Europe for a net value of € 58.2 million euros, of which € 17.0 million euros in new shares of Atari Europe;
- the sale of the shares of Atari, Inc. to California US Holding for a net value of € 3.7 million euros (internal transfer);
- the recognition of net additional provisions of € 46.2 million during the period on the shares of subsidiaries;
- the net increase of € 11.9 million in receivables from subsidiaries accounted for during the period;
- the recognition of net additional provisions of € 15.9 million during the period on receivables from subsidiaries.

Shareholders' equity amounted to € 203.0 million, up from € 95.1 million on March 31, 2006, an increase of € 107.9 million resulting from:

- an equity issue of a net value of € 70.5 million;
- the exchange tender offer for the OCEANE bonds of € 122.5 million;
- the exercise of warrants for € 3.7 million;
- a loss for the year of € 88.8 million.

Risk provisions primarily concerned foreign-exchange risks (€ 23.3 million) and a provision of € 8.4 million was set aside on Company subsidiaries with a negative net worth.

The total debt (€ 42.0 million) includes i) € 35.3 million owed to subsidiaries and ii) a € 5.9-million bond debt. The bonds mature as follows:

- OCEANE 2003-2020 (ex 2003-2009) (€ 0.6 million): April 1, 2020;
- OCEANE 2000-2011(€ 5.3 million): July 1, 2011;

The debt reduction of € 197.6 million from March 31, 2006 resulted from:

- the transfer of € 23.4 million in bank debt to Atari Europe;
- the full repayment of 2006-2008 Notes for € 33.7 million;
- the exchange tender offer for the OCEANE 2003-2009 bonds for € 123.7 million;
- the payment of € 4.6 million in interest on the OCEANE 2003-2009 bonds;
- the payment of € 2.3 million in interest on the 2006-2008 Notes;
- a net reduction of € 9.5 million in sums owed to Group subsidiaries;
- a net reduction of € 0.4 million in bank overdrafts.

3.5. CONDENSED CASH FLOW STATEMENTS

(€ millions)	March 31, 2007 12 months	March 31, 2006 12 months
Cash flow from operations	(7.9)	39.3
Cash flow from investments	(0.1)	(0.5)
Net cash flow from financing	26.8	(47.4)
Net cash flow for the year	**18.8**	**(8.6)**
Cash at year's start	0.1	8.7
Cash at year's end	18.9	0.1

Cash on hand increased by € 18.8 million and the Company has positive cash balances of € 18.9 million on March 31, 2007.

The negative net cash flow of € 7.9 million reflected a negative cash flow from operations of € 5.7 million, combined with a decrease in working capital of € 2.2 million.

Net cash flow from financing of € 26.8 million for the period ended March 31, 2007 reflected mainly:

- net proceeds of € 70.7 million from an equity issue;
- the exercise of stock warrants for € 3.7 million;
- a net reduction of € 0.4 million in bank overdrafts;
- the repayment of 2006-2008 Notes for 33.7 million;
- the repayment of Group loans of € 13.5 million.

4. BUSINESS AND FINANCIAL RESULTS OF SUBSIDIARIES

The section below covers only the Company's significant subsidiaries.

▪ ATARI, INC.

United States based Atari, Inc. is incorporated in Delaware and traded on the New York Stock Exchange. California US Holdings (CUSH), a wholly-owned subsidiary of IESA, owns 51.4% of its stock. In addition to distributing Atari products in North America, Atari, Inc. is a major developer and publisher.

For the year ended March 31, 2007 (12 months), Atari, Inc. had revenue of $121.6 million (€ 94.8 million), compared with $206,8 million (€ 169,9 million) in fiscal 2005-2006 and an operating loss of $23.2 million (€ 18.1 million) compared with operating loss of $63.0 million (€ 51.7 million) in fiscal 2005-2006 and a net loss of $17.4 million (€ 13.5 million), compared with a loss of $69.0 million (€ 56.6 million) in fiscal 2005-2006.

The decline in the performance of Atari, Inc. was the result of adverse trends in the market and a cost structure no longer appropriate to the volume of sales. Measures are currently under way to cut costs.

▪ ATARI INTERACTIVE, INC.

Atari Interactive, Inc. is a wholly-owned subsidiary of the Company that develops and publishes video games, including those from the Hasbro catalog. It also holds the rights to the Atari name.

For the fiscal year ended March 31, 2007, Atari Interactive, Inc. reported revenue of $20.9 million (€ 16.3 million), chiefly from licensing agreements with other Group entities. It ended the year with a net loss of $24.2 million (€ 18.8 million).

The loss for the year resulted chiefly from a decline in the number of development projects and from efforts made by the Group to reduce its research and development expenses.

For the year to March 31, 2006 revenue was $18.7 million (€ 15.5 million) and the company reported a net loss of $25.5 million (€ 21.1 million).

▪ EDEN GAMES S.A.S.

Eden Games, a wholly-owned subsidiary of the Company, is a French video game development studio that employs a staff of more than 130, for the most part developers.

For the 12 months ended March 31, 2007, Eden Games had revenue of € 10.6 million (versus € 9.3 million in fiscal 2005-2006), income from operations of € 0.8 million and a net profit of € 0.5 million, little changed from the previous year.

ATARI EUROPE

Atari Europe is a wholly-owned subsidiary of the Company that oversees and coordinates the European and Asian distribution of Atari products; as such, it holds ownership interests in the Group's main distribution subsidiaries in Europe.

For the 12 months ended March 31, 2007, Atari Europe had revenue of € 89.5 million (versus € 109.6 million in fiscal 2005-2006), income from operations of € 1,6 million (compared with € 6.0 million in fiscal 2005-2006) and a net loss of € 6,8 million (compared with a net profit of € 0.7 million in fiscal 2005-2006).

ATARI FRANCE

Atari France, a wholly-owned subsidiary of Atari Europe, distributes all Atari-brand products in France.

For the year ended March 31, 2007 (12 months), Atari France had revenue of € 52.7 million (compared with € 51.3 million in fiscal 2005-2006), an operating income of € 3.6 million (compared with € 1.5 million in fiscal 2005-2006) and a net profit of € 2.7 million (compared with € 1.3 million in fiscal 2005-2006).

ATARI DEUTSCHLAND GMBH

For the 12 months ended March 31, 2007, Atari Deutschland GmbH had revenue of € 34.0 million (versus € 35.9 million in fiscal 2005-2006), income from operations of € 0.2 million (loss from operations of € 0.4 million in fiscal 2005-2006) and it broke even in fiscal 2006-2007 (as it had in fiscal 2005-2006).

ATARI UK LIMITED LTD

For the year ended March 31, 2007, Atari UK Ltd had revenue of € 33.0 million (versus € 34.0 million in fiscal 2005-2006), income from operations of € 0.3 million (compared with a € 6.1 million loss in fiscal 2005-2006) and a net profit of € 14.3 million for fiscal 2006-2007 (compared with a net loss of € 6.7 million in fiscal 2005-2006).

ATARI BENELUX

Atari Benelux is wholly owned by Atari Europe and distributes all Atari products in the Benelux countries.

For the year ended March 31, 2007, Atari Benelux had revenue of € 13.3 million (versus € 17.4 million in fiscal 2005-2006), loss from operations of € 0.6 million (compared with € 6.0 million net loss in fiscal 2005-2006) and a net loss of € 0.4 million (compared with a net profit of € 0.4 million in fiscal 2005-2006).

ATARI IBERICA

Atari Iberica is wholly owned by Atari Europe and distributes all Atari products in Spain and Portugal.

For the 12 months ended March 31, 2007, Atari Iberica had revenue of € 32.3 million (versus € 32.9 million in fiscal 2005-2006), income from operations of € 0.9 million (compared with € 1.9 million in fiscal 2005-2006) and posted a net profit of € 0.6 million (compared with € 1.5 million in fiscal 2005-2006).

- **ATARI ITALY**

Atari Italy distributes all Atari products in Italy. Atari Europe owns 98% of its shares and the Company the other 2%.

For the year ended March 31. 2007, Atari Italy had revenue of € 27.4 million (versus € 21.3 million in fiscal 2005-2006), income from operations of € 0.9 million (compared with € 1.9 million in fiscal 2005-2006) and a net profit of € 0.6 million (compared with € 1.5 million in fiscal 2005-2006).

- **ATARI AUSTRALIA PTY LIMITED**

Its principal subsidiary is Atari Australia Pty Ltd., a distributor of Atari and many third-party products in Australia, which reported revenue of € 22.3 million (€ 28.6 million in fiscal 2005-2006), operating income of € 0.8 million (€ 2.3 million in fiscal 2005-2006) and net income of € 1.4 million (€ 2,2 million in fiscal 2005-2006).

5. SHAREHOLDERS

5.1. STOCK OWNERSHIP AND VOTING RIGHTS

On March 31, 2007, the Company's shareholders were entitled to an aggregate of 1,236,823,835 votes. The data below was prepared on the basis of information obtained from the registrar.

To the best of the Company's knowledge, share ownership and voting rights divided up as follows on March 31, 2007:

	Number of shares	(%)	Number of voting rights	(%)
The BlueBay Value Recovery (Master) Fund[1]	238,627,392	19.34	238,627,392	19.29
GLG[2]	119,313,696	9.68	119,313,696	9.64
Morgan Stanley & Co. International Plc.	48,053,650	3.92	48,053,650	3.89
Public[3]	826,604,683	67.06	830,829,097	67.15
Total	1,232,599,421	100.0	1,236,823,835	100.0

[1] The BlueBay Value Recovery (Master) Fund and GLG reported that they were parties to a shareholders agreement on March 28, 2007.

[2] GLG Market Neutral Fund, GLG Global Convertible UCITS Fund and GLG Global Convertible Fund PLC

[3] The principal company founders (Bruno Bonnell, Christophe Sapet and Thomas Schmider) together hold, either directly or indirectly, less than 1% of the shares and voting rights;

Hasbro, Inc holds less than 0.25% of the shares and 0.5% of voting rights.

The Company's principal shareholders have the same voting rights as all other shareholders.

To the best of the company's knowledge, and subject to the information below, as of March 31, 2007, no other shareholder owned, alone or in association with others, 5 percent or more of the shares or voting rights.

5.2. CHANGES IN OWNERSHIP DURING THE FISCAL YEAR

BlueBay reported to the Financial Markets Authority on March 21, 2007 that it had exceeded the 5%, 10% and15% limits on shares and voting rights of the Company and that it held at the time 19.36% of the Company's shares and 19.3% of its voting rights.

GLG reported to the Financial Markets Authority on March 21, 2007 that it had exceeded the 5% limit on shares and voting rights of the Company and that it held at the time 9.68% of the Company's shares and 9.65% of its voting rights.

These crossing of reporting thresholds resulted from the tendering by BlueBay and GLG of 11,185,659 OCEANE 2003-2009 bonds they held, under the simplified exchange tender offer by the Company for those bonds in effect from February 12 to March 9, 2007.

Morgan Stanley & Co. International Ltd reported to the Financial Markets Authority on March 29, 2007 that it had exceeded the 5% limit on capital and voting rights of the Company and that it held at the time 7.62% of the Company's shares and 7.59% of its voting rights.

On March 30, 2007, Morgan Stanley & Co. International Ltd reported to the Financial Markets Authority that it had exceeded the 5-percent reporting threshold on shares and voting rights of the Company and that it held at the time 3.90% of the shares outstanding and 3.89% of voting rights.

5.3. TRADING BY THE COMPANY IN ITS OWN STOCK

The Company did not trade in its own shares during the year ended March 31, 2007.

The Company did not own any of its own shares on March 31, 2006 and 2007.

5.4. EMPLOYEE STOCK OWNERSHIP

As of March 31, 2007, the Company's employees owned approximately 0.04% of its shares, through an employee savings plan.

6. APPROPRIATION OF EARNINGS

The next shareholders' meeting will be asked to allocate the loss of € 88,838,299 for the year ended to retained earnings.

6.1. DIVIDENDS AND DIVIDEND TAX CREDITS FOR THE PAST THREE FISCAL YEARS

The Company did not pay out dividends for the past three years and does not anticipate proposing the distribution of a dividend for fiscal 2006-2007.

6.2. NON-DEDUCTIBLE EXPENSES

Non tax-deductible expenses for the year ended March 31, 2007 amounted to € 27,400 euros and consisted of:

- depreciation allowances of € 13,500 on private vehicles;
- taxes of € 13,900 on private vehicles.

7. OFFICERS AND EXECUTIVES

Information on the composition of senior management and the positions held by officers and executives are provided in the section on “Corporate Governance” in this document.

COMPENSATION OF DIRECTORS AND OFFICERS

▪ COMPENSATION

Aggregate compensation paid by all Group entities to corporate officers, not including directors' fees, for the period ended March 31, 2007 (12 months) amounted to a fixed compensation of € 1.4 million and a variable compensation of € 410,800.

The table below shows the aggregate compensation, benefits in kind and directors' fees received by each officer, either directly or indirectly, from the Company or other Group entities during the year ended March 31, 2007.

(€ 000)	B. Bonnell		T. Schmider		C. Sapet		JM. Perbet		EC. Coppée		Other	
2006-2007 fixed compensation	(1)	559.7		240.0		-		300.3		300.0		
2006-2007 variable compensation		-		192.0		-		120.0		98.8		
Benefits in kind	(6)	188.5	(2)	3.8		-	(2)	3.9		-		
Directors' fees		29.7(3)		30.5 (3)		26.5		23.0	(3)	18.3		64.0
Total for period to 3/31/2007 (12 months)		**777.9**		**466.3**		**26.5**		**447.2**		**417.1**		**64.0**
2005-2006 fixed compensation	(1)	561.9		240.0		140.7		289.9	(4)	178.4		
2005-2006 variable compensation		30.0		180.0		62.2		137.5				
One-time compensation paid in fiscal 2005-2006					(5)	430.0						
plus benefits in kind	(6)	171.3	(2)	3.8	(2)	2.5	(2)	3.9				
Directors' fees	(3)	21.9	(3)	21.9		23.3		10	(3)	-		25.0
Total for period to 3/31/2006 (12 months)		**785.1**		**445.7**		**658.7**		**441.3**		**178.4**		**25.0**

(1) Mr. Bonnell received a fixed compensation of € 559,700 for the period 2006-2007 and had not been paid variable compensation as of March 31, 2007. As noted earlier, the fixed portion of Mr. Bonnell's compensation as Chairman and Chief Executive Officer of Infogrames Entertainment was reduced to € 5,000 in gross monthly pay starting in 2004, by decision of the board of directors of December 13, 2004, in order to take into account compensation received in the United States from Atari, Inc. for his position as Chairman of the Board of Directors and Chief Creative Officer. For the 12-month period to March 31, 2007, Mr. Bonnell received compensation of € 60,000 from Infogrames Entertainment. Over the same period, he was paid € 499,658 ($640,951) by Atari, Inc. The variable portion of the US compensation is limited to 100% and is based on the attainment of targets. Mr. Bonnell did not receive any variable compensation from either Atari or Infogrames Entertainment for the year ended March 31, 2007.
(2) Company car.
(3) Messrs. Bonnell, Schmider and Coppée did not receive directors' fees as members of the board of Atari Inc.
(4) Compensation paid for the period from September 2005 to March 2006.
(5) Mr. Sapet was paid € 430,000 in severance pay when he resigned from his position as chief operating officer, under an agreement approved by the board of directors on December 14, 2005, as required by article L225-38 of the Commercial Code.
(6) Company housing and company car in the United States.

▪ VARIABLE COMPENSATION PAID OR TO BE PAID IN FISCAL 2007-2008 FOR THE PERIOD ENDED MARCH 31, 2007

(€ 000)

Executives	Amount paid	Group entity
Bruno Bonnell	-	Infogrames Entertainment/ Atari, Inc.
Thomas Schmider	192.0	Infogrames Entertainment
Jean-Michel Perbet	120.0	Infogrames Entertainment
Evence Coppée	98.8	Infogrames Entertainment

None of the persons above received variable compensation from Atari, Inc. during fiscal 2006-2007.

▪ VARIABLE COMPENSATION PAID OR TO BE PAID IN 2007 FOR THE PERIOD ENDED MARCH 31, 2007

The board of directors, at the recommendation of its compensation committee, on June 19, 2007 set variable compensation for Mr. Schmider and Mr. Perbet at respectively 200,000 euros and 180,000 euros for the fiscal year ending March 31, 2007. At the same meeting, the Board, acting on a recommendation of the compensation committee, also decided that Mr. Coppée should be paid the 150,000-euro annual bonus provided for in his contract as officer of the company, approved by the board of directors on September 7, 2005.

▪ DIRECTORS' FEES PAID DURING THE YEAR ENDED MARCH 31, 2007 (FOR THE 2006 CALENDAR YEAR, INCLUDING A BALANCE FOR THE 2005 CALENDAR YEAR)

(€ 000)

Executives	Amount paid	Group entity
Bruno Bonnell	29.7	Infogrames Entertainment
Thomas Schmider	30.5	Infogrames Entertainment
Christophe Sapet	26.5	Infogrames Entertainment
Jean-Michel Perbet	23.0	Infogrames Entertainment
Evence Coppée	18.3	Infogrames Entertainment
Benoît de Maulmin	25.0	Infogrames Entertainment
Dominique D'Hinnin	19.0	Infogrames Entertainment
D. Ward	6.5	Infogrames Entertainment
Claude de St. Vincent	0.0	-

Mr. de St Vincent waived his right to directors' fees. No directors' fees were paid during the year by Atari Inc. to Infogrames Entertainment directors with seats on its board of directors.

The shareholders' meeting of October 20, 2005 (in resolution 7) authorized the Board of Directors to pay directors' fees of up to € 250,000. The Group has not booked any provisions for retirement or other benefits for the foregoing officers.

▪ SEVERANCE TERMS OF MR. BRUNO BONNELL

At its meeting of April 4, 2007, the board of directors approved the severance terms of Mr. Bruno Bonnell, the founder of the Infogrames Group, in connection with the termination of his appointment as chairman and chief executive officer. Those terms fall under the scope of article 8 of Act no. 2005-842 of July 26, 2005.

A legal opinion regarding the terms decided by the compensation committee at its meeting of March 26, 2007 was provided to the board of directors prior to its approval of the agreement.

Various payments totaling € 2,100,000 were made to Mr. Bonnell in connection with the termination of all of his positions with the Group, including an indemnity of € 900,000 in consideration for commitments made by Mr. Bonnell on behalf of the Group.

Under the severance agreements, Mr. Bonnell has agreed to refrain from engaging in any business in the European Union that would be in competition with that of the Group, from making any statements regarding the Group without its consent and from hiring Group employees for a period of two years. Mr. Bonnell has also agreed not to purchase any securities issued by the Company or by Atari Inc. during that same two-year period.

Under the agreement, the Company will pay Mr. Bonnell's residential expenses for a period of twelve months and up to € 300,000 and his attorney fees of up to US$ 25,000.

The Company has also agreed to extend a loan of 1 million euros to BB26 LLC, a Delaware (United States) company controlled by Mr.

Bonnell that builds online gaming communities. The loan carries interest at 8% (not capitalized), and is repayable in principal and interest no later than April 30, 2009.

The loan agreement provides that the Group and BB26 LLC will have an opportunity to assess the company's business plan in this segment prior to January 15, 2008. Should the Group then consider it advisable, it will have the option to purchase shares of the company for 5 million euros, on the basis of an enterprise value set by an independent appraiser.

Under all circumstances, Infogrames would have the option of converting the loan of 1 million euros extended by it into shares of BB26 LLC.

A provision has been recognized in the financial statements for the period to March 31, 2007 for the cost of the above severance benefits.

- **SEVERANCE TERMS OF MR. EVENCE-CHARLES COPPEE AS EXECUTIVE VICE PRESIDENT**

Following the appointment of Mr. Leleu as chairman and chief executive officer of the Company on April 4, 2007, Mr. Charles-Evence Coppée ceased to hold the position of executive vice president of the Company. In accordance with the terms and conditions of the appointment of Mr. Coppée, which had been approved by the board of directors on September 7, 2005, Mr. Coppée asked to be paid an indemnity in consideration for his covenant not to compete after the termination of his appointment.

Following discussions between the Company and Mr. Coppée, a compromise agreement was reached that called for the payment of compensation in the amount of € 665,000 euros to Mr. Coppée, primarily in consideration for his covenant not to compete anywhere in the world over a period of 18 months.

On June 19, 2007, the board of directors approved the terms applicable to the termination of the appointment of Mr. Coppée as executive vice president.

A provision has been recognized in the financial statements on March 31, 2007 covering the cost of terminating the appointment.

- **GRANTS OF FREE SHARES TO MR. PATRICK LELEU AND MR. MATHIAS HAUTEFORT**

Subsequent to the end of the fiscal year, the board of directors, acting under the authority granted to it by the shareholders' meeting of November 15, 2006 (resolution 16), resolved to grant 29,464,886 shares, representing 2% of those outstanding, to Patrick Leleu and 14,732,443 shares, representing 1% of those outstanding, to Mathias Hautefort.

The Board made the grant of shares contingent on certain targets being reached, expressed as annual increases in gross margin, as well as on the beneficiaries' continued presence in the Group over a three-year period, or less under certain circumstances. Once granted, the shares must be held by their owners to a period of two years. The Board did not instruct Mr. Leleu to keep a minimum number of shares following the two-year lockup period.

8. RISKS TO WHICH THE BUSINESS IS EXPOSED

- **FINANCIAL RISKS**

Risks with an impact on the going-concern assumption

The Group sustained large losses in previous years and during the period ended. It also has had to repay maturing bank and bond debts even though it had insufficient cash flow from operations to do so. A series of transactions have therefore had to be carried out in recent years, aimed at restructuring the Group's finances and, in particular, reducing its debt. The principal measures taken in this respect are described below:

- Disposal of studios for 21.5 million euros;
- A new bank credit facility of 35 million euros as of March 31, 2007;
- An equity issue of 74.0 million euros, of which 35.5 millions was used to redeem all 2006-2008 Notes;
- An exchange tender offer for the OCEANE 2003-2020 bonds (formerly 2003-2009) that caused equity to increase by 126 million euros (excluding expenses).

Subsequent to those transactions:
- The Group’s net debt, which amounted to 173.2 million euros on March 31, 2006, was reduced to 40.5 million euros on March 31, 2007 (total debt of 87.1 million less cash balances of 46.6 million euros).
- Shareholders’ equity, which stood at 9.8 million euros on March 31, 2006, had risen to 85.2 million euros by March 31, 2007.

The Group's debt has restricted its ability to invest in game development and adversely affected revenue and operating profit. The relaunch plan initiated by the Group’s new senior management requires additional financing of some 80 million euros. In order to meet the plan’s requirements, an agreement was entered into on June 20, 2007 between the Group, its principal shareholder and its principal bank, which led to the extension of a bank credit facility of 33.5 million euros, of which 7.5 million euros were made immediately available, 15 million euros could be drawn down as of September 15, 2007 and 11 million euros will be available on November 15, 2007.

On July 18, 2007, the Group announced that it had sold online and wireless rights to Hasbro for 19.5 million US dollars.

On July 23, 2007, the principal shareholder exercised 50 million of its stock warrants for 7.5 million euros.

After taking into account short-term financing agreement by means of factoring in the United States and Germany, the Group will need additional financing for the current year of between 10 and 20 million euros. The Group plans to cover these needs with financing backed by the trade receivables of other European subsidiaries.

Based on the Group’s estimated ability to secure additional financing required for its operations, consolidated financial statements have been prepared under the going-concern assumption. It should be noted, however, that uncertainties remain regarding these additional credit facilities, inherent to any financial negotiations. Failure to meet those financing needs could limit the Group’s ability to pay for its current operations and would result in adjustments to the value of the Group's assets and liabilities, including goodwill and intangible assets, the total value of which in the consolidated financial statement for March 31, 2007 is respectively € 89.0 million and € 61.9 million.

Risks related to the Group's debt

Subsequent to the financial transactions described in the foregoing section, the Group’s net debt fell from 173.2 million euros on March 31, 2006 to 40.5 million euros on March 31, 2007. The net debt-to-equity ratio on March 31, 2007 was 47.5%. The Group continues to seek additional sources of financing. Following the agreement signed on June 20, 2007 for a credit facility of 33.5 million euros and the exercise on July 23, 2007 of 50 millions stock warrants generating proceeds of 7.5 million euros, the Group will need additional financing of between 10 and 20 million euros. Interest rates on financing obtained during and after the fiscal year are high.

The current situation requires that a substantial portion of the cash flow generated by operations continues to be allocated to debt service, a situation that restricts the Group's operating latitude and may adversely affect its business, including by limiting its ability to:
- invest in research and development to produce games for next-generation consoles, an essential aspect of the Group's business;
- obtain new loans to finance working capital, investments, debt servicing and other needs;
- withstand a drop in sales and adverse economic conditions because much of the Group's cash must be earmarked for debt servicing.

The Group could be faced with significant liquidity problems if it is unable to pay sums due on the debt or fees and compensation owed by it, and if it cannot meet its other cash needs with available free cash flow. Should this occur, it could be forced to dispose of more assets, defer certain capital projects, find new sources of funds or restructure its debt.

Depending on the prevailing circumstances at the time, the Group could then find it impossible to do either of the above under favorable terms, or could even be completely unable to sell assets or raise funds. The financing agreements to which the Group is a party restrict its capacity to take initiatives that could generate new revenue.

Risk related to potential conflicts of interest

The Company was notified on June 19, 2007 by the representative of BlueBay Asset Management on its board of directors that this shareholder was party to an agreement with Banc of America concerning the short-term credit facility extended to the Company.

An amendment to the loan agreement provides that BlueBay Asset Management guarantees to Banc of America all of the drawdowns under the credit facility, up to the additional facility of 33.5 million euros approved on June 20, 2007.

BlueBay Asset Management held 22.5% of Infogrames Entertainment's shares on July 30, 2007 and has two seats on the Company's board of directors.

Conflicts of interest could arise among Company shareholders that combine the capacities of principal shareholder, director and potential lender.

Risk exposure related to the acceleration of the Group's debt maturities

Loans and financing secured by the Group can become immediately due and payable in their entirety prior to their scheduled maturity if it defaults on certain contractual obligations or if events occur that are liable to have a material adverse effect on the Group's financial position.

The new € 35.0-million short-term credit facility extended on April 14, 2006 to the Group's European subsidiaries, as well as the medium-term bank loan of € 26.2 million extended by Banc of America are subject to event-of-default clauses. The short-term facility also includes event-of-default clauses based on financial ratios.

The Group's OCEANE 2011 bonds do not require it to satisfy certain financial ratios, although repayment can be accelerated if the Group defaults on other loans or in the case of other events of default.

Loans and credit facilities extended to Infogrames Entertainment are also subject to acceleration clauses, including in the event of cross default between loans, and provide for mandatory prepayment in the event of default on either payment. For example, failure to make a payment on time under a bank loan causes the entire loan as well as all other bank loans to be in default.

Risks related to the enforcement of guarantees provided by the Group

In connection with short- and medium-term financing provided to the Company and its European and Asian subsidiaries within the framework of the refinancing of its bank debt, in April 2006 the Group had to renew and provide guarantees (security interests and senior pledges) to Banc of America, involving essential assets of the Group.

Should the Group default on this debt, the lender could enforce guarantees securing it, which would cause a very significant reduction in the Group's assets and imperil its ability to continue operating.

Under amendment 4 of June 20, 2007 to the short-term credit facility agreement of April 21, 2006 with Banc of America, the Company reaffirmed warranties given earlier and extended them to new drawdowns of up to 68.5 million euros.

Should the Group default on this debt, the lender could enforce guarantees securing it, which would cause a very significant reduction in the Group's assets and imperil its ability to continue operating. The extension of the warranties given significantly augments this risk exposure.

Risks related to production funds

As part of its policy to diversify its sources of financing, the Group has in recent years obtained financing for games through European production funds. The Group plans to continue seeking financing for games from production funds. If the Group no longer had access to these funds in the future, this would likely have a material adverse effect on its ability to release certain games.

Risks from operating losses by the Group

The Group incurred an operating loss of € 61.8 million for the year ended March 31, 2007, compared with a loss of € 153.0 million the previous fiscal year. In light of those losses, management has implemented a plan designed to reduce operating costs.

Risks related to the Group's ability to distribute dividends

The Company did not pay out dividends for fiscal 2006-2007 and does not envisage paying any in the near future. Its ability to distribute dividends depends on its ability to generate distributable earnings (which depend on its operating income, cash balances and financial position). In addition, certain financing agreements to which the Company is a party prohibit or limit the payment of dividends under certain circumstances.

- **CONTRACTUAL RISKS**

Risks related to licenses

The Group does not hold title to all of the assets it needs to conduct its business. It depends to a large extent on licensing agreements for themes and hardware applications granted by third parties. The success of its publishing business is largely dependent on its ability to acquire intellectual property and to develop it in full compliance with applicable agreements. Accordingly, apart from financial considerations, the term and renewal of licenses for themes and characters obtained by the Group depend on compliance with contractual requirements concerning in what context and how they are used. In particular, the Group is bound by confidentiality rules concerning the technology of patent holders and the financial terms of contracts signed with them.

The Group enters into licensing agreements with copyright holders for the purpose of developing its business. Given the fact that no single license used by the Atari Group accounted for more than 20% of consolidated revenue in fiscal 2007, the Group considers that the loss of a license (non-renewal or cancellation) would not by itself have a significant impact on the Group's business or income. Nevertheless, the simultaneous loss of several licenses would be likely to have a significant adverse impact on the Group's financial position, business and income if such loss failed to be offset by new licenses with the same impact on its business.

Risks related to third-party publishers

During the year ended March 31, 2007, 64% of the Group's revenue came from sales of games produced by third-parties, who contract with it for the distribution or joint publishing of their products, either worldwide or in a specific region. The Group is highly selective with respect to this business segment and agreements are entered into for limited terms. Should collaboration between

Infogrames Entertainment and those publishers come to an end, the loss of revenue from this distribution business would have a material adverse effect on the Group's financial position.

Risks related to relations with copyright holders

The success of its publishing business is largely dependent on its ability to acquire intellectual property and to develop it in full compliance with applicable agreements. Accordingly, apart from financial considerations, the term and renewal of licenses for themes and characters obtained by the Group depend on compliance with contractual requirements concerning how they are used. In particular, the company is bound by confidentiality rules concerning the technology of patent holders and the financial terms of contracts signed with them.

Risks related to console manufacturers

The Group relies for much of its business on licenses granted by hardware (console) manufacturers. These agreement are for average terms of three years and enable the Group to develop products for use on a proprietary medium (Game Boy Advance, Nintendo DS, PS2, PSP, Xbox 360, PS3, WII, etc.). Licensing agreements require that the Group provide a guarantee against claims that may be lodged against the manufacturers in connection with these products. The guarantees cover the content, marketing and distribution of its products, including infringements of copyright and other intellectual property rights held by third parties.

On the other hand, no license is required for products in PC-compatible format.

Risks related to dependency on game console manufacturers

The Group is dependent on console manufacturers, from which it purchases cartridges and other game media, as do all other makers of console games. The availability of supplies therefore depends on media being manufactured.

There is no particular dependency in the case of PC games.

▪ RISK EXPOSURE RELATED TO THE VIDEO-GAME MARKET

Risks related to next-generation consoles

At the end of 2005, Microsoft brought out a new generation of consoles when it released the Xbox 360 in a market dominated at the time by Sony’s Playstation 2 (released in 2000). The Nintendo Wii came out in December 2006 and the Sony PS3 at the end of 2006. These “next-generation” systems represent a significant advance in gaming technology, with the potential eventually to reach broader audiences. While Microsoft and Sony add power and online features to their hardware to create even more realistic and advance gaming experience (as well as entertainment video capabilities with the new HD laser disc), Nintendo experiments with new playing techniques by replacing the classic gamepad by a remote control and motion sensor.

During the transition phase at the start of a new technology cycle, business conditions for game publishers temporarily deteriorate as the changeover to next-generation consoles generally causes a slowdown in sales of game software for those system, until the new consoles are widely present in the market.

At the same time, publishers must make large capital investments in research and development in order to produce titles for the new generation of consoles. They must anticipate developments in order to prepare games for advances in console technology. Studios must therefore have sufficient financial resources to respond to technological developments and to survive during temporary stagnation periods. The large number of people needed to produce a game rises along with the new technology and increases the cost of games. Publishers seek to anticipate correctly and to make the right choice of formats in which to develop games. This is a very important decision and strategic choice in view of the sums at stake. A wrong choice or a delayed release of the console for which the game is made could have adverse repercussions on projected sales. Likewise, the cost of promoting and marketing games is constantly increasing.

In order to minimize the risk of consumers opting for given systems, Atari intends to continue pursuing a strategy of not depending on specific technological formats, but instead offering software for all of the leading game platforms on the market.

Risks related to the life span and success of games

The main intrinsic risks to which video game publishers are exposed have to do with the inherently short life span of individual games and the speed at which technology evolves. In the highly competitive interactive entertainment market, where having a hit product is increasingly the only thing that matters, continued success for publishers depends on the ability to offer, on a regular basis, new games that reflect what players want, without being dependent on the success of a single title. The commercial success of games depends on their popularity, a factor that is not easily predictable.

Besides using creative and technical resources to ensure that each new game released is of the highest quality, Atari seeks to minimize its exposure to market risks by offering an extensive and diversified product line containing a mix of original titles, its own franchises and games based on licensed popular themes.

Risks related to delays in the release of games

Lastly, postponing the release of a major game can have a highly adverse impact on Group income and the trading price of shares. There can be significant repercussions whenever the game whose release has been deferred had to be released at the same time as the movie on which it is based. A late release can be due to the production studio (staff changes, changes in production stages, etc.) or to outside factors. The Group pays considerable attention to the selection of third-party developers and the diligence of production processes, although this does not eliminate all risks of lateness. In particular, the plan to relaunch the Group’s publishing business relies on the release of a limited number of key franchises. The deferral or cancellation of those releases could have an adverse impact on the success of the relaunch plan and affect the Group’s financial position.

Risks related to piracy

In order to minimize its exposure to the above risks and to maintain a relationship of trust with others, the Group has implemented procedures for formalizing and validating all production and operating steps for individual products, from both a legal and a technical standpoint. An international team of a dozen specialized lawyers in Europe and the United States looks after the management, oversight and acquisition of intellectual property by the Group, which also works with leading copyright law firms. Where appropriate, the Group registers its product names and copyrights in as many countries as possible, besides Europe and the United States. In addition, all console manufacturers incorporate protective features in their systems to prevent unlicensed persons from using them.

A pragmatic approach to fighting piracy is used, based on the degree of risk exposure and the countries concerned. In France and elsewhere in Europe, Atari works closely with the anti-piracy unit set up by institutions such as SELL (the French association of entertainment software manufacturers), the Entertainment Leisure Software Publishing Association (ELSPA) and customs authorities.
In the United States, Atari is a member of the Entertainment Software Association (ESA), a trade group with a program aimed at enforcing compliance with the copyrights of its affiliates, and it participates in the Verified Rights Owner anti-piracy program initiated by eBay. The company also works with customs authorities in the US in the fight against piracy.

The Company also works with specialized companies to fight against unlawful downloading of its products and includes software in its products designed to prevent unlawful duplication.

▪ LEGAL RISKS

Risks related to litigation

The Group is or may become involved in a certain number of legal proceedings during the ordinary course of business. Damages are or may be claimed under some of the proceedings, such as those concerning important intellectual property.

Risks related to changes in regulations applicable to video games

The Group's operations are not governed by specific rules or regulations and are not subject to government licensing. Nevertheless, if the public image of video games, and in particular action games, were to become negative, this could result in more regulations concerning the classification and distribution of such products.

Risks related to the Group’s regulatory environment

Because the Group’s shares are publicly traded in France and those of its Atari, Inc. are traded in the United States, it is subject, *inter alia*, to a variety of securities exchange and financial disclosure requirements. Thus, in the ordinary course of its business, the Company can be required to disclose information or to be the target of investigations by the AMF in France or the SEC in the United States, the outcome of which could have an impact on the price of its shares. In this regard, the AMF sent a warning letter to the Company on December 12, 2005 concerning the Company’s trading in its own shares. Should this matter lead to the imposition of penalties, it could adversely affect the trading price of Infogrames Entertainment shares. However, the Company considers that it is in compliance with applicable regulations.

▪ RISKS RELATED TO INFOGRAMES ENTERTAINMENT SUBSIDIARIES

Infogrames Entertainment has several subsidiaries around the world. They are majority-owned and most of their directors are appointed by the Group. Atari Inc, however, is incorporated in the United States and is governed by the law applicable there, including concerning the appointment of outside directors and the protection of minority shareholders. As a result, even though Infogrames Entertainment owns 51.39% of Atari's shares (the balance being held by the public), it does not exercise the same control over its US subsidiary's business as it does in the case of other subsidiaries.

▪ DECLINING SALES AND LOSSES AT ATARI, INC.

Over the previous two years, Atari, Inc. substantially reduced its spending on research and development and sold several revenue-generating properties. As a result of the reduction in its product line and of adverse market conditions in 2007, Atari, Inc. had sales of only 121.6 million dollars in the fiscal year ended March 31, 2007, down from 206.8 million dollars the previous year. This drop in business and the recognition of a provision of 54.1 million dollars for the impairment of intangible assets caused the company to again incur severe losses this year. The deteriorating financial situation at Atari Inc. could also make it more difficult to have access to the credit facility extended by Guggenheim Corporate Funding, LLC.

▪ RISK OF ATARI INC. BEING DELISTED FROM THE NASDAQ GLOBAL MARKET

Atari, Inc. announced on July 17, 2007 that it had received a Staff Determination Letter from Nasdaq stating that the Company was not in compliance with Nasdaq Marketplace Rule 4310(c)(14).

The company was notified that the postponement of the publication of its financial statements for the year ended March 31, 2007 (because of additional procedures that had to be performed) could cause its shares to be delisted. This notification does not automatically lead to a delisting and Atari Inc, as is generally the practice, asked to for a hearing before the Nasdaq Listing Qualifications Panel. The final decision on whether to continue listing the shares will be taken at the sole discretion of the relevant authorities. Accordingly, Atari, Inc. cannot guarantee that the outcome will be favorable to it. The request for a hearing has caused the Nasdaq procedure to be suspended and, as a result, the company's shares will continue to trade on the Nasdaq Global Market until the panel makes its decision known following a hearing, the date of which has not yet been set.

Atari, Inc. has indicated that it was continuing to work at the preparation of its annual report (Form 10 K) so that it can be filed before the hearing and so as to be in compliance with Nasdaq rules on that date.

However, if the measures implemented by Atari, Inc. fail to satisfy the conditions for continued listing on the Global Market, the shares of Atari Inc. could be delisted by the NASDAQ from the NASDAQ Global Market, and this could have a material adverse effect on the price and trading of Atari Inc. shares.

▪ RISKS RELATED TO HUMAN RESOURCES

Risks related to personnel requirements

The Group's success is to a large extent due to the accomplishments of its technical staff and management. Advances in technology and the need to make more complex and innovative games requires increasingly specific expertise. Each production stage can now call upon contributions by hundreds of persons over periods that can extend to several years.

The Group can therefore be faced with serious problems when seeking to hire technically skilled and experienced employees for its studios. A shortage of skilled personnel would adversely affect the Company's ability to pursue its growth and reorganization strategy, or could cause payroll costs to increase, which in turn could materially affect its business, income, financial position and growth prospects.

The Group's reputation and hands-on approach to human resource management has enabled it to attract the best talent to work with its development staff.

Risks related to the departure of key executives

Should other key executives leave, the Group could find it difficult to replace them and this could cause its business to slow down and have an adverse impact on its financial position, income and ability to achieve objectives.

▪ RISKS RELATED TO THE COMPANY'S FINANCIAL REPORTING

Risks related to the valuation of goodwill

Reviews of assumptions used to measure the book value of goodwill can materially affect its valuation. There are two main categories of assumptions. Technical assumptions include the weighted average cost of capital, the present value of future cash flows and the growing perpetuity of free cash flows. Economic assumptions include changes in anticipated economic and financial factors affecting the Group, the life span and success of games and delayed releases of games. Note 3 to the consolidated financial statements contains additional details regarding the methodology used for conducting impairment tests, as well as an analysis of the test's sensitivity.

▪ FINANCIAL RISKS

Currency risks

Even though more than half of the Group's revenue is generated outside the euro zone, its sales do not expose it to significant currency risks. This is so because overall revenue and expenses are balanced in the principal currencies (euros and US dollars). Accordingly, the Group generally does not make use of currency hedges for its commercial transactions.

Exposure to foreign-exchange risk associated with the financing of subsidiaries is handled by the parent corporation, which arranges for hedges as required depending on the specific type of financing concerned. As of March 31, 2007, the Group had not hedged its exchange-rate exposure on these sums, which represent long-term financing for its United States operations.

Nevertheless, the Group's financial statements are presented in euros, and its assets, liabilities, revenue and expenses in other currencies must be translated into euros at the applicable exchange rate in order to be reported in the Group's consolidated financial statements. Whenever the value of the euro increases in relation to another currency, the value in euros of the Group's assets, liabilities, revenue and expenses that were in that other currency declines. The opposite occurs whenever the exchange value of the euro declines. Consequently, fluctuations in euro exchange rates can have an impact on the value in euros of the Group's assets, liabilities, revenue and expenses outside the euro-zone, even if their value in domestic currencies has remained unchanged. Exposure to foreign-exchange risk is most critical in the case of sales, the income of subsidiaries operating in US dollars, as well as the value of intangible assets and the Group's goodwill in these subsidiaries.

For example, a one-percent decline in the value of the dollar in relation to the euro would cause consolidated revenue to drop by € 0.9 million, based on the 2007 financial statements. Operating income would decline by € 0.4 million and consolidated shareholders' equity by some € 0.8 million.

Interest-rate risks

The Group does not use a dynamic interest-rate risk management program. As of March 31, 2007, it had a net borrowing position at variable interest rate of 12.2 million euros. A one-point increase in the interest rate would cause annual interest expense to go up by about € 0.1 million.

Exposure to industrial and environmental risks

The Group's business consists of developing, publishing and distributing entertainment software. It has no significant direct environmental impact. In general, the Group subcontracts all of the manufacturing of the digital media (CDs, cartridges, etc.) to third parties.

▪ OTHER RISKS

To the best of the Company's knowledge, no specific factors other than those referred to above are likely to have a material impact on its business.

▪ MEASURES TAKEN TO PROTECT THE BUSINESS

This information is provided in the “General Information” section of the annual report.

EXTRAORDINARY EVENTS AND LITIGATION

This information is provided in the "General Information" section of the annual report.

9. INFORMATION CONCERNING THE WORKFORCE

Information required pursuant to Act no. 2001-420 of May 15, 2001 on new economic regulations:

This report covers the entities belonging to the Infogrames Entertainment "*Union d'économie sociale*" (UES), meaning the holding entity, Infogrames Entertainment S.A., Atari Europe S.A.S. and Atari France S.A.S., exclusive of Eden Games S.A.S. and exclusive of corporate officers.

As of December 31, 2006, the above French entities had a combined 140 employees, down from 160 on December 31, 2005. Of the total workforce of 140, 133 employees were employed on a permanent basis and 7 had temporary contracts.

The table below shows a breakdown of the workforce by gender and category:

Category	Number of employees	By gender		%
Non-supervisory	12	M: 3	F: 9	8.6%
Technicians	28	M: 12	F: 16	20 %
Supervisors	21	M: 9	F: 12	15 %
Supervisory	79	M: 54	F: 25	56.4 %
Total	**140**	**M: 78**	**F: 62**	**100 %**

During 2006, the Group's French subsidiaries hired 12 new permanent employees (including two who were transferred from other Group entities) and 15 temporary employees. They employed an average of 1.81 temporary employees over the period as a whole.

A total of 47 employees left the payroll of French subsidiaries in 2006 (34 in 2005), including two who were laid off, nine who were let go for other reasons, eleven whose temporary employment contracts ended, 21 who resigned, three whose probationary period ended and one who was transferred to another Group entity.

ORGANIZATION, WORKING HOURS AND ABSENTEEISM

Work schedules at French subsidiaries that are part of the Group have a fixed portion during which employees must be present and a variable portion that makes it possible for employees to work flexible hours, provided they report their schedules. In the case of autonomous executives, working time is measured as a maximum number of days per year. The collective agreement in effect at the French entities specifies a 35 hour working week. Employees were absent from work for a cumulative total of 2,113 days in calendar 2006 [3], so that a theoretical total of 37,254 days were worked by the staff, for an absenteeism rate of 5.67%, explained primarily by maternity, parenting and sick leaves.

[3] Exclusive of paid leaves, compensatory leaves, sabbatical leaves and work stoppages.

SUBCONTRACTING

The Company uses subcontractors, including for the maintenance of its premises and for reception and telephone services, which are partly shared with other tenants in its building.

- **COMPENSATION**

Gross annual payroll (excluding senior executives and trainees) for all of the French subsidiaries attached to the Group amounted to € 7,220,000 in calendar 2006, down from € 7,651,000 in 2005.

The Company's employees do not receive overtime pay. All overtime is compensated with time off under the 35-hour-workweek agreement.

Health and safety

The number of occupational accidents or of accidents on the way to and from work involving employees of French entities is extremely low. No accident occurred at work in 2006 and 2005 and only one accident on the way to and from work was reported in 2006 (0 in 2005 and 2 in 2004). There were no reports of occupational illnesses in 2006, 2005 or 2004.

Training

Funds equal to 1.5% of total payroll were spent on training in 2006.

INFORMATION CONCERNING EMPLOYEE PROFIT SHARING

- **PROFIT-SHARING AGREEMENT**

An employee profit-sharing agreement was negotiated on December 15, 1999, for the Group's entities in France. Sums allocated to the employees are calculated in accordance with the legal profit-sharing method and are distributed to the employees of the Group's French entities. The agreement provides that employees have the option to have their benefits paid into the Group Employee Savings Plan (*Plan d'Epargne Entreprise*) (see below).

On March 31, 2007 , a provision of € 143,948 had been recognized for employee profit sharing.

There is no optional profit-sharing agreement.

- **EMPLOYEE SAVINGS PLAN**

An employee savings plan was also established for the Group's French entities on December 15, 1999. Employees may pay into it the sums they receive under the profit-sharing plan and make additional voluntary deposits as permitted by law.

Stock offerings of € 1.3 million and € 2.5 million, respectively, were made to employees on December 2001 and June 2003. In March 2005, employees subscribed for € 2,443,188 in stocks under a special offering. As of March 31, 2007, the Group's French employees held 519,000 shares, or approximately 0.04% of the Company's stock, through the employee savings plan.

Sums deposited in the employee savings plan may be placed, at each employee's option,(1) in an Infogrames mutual fund invested in Infogrames Entertainment stock and up to 5% in money-market fund shares, (2) in a fund invested exclusively in money-market instruments, or (3) in diversified mutual funds (international equities and bonds).

10. CAPITAL PROJECTS - RESEARCH AND DEVELOPMENT

The Company does not directly carry out any activities in this area. Information concerning the Group is given in 2.1 of this report.

11. DEVELOPMENTS SUBSEQUENT TO THE END OF THE FISCAL PERIOD

CHANGE OF SENIOR MANAGEMENT

The Infogrames Entertainment board of directors, at its meeting of April 4, 2007 decided to appoint Mr. Patrick Leleu as chairman and chief executive officer of the Group, replacing Company founder, chairman and chief executive officer Bruno Bonnell, all of whose appointments, included with Atari, Inc., were terminated. Provisions of 3 million euros have been recognized for the cost of Mr. Bonnell's departure in the financial statements for the year ended March 31, 2007. The Company has also extended a loan of one million euros to BB26, which is headed by the former Company chairman, for a research and development project into online gaming communities. The loan bears interest at 8% (not capitalized) and is repayable no later than in April 2009.

A new senior management structure for the Group was approved by the board of directors at its meeting of April 26, 2007. In light of the fact that the terms of its executive vice presidents expired by virtue the appointment of a new chairman, Mr. Leleu appointed the following officers:

- Thomas Schmider, as executive vice president for strategy and development,
- Jean-Michel Perbet, as executive vice president for distribution,
- Mathias Hautefort as executive vice president for publishing and production; Mr. Hautefort joined the Group on June 4, 2007.

Mr. Yves Hannebelle, who had been appointed chief financial officer of the Group by the board of directors on April 12, 2006, was reappointed to that position.

The new management disclosed the Group's new strategy guidelines on June 21, 2007, at the time financial results for fiscal 2006-2007 were announced.

RESTRUCTURING PLAN FOR ATARI, INC.

On May 1, 2007, Atari, Inc. announced a restructuring plan that would reduce its workforce by 20%, primarily eliminating administrative jobs. The cost of the plan, expected to be completed by July 31, 2007, was estimated at between 0.8 and 1.1 million US dollars.

ADDITIONAL FINANCING

In order to secure financing for its relaunch plan, the Company entered into an agreement with its main financial partners on June 20, 2007. The existing bank facility was amended to provide additional credit lines of 33.5 million euros, bringing the aggregate ceiling on the facility to 68.5 million euros. Up to 7.5 million euros may be drawn down immediately under the facility, with an additional 15 million on September 15 and the balance of 11 million euros on November 15, 2007. The additional loans mature at the same time as those under the existing facility, on December 31, 2008. In another development, BlueBay Value Recovery Fund, the Group's principal shareholder, exercised 50 millions stock warrants for 7.5 million euros on July 23, 2007.

NEW STRATEGIC AGREEMENT WITH HASBRO ON THE D&D FRANCHISE AND THE BUYBACK OF ONLINE AND WIRELESS LICENSING RIGHTS

Consistent with the Group's plan to relaunch the publishing business announced on June 21, 2007 and its intention to focus spending on major franchises with significant revenue potential, the Company announced the signature of an agreement with Hasbro on July 18, 2007 pertaining to:

- the extension to 2017 of its exclusive license to the Dungeons & Dragons universe for all interactive formats, including online and wireless; the license covers all current and future products derived from this universe, which include Never Winter Nights and Baldur's Gate;
- the repurchase by Hasbro of online and wireless rights attached to nine licenses (Monopoly, Scrabble, Risk, Game of Life, Clue, Yahtzee, Battleship, Boggle and Simon), for 19.5 million US dollars. This transaction will have only a negligible impact on revenue for fiscal 2007-2008.

12. COMPANY PROSPECTS

In a market where growth is expected to be sustained over the next three years and where expansion is anticipated in all segments, regardless of the region and the type of games, Infogrames has access to key resources, including a European distribution network that has proved effective and ownership of franchises and licenses with considerable commercial potential but on which the Group has insufficiently invested in recent years.

In keeping with the strategy announced in June 2007, the Group expects to increase its efforts aimed at relaunching the publishing business, by making full use of its assets (strong intellectual properties) as well as by following market trends and targeting key segments of the gaming public such as the equestrian world, comic strips and local licenses.

At the same time, the Group intends to explore new business models such as online (Internet) and in-game advertising. The Group's new publishing division and the improvement in the management of research and development budgets are going to make it possible to manage the game holdings and operating resources of the Group in a more rational and profitable manner. Along with the relaunch of the publishing business, the Group's distribution entities will continue to develop partnership with local publishers.

The Infogrames board of directors has adopted a growth business plan that calls for increased capital spending for the publishing of games and improved use of the Group's resources.

The following games are included among those scheduled to be released in 2007-2008 under the current publishing policy:

Alone in the Dark	PC / PS2 / 360 / Way
Asteroid	PS2/Wii/NDS/PC
DABS Judoka 2	PAP
DABS Harukanaru Densetsu	NDS
DBZ Tenkaichi 3	PS2 / Wii
Dungeons & Dragons: Tactics	PSP
Godzilla Unleashed	PSP/Wii/NDS
Jenga	Wii/NDS
Lanfeust of Troy	NDS
Lucky Luke Go West	NDS/PC/Wii
My Horse & Me	NDS/PC/NDS
Naruto Ultimate Ninja 2 (Europe)	PS2
Neverwinter Nights 2 exp. pack 1: Mask of the Betrayer	PC
The Witcher	PC

13. INFOGRAMES ENTERTAINMENT SA FIVE-YEAR FINANCIAL SUMMARY

€ 000	3/30/2003 (12 months)	6/30/2004 (12 months)	3/31/2005 (9 months)	3/31/2006 (12 months)	3/31/2007 (12 months)
Legal capital	68,123	74,334	111,895	115,694	12,326
Number of common shares outstanding	111,714,862	121,900,566	183,496,508	189,726,158	1,232,599,421
Cumulative number of preferred shares (without voting rights) outstanding		-	-	-	-
Maximum number of shares to be issued	20,798,749	28,738,107	28,482,356	25,846,320	261,018,695
in consideration for the conversion of bonds	13,726,372	19,153,232	18,235,065	18,235,065	3,540,412
in consideration for the exercise of stock options	5,497,377	6,287,437	6,802,305	7,611,255	16,833,361
in consideration for the exercise of warrants	1,575,000	3,297,438	3,363,386	0	240,644,922
Net revenue	25,764	17,172	8,295	12,694	12,115
Income (loss) before taxes, employee profit sharing, depreciation and provision allowances (net allowances of the year)	(22,917)	(54,809)	(49,660)	9,316	(126,851)
Income tax	325	1,611	185	943	1,505
Employees' share of year's income (charge for the period)	0	(49)	0	(4)	(14)
Income (loss) after tax, employee profit sharing, depreciation and provision allowances	(107,543)	(289,949)	(16,088)	(192,527)	(88,838)
Distributed income	-	-	-	-	-
Income (loss) after tax and employee profit sharing but before depreciation and provision allowances (net allowances of the year)	(0.21)	(0.44)	(0.27)	0.05	(0.10)
Income (loss) after tax, employee profit sharing, depreciation and provision allowances	(0.96)	(2.38)	(0.09)	(1.01)	(0.07)
Dividend per share	-	-	-	-	-
Average number of employees during the year	108	57	10	16	14
Total payroll for the year	4,083	3,401	1,207	2,042	2,646
Cost of employee benefits for the year (social security, charitable contributions, etc.)	1,751	1,485	337	576	713

14. SUMMARY OF AUTHORITY CURRENTLY GRANTED TO INCREASE CAPITAL AND USE MADE OF SAID AUTHORITY DURING FISCAL 2005-2006 (ARTICLE L.225-100 OF THE COMMERCIAL CODE)

Nature of authority	Stockholders' meeting of	Period Expiration	Maximum increase in the nominal value of shares outstanding	Use during the fiscal year ended
Authority granted to the board of directors to issue common stock and securities with rights to shares, with preemptive rights	November 15, 2006 Resolution 9	26 months January 16, 2009	€ 750,000,000 (over the term of the authority)	1) New share issue **AMF *Visa* no. 06-484 of December 19, 2006** Equity issue of € 4,932,879.90, by means of the creation of 493,287,990 new shares with a par value of € 0.01 each 2) Issue of stock warrants for distribution to Company shareholders **AMF *Visa* no. 06-484 of December 19, 2006** Issue of 47,431,539 "Shareholder Warrants" to be distributed on the basis of one warrant for each four shares held as evidenced by Euroclear France on December 21, 2006. The "Shareholder Warrants" became listed on the Eurolist market of Euronext Paris on January 15, 2007 (ISIN code FR 0010413237)
Delegation of authority to issue shares or other securities in the event of a tender offer by the Company for its own shares or for the shares of another company	November15 2006 Resolution 12	26 months January 16, 2009	€ 750,000,000 (over the term of the authority)	Exchange tender offer for the Infogrames Entertainment 2003-2009 OCEANE bonds **AMF *Visa* no 07-035 of February 2, 2007** As required by the commitments made by the Company in connection with the tender offer, the authority was used to issue 524,898,656 new shares as consideration for the 16,403,083 OCEANE 2003-2009 tendered, raising equity by € 5,248,986.56
Authority granted to the board of directors to issue common stock and securities with rights to shares, without rights for existing shareholders	November 15, 2006 Resolution 10	26 months January 16, 2009	€ 750,000,000 (over the term of the authority)	Not used
Authority granted to the board of directors to increase capital through the capitalization of reserves, earnings or other paid-in capital	November 15, 2006 Resolution 15	26 months January 16, 2009	€ 800,000,000 (over the term of the authority)	Adjustment of the par value of shares Capital increase of € 740,319.58 by increasing the par value of shares
Delegation of authority to the board of directors to increase capital by issuing shares or other securities with a right to the company's equity, for offering to members of a company savings plan or a group pension plan	November 15 2006 Resolution 18	26 months January 16, 2009	€ 45,000,000 (over the term of the authority)	Not used
Authority to be granted to the board of directors to distribute	November 15, 2006	38 months	Up to 10% of the shares	Not used

bonus shares	Resolution 16	Januar16, 2010	outstanding	
Delegation of authority to be granted to the board of directors to issue shares or other securities and to freely set the price thereof	November 15 2006 Resolution 11	January 16, 2010 January 16, 2009	Up to 10% of the shares outstanding	Not used
Delegation of authority to issue shares or other securities as consideration for contributions in kind to the Company	November 15 2006 Resolution 13	26 months January 16, 2009	Up to 10% of the shares outstanding	Not used
Delegation of authority to the board of directors to increase the number of shares issued in the event of capital increases, with or without preemptive rights by existing shareholders	November 15 2006 Resolution 14	26 months January 16, 2009	Up to 15% of the original issue	Not used
Authority granted to the board of directors to grant stock options	19, 2005 January Resolution 15	38 months March 19, 2008	Subject to the restrictions of article L.225-182 of the Commercial Code	Not used during the year 2006-2007

FINANCIAL STATEMENTS

Year ended March 31, 2007

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CONSOLIDATED INCOME STATEMENT

(€ millions)	3/31/2007	3/31/2006 (*)	Notes
Revenue from ordinary business	305.3	365.5	16
Cost of goods sold	(179.3)	(220.0)	17
Gross margin	**126.0**	**145.5**	
Research and development expenses (**)	(57.9)	(53.6)	17
Marketing and selling expenses	(58.2)	(82.9)	17
General and administrative expenses	(49.2)	(64.2)	17
Current operating income	**(39.3)**	(55.2)	16
Restructuring charges	(8.7)	(13.2)	17
Gains (losses) from disposals of assets	2.7	4.2	17
Other operating income (expenses)	0.8	-	
Disposal of Hasbro license	-	36.6	17
Impairment of goodwill	(17.3)	(125.4)	17
OPERATING RESULT	**(61.8)**	**(153.0)**	16
Cost of debt	(25.6)	(20.1)	20
Other financial income (expenses)	1.8	(3.3)	20
Net loss from the exchange tender offer	(18.7)	-	1
Income tax	1.1	(1.5)	21
Share of net income (loss) of equity method investments	(0.5)	(0.1)	
INCOME (LOSS) FROM CONTINUED OPERATIONS	**(103.7)**	**(178.0)**	
Gains (losses) from discontinued operations	(8.8)	(1.3)	22
CONSOLIDATED NET INCOME (LOSS)	**(112.5)**	**(179.3)**	
Minority interests	9.4	29.5	
NET INCOME (Group share)	**(103.1)**	**(149.8)**	16
Net income (loss) per share			
Continued and discontinued operations			
- basic	(0.34)	(0.80)	
- fully diluted	(0.34)	(0.80)	
Continued operations			
- basic	(0.32)	(0.80)	
- fully diluted	(0.32)	(0.80)	
Weighted average number of shares outstanding	303,975,419	187,268,432	
Weighted average number of shares outstanding, fully diluted	303,975,419	187,268,432	

(*) As prescribed by IFRS 5 on discontinued operations (Paradigm, Shiny, Reflections/Driver and Melbourne House), the financial statements to March 31, 2006 have been restated to show results from those operations on a separate line.

(**) The change introduced on April 1, 2005 in the recognition of games developed by company studios had a positive impact of € 1.7 million on March 31, 2007 and € 15.2 million on March 31, 2006 (after application of IFRS 5).

The notes form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

(€ millions)	3/31/2007	3/31/2006	Notes
Goodwill	89.0	128.9	3
Intangible assets	61.9	90.7	4
Property, plant and equipment	7.0	11.3	5
Financial assets	3.1	3.2	6
Other non-current assets	0.2	0.6	
Deferred tax assets	5.4	5.7	21
Non-current assets	**166.6**	**240.4**	
Inventories	28.0	35.8	7
Trade receivables	60.5	49.6	8
Current tax assets	0.4	0.7	
Other current assets	10.6	17.3	9
Cash and cash equivalents	46.6	42.6	10
Assets of discontinued operations	0.9	-	22
Current assets	147.0	**146.0**	
Total assets	**313.6**	**386.4**	
Capital stock	12.3	115.7	
Additional paid-in capital	952.0	650.3	
Consolidated reserves	(899.0)	(788.1)	
Shareholders' equity – Parent company	**65.3**	**(22.1)**	11
Minority interests	19.9	31.9	
Consolidated shareholders' equity	**85.2**	**9.8**	
Provisions for non-current contingencies and losses	0.4	0.3	12
Long-term debt	12.5	158.4	13
Deferred tax liabilities	-	-	
Other non-current liabilities	13.1	15.0	14
Non-current liabilities	**26.0**	**173.7**	
Provisions for current contingencies and losses	3.8	6.0	12
Short-term debt	74.6	57.4	13
Trade payables	99.5	114.6	
Tax liabilities payable	0.4	0.3	
Other current liabilities	24.1	24.6	14
Liabilities of discontinued operations	-	-	
Current liabilities	**202.4**	**202.9**	
Total liabilities and shareholders' equity	**313.6**	**386.4**	

The notes form an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(€ millions)	3/31/2007	3/31/2006 (*)
Net income (loss)	(112.5)	(179.3)
Non-cash expenses and revenue		
Amortization and provisions allowances (reversals) for non-current assets	67.1	181.8
Share based payments	-	4.5
Losses (gains) on disposals of intangible assets and property, plant and equipment	7.7	(41.3)
Losses (gains) on disposal of financial assets	0.1	0.7
Net gain (loss) from the exchange tender offer	18.7	-
Other	(4.5)	0.7
Interest and investment income	25.6	20.1
Income Taxes (deferred and current)	(1.1)	1.6
Cash flow before net cost of debt servicing and taxes (**)	**1.1**	**(11.2)**
Income Taxes paid	(0.1)	(0.3)
Changes in working capital		
Inventories	6.7	2.8
Trade receivables	(13.4)	(12.7)
Trade payables	(5.5)	12.8
Other current assets and liabilities	(0.3)	18.0
Cash flow generated by business	**(11.5)**	**9.4**
Purchases		
Intangible assets	(31.3)	(59.7)
Property, plant and equipment	(2.4)	(1.6)
Loans and investments	(1.2)	(0.2)
Disposals		
Intangible assets	7.8	65.8
Public offering of Atari Inc shares	-	7.8
Impact of changes in consolidated entities	-	(0.5)
Net cash flow from capital transactions (**)	**(27.1)**	**11.6**
Net funds raised by		
Share issues (b)	74.5	8.8
Debt issues	38.5	15.4
Net funds disbursed for		
Net interest and fee expenses	(16.0)	(8.5)
Debt repayment	(66.4)	(21.2)
Net cash flow from financing	**30.6**	**(5.5)**
Net cash flow from discontinued operations	12.8	(9.6)
Impact of exchange rates	(0.8)	0.4
Change in net cash	**4.0**	**6.3**
CASH	**3/31/2007**	**3/31/2006**
Balance at beginning of year	42.6	36.3
Balance at end of year (a)	46.6	42.6
Changes	4.0	6.3
(a) Of which:		
Cash	46.5	41.9
Cash equivalents	0.1	0.7
Total	46.6	42.6
Additional information on operating, investment and financing transactions with no cash impact		
Exchange tender offer of the OCEANE 2003-2009 bonds (b)	126.0	-
Extinguishment of the OCEANE 2003-2020 bond debt	(108.9)	-

(*) As prescribed by IFRS 5 on discontinued operations (Paradigm, Shiny, Reflections/Driver and Melbourne House), the financial statements to March 31, 2006 have been restated to show cash flow from those operations on a separate line.

(**)The change introduced on April 1, 2005 in the recognition of games developed by company studios caused an improvement in cash flow and increased cash flow from investment by € 11.5 million in the period to March 31, 2007 and by € 19.4 million in the period to March 31, 2006.

The notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€ millions)	Capital stock	Other paid-in capital	Treasury shares	Consolidated reserves	Foreign currency translation	Shareholders' equity – Parent Company	Minority interests	Consolidated shareholders' equity
Balance on April 1, 2005	**111.9**	**645.1**	**5.1**	**(646.6)**	**(15.5)**	**100.0**	**46.1**	**146.1**
Share issues	3.8	5.2				**9.0**		**9.0**
Change in translation adjustments					16.5	**16.5**	3.2	**19.7**
Changes in reporting entities (1)						**-**	10.4	**10.4**
Treasury shares			(5,1)	5,1		**-**		**-**
Stock options				2.9		**2.9**	1.4	**4.3**
Income for the year				(149.8)		**(149.8)**	(29.5)	**(179.3)**
Other changes				(0.1)	(0.6)	**(0.7)**	0.3	**(0.4)**
Balance on April 1, 2006	**115.7**	**650.3**	**-**	**(788.5)**	**0.4**	**(22.1)**	**31.9**	**9.8**
Reduction of capital (2)	(114.5)	114.5				**-**		**-**
Equity issue (3)	5.7	64.8				**70.5**		**70.5**
Exercise of warrants (4)	0.2	3.5				**3.7**		**3.7**
Exchange tender offer (5)	5.2	118.9				**124.1**		**124.1**
Changes in translation adjustments					(8.1)	**(8.1)**	(2.3)	**(10.4)**
Stock options				0.3		**0.3**	(0.3)	**-**
Income (loss) for the year				(103.1)		**(103.1)**	(9.4)	**(112.5)**
Other changes						**-**		**-**
Balance on March 31, 2007	**12.3**	**952.0**	**-**	**(891.3)**	**(7.7)**	**65.3**	**19.9**	**85.2**

(1) For the year ended March 31, 2006, the major changes in consolidated entities were as follows:

- Humongous transaction (positive impact of € 3.0 million)
- Issue of Atari, Inc. shares for the benefit of Martin Lee Edmonson (positive impact of € 1.3 million)
- Agreements entered into on September 15, by Atari, Inc., Sark Fund and CCM Fund, and by Atari, Inc, Atari UK and IESA and its subsidiaries (€ 6.2 million)

(2) The shareholders' meeting of November 15, 2006 resolved to reduce capital by € 114.5 million on grounds other than losses, by reducing the nominal value of shares.

(3) On January 24, 2007, the Company issued equity under a rights offering of € 74 million, in the form of 493,287,990 shares priced at € 0.15 each, on the basis of 26 new shares for each ten held (see note 1.1). The cost of the offering amounted to € 3.5 million and was charged to share premiums.

Capital stock was also increased by € 0.7 million on 27 November 27, 2006 by raising the nominal value of the shares pursuant to resolution 7 of the shareholders' meeting of November 15, 2006.

(4) In connection with the equity issue mentioned above, 47,431,539 stock warrants were also distributed free of charge to the shareholders, entitling them to subscribe for new shares at a price of € 0.15 each (see note 1.1). As of March 31, 2007, 24,686,617 warrants had been exercised, resulting in the creation of an equal number of shares and generating proceeds of € 3.7 million.

(5) The exchange tender offer for the OCEANE 2020 bonds (see note 1.1) resulted in the creation of 524,898,656 new shares and an increase in capital of € 124.1 million after deducting € 1.9 million for expenses. The fair value of shares issued was estimated on the basis of the trading price of the Company's stock on March 16, 2007 at € 0.24, corresponding to the result of the tender offer as announced by the AMF.

The notes form an integral part of the consolidated financial statements.

THE GROUP

Infogrames Entertainment SA (hereinafter the "Company"), 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 from ordinary business 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.

The Company's principal office is located at 1 Place Verrazzano, 69009 Lyon (France).

As required by European Council regulation 1606/2002 of July 19, 2002, the Group's consolidated financial statements for the past years have been prepared:

- in accordance with International Financial Reporting Standards ("IFRS") in effect in the European Union on March 31, 2007 in the case of fiscal years starting on or after April 1, 2005;
- in accordance with accounting principles and valuation methods set forth in note 2;
- on the basis of historical cost, with the exception of certain categories of assets and liabilities as prescribed by applicable IFRS. The categories concerned are listed in note 2.

The following standards and interpretations have become applicable to the preparation of the consolidated financial statements for the year ended March 31, 2007:

- Amendment to IAS 19 "Employee benefits: actuarial gains and losses, group plans and disclosures." The option providing for the elimination of the corridor method and the direct recognition of actuarial gains and losses in equity was not used for the preparation of the consolidated financial statements for the year ended March 31, 2007.
- IAS 21 (revised) "The effects of changes in foreign exchange rates". The revision, which modifies the accounting treatment of foreign exchange gains and losses in investments in foreign companies had no impact on the consolidated financial statements for the year ended March 31, 2007.
- Amendment to IAS 39 on the fair value option. The amendment restricts the option of companies to measure a financial asset or liability at its fair value through profit and loss. The Group did not make use of this fair value option for the year ended March 31, 2007.
- Amendment to IAS 39 on the hedging of cash flow from future intercompany transactions. The Group is not concerned by this amendment.
- IFRIC 4 "Determine if an arrangement contains a lease." IFRIC 4 provides an operating method for determining whether certain transactions that are not legally leases must nevertheless be recognized in accordance with IAS 17 "Leases." This new interpretation had no impact on the consolidated financial statements for the year ended March 31, 2007.
- IFRIC 7 clarifying the restatement approach under IAS 29 – Financial reporting in hyperinflationary economies." This interpretation had no impact on the consolidated financial statements for the year ended March 31, 2007.

The Group did not opt for an anticipated application of the standards and interpretations published by the IASB, the application of which is not yet mandatory for the preparation of consolidated financial statements for the year ended March 31, 2007:

- Amendment to IAS 1 on disclosure of ownership;
- Amendment to IAS 23 on borrowing costs;
- IFRS 7 "Financial Instruments: Disclosures";
- IFRIC 8 "Scope of IFRS 2 – Share-based payments";
- IFRIC 9 "Reassessment of Embedded Derivatives".

The Group is currently examining the application of amendments to IAS 1 and IFRS 7 and to IFRIC 8 and IFRIC 9; applying them is not expected to have a material impact. The impact of applying the amendment to IAS 23, which will become mandatory for the Group as from the fiscal year starting April 1, 2009, is currently being analyzed.

The consolidated financial statements and the notes are presented in euros. The consolidated financial statements were approved by the board of directors at its meeting of June 19, 2007.

NOTE 1 -HIGHLIGHTS

1.1. BANK AGREEMENT OF APRIL 2006, FINAL STEP OF THE DEBT RESTRUCTURING PLAN AND RESTORATION OF THE GROUP'S INVESTMENT CAPACITY

Infogrames Entertainment and its main European subsidiaries finalized a master agreement with Banc of America on April 13, 2006, (agreement on terms of March 28, 2006) aimed at refinancing the short and medium-term debt of the Company and its subsidiaries (not including Atari Inc.).

The agreement, which was approved by the Lyon Commercial Court on April 14, 2006, as required by articles 611-8 to 611-11 of the Commercial Code, allows the Company to defer to March 31, 2008 the repayment of € 25.5 million in short and medium-term bank credit facilities due between December 15, 2005 and March 15, 2006. Infogrames Entertainment and Atari Europe had also agreed to examine with the lender how the bank debt could be divided among the Group's operating subsidiaries.

The agreement further resulted in the extension of a one-year short-term credit facility for an initial amount of 20 million euros, that was increased to 45.0 million euros following the agreement of September 8, 2006, when its maturity was also moved from March 31, 2007 to December 31, 2008. Also pursuant to the agreement, a repayment of 10.0 million euros was made following the equity issue of 74.0 million euros by the Company on January 24, 2007; the short-term credit facility was thus reduced to 35.0 million euros, its repayment date of December 31, 2008 remaining unchanged. Drawdowns under the facility can be made in cash or in the form of letters of credit or standby loans to finance the operation of European subsidiaries. The Group retains the option of raising additional financing locally in Europe or Asia, secured by trade receivables for up to 30 million euros at peak periods, a ceiling that may be adjusted upward with the consent of the primary lender.

The short-term credit facility was extended to Atari Europe, Atari France, Atari Deutschland and Atari UK and is guaranteed by Infogrames Entertainment and Atari Europe. The agreement does not affect the borrowing capacity of Atari, Inc. and Atari Interactive, Inc.

The new agreement replaces and supersedes previous ones, as all creditor banks have transferred their receivables to the new lender under the agreement.

The agreement of September 8, 2006 with the Group's principal banks and bondholders also enabled it to implement a financial restructuring plan (the "Plan") and to significantly reduce its debt, improve its net worth and generate sufficient cash to finance its operations.

The Company has asked an independent expert, Associés en Finances (223 Rue Saint-Honoré, 75001 Paris), to ascertain that the plan was fair to all parties concerned.

The Plan was divided into five separate steps, all of which were completed before the end of the fiscal year on March 31, 2007:

Step 1: Increase of the short-term facility by € 25 million and rescheduling of its maturity

Under an amendment to existing agreements with banks, Banc of America Securities Limited has agreed to:

- increase the short-term credit facility (the “Short-Term Loan”) by 25 million euros, from 20 million euros to 45 million euros;
- reschedule its maturity from March 31, 2007 to December 31, 2008.

A € 10-million portion of the loan was repaid following the equity issue referred to in Step 4 below, and the balance is due on December 31, 2008.

Step 2: Amending of certain terms and conditions of the 2006-2008 Notes

The meeting of September 29, 2006 for holders of 6% notes with a face value of 14 euros maturing March 15, 2008 (the “2006-2008 Notes outstanding of 33.7 million euros”) agreed to reschedule the repayment date of the first portion of the principal to February 15, 2007 and to amend certain default provisions.

The principal holder of 2006-2008 Notes, a fund managed by Boussard et Gavaudan Asset Management LP, owns 75.8% of the 2,403,772 Notes outstanding and agreed to vote in favor of the changes.

Step 3: Amending of certain terms and conditions of the 2003-2009 OCEANE bonds

The meeting of September 29, 2006 for holders of bonds convertible into and/or exchangeable for new or existing shares, maturing April 1, 2009 (the “OCEANE 2003/2009” or “OCEANE 2020”) approved:

- an extension from April 1, 2009 to April 1, 2020 of the maturity of the OCEANE 2003-2009 bonds, which will no longer be convertible after April 1, 2009;
- a reduction of the bonds' interest rate from 4% to 0.1%,
- the elimination of an event-of-default clause.

Funds managed by GLG Partners and BlueBay Asset High Yield (Master Fund) (referred to as the "Investors"), which own 67.8% of the 16,487,489 OCEANE 2003-2009 in circulation, agreed to vote in favor of the changes.

Step 4: Shareholders' Meeting / Capital increase / Prepayment of 2006-2008 Notes / Restricted distribution of free warrants

The Company issued equity, described in a registration statement filed with the AMF and approved on December 19, 2006 (*visa* 06-484). The new securities issued and admitted to trading on the Eurolist of Euronext Paris consisted of:

- 493,287,990 new Infogrames Entertainment shares, under a rights offering priced at € 0.15 per share, holders being entitled to the subscribe for twenty-six new shares for each ten held. The issue generated gross proceeds of 74.0 million euros, of which 35.5 million euros was used to redeem all 2006-2008 Notes (including the payment of interest), 10 million euros was used to repay part of the Short-Term Loan and 25 million euros was set aside to finance the Company’s operations. Expenses of 3.5 million euros were incurred for the issue and charged to share premiums.
- 47,431,539 bonus subscription warrants distributed to shareholders (the “Shareholder Warrants”) on the basis of one warrant for each four shares held on December 21, 2006, each Shareholder Warrant being exercisable for one new share at a price of € 0.15.
- 217,900,000 subscription warrants distributed free of charge to the Investors in consideration for their contribution to the arrangement and implementation of the Restructuring Plan, (the “Investor Warrants”), each warrant being exercisable for one new share at a price of € 0.15. A total of 181,600,000 Investor Warrants exercisable for a like number of shares were set aside for The BlueBay Value Recovery Fund, one of the principal holders of OCEANE 2020 bonds, and 36,300,000 Investor Warrants, also exercisable for a like number of shares, were allocated to The Sark Master Fund, managed by Boussard et Gavaudan Asset Management LP (the “Principal Holder of 2006-2008 Notes”).

Step 5: Exchange tender offer for the OCEANE 2020 bonds

The Company issued a simplified tender offer, which was in effect from February 12 to March 9, 2007, to buy back the OCEANE 2020 in exchange for 32 new Company shares. The offer was described in a registration statement filed with the AMF and approved on February 2, 2007 (notice no. 207CO246 of February 2, 2007). On March 16, 2007, the AMF issued notice no. 207C0515 stating that 16,403,083 OCEANE 2020 bonds had been tendered under the offer, representing 99.5% of those outstanding.

The foregoing financing transactions were recognized in the financial statements for the year ended March 31, 2007 as follows:

- capital was increased by 126 million euros, from which a sum of 1.9 million euros was deducted to cover expenses (creation of 524,898,656 shares at a price of € 0.24 each);
- a reduction by 108.9 million euros of the OCEANE bond debt, corresponding to the 16,403,083 bonds tendered;
- a loss of 18.7 million euros, corresponding to the excess of the fair value of shares issued (126 million euros on the basis of a share price of € 0.24 on March 16, 2007) over the book value of the extinguished debt (108.9 million euros) plus expenses of 1.6 million euros.

1.2. DISPOSAL OF THE DEVELOPMENT BUSINESS OF CERTAIN STUDIOS

As part of the Group's program to dispose of assets, Infogrames Entertainment and Atari Inc sold the following assets:

- the development operations of Paradigm, on July 7, 2006;
- the development operations of Reflections and the related "Driver" license, on August 4, 2006. As part of this transaction, the Infogrames Group agreed not to develop a franchise that would compete with "Driver" for a period of 18 months (a three-year no-competition clause applies to Atari Inc); the restriction concerns only games using a universe similar to that of "Driver" and does not extend to car-racing games. The Group remains free to reissue or distribute products published by third parties, even if they compete with "Driver"; Infogrames may no longer distribute "Driver" products (except for those already at distributors);
- the development operations of Shiny, on October 2, 2006;
- the development business of Melbourne House, November 1, 2006.

Those asset disposals have been recognized in the financial statements as prescribed by IFRS 5 on discontinued operations.

Losses from discontinued operations amounted to 8.8 million euros for the year ended March 31, 2007, as follows:

▪ Proceeds from disposals	€ 21.5m
▪ Resulting decrease in goodwill and trademarks (*)	€ (16.7) m
▪ Loss from capitalized development expenses	€ (3.7) m
▪ Net book value of sold assets	€ (1.2) m
Gains (losses) from disposals of discontinued operations	**€ (0.1) m**
▪ Direct cost of discontinued operations for the period	€ (8.7) m
Gains (losses) from discontinued operations	**€ (8.8) m**

(*) Of which: € 16.3 million in goodwill

Detailed information is included in note 22.1.

1.3. SALE OF STUNTMAN LICENSE

On May 10, 2006 Atari Inc. sold its investment in the development of Stuntman and the corresponding license. The sale generated a gain of € 2.7 million, after taking into account capitalized development expenses to March 31, 2006 and additional costs incurred up to the sale date.

NOTE 2 - ACCOUNTING PRINCIPLES AND METHODS

2.1. GENERAL PRINCIPLES

The Group's consolidated financial statements have been prepared in accordance with IFRS in effect in the European Union.

▪ APPLICATION OF GOING-CONCERN ASSUMPTION

The Group sustained large losses in previous years and during the period ended. It also has had to repay maturing bank and bond debts even though it had insufficient cash flow from operations to do so. A series of transactions have therefore had to be carried out in recent years, aimed at restructuring the Group's finances and, in particular, reducing its debt. The principal measures taken in this respect are described below:

- Disposal of studios for 21.5 million euros;
- A new bank credit facility of 35 million euros as of March 31, 2007;
- An equity issue of 74.0 million euros, of which 35.5 millions was used to redeem all 2006-2008 Notes;
- An exchange tender offer for the OCEANE 2003-2020 bonds (formerly 2003-2009) that caused equity to increase by 126 million euros (excluding expenses).

Subsequent to those transactions:

- The Group’s net debt, which amounted to 173.2 million euros on March 31, 2006, was reduced to 40.5 million euros on March 31, 2007 (total debt of 87.1 million less cash balances of 46.6 million euros).
- Shareholders’ equity, which stood at 9.8 million euros on March 31, 2006, had risen to 85.2 million euros by March 31, 2007.

The Group's debt has restricted its ability to invest in game development and adversely affected revenue and operating profit. The relaunch plan initiated by the Group’s new senior management requires additional financing of some 80 million euros. In order to adequately finance the plan, an agreement was entered into on June 20, 2007 between the Group, its principal shareholder and its principal bank, which led to the extension of a bank credit facility of 33.5 million euros, of which 7.5 million euros were made immediately available, 15 million euros could be drawn down as of September 15, 2007 and 11 million euros would be available on November 15, 2007.

On July 18, 2007, the Group announced that it had sold online and wireless rights to Hasbro for 19.5 million US dollars.

On July 23, 2007, the principal shareholder exercised 50 million of its stock warrants for 7.5 million euros.

After taking into account short-term financing agreement by means of factoring in the United States and Germany, the Group will need additional financing for the current year of between 10 and 20 million euros. The Group plans to cover these needs with financing backed by the trade receivables of other European subsidiaries.

Based on the Group’s estimated ability to secure additional financing required for its operations, consolidated financial statements have been prepared under the going concern assumption. It should be noted, however, that uncertainties remain regarding these additional credit facilities, inherent to any financial negotiations. Failure to meet those financing needs could limit the Group’s ability to pay for its current operations and would result in adjustments to the value of the Group's assets and liabilities, including goodwill and intangible assets, the total value of which in the consolidated financial statement for March 31, 2007 is respectively € 89.0 million and € 61.9 million.

2.2. CONSOLIDATION METHODS

FULL CONSOLIDATION

All companies controlled by the Group, meaning those in which it has the power to influence the financial and operating policies so as to benefit from their business, are fully consolidated.
The Groups consolidates ad hoc entities it substantially controls if it is entitled to most of the benefits and exposed to most of the risks of the entity or its assets.

EQUITY METHOD

Companies in which the Group has significant direct or indirect influence are accounted for by the equity method.
Significant influence is presumed to exist whenever the Group holds, either directly or indirectly, 20% or more of the voting rights of an entity, unless it is clearly demonstrated that it does not have such influence. Significant influence can be shown to exist in other ways, such as through membership on an entity's board or management, participation in the decision-making process, substantial business

with the entity concerned or officers and executives in common.

NON-CONSOLIDATED ENTITIES

Equity interests held by the Group in non-consolidated entities are recognized as "securities available for sale" and measured at their fair value, or at cost if the Group believes that it represents their fair value in the absence of an active market in the securities concerned. They are accounted for in accordance with IAS 32 and IAS 39 on financial instruments. Unrealized gains and losses are recognized in a separate equity account. If their value is permanently impaired, the amount of the impairment is recognized in income for the period. The permanent nature of impairments is determined on the basis of their estimated value, which is calculated on the basis of the entity's net worth, market capitalization or profit outlook, adjusted to take into consideration the impact for the Group of its ownership in terms of strategy and synergies with existing activities. Impairments cannot be reversed in income if the estimated value of the securities increases in the future (an unrealized gain is then recognized in the above-mentioned equity account).

A list of the Group's principal subsidiaries and affiliates, showing how each is accounted for in the consolidated financial statements, is included in note 28.

2.3. INTRA-GROUP TRANSACTIONS

All material transactions among fully consolidated entities and any internal income by the consolidated group are eliminated.

2.4. TRANSACTIONS IN FOREIGN CURRENCIES

Income and expenses in foreign currencies are reported at the corresponding value on the date of the transaction concerned. Transactions in foreign currencies are first recognized in the operating currency at the exchange rate in effect on the transaction date. At the end of the period, monetary assets and liabilities in foreign currency are translated into the operating currency at the exchange rate in effect on the closing date. Differences are recognized in income for the period, except for gains or losses on borrowings in foreign currencies, which are used to hedge the net investment in a foreign entity. Those gains and losses are recognized in equity until the investment is disposed of.

2.5. TRANSLATION OF FOREIGN SUBSIDIARIES' FINANCIAL STATEMENTS

The operating currency of foreign subsidiaries is their domestic currency.
The assets and liabilities of foreign subsidiaries are translated using the exchange rates in effect on the closing date. Their income statements are translated using the average exchange rate for the period. Any resulting exchange-rate gains or losses attributable to the Group are recognized in the equity account "Foreign currency translation", while those attributable to third parties are recognized in "Minority interests". Unrealized gains and losses have no impact on income unless the entity concerned is sold. The table below shows the exchange rates used by the Group to translate the principal currencies into euros:

In euros	March 31, 2007		March 31, 2006	
	Closing	Average	Closing	Average
US Dollars	1.33180	1.28278	1.21040	1.21751
Pound Sterling	0.67980	0.67793	0.69640	0.68204
Australian Dollars	1.64840	1.67686	1.69970	1.61731

Goodwill and fair value adjustments resulting from the acquisition of a foreign entity are treated as components of that entity and are accordingly recognized in the entity's operating currency. They are translated into euros at the exchange rate in effect at the end of the period.

2.6. NON-CURRENT ASSETS HELD FOR SALE

Fixed assets or combinations of assets and liabilities are considered held for sale whenever their book value is expected to be recovered primarily when they are sold rather than through their ongoing use. For this to be the case, such assets must be available for immediate sale and their sale must be highly probable. The assets or groups of assets, if material, are recognized on a separate line from other assets, under "Assets of discontinued operations" in the balance sheet. They are measured at the lower of their book value and estimated sale price net of selling costs. Liabilities related to a group of assets held for sale are shown on the line “Liabilities of discontinued operations” in the balance sheet.

An operation sold or whose sale is pending is recognized as a business component that either is sold or is reclassified as an asset held for sale that:

- represents a business or region material for the Group;
- is part of an overall plan to dispose of a business or region material for the Group;
- is a significant subsidiary acquired for the sole purpose of reselling it.

Income and cash-flow items related to those discontinued operations are treated separately in the financial statements for all periods concerned whenever they are of a material nature.

2.7. USE OF ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires the Group to make certain estimates and assumptions it considers reasonable and realistic. These have an impact on the reported value of assets and liabilities, shareholders’ equity, income and contingent assets and liabilities, as reported on the closing date.

Estimates may be adjusted if there are changes in factors on which they are based or if new information becomes known. Actual results may differ from estimates and assumptions.

These estimates underlie the going-concern assumption (see note 2.1.) and are based on information available at the time the consolidated financial statements are prepared.

Other key estimates made by the Group when preparing its financial statements generally concern assumptions made for valuing goodwill, intangible assets, various provisions (returns and discounts, bad debts, contingency and losses) as well as the estimate of deferred taxes.

In particular, impairment tests of goodwill are performed annually on March 31, or more frequently if there are indications of loss of value. The discounted future cash flow method used to determine the fair value of cash generating units is based on a certain number of factors, including estimates of future cash flows relying on the assumption that business will grow, discount rates and other variables. The process accordingly involves to a large extent the exercise of judgment.

Assumptions made when performing impairment tests on intangible assets are of the same nature. Any future decline in market conditions or inadequate operating results could make it impossible to recover those assets’ net book value.

2.8. GOODWILL

In business combinations, goodwill represents the excess of the price paid for an acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. The initial measurement of fair value is made within twelve months of the acquisition and any adjustment of that fair value is accounted for as a retroactive restatement of goodwill. Beyond that twelve-month period, adjustments are recognized directly in income.

Whenever the Group acquires a controlling interest in a company in a single transaction, the portion of assets and liabilities attributable to minority shareholders is also recognized at fair value. If the Group subsequently buys out the shares of minority interests in a controlled entity, no additional adjustment is made to reflect their current fair value. The difference between the purchase price and the book value of the assets and liabilities concerned is recognized as goodwill, unless that difference is negative, in which case it is immediately recognized in income.

Goodwill from consolidated entities is recognized as an asset in the balance sheet on the "Goodwill" line. As prescribed by IFRS 3, goodwill is not amortized but is subject to impairment tests at least once a year. For the purpose of such tests, goodwill is broken down by cash generating units (CGUs), corresponding to homogenous units that combine to generate identifiable cash flows.

The manner in which the impairment of CGUs is measured is explained in note 3.

Whenever the recoverable value of a CGU is less than its net book value, a corresponding impairment is charged to goodwill and recognized as a non-recurring item on the line "Goodwill impairments."

2.9. OTHER INTANGIBLE ASSETS

Intangible assets include primarily items such as purchased management software, rights under purchased licenses, trademarks and video game development costs.
In accordance with the option permitted under IAS 23, interest on loans used to purchase intangible assets is recognized as a financial expense and not included in the cost of the assets.

- **LICENSES**

User licenses to intellectual property are accounted for as intangible assets from the execution date of the license agreement whenever the licensor is not bound by material obligations; the capitalized value corresponds to the present value of minimum annual royalties called for in the agreement. Sums paid in excess of minimum fees are recognized as expenses.
Licenses are amortized from their execution date at the contractual rate applied to units sold or the straight-line rate based on the term of the license, whichever is higher. Amortization allowances are recognized as "cost of goods sold."
The Group verifies the recoverable value of capitalized sums on a regular basis and performs impairment tests, as explained under 2.12 above, whenever their value appears to have fallen. If applicable, an impairment is recognized under "research and development expenses" in income.

- **VIDEO GAME DEVELOPMENT COSTS**

The Group recognizes the cost of developing video games (either by its own studios or outsourced) as an intangible asset as soon as the technical feasibility of the game is certain, which, since April 1, 2005, corresponds to the end of the pre-production stage. Technical feasibility is determined on a case-by-case basis. Capitalized costs correspond to the "milestone" payments to independent developers and actual costs directly attributable to in-house development projects. Development costs of projects that have not reached the technical feasibility stage are recognized as "research and development expenses".

Capitalized expenditures are amortized from the date games are released, under "research and development expenses" in income, over an 18-month period, on a quarterly declining-balance basis that reflects the products' sales prospects. The method used means that 90% of a game's value is written off in the year following its release.

The Group verifies the recoverable value of capitalized sums on a regular basis and performs impairment tests, as explained under 2.12 above, whenever their value appears to have fallen. In the case of games in development, an impairment test is performed at least once a year. If applicable, an impairment is recognized under "research and development expenses" in income.

The Group changed the manner in which estimates were made on April 1, 2005. Earlier, the technological feasibility requirement was considered satisfied when a prototype was made, which in practice marks the end of the development period. Since expenses incurred after completion of the prototype are not significant, the Group did not capitalize any significant in-house software production costs. Because of improved knowledge of development techniques and the introduction of cost tracking tools, technical feasibility is now deemed to be achieved at the end of the pre-production process.

Since April 1, 2005, the Group has accordingly capitalized the cost of its own video game developments. These expenditures amounted to 11.5 million euros for the year ended March 31, 2007, compared with 19.4 millions the previous year (under IFRS 5). The net impact on the consolidated income statements, net of amortization allowances, was 1.7 million euros for the year ended March 31, 2007 and 15.2 million euros the previous year.

▪ OTHER INTANGIBLE ASSETS

Other amortizable intangible assets include identifiable intangible assets resulting from acquisitions of businesses (e.g., trademarks, game catalogs) and software purchased for internal use (e.g., accounting software). With the exception of trademarks, 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).

▪ DEVELOPMENT FINANCED BY PRODUCTION FUNDS

Certain video games, developed either in house or by third parties, are financed by production funds through outside entities. As most of the risk from the financed game is assumed by the Group, development costs are accounted for in the same manner as above. Sums received from production funds are recorded in cash when payments are received and a corresponding debt is recognized. A financial expense is also calculated using the effective interest method.

2.10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at cost, less depreciation and impairments. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. Improvements to rented premises are depreciated over their estimated useful life or the term of the lease, whichever is shorter. The term of the lease takes into account possible extensions. 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

In accordance with the option permitted under IAS 23, interest on loans used to purchase property, plant and equipment is recognized as a financial expense and not included in the cost of the assets.

2.11. CAPITAL LEASES

Assets leased under contracts that transfer nearly all of the benefits and risks of ownership to the Group are accounted for in the balance sheet as property, plant and equipment ("other equipment, furniture and improvements").

When leases are entered into, the assets concerned are recorded in the balance sheet at either their fair value or at the current value of minimum future lease payments, whichever is lower.
Leased assets are depreciated on a straight-line basis over their estimated useful life, as calculated in accordance with the same method as for assets owned by the Group, or over the term of their lease if it is shorter.

A corresponding liability is recognized in the balance sheet. Operating lease payments are recognized as expenses for the year in which they are made.

2.12. IMPAIRMENT TESTS

The Group regularly performs impairment tests on its assets, including on goodwill, intangible assets and property, plant and equipment. In the case of property, plant and equipment and of intangible assets with a finite useful life, the tests are carried out as soon as there are indications of a loss of value.

The tests consist of comparing the net book value of the assets with their recoverable value, expressed as the higher of their fair value net of selling expenses and their value in use, estimated on the basis of the net present value of future cash flows generated by them.

Whenever the fair value of an intangible asset (other than goodwill) or property, plant and equipment increases in a period and their recoverable value exceeds their book value, impairments recognized in previous periods, if any, are reversed in income.

In the case of goodwill and other intangible assets with an indefinite useful life and of intangible fixed assets in process , impairment tests are always performed yearly, on the basis of the higher of the following values, and whenever there are indications of loss of value:

- present value of projected cash flows from operations over a four-year period, plus a residual value;
- net market value if an active market exists.

The book value of assets is compared with the present value of future cash flows, before financial expenses but after taxes.

The residual value is obtained by calculating the present value of a perpetuity cash flow on the basis of the cash flow for the last year of the business plan, applying a long-term growth rate. The discount rate used to calculate the present value of future cash flows is the average cost of capital for the Group (see calculation basis in 3.3. Goodwill impairment tests).

The Group's corporate organization is structured in such a way as to preferably have a single legal entity per country. Goodwill is accordingly combined regionally and allocated to the corresponding cash generating units (CGUs). Those units are determined on the basis of geographic criteria and the nature of their business (publishing, distribution).

If the annual impairment tests disclose that an asset's recoverable value is less than its book value, an impairment is recognized to bring the book value of fixed assets and goodwill to their fair value.

Goodwill impairments are never reversed in income.

2.13. OTHER NON-CURRENT FINANCIAL ASSETS

Other financial assets consist of the shares of non-consolidated entities, investment holdings in associated entities, deposits and down-payments made and loans.

▪ ACCRUED INTEREST ON RECEIVABLES FROM SUBSIDIARIES

The Group's interests in non-consolidated entities are recognized in accordance with the accounting principles described in note 2.2.

▪ TREASURY SHARES

Treasury shares held by the parent company or a fully consolidated subsidiary are deducted from consolidated shareholders' 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 income statement and recorded to shareholders' equity.

2.14. 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 goods sold" in the consolidated income statement.

2.15. ACCRUED TRADE RECEIVABLES TO BE BILLED

Trade receivables are measured at their fair value, which corresponds, in general, to their face value. Provisions are recognized for receivables considered doubtful, calculated on the basis of default risks.
As provided for by IAS 32 and 39, trade receivables assigned under debt securitization plans are not removed from consolidation and are accordingly kept in the books as receivables and recognized as short-term debt whenever the risks and benefits attached to trade receivables are not fully transferred to the financial institutions.

2.16. CASH, CASH EQUIVALENTS AND INVESTMENT SECURITIES

As prescribed by IAS 7 "Cash-flow statement," cash and cash equivalents included in the consolidated cash-flow statement include cash (cash on hand and demand deposits) and cash equivalents (high-liquidity short-term investments, readily convertible into a known sum of cash, and not exposed to a material risk of change in value).

Investments in instruments with maturities of more than three months and no possibility of early exit are excluded from cash and cash equivalents in the cash-flow statement.

2.17. SHARE-BASED PAYMENTS

The Group makes share-based payments to certain of its employees in the form of equity instruments. As prescribed by IFRS 2, only options granted after November 7, 2002 and not fully vested as of January 1, 2005 are measured and recognized as payroll expenses.

Share-based payments in the form of equity instruments are measured at their fair value on the date of grant (exclusive of the impact of non market-related conditions). The cumulative expense recognized is based on the fair value on the date of grant and the estimated number of shares that will ultimately be purchased (taking into account the impact of non market-related conditions). Sare-based payments are recognized in operating income and as liabilities through equity over the entire vesting period.

The fair value of equity instruments issued is calculated in accordance with the Black-Scholes model, which takes into account the features of the options (exercise price and period), market conditions on the date of grant (risk-free rate, trading price of shares, volatility, expected dividends) and assumptions concerning the behavior of option holders.

2.18. EMPLOYEE STOCK SAVINGS PLANS

Whenever the Group issues shares for offering to its employees, an expense is recognized if the offering price is lower than the current trading price.

The expense is calculated when rights are granted, meaning on the date the Group and its employees reach an understanding regarding the terms and conditions of the offering.

2.19. MINORITY INTERESTS

If a consolidated entity's net worth is negative at the end of a period, the equity interests of minority holders are assumed by the Group, unless those third-party shareholders have an express obligation to make up their attributable portion of the losses.
If the company becomes profitable again, the Group's share of their income is taken into account by the majority shareholder for up to losses previously recognized.

2.20. PROVISIONS

A provision is recognized whenever the Group has a legal or constructive obligation to a third party, resulting from past events, which cannot be reliably estimated and which is likely to require the transfer of economic benefits to that third party without equivalent consideration being expected. If the obligation is for an uncertain time or amount, it is considered a contingent liability and, as such, it is treated as an off-balance sheet commitment.
In the case of liabilities due in more than one year, the amount of the provision is discounted and the effect of such discounting is recorded as financial expense.

2.21. PROVISIONS FOR PENSIONS AND RELATED BENEFITS

- **DEFINED CONTRIBUTION PLANS**

The laws and practices of the country in which Group subsidiaries operate place certain obligations on them with respect to employee pensions, 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.

The Group recognizes accrued premiums as an expense whenever they are considered operating costs, based on the employees covered by the plan.

- **DEFINED BENEFIT PLANS**

The Group's estimated liabilities under defined benefit plans are generally calculated annually using the projected unit credit method, as prescribed by IAS 19. This method measures, on the basis of actuarial assumptions, the probable future years of service of employees, their future compensation level and life expectancy, the discount rate and the personnel turnover ratio.

Actuarial gains and losses are amortized in income during the years following their occurrence, if in excess of a corridor of 10% of the higher of the accrued benefit obligations and the fair value of the plan's assets, over the covered employees' remaining service life (so-called "corridor" method).

2.22. FINANCIAL LIABILITIES AND INSTRUMENTS

Financial liabilities include bond and other debts, liabilities resulting from capital leases, derivatives with a negative market value and payables to suppliers.

- **BOND AND OTHER DEBTS**

Interest-bearing bond and other debts are initially recognized at the fair value of the consideration received, which corresponds to the cost of issuing debt, net of expenses directly attributable to the debt issue. These financial liabilities are subsequently measured at their amortized value, by applying the effective interest method. That rate corresponds to the internal rate of return used to calculate the present value of future cash flows expected during the life of the instruments.

Some financial instruments (such as convertible bonds of the OCEANE kind) are treated as financial instruments made up of two parts: a bond part recorded as debt and an equity component. The bond part is equal to the present value of all payments owed on the bonds, discounted at the rate applicable to a similar straight bond (with the same maturity, of the same amount) that would have been issued at the same time as the convertible bonds, less, if applicable, any discount at the time of issue; it is estimated on the date of issue and recognized as a financial liability.

The value of the part recorded as equity is calculated as the difference between the bonds' face value on the date of issue and their debt component as defined above. Costs are charged to each part on the basis of their value in relation to the bonds' face value.

The renegotiations of credit facility agreements and similar transactions do not cause the initial debt to be extinguished and a new debt to be recognized unless there are material differences between the old and the new agreement. Whenever this is the case, negotiating costs are included in financial expenses for the period in which renegociation took place.

▪ PAYABLES TO SUPPLIERS

Sums owed to suppliers are initially recognized at fair value. In most instances, this corresponds to their face value. They are subsequently measured at their amortized value.

2.23. RECOGNITION OF REVENUE - REVENUE FROM ORDINARY BUSINESS

In accordance with IAS 18 "Revenue from Ordinary Business", net revenue is recognized after deducting:

- certain sales incentives such as participation in advertising and promotion;
- certain rebates granted for early payment.

▪ SALES OF ENTERTAINMENT SOFTWARE

Revenue from the sale of entertainment software is reported when products are shipped to customers and a reserve is set aside and deducted from sales to provide for estimated returns, so as to calculate net sales. 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 this is the case, 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, which are reported as "Marketing and distribution expenses" and "Trade receivables".

▪ LICENSING

Under various licensing agreements extended by the Group, 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 as and 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 recognized in income as and when services are performed.

2.24. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses include both costs incurred by the Group's own and external studios for projects which have not yet reached the feasibility stage and the amortization and impairment, as the case may be, of video game development costs. They also include the cost of adapting (localizing) and testing products sold.

2.25. MARKETING AND SALES EXPENSES

Advertising costs are recognized as expenses as and when incurred and are reported as "Marketing and sales expenses" in the consolidated income statements.

2.26. CURRENT OPERATING INCOME

Current operating income corresponds to gross margin less operating expenses other than amortization and depreciation allowances. Operating expenses include research and development, marketing and sales, overhead and administrative expenses.
Current operating income corresponds to operating income before:

- capital gains or losses from the disposal of assets;
- restructuring charges,
- impairments of assets (including goodwill),
- litigation or other non-recurring items.

2.27. FINANCIAL INCOME (LOSS)

▪ COST OF DEBT

Net debt is the aggregate of current and non-current borrowings and debts, less cash and cash equivalents. The cost of debt is the excess of expenses over income generated by items making up the net debt over the period, including income and losses from related interest-rate and foreign-exchange hedging transactions. The net cost of debt includes:

- Interest expense on the consolidated debt, consisting of the bond debt, the debt portion of hybrid financial instruments, other financial liabilities (including leases), and interest income from cash and cash equivalents;
- Fees paid to banks on financial transactions.

In accordance with IAS 23, interest on loans used to purchase intangible assets is recognized as a financial expense and not included in the cost of the assets.

▪ OTHER FINANCIAL EXPENSES AND REVENUE

The following is included under "Other financial income and expenses":

- Dividends received from non-consolidated entities;
- Adjustments in provisions;
- Foreign-exchange gains and losses.

2.28. TAXES

Deferred taxes are recognized in the income statement and the balance sheet to take into account timing differences between the accounting and tax value of certain assets and liabilities.

Deferred taxes are accounted for in accordance with the liability method and are calculated taking into account any known changes in tax rates (and regulations) adopted or about to be adopted as of the closing date. Any impact of changes in tax rates on deferred taxes recognized previously in income or in equity is recognized in income or equity during the year in which changes in tax rates go into effect.

Deferred taxes are recognized in income or in equity during the period, depending on whether they pertain to items that are recognized in income or in equity.

Deferred tax assets are recognized when it becomes probable that the company will have taxable income enabling it to take advantage of the deferred tax asset. The book value of deferred tax assets is revised at the end of each period and it is reduced if it is no longer probable that there will be sufficient taxable income to take advantage of some or all of the deferred tax assets. Conversely, write-downs are reversed if it becomes probable that taxable income will be sufficient.

Deferred tax assets and liabilities can offset each other only if the subsidiaries concerned have an enforceable right to use deferred tax assets to offset deferred tax liabilities and when these pertain to corporate income tax levied simultaneously by the same tax authority.

Deferred tax assets and liabilities are not discounted to their present value.

2.29. EARNINGS PER SHARE

The Group reports basic earnings per share and fully diluted earnings per share. Basic earnings per share correspond to the Group's net income divided by the weighted average number of shares outstanding during the year, net of treasury shares, if any. Diluted earnings are calculated by dividing the Group's adjusted income by the weighted average number of shares outstanding, plus all potentially dilutive common shares. Potentially dilutive common shares include those to be issued in consideration for the exercise of stock options or warrants and the conversion of convertible bonds issued by the Group.

NOTE 3 - GOODWILL

3.1. CHANGES DURING THE PERIOD

Goodwill is recognized in the currency of the acquired entity, as prescribed by IAS 21. It results from a business combination and, upon the acquisition, it is attributed to the corresponding cash generating unit (CGU).
Cash generated by ordinary business is mostly independent from cash generated by other assets or groups of assets. The table below shows changes in goodwill for the period:

(€ millions)	Total
March 31, 2005	**248.5**
Changes in consolidation	(1.3)
Increase	3.2
Impairments for the year	(125.3)
Disposals for the year	(8.8)
Foreign-exchange gains (losses)	13.4
Other changes	(0.7)
March 31, 2006	**129.0**
Changes in consolidation	-
Increase	-
Impairments for the year (see Note 3.3)	(17.3)
Allocations to discontinued operations sold during the period (see note 1.2)	(16.3)
Foreign-exchange gains (losses)	(6.4)
Other changes	-
March 31, 2007	**89.0**

3.2. GOODWILL BY CASH GENERATING UNIT

In accordance with the accounting principles referred to under 2.12, the Group has allocated goodwill on its books to cash generating units. The CGUs represent business divisions and are separate from legal entities. Net goodwill per CGU is as follows:

(€ millions)	Development/Publishing	Distribution US region	Distribution Europe region	Distribution Asia region	Total
3/31/2007	41.6	-	37.3	10.1	89.0
3/31/2006	60.6	20.4	37.8	10.1	128.9

Other intangible assets with an undetermined useful life are included in the Publishing CGU. Their value, verified through goodwill impairment tests amounted to 16,0 million euros on March 31, 2007 and 18,0 million euros on March 31, 2006.

3.3. IMPAIRMENT TEST

Under IFRS 3 on business combinations, goodwill is not amortized and must undergo impairment tests at least once a year, or more frequently if events or circumstances point to a potential loss of value. Tests are performed in March of every year, in connection with the preparation of the Group's financial statements for each fiscal year. If the recoverable value of a CGU is less than its book value, an impairment is recognized in operating income under "Impairment of goodwill".

The method used consists essentially in comparing the recoverable value of each of the Group's cash generating units to the book value of the corresponding assets. On March 31, 2007, recoverable values corresponded to the assets' value in use and were generally calculated on the basis of future operating cash flows over the next three years, the present value of projected cash flows over the subsequent two years and a residual value.

The main assumptions used by management to project future cash flows are based on the discount rate, growth rate, expected trends in prices and operating costs. The principal factors used for the calculations were as follows:

	3/31/2007		3/31/2006	
	Discount rate	Perpetuity growth rate	Discount rate	Perpetuity growth rate
Cash generating units	14.00%	3.00%	14.00%	3.00%

(*)Discount rates for fiscal 2005-2006 above were used to calculate present value after tax. They differ from those shown in last year's consolidated financial statements as they have been adjusted to be consistent with those of fiscal 2006-2007.

Management has set the discount rate on the basis of the weighted average cost of capital, reflecting the market's current assessment of the time value of money and the specific risks to which the various cash generating units are exposed. Discount rates are applied to cash flows net of tax. They yield the same present value as would be obtained by applying tax-inclusive discount rates to tax-inclusive cash flows, as prescribed by IAS 36.

The Group has prepared cash-flow projections on the basis of the 2007-2008 budget and the business plan. Growth-rate assumptions in the business plan reflect management's best estimates and are based, *inter alia*, on the expectation that business will start expanding again. The perpetuity growth rate used to calculate end values is based on a long-term growth rate that is below the anticipated long-term growth rate of the video-game sector as a whole.

The poor performance of the distribution entity in the United States during the period caused the Group to recognize an impairment of 17.3 million euros of the US Distribution CGU's goodwill for the fiscal year ended March 31, 2007; there is accordingly no more goodwill associated with that CGU.

On March 31, 2007, the sensitivity of recoverable values to a one-point change in the discount rate of the perpetuity growth rate was as follows:

(€ millions)	Excess of recoverable value over book value	Impact of a one-point change in			
		The discount rate		The perpetuity growth rate	
		+1 pt.	-1 pt.	+1 pt.	-1 pt.
Development/Publishing	31.0	(13.2)	15.9	12.1	(10.0)
Distribution US region	-	-	1.3	1.0	-
Distribution Europe region	52.8	(11.0)	13.5	11.1	(9.2)
Distribution Asia region	4.7	(1.8)	2.1	1.7	(1.5)

NOTE 4 - INTANGIBLE ASSETS

The table below shows intangible assets on March 31, 2007:

(€ millions)	R&D	Trademarks	Catalogs	Licenses	Software	Other	Total
Gross value							
4/1/2006	**112.5**	**18.0**	**4.5**	**48.9**	**47.6**	**0.1**	**231.6**
Changes in consolidation	-	-	-	-	-	-	-
Acquisitions / additions	18.9	-	-	9.5	1.0	2.0	31.4
Sales / disposals	(12.0)	(0.4)	-		(0.7)	(1.6)	(14.7)
Other changes	(41.1)	(1.6)	(0.4)	0.6	(2.2)	(0.1)	(44.8)
3/31/2007	**78.3**	**16.0**	**4.1**	**59.0**	**45.7**	**0.4**	**203.5**
Impairments and provision allowances							
4/1/2006	**(72.3)**	**-**	**(4.5)**	**(20.9)**	**(43.2)**	**-**	**(140.9)**
Changes in consolidation	-	-	-	-	-	-	-
Allowances	(30.4)	-	-	(12.9)	(2.1)	-	(45.4)
Reversals	4.4	-	-	-	0.5	-	4.9
Other changes	38.9	-	0.4	(1.5)	2.0	-	39.8
3/31/2007	**(59.4)**	**-**	**(4.1)**	**(35.3)**	**(42.8)**	**-**	**(141.6)**
Net value							**-**
4/1/2006	**40.2**	**18.0**	**-**	**28.0**	**4.4**	**0.1**	**90.7**
Changes in consolidation	-	-	-	-	-	-	-
Acquisitions / allowances	(11.5)	-	-	(3.4)	(1.1)	2.0	(14.0)
Disposals / revaluations	(7.6)	(0.4)	-	-	(0.2)	(1.6)	(9.8)
Other changes	(2.2)	(1.6)	-	(0.9)	(0.2)	(0.1)	(5.0)
3/31/2007	**18.9**	**16.0**	**-**	**23.7**	**2.9**	**0.4**	**61.9**

Increases in research and development expenditures in the year ended March 31, 2007 reflected primarily:

- the capitalization of 11.5 million euros of in-house development expenditures subsequent to the completion of pre-production;
- the capitalization of the cost of development outsourced by the Group, for € 7.4 million.

As of March 31, 2007, research and development in progress was valued at € 13.0 million (€ 9.1 million for in-house development and € 3,9 million for outsourced development) compared with € 27.6 million last year.

Disposals for the year ended March 31, 2007 correspond to the write-off of in-house development of discontinued operations (3.7 million euros) and the sale of the Stuntman license (3.9 million euros). Changes in columns other than R&D represent primarily foreign-exchange gains and losses, scrapped assets and reclassifications.

Amortization and valuation allowances on intangible assets reported in the Group's consolidated income statement amounted to € 45.4 million for the twelve-month period ended March 31, 2007 compared with € 54.9 million on March 31, 2006.
Since April 1, 2005, as prescribed by IAS 38, the Group capitalizes all in-house development expenses incurred after the end of the pre-production stage (when the technical feasibility is certain).

The table below shows the impact of this new practice:

(€ millions)	3/31/2007	3/31/2006
Capitalized development costs - continued operations	1.,5	19.4
Amortization expenses - continued operations	(9.8)	(4.2)
Impact of change in estimate	1.7	15.2

The table below shows changes in intangible assets during the fiscal year to March 31, 2006:

(€ millions)	R&D	Trademarks	Catalogs	Licenses	Software	Other	Total
Gross value							
4/1/2005	**88.2**	**16.5**	**4.2**	**30.7**	**56.2**	**0.4**	**196.2**
Changes in consolidation	-	-	-	-	-	-	-
Acquisitions / additions	57.5	-	-	24.4	2.5	-	84.4
Sales / Disposals	(6.6)	-	-	(2.1)	(0.4)	-	(9.1)
Other changes	(26.6)	1.5	0.3	(4.1)	(10.7)	(0.3)	(39.9)
3/31/2006	**112.5**	**18.0**	**4.5**	**48.9**	**47.6**	**0.1**	**231.6**
Impairment and provision allowances							
4/1/2005	**(58.8)**	**-**	**(4.2)**	**(15.2)**	**(51.1)**	**(0.1)**	**(129.4)**
Changes in consolidation	-	-	-	-	-	-	-
Allowances	(42.3)	-	-	(8.7)	(3.9)	-	(54.9)
Reversals	-	-	-	0.6	0.4	-	1.0
Other changes	28.8	-	(0.3)	2.4	11.4	0.1	42.4
3/31/2006	**(72.3)**	**-**	**(4.5)**	**(20.9)**	**(43.2)**	**-**	**(140.9)**
Net value							**-**
4/1/2005	**29.4**	**16.5**	**-**	**15.5**	**5.1**	**0.3**	**66.8**
Changes in consolidation	-	-	-	-	-	-	-
Acquisitions / allowances	15.2	-	-	15.7	(1.4)	-	29.5
Disposals / revaluations	(6.6)	-	-	(1.5)	-	-	(8.1)
Other changes	2.2	1.5	-	(1.7)	0.7	(0.2)	2.5
3/31/2006	**40.2**	**18.0**	**-**	**28.0**	**4.4**	**0.1**	**90.7**

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

The table below shows changes in property, plant and equipment for the year:

(€ millions)	Property, Plant and Equipment				Total
	Land	Buildings	Computer hardware	Other equipment, furniture and improvements	
Gross value					
4/1/2006	**0.5**	**11.7**	**16.7**	**12.2**	**41.1**
Changes in consolidation	-	-	-	-	-
Acquisitions / additions	-	0.8	0.7	0.7	2.2
Sales / disposals	-	(1.9)	(5.0)	(4.0)	(10.9)
Other changes	(0.1)	(1.0)	(2.0)	1.4	(1.7)
3/31/2007	**0.4**	**9.6**	**10.4**	**10.3**	**30.7**
Amortization					
4/1/2006	**-**	**(6.0)**	**(14.9)**	**(8.9)**	**(29.8)**
Changes in consolidation	-	-	-	-	-
Allowances	-	(2.2)	(0.9)	(1.3)	(4.4)
Reversals	-	1.3	4.7	3.5	9.5
Other changes	-	0.6	1.7	(1.3)	1.0
3/31/2007	**-**	**(6.3)**	**(9.4)**	**(8.0)**	**(23.7)**
Net value					
4/1/2006	**0.5**	**5.7**	**1.8**	**3.3**	**11.3**
Changes in consolidation	-	-	-	-	-
Acquisitions / allowances	-	(1.4)	(0.2)	(0.6)	(2.2)
Disposals / revaluations	-	(0.6)	(0.3)	(0.5)	(1.4)
Other changes	(0.1)	(0.4)	(0.3)	0.1	(0.7)
3/31/2007	**0.4**	**3.3**	**1.0**	**2.3**	**7.0**

Depreciation allowances on property and equipment reported in the Group's consolidated income statement amounted to € 4.4 million for the twelve-month period ended March 31, 2007, compared with € 4.1 million for the 12 months ended March 31, 2006.

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

The table below shows changes in property, plant and equipment for the year:

(€ millions)	Property, Plant and Equipment				Total
	Land	Buildings	Computer hardware	Other equipment, furniture and improvements	
Gross value					
4/1/2005	**0.5**	**12.4**	**24.2**	**13.7**	**50.8**
Changes in consolidation	-	-	-	-	-
Acquisitions / additions	-	0.2	0.8	0.9	1.9
Sales / disposals	-	(1.7)	(8.4)	(2.7)	(12.8)
Other changes	-	0.8	0.1	0.3	1.2
3/31/2006	**0.5**	**11.7**	**16.7**	**12.2**	**41.1**
Amortization					
4/1/2005	**-**	**(5.5)**	**(21.0)**	**(10.2)**	**(36.7)**
Changes in consolidation	-	-	-	-	-
Allowances	-	(1.1)	(1.6)	(1.4)	(4.1)
Reversals	-	0.9	8.3	2.4	11.6
Other changes	-	(0.3)	(0.6)	0.3	(0.6)
3/31/2006	**-**	**(6.0)**	**(14.9)**	**(8.9)**	**(29.8)**
Net value					
4/1/2005	**0.5**	**6.9**	**3.2**	**3.5**	**14.1**
Changes in consolidation	-	-	-	-	-
Acquisitions / allowances	-	(0.9)	(0.8)	(0.5)	(2.2)
Disposals / revaluations	-	(0.8)	(0.1)	(0.3)	(1.2)
Other changes	-	0.5	(0.5)	0.6	0.6
3/31/2006	**0.5**	**5.7**	**1.8**	**3.3**	**11.3**

NOTE 6 - FINANCIAL ASSETS

The table below shows a summary of financial assets:

(€ millions)	Interests in non-controlled entities	Interests in associated entities	Deposits	Loans	Total
March 31, 2006					
Gross value	1.1	0.6	1.8	2.0	5.5
Impairment	(1.1)	-	-	(1.2)	(2.3)
Net value on March 31, 2006	**-**	**0.6**	**1.8**	**0.8**	**3.2**
Increase		(0.1)	1.8		1.7
Disposals			(0.5)	(0.2)	(0.7)
Impairment				(0.5)	(0.5)
Foreign-exchange gains (losses)			(0.1)		(0.1)
Share of income of associated entities		(0.5)			(0.5)
Net value on March 31, 2007	**-**	**-**	**3.0**	**0.1**	**3.1**
March 31, 2007					
Gross value	1.1	-	3.0	1.8	5.9
Impairment	(1.1)	-	-	(1.7)	(2.8)
Net value on March 31, 2007	**-**	**-**	**3.0**	**0.1**	**3.1**

NOTE 7 - INVENTORIES

Inventories consist of the following:

(€ millions)	3/31/2007	3/31/2006
Finished products	31.9	40.5
Raw materials and supplies	-	-
Gross value	31.9	40.5
Provisions for obsolescence reserves	(3.9)	(4.7)
Net value	28.0	35.8

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

(€ millions)	3/31/2007	3/31/2006
Balance at period's start	4.7	3.9
Additions	11.5	12.5
Cancellations	(11.6)	(10.0)
Other changes	(0.7)	(1.7)
Balance at year's end	3.9	4.7

NOTE 8 - TRADE RECEIVABLES

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

(€ millions)	3/31/2007	3/31/2006
Gross value	75.2	66.7
Provisions for bad debts	(14.7)	(17.1)
Net value	60.5	49.6

As of March 31, 2007, no single customer accounted for more than 7% of trade receivables outstanding. On March 31, 2006, no customer accounted for more than 14% of receivables.

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

(€ millions)	3/31/2007	3/31/2006
Balance at period's start	17.1	14.8
Additions	0.9	2.7
Cancellations	(2.4)	(0.7)
Impact of exchange rates	(0.9)	0.3
Balance at year's end	14.7	17.1

As prescribed by IFRS (IAS 39), trade receivables assigned under a factoring agreement where the risk of default is not transferred must be included in trade receivables and a corresponding debt must be recognized. On March 31, 2007, receivables with a nominal value of € 10.7 million had been assigned compared with € 6.4 million last year.

NOTE 9 - OTHER CURRENT ASSETS

Other assets consist of the following:

(€ millions)	3/31/2007	3/31/2006
Receivables from employees and the government	5.2	7.5
Prepaid expenses	3.7	7.6
Other	1.7	2.2
Other current assets	**10.6**	**17.3**

The decline in the value of “other current assets” in 2006-2007 was primarily accounted for by an increase in prepaid expenses at Atari Inc., resulting from the reduction in its business.

NOTE 10 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash-flow statement include cash (cash on hand and demand deposits) and cash equivalents (high-liquidity short-term investments, readily convertible into a known sum of cash, not exposed to a material risk of change in value).

On March 31, 2007, there were no restricted-access cash balances, compared with 5.6 million euros last year.

NOTE 11 -SHAREHOLDERS' EQUITY

11.1. CAPITAL STOCK

▪ COMMON STOCK

As of March 31, 2007, the Company had 1,232,599, 421 common shares outstanding, fully paid up, with a par value of € 0.01 each (189,726,158 shares with a par value of € 0.6098 each on March 31, 2006).
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 the shareholders. All paid-up shares held in registered form by the same shareholder 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 the Company’s shareholders that dividends be distributed for up to the amount of the Company's distributable earnings. Decisions regarding dividends are made by the Company's shareholders at their Annual Meeting. The Group distributed no dividends for the past three fiscal years.
The table below shows changes in shares outstanding over the past two fiscal years:

(number of shares)	3/31/2007	3/31/2006
Shares outstanding at the start of the year	189,726,158	183,496,508
Share issues	1,042,873,263	6,229,650
Exercised stock options	-	-
Change in treasury shares	-	-
Shares outstanding at the end of the year	1,232,599,421	189,726,158

Equity issues in the period to March 31, 2006 correspond primarily to the acquisition of Humongous.

Shares were issued in the period to March 31, 2007 as follows:

- Creation of 493,287,990 new shares in connection with the offering of January 24, 2007 (see note 1.1)
- Creation of 524,898,656 new shares in connection with the exchange tender offer for the OCEANE 2003-2009 bonds (see note 1.1)
- Exercise of 24,686,617 stock warrants in connection with the financial restructuring and creation of an equivalent number of shares (see note 1.1)

11.2. TREASURY SHARES

As of March 31, 2007 and March 31, 2006, neither the Company nor any of its subsidiaries held any of the Company’s shares.
The shareholders' meeting of October 12, 2006 granted authority to the Board of Directors, which may further delegate such authority, to implement a program to buy back up to 10% of the Company's shares outstanding. The Board had not made use of this authority as of March 31, 2007.

11.3. SHARE SUBSCRIPTION WARRANTS

At its meeting of December 19, 2006, the Company’s board of directors decided to distribute 47,431,539 stock subscription warrants to the Company’s shareholders (the “Shareholder Warrants”) on the basis of one warrant for each four shares held on December 21, 2006, entitling their holders to subscribe for new Infogrames Entertainment shares at a price of € 0.15 each. A total of 24,686,617 warrants were exercised during the year ended March 31, 2007.

The special shareholders' meeting of November 15, 2006 resolved (in resolution 17), subject to the condition precedent of the completion of the equity issue of 74.0 million euros, before expenses, to distribute 217,900,000 stock subscription warrants to the former bondholders (the "Investor Warrants"), namely Boussard & Gavaudan Asset Management LP (36,300,000 warrants) and GLG Partners LP and The BlueBay Value Recovery Fund (181,600,000 warrants). Each warrant entitles its holder to subscribe for one new share at a price of € 0.15 each. The warrants were effectively granted on January 26, 2007.

As of March 31, 2007, a total 240,644,922 warrants remained outstanding and could be exercised at any time until December 31, 2009.

11.4. INFOGRAMES ENTERTAINMENT SA STOCK OPTION PLAN

Authority has been granted to the Board of Directors, until January 18, 2008, 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 the number allowed under article L 225-182 of the Commercial Code. 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 periods of up to eight years. No options may be granted to Group officers, directors, or employees who already own more than 10% of Infogrames Entertainment SA common stock.

11.5. BASIC EARNINGS PER SHARE AND FULLY DILUTED EARNINGS PER SHARE

The table below reconciles basic earnings per share with fully diluted earnings per share:

In euros	Net gain (loss)	Average number of shares outstanding	Earnings per share
2006 - 2007			
Basic earnings per share	-103.1	303,975,419	-0.34
Dilutive impact of stock options	-	-	-
Dilutive impact of OCEANE bonds	-	-	-
Fully diluted earnings per share	**-103.1**	**303,975,419**	**-0.34**
2005 - 2006			
Basic earnings per share	-149.8	187,268,432	-0.80
Dilutive impact of stock options	-	-	-
Dilutive impact of OCEANE bonds	-	-	-
Fully diluted earnings per share	**-149.8**	**187,268,432**	**-0.80**

Convertible instruments, stock options and stock warrants are not taken into account when calculating fully diluted earnings for fiscal 2005-2006 and 2006-2007, as their impact is anti-dilutive.

NOTE 12 - PROVISIONS FOR CURRENT AND NON-CURRENT CONTINGENCIES AND LOSSES

12.1. CHANGES IN PROVISIONS

(€ millions)	Restructuring charges	Pension liabilities	Other changes	Total
March 31, 2006				
Current	5.1	-	0.9	6.0
Non-current	-	0.3	-	0.3
Provisions on March 31, 2006	**5.1**	**0.3**	**0.9**	**6.3**
Changes in the period				
Increase	1.6	-	1.8	3.4
Reversals	-	(0.2)	-	(0.2)
Cancellations (uses)	(5.2)	-	(0.7)	(5.9)
Changes in consolidation	-	-	-	-
Other changes	-	0.3	0.4	0.7
Foreign-exchange gains (losses)	(0.1)	-	-	(0.1)
Provisions on March 31, 2007	**1.4**	**0.4**	**2.4**	**4.2**
March 31, 2006				
Current	1.4	-	2.4	3.8
Non-current	-	0.4	-	0.4
Provisions on March 31, 2007	**1.4**	**0.4**	**2.4**	**4.2**

On March 31, 2007 and on March 31, 2006, the provision for restructuring charges consisted of:

(€ millions)	3/31/2007	3/31/2006
Payroll expenses	0.3	1.5
Rent on unused premises	0.9	2.9
Other	0.2	0.7
Total	1.4	5.1

On March 31, 2007, other contingency and loss provisions consisted primarily of various provisions for litigation.

12.2. POST-EMPLOYMENT BENEFITS

Post-employment benefits are recognized in the financial statements as follows:

(€ millions)	3/31/2007	3/31/2006
Pension liabilities	0.4	0.3
Other employee benefits	-	-
Total	**0.4**	**0.3**
Payable in more than five years	0.4	0.3

The low totals are explained by the fact that most post-employment benefits are provided by defined contribution plans or, if by defined benefit plans, those are group plans for multiple employers. In addition, even in the case of defined contribution plans, the personnel turnover is high and the Company's obligations remain marginal.

Actuarial assumptions are made by the Company for each country to reflect their specific nature. Those used in France are summarized below:

	3/31/2007	3/31/2006
Assumptions		
Discount rate	4.1%	4.1%
Annual pay increases	4.0%	4.0%

The discount rate is calculated by reference to the interest rate on 20 year government bonds.

12.3. RESTRUCTURING CHARGES

Changes in the provision for restructuring charges as set forth in note 12.1 reflect plans started during the period and those completed.

NOTE 13-DEBT

13.1. DEBT BY TYPE

The Group's debt can be broken down as shown in the following table:

(€ millions)	OCEANE 2011	OCEANE 2020	2006/2008 Notes	Production funds	Other debts and borrowings	Bank overdrafts	Total
Current	-	-	21.9	12.5	18.1	4.9	57.4
Non-current	5.3	99.7	10.5	14.2	28.7	-	158.4
Debt on March 31, 2006	**5.3**	**99.7**	**32.4**	**26.7**	**46.8**	**4.9**	**215.8**
Changes in the period							
Increase	-	-	-	2.7	35.3	0.5	38.5
Repayments	-	-	(33.7)	(14.2)	(21.1)	-	(69.0)
Application of IAS 32 - 39	-	7.4	1.3	1.9	1.9	-	12.5
Exchange tender offer	-	(106.5)	-	-	(2.4)	-	(108.9)
Changes in consolidation	-	-	-	-	-	-	-
Other changes	-	-	-	-	0.4	(2.2)	(1.8)
Foreign-exchange gains (losses)	-	-	-	-	-	-	-
Debt on March 31, 2007	**5.3**	**0.6**	**-**	**17.1**	**60.9**	**3.2**	**87.1**
Current	-	-	-	15.0	56.4	3.2	74.6
Non-current	5.3	0.6	-	2.1	4.5	-	12.5
Debt on March 31, 2007	**5.3**	**0.6**	**-**	**17.1**	**60.9**	**3.2**	**87.1**

The principal changes during the period were:

- the repayment of all 2006-2008 Notes in connection with the equity issue of 74.0 million euros (before expenses) of January 24, 2007 (see note 1.1);
- repayments of 14.2 million euros to production funds;
- the cancellation of 108.9 million euros in OCEANE 2020 bond debt following the exchange tender offer of March 16, 2007
- the extension of a new credit facility of 20.7 million euros by Bank of America on March 31, 2007
- a net reduction in other debts of 6.6 million euros.

On March 31, 2007 other debts totaled 60.9 million euros and consisted of the following:

- a debt of 46.3 million euros to Bank of America, which has become the Group's principal bank;
- a leaseback debt of 5.3 million euros
- a factoring debt of 3.7 million euros
- other short-term debts of 5.6 millions euros, including accrued interest of 3.6 million euros.

OCEANE 2011

On May 18, 2000, the Company issued 8,941,517 convertible bonds (the "OCEANE 2000-2005") with a face value of € 39.0, 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, which originally matured on July 1, 2005, carry interest at 1.5% a year (for a yield of 4.75%, including the redemption premium). Each could initially be converted immediately into 1 Infogrames Entertainment common share; that conversion ratio was increased to 1.05 common shares in January 2002 to take into account the distribution of bonus shares on that date. The Company 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.

Two successive offers were made to exchange these OCEANE bonds:

- The Company issued a simplified tender offer, which was in effect from November 11 to December 1, 2003, to buy back the OCEANE 2000-2005 in exchange for 1.05 new Company shares and 5 bonds convertible into new shares or exchangeable for existing shares of the Company (the OCEANE 2003-2009) with an attached warrant for new Company shares. On December 19, 2003, the AMF issued notice no. 203C2191 in which it stated that 2,191,180 OCEANE 2000-2005 bonds had been tendered under the offer.

On March 4, 2005, the meeting of OCEANE 2000-2005 bondholders approved the following amendments to the bonds' indenture:

- the bonds' maturity date was moved to July 1, 2011;
- cancellation of the redemption premium and redemption at par (or € 39.0 per bond);
- increase of the conversion ratio to 10.5 shares of Infogrames Entertainment common stock for each bond.

The Company issued a simplified tender offer, which was in effect from March 9 to 31, 2005, to buy back the OCEANE 2000-2005 in exchange for € 11.20 in cash, 10 new Company shares and 1 Company note (the 2006-2008 Notes). On April 7, 2005, the AMF issued notice no. 205C0605 reporting that 2,403,772 OCEANE 2000-2005 had been tendered under the offer, leaving 135,031 OCEANE 2011 bonds outstanding on March 31, 2005.

The conversion or exchange ratio was increased to 21.524 shares per OCEANE 2011 bond following the rights offering of January 2007, then to 24.718 shares per OCEANE 2011 bond following the distribution of bonus warrants to all shareholders.

As of March 31, 2006 and 2007, there were a total of 135,031 OCEANE 2011 still outstanding, which could be converted into or exchanged for 3,337,754 Infogrames Entertainment shares; the Company did not hold any of its own OCEANE 2011 bonds on March 31, 2006 and 2007.

OCEANE 2003-2009 BONDS, NOW OCEANE 2003-2020 BONDS

On December 23, 2003, the Company issued 16,487,489 convertible bonds (the "OCEANE 2020") with a face value of € 7, exchangeable for new or existing common stock, for an aggregate of € 124.30 million (inclusive of aggregate premiums of approximately € 8.89 million). The bonds mature on April 1, 2009 and carry interest at 4% (for a yield to maturity of 5.31%, including premiums). They were originally convertible immediately by their holders into 1 Infogrames Entertainment share; that conversion ratio was increased to 1.02 common shares in December 2004 to take into account the distribution of bonus stock warrants on that date. The Company 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 November 6, 2003 under No. 03-971.

As prescribed by IAS 32, the OCEANE 2020 bond debt was recognized on April 1, 2005 as a composite instrument, divided into:

- a financial liability, for the bond portion, similar to a normal debt;
- the option to convert for a set number of common shares, which is an equity instrument.

Pursuant to the application of IAS 32 and IAS 39, the effective interest rate on the Notes was 11.94%.

On September 29, 2006, the meeting of OCEANE 2003-2009 bondholders amended their terms and conditions as follows:

- the bonds' maturity was rescheduled from April 1, 2009 to April 1, 2020;
- the OCEANE bond holders would no longer be able to convert their bonds into new for Infogrames Entertainment shares or exchange them for existing shares after April 1, 2009;
- the nominal interest rate was reduced from 4% to 0,1%;
- the event-of-default clause 2.5.10 of the bonds' indenture was deleted.

These amendments were subject to the following conditions precedent, all of which were satisfied prior to the end of fiscal 2006-2007:

- the approval by the special shareholders' meeting of the changes in the terms and conditions of the OCEANE bonds;
- the completion of an equity issue of at least 33.7 million euros on or before February 15, 2007;
- a simplified exchange tender offer for the OCEANE 2020 no later than April 30, 2007 and the tendering of 60% or more of the OCEANE 2020 outstanding.

The principal holders of OCEANE 2020 bonds had agreed to tender all 11,185,659 OCEANE 2020 bonds they held, corresponding to 67.8% of those outstanding. They had also agreed to refrain from disposing of their bonds prior to April 30, 2007, other than under the tender offer.

The conversion or exchange ratio was increased to 2.091 shares per OCEANE 2003-2009 bond following the rights offering of January 2007, then to 2.401 shares per OCEANE 2003-2009 bond following the distribution of bonus warrants to all shareholders.

The Company issued a simplified tender offer, for which a registration statement was filed and approved the AMF on February 2, 2007 (notice no. 207CO246 of February 2, 2007) to buy back the OCEANE 2020, in exchange for 32 new Company shares. It was in effect from February 12 to March 9, 2007. On March 16, 2007, the AMF issued notice no. 207C0515 stating that 16,403,083 OCEANE 2020, or 99.5% of those outstanding, had been tendered under the offer.

As of March 31, 2007, there were a total of 84,406 OCEANE 2020 bonds outstanding redeemable or exchangeable for 202,658 Infogrames Entertainment shares, none of which were held by the Company. The OCEANE 2020 bonds not tendered under the offer are henceforth redeemable in full on April 1, 2020 for € 7.539 each and carry interest at 0,1%.

▪ 2006-2008 NOTES

In connection with the simplified tender offer, the registration statement of which was approved by the AMF under number 05-130 on March 4, 2005, the Company issued 2,403,772 notes (the " 2006-2008 Notes") with a face value of € 14 each, for a total of € 33.7 million in principal. The notes, which carried interest at 6% per annum (for a yield to maturity of 6.52%), were redeemable in three installments of equal fractions of the Notes' face value as follows: € 4.66 on March 15, 2006; € 4.67 on March 15, 2007 and € 4.67 on March 15, 2008. The Notes were secured by a first pledge of Atari, Inc. shares (see above). The company could, at any time, prepay the portion still outstanding of the Notes in principal and accrued interest.

Pursuant to the application of IAS 32 and IAS 39, the effective interest rate on the Notes was 9.6%.

A meeting of note holders was held on March 28, 2006 and resolved to amend the terms and conditions of the 2006-2008 Notes so as to reschedule payment of the € 13.5-million first portion of the Notes' principal originally due March 15, 2006 to June 15, 2006, leaving the maturity dates of the second and third repayments unchanged at March 15, 2007 and March 15, 2008. The meeting also resolved to add capitalized interest at 9% per annum to the first portion of principal and interest originally due on March 15, 2006 , for the period from the meeting date to September 15, 2006. Sums repayable on March 15, 2007 and March 15, 2008 were not affected.

The 2006-2008 Note holders subsequently met on June 16, 2006 and September 29, 2006 and resolved to revise the terms and conditions of the Notes and to reschedule, first to September 15, 2006 and then to February 15, 2007, the repayment date of the first portion of the Notes' principal of € 11.2 million (before interest), as well as to amend the event-of-default clause.

As part of the refinancing of the Group's debt, the Company issued equity under a rights offering of € 74 million, in the form of 493,287,990 shares priced at € 0.15 each, on the basis of 26 new shares for each ten held (see note 1.1). The offering generated proceeds of 74.0 million euros, of which 35.5 million euros were used to repay all of the 2006-2008 Notes, including interest accrued thereon. A registration statement was filed for its financial transaction with the AMF and was approved on December 19, 2006 under *visa* no. 06-484.

As a result, the entire 2006-2008 Note debt had been extinguished on March 31, 2007.

▪ BANC OF AMERICA (BOA) CREDIT FACILITY

Infogrames Entertainment and its main European subsidiaries finalized a master agreement with Banc of America on April 13, 2006, (agreement on terms of March 28, 2006) aimed at refinancing the short and medium-term debt of the Company and its subsidiaries (not including Atari Inc.). The agreement, which was approved by the Lyon Commercial Court on April 14, 2006, as required by articles 611-8 to 611-11 of the Commercial Code, allows the Company to defer to March 31, 2008 the repayment of € 25.5 million in short and medium-term bank credit facilities that expired between December 15, 2005 and March 15, 2006.

The agreement further resulted in the extension of a one-year short-term credit facility for an initial amount of 20 million euros, that was increased to 45.0 million euros following the agreement of September 8, 2006, when its maturity was also moved from March 31, 2007 to December 31, 2008. Also pursuant to the agreement, a repayment of 10.0 million euros was made following the equity issue of 74.0 million euros by the Company on January 24, 2007; the short-term credit facility was thus reduced to 35.0 million euros, its repayment date of December 31, 2008 remaining unchanged. Drawdowns under the facility can be made in cash or in the form of letters of credit or standby loans to finance the operation of European subsidiaries. The Group retains the option of raising additional financing locally in Europe or Asia, secured by trade receivables for up to 30 million euros at peak periods, a ceiling that may be adjusted upward with the consent of the primary lender.

The short-term credit facility was extended to Atari Europe, Atari France and Atari Deutschland and is guaranteed by Infogrames Entertainment and Atari Europe. The agreement does not affect the borrowing capacity of Atari, Inc. and Atari Interactive, Inc.

The credit facility entails certain covenants by the Group concerning financial ratios pertaining to aggregate revenue, EBIT and operating cash flow. In the financial statements for March 31, 2007, the Group recognizes its entire debt as a short-term debt, as it has applied for a deferral of its reporting obligations pertaining to financial covenants. Under the relaunch plan, subsequent to the end of the fiscal year, the Group was permitted by its principal lender to redefine the financial covenants and was granted a waiver of prior reporting that it had failed to complete (see note 27).

In addition to security interests granted for existing loans, Infogrames Entertainment and its European and Australian subsidiaries have agreed to provide additional guarantees, primarily in the form of:

- a pledge of the shares of certain European subsidiaries and of Atari Interactive, Inc. as well as of title to certain games published by Atari Europe;
- a pledge of receivables from other Group entities.
- first-demand guarantees by Atari Europe and Infogrames Entertainment.

The new agreement replaces and supersedes previous ones, as all creditor banks have transferred their receivables to the new lender under the agreement.

The table below shows the impact of the credit facility on March 31, 2007:

(€ millions)	3/31/2007
Short- and medium-term credit facility (historical)	26.2
New credit facility (cash)	20.1
New credit facility (standby)	13.8

GUGGENHEIM CREDIT FACILITY

On November 3, 2006, Atari, Inc. secured a new three-year, US$15-million guaranteed revolving credit facility from Guggenheim Corporate Funding LLC, secured by receivables and inventories and by all of the subsidiary's assets. Up to 10 million dollars can be drawn down under the facility in the form of letters of credit. The Company expects to use the funds provided by the facility to finance its current working capital as the need arises in the ordinary course of its business.

Interest on the sums drawn under the credit facility is either LIBOR + 5% or the higher of the US prime rate and the federal funds rate + 2.25%, at the borrower's option. Atari Inc. has also agreed to pay a commitment fee of 0.75% per annum on the unutilized portion of the facility, as well as a flat arrangement fee of US$0.2 million. The facility is contingent on the satisfaction of certain financial ratios (minimum EBITDA, cash, maximum net debt and capital expenditures); Atari Inc. was in default of its financial covenants on March 31, 2007 but was granted a waiver of compliance with the ratios by Guggenheim at the end of the year.

The credit facility was not being used as of March 31, 2007.

HSBC CREDIT FACILITY

Atari, Inc. obtained a revolving credit facility of up to US$ 50 million from HSBC Business Credit, Inc. under an agreement entered into on May 13, 2005 (and subsequently amended on August 9, 2005) to finance its capital needs and the company's working capital requirements. Drawdowns under the facility are determined on the basis of a percentage of Atari's eligible receivables and stocks at given seasonal peak times. Interest is at the overnight LIBOR plus 1.75 %, on loans with a maturity of 30 days or more. The company agreed to certain covenants under the revolving credit facility, including minimum EBITDA, net worth and working capital. Amounts outstanding under the facility are secured by security interests on virtually all of Atari Inc.'s current and future assets, including receivables, inventories, intangible assets, facilities and equipment.

On January 25, 2006, Atari, Inc. announced that it was in default of certain financial covenants required under the agreement and that HSBC had accordingly notified it that the facility would be unavailable until further notice. Atari, Inc. noted that it was not using the revolving credit facility at the time, except for a nominal amount of letters of credit that had been cash-collateralized, and announced that it was exploring ways to obtain new financing, including the potential licensing or sale of selected intellectual property rights and the sale or disposal. of development studios.

The facility expired on May 31, 2006, so that Atari Inc. had no obligation regarding it on March 31, 2007.

13.2. DEBT BY MATURITY

The Group's debt is as follows:

(€ millions) Year ended March 31, 2007:	Amount
Up to March 2008	(*) 74.6
Up to March 2009	3.1
Up to March 2010	1.0
Up to March 2011	1.1
Beyond	7.3
Total	**87.1**

(*) An agreement was secured subsequent to the end of the fiscal year modifying the financial covenants of the BoA credit facility, as well as waiving prior reporting on which the Company was in default, so that the maturity of a debt of 20.1 million euros again was set at December 31, 2008.

The € 74.6 million in debt maturing prior to March 31, 2008 consists primarily of the following:

- a short-term credit facility of 46.3 million euros;
- a current liability of € 15.0 million to a production fund;
- short-term operating credit facilities secured by trade receivables, under which € 1.6 million had been drawn as of March 31, 2007, as well as bank overdrafts of € 3.2 million;
- a debt of € 3.7 million from factoring arrangements where the Company remains liable in the event of default by customers.

13.3. DEBT BY CURRENCY

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

(€ millions)	3/31/2007	3/31/2006
European Monetary Union currencies	82.0	203.4
United States dollars	4.9	5.6
Other currencies	0.2	6.8
Total	**87.1**	**215.8**

13.4. GUARANTEES AND COVENANTS

▪ GUARANTEES

The Group has given a certain number of guarantees in connection with the facilities extended by BoA to the Company and its subsidiaries in Europe and Asia, including:

- pledges of trademarks and/or distribution rights to certain video games published by Atari Europe;
- pledges of the shares of Atari Europe, Atari France, Atari United Kingdom, Eden Games, Infogrames Entertainment GmbH, Atari Italia Spa, Atari Iberica SA, Atari Nordic AB, Atari Benelux BV, Atari Interactive Inc., Atari Asia Holdings Pty Ltd and Atari

Australia Pty Ltd.;

- pledges of intercompany receivables;
- first demand guarantees by Atari Europe and Infogrames Entertainment.

The Group has also guaranteed, in connection with the production fund, that California US Holding Inc. would keep Atari shares with a market value of € 14 million free of liens and encumbrances, for as long as the Group has not fulfilled all of its obligations to the production fund.

As of March 31, 2007, CUSH shares held by the Group were not pledged.

COVENANTS

The covenants entered into in connection with short-term credit facilities or similar arrangements outside France depend on the manner in which those lines of credit operate. They involve assigning or providing a portfolio of trade receivables as a guarantee for loans and using all proceeds from the settlement of such receivables to repay the loans, with the company being entitled to further draw down on the facility if it assigns additional receivables or provides them as guarantees. Accordingly, the covenants have to do mainly with the manner in which the facility operates (use of specific settlement accounts opened for the purpose of the facility; cross-guarantee by the parent company; cancellation of the facility in the event of default or failure to disclose financial information to the bank; etc.).

The table below summarizes the event of default and financial ratio clauses governing the Group's debt on March 31, 2007:

Nature of debt	Amount, in millions, as of March 31, 2007	Event of default clauses / financial ratios
Bond debt		
OCEANE 2011	5.3	The OCEANE 2011 are not subject to any accelerated maturity clause based on financial ratios.
OCEANE 2020	0.6	The OCEANE are not subject to any accelerated maturity clause based on financial ratios. The bondholders' meeting of September 29, 2006 resolved (in resolution 1) to delete the entire event-of-default provisions (clause 2.5.10 of the indenture). The bonds' indenture provides that the rank of the bond debt must remain unchanged and bars Infogrames Entertainment SA from using its real estate properties and rights as collateral, or from pledging its business as security, without the holders of OCEANE 2020 bonds being granted *pari passu* rights. This obligation only pertains to bond issues and does not restrict Infogrames Entertainment SA's right to grant security interests on its assets in other circumstances. Detailed information regarding these and other terms and conditions of the OCEANE 2020 (amended by the note holders' meeting of September 29, 2006, the minutes of which are accessible on Company's website at www.atari.com) is contained in the circular approved by the COB on November 6, 2003 (visa no. 03-971), which interested parties may download from the Company's website at www.atari.com or request from its principal office.
Other debts and borrowings		
BoA facility	46.3 (excl. interest)	Infogrames Entertainment and its principal European subsidiaries have access to a short-term credit facility of € 35 million, under an overall refinancing agreement for the entire short- and medium-term debt of the Company and its subsidiaries (other than Atari Inc.) under agreements dated April 13 and September 8, 2006 with Banc of America Securities Ltd. Under the same agreement, Infogrames Entertainment and Atari Europe have access to medium-term financing of 26.2 million euros. All of the foregoing facilities have the same guarantees and event-of-default clauses. The lending bank may accelerate the maturity of the short- and medium-term facilities, *inter alia* in the event of the following: • Early redemption of the OCEANE 2020 or OCEANE 2011 bonds other than in exchange for new securities; • Sales of assets by the Group or new financing, in which case 50% of the proceeds from the sale of any assets (other than those held by California U.S. Holdings or Atari, Inc. and its subsidiaries)

Nature of debt	Amount, in millions, as of March 31, 2007	Event of default clauses / financial ratios
		or from new financing obtained (other than financing obtained by California US Holding or Atari, Inc.) must be used to repay sums outstanding in excess of € 30 million, which ceiling may possibly be raised with the lender's consent. • The Company must also provide evidence every quarter that it meets the financial ratios (in terms of revenue, EBIT and operating cash flow). These ratios were adjusted by an amendment on June 20, 2007 (see note 27 - "Events subsequent to the end of the fiscal year")
On behalf of European and Asian subsidiaries (Australia, Spain and Italy)	1.6	On short-term credit facilities backed by trade receivables and cross-guaranteed by the parent company.
Lease commitments	5.3	Leases do not contain clauses specifying financial ratios.
Receivables assigned with a recourse	3.7	No event of default based on financial ratios.
Atari, Inc.	No debt outstanding as of March 31, 2007	On November 2, 2006, Atari, Inc. was granted a US$15-million revolving credit line by Guggenheim Corporate Funding, LLC. The facility is i) secured by guarantees involving tangible and intangible assets (trade receivables, inventories, etc.), and ii) subject to event-of-default clauses that enable the lender to accelerate repayment, including in the following instances: - failure to pay principal, interest or other sums owed; - failure to meet certain financial ratios (EBITDA, cash, etc.); - failure by Atari to comply with its legal obligations, causing an impairment of its ability to provide new guarantees, obtain new loans, dispose of assets, pay dividends or make new capital expenditures; - change in control; - if insolvency or bankruptcy proceedings are initiated against Atari, Inc.. Atari Inc. was in default of some of the above covenants at the end of the fiscal year, but the subsidiary obtained a waiver on March 31, 2007.
Production funds	17.1	No event of default based on financial ratios. The repayment of sums owed under production funds may be accelerated if bankruptcy or liquidation proceedings are started against Atari Europe SAS.
Other debt, including overdrafts	7.2	This consists chiefly of accrued interest on notes, convertible bonds and other debt (other than cash advances).
Total	**87.1**	

13.5. INTEREST RATES (FIXED - FLOATING)

The table below shows the nature of the interest on the Group's debt:

(€ millions)	3/31/2007	3/31/2006
Floating rate	55.0	36.2
Fixed rate	32.1	179.6
Total	**87.1**	**215.8**

The average interest rate on the debt was 13.36% on March 31, 2007 (fixed rate: 8.8%; floating rate: 15.6%), compared with 9,29% on March 31, 2006 (fixed rate 10.2%; floating rate: 3.7%).

As of March 31, 2007, the fixed-rate debt consisted primarily of the OCEANE 2020 et 2011, debts to production funds and leaseback liabilities.

NOTE 14 - OTHER CURRENT AND NON-CURRENT LIABILITIES

Other liabilities consisted of the following:

(€ millions)	3/31/2007	3/31/2006
Hasbro guaranteed minimum	12.3	13.8
Other changes	0.8	1.2
Other non-current liabilities	**13.1**	**15,0**
Taxes and employee benefits payable	19.5	17.8
Fixed asset suppliers	-	0.5
Hasbro guaranteed minimum	1.4	2.6
Other	3.2	3.7
Other current liabilities	**24.1**	**24.6**

The guaranteed minimums represent commitments by the Group to Hasbro Inc. under the renegotiated agreements of May 2005.

NOTE 15 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(€ millions)	03/31/2007 carrying amount	03/31/2007 fair value
ASSETS		
Non-current financial assets	3.1	3.1
Trade receivables	60.5	60.5
Other receivables	39.9	39.9
Cash and Cash Equivalents	46.6	46.6
Total financial assets	**150.1**	**150.1**
LIABILITIES		
Other debt and liabilities	87.1	84.5
Trade payables	99.0	99.0
Other financial liabilities	28.3	28.3
Other current liabilities	**214.4**	**211.8**

The fair value of trade receivables, trade payables and other current receivables (assets held to maturity) is their book value, as they have short maturities.

Non-current financial assets consist essentially of deposits.

The fair value of the debt is measured at its market price in the case of notes and convertible bonds (as quoted on the closing date). Other financial liabilities are mainly taxes and employee benefits payable, which have short maturities.

NOTE 16 - SEGMENTAL REPORTING

Based on an analysis conducted by the Group, risk and profitability factors depend mainly on the countries where the Group operates and distributes products, and are otherwise the same for all Group products (manufacturing process, marketing strategy, distribution system).

Accordingly, segment reporting presents primary sales data by region without distinguishing among segments within the meaning of IAS 14, with the Group as a whole being considered to operate in the single market segment of "interactive games."

	3/31/2007				Other	Elimination	Total
	United States	Europe	Asia *	Corporate			
Revenue from ordinary Group business	13,8	21,2	2,0	11,8	-	(48,8)	-
Finished products	81,7	186,1	24,6	-	-	-	292,4
Licenses	9,5	3,2	0,2	-	-	-	12,9
Revenue from ordinary third-party business	91,2	189,3	24,8	-	-	-	305,3
Revenue from ordinary business	**105,0**	**210,5**	**26,8**	**11,8**	**-**	**(48,8)**	**305,3**
Current operating income (loss)	**(46,2)**	**10,6**	**(0,1)**	**(3,6)**	**-**		**(39,3)**
Sale of Hasbro license							**-**
Gains (losses) from sales of assets	2,5	(0,1)	-	0,3	-	-	**2,7**
Restructuring charges	(3,0)	(1,1)	-	(4,6)	-	-	**(8,7)**
Other operating revenue (expenses)	-	(0,2)	-	1,0	-	-	**0,8**
Impairment of Goodwill	(17,3)	-	-	-	-	-	**(17,3)**
Operating income (loss)	**(64,0)**	**9,2**	**(0,1)**	**(6,9)**	**-**		**(61,8)**
Net financial income **(loss)**	(6.1)	(9.6)	(0.1)	(7.8)	-	-	**(23.6)**
Gains on exchange tender offer	-	-	-	(18.7)	(0.2)	-	**(18.9)**
Corporate income tax	0.8	(1.1)	(0.1)	1.5	-	-	**1.1**
Share of income of equity entities	-	-	-	-	(0.5)	-	**(0.5)**
Net income (loss) from continued operations	(69.3)	(1.5)	(0.3)	(31.9)	(0.7)	-	**(103.7)**
Net income (loss) from discontinued operations	(4.8)	(1.3)	(2.7)	-	-	-	**(8.8)**
Consolidated net income (loss)	(74.1)	(2.8)	(3.0)	(31.9)	(0.7)	-	**(112.5)**
Minority interests	9.4	-	-	-	-	-	**9.4**
Net income (loss) after minority interests	**(64.7)**	**(2.8)**	**(3.0)**	**(31.9)**	**(0.7)**	**-**	**(103.1)**
Balance sheet							
Goodwill	49.4	34.2	5.4	-	-	-	**89.0**
Intangible assets	45.3	2.0	-	14.6	-	-	**61.9**
Other non-current assets	6.8	3.1	4.4	1.1	0.3	-	**15.7**
Current assets	17.5	75.4	5.4	2.1	-	-	**100.4**
Cash and cash equivalents	6.6	16.9	4.2	18.9	-	-	**46.6**
Total assets							**313.6**
Financial liabilities	4.9	75.1	0.1	7.0	-	-	**87.1**
Other non-current liabilities	0.8	0.4	-	12.3	-	-	**13.5**
Other current liabilities	43.0	65.8	4.4	14.6	-	-	**127.8**
Non-segment liabilities	-	-	-	-	-	-	**85.2**
Total liabilities and shareholders' equity							**313.6**

Other information							
Capital expenditures for the year							
Intangible assets	29.3	1.9	-	0.2			**31.4**
Property, plant and equipment	1.1	0.8	0.2	-			**2.1**
Financial investments	1.7	0.2	-	-			**1.9**
Amortization and depreciation allowances	(41.9)	(5.0)	(0.7)	(2.3)			**(49.9)**
Impairments recognized in income	(17.3)	**-**	**-**	**-**			**(17.3)**

(*) Australia is included in the Asian region

(**) As prescribed by IFRS 5 on discontinued operations, the relevant financial statements (Paradigm, Shiny, Reflections/Driver and Melbourne House) for the year ended March 31, 2006 have been restated to include the transactions pertaining to those assets on a separate line.

	3/31/2006				Other	Elimination	Total
	United States	Europe	Asia *	Corporate			
Revenue from ordinary Group business	17.2	21.7	4.7	12.2	-	-55.8	-
Finished products	147.4	173.4	31.9	-	-	-	352.7
Licenses	10.0	2.7	0.1	-	-	-	12.8
Revenue from ordinary third-party business	157.4	176.1	32.0	-	-	-	365.5
Revenue from ordinary business	**174.6**	**197.8**	**36.7**	**12.2**	**-**	**-55.8**	**365.5**
Current operating income	**-50.6**	**-0.9**	**0.3**	**-4.0**	**-**	**-**	**-55.2**
Sale of Hasbro license	-13.4	-	-	50.0	-	-	**36.6**
Gains (losses) from sales of assets	4.2	-	-	-	-	-	**4.2**
Restructuring charges	-9.9	-0.9	-	-2.4	-	-	**-13.2**
Impairment of Goodwill	-125.4	-	-	-	-	-	**-125.4**
Operating income (loss)	**-195.1**	**-1.8**	**0.3**	**43.6**	**-**	**-**	**-153.0**
Net financial income **(loss)**	-3.5	-5.0	0.1	-15.0	-	-	**-23.4**
Corporate income tax	0.4	-2.4	-0.4	0.9	-	-	**-1.5**
Share of income of equity entities	-	-	-	-	-0.1	-	**-0.1**
Net income (loss) from continued operations	-198.2	-9.2	-0.0	29.5	-0.1	-	**-178.0**
Net income (loss) from discontinued operations	-9.2	6.8	1.1	-	-	-	**-1.3**
Consolidated net income (loss)	-207.4	-2.4	1.1	29.5	-0.1	-	**-179.3**
Minority interests	29.5	-	-	-	-	-	**29.5**
Net income (loss) after minority interests	**-177.9**	**-2.4**	**1.1**	**29.5**	**-0.1**	**-**	**-149.8**
Balance sheet							
Goodwill	86.3	35.6	7.0	-	-	-	**128.9**
Intangible assets	69.8	4.5	-	16.4	-	-	**90,7**
Other non-current assets	9.0	2.9	5.9	2.4	0.6	-	**20.8**
Current assets	35.9	57.4	6.3	3.8	-	-	**103.4**
Cash and cash equivalents	14.4	21.8	6.3	0.1	-	-	**42.6**
Total assets							**386.4**
Financial liabilities	5.5	40.9	1.1	168.3	-	-	**215.8**
Other non-current liabilities	1.2	0.3	-	13.8	-	-	**15.3**
Other current liabilities	74.3	52.7	8.0	10.5	-	-	**145.5**
Non-segment liabilities							**9.8**
Total liabilities and shareholders' equity							**386.4**
Other information							
Capital expenditures for the year							
Intangible assets	64.2	3.4	-	0.5	**-**	**-**	**68.1**
Property, plant and equipment	0.8	0.6	0.2	-	**-**	**-**	**1.6**
Financial investments	-	-0.2	-	0.4	**-**	**-**	**0.2**
Amortization and depreciation allowances	-52.9	-6.1	-0.5	-0.5	**-**	**-**	**-60.0**
Impairments recognized in income	-125.4	**-**	**-**	**-**	**-**	**-**	**-125.4**

(*) Australia is included in the Asian region

(**) As prescribed by IFRS 5 on discontinued operations, the relevant financial statements (Paradigm, Shiny, Reflections/Driver and

Melbourne House) for the year ended March 31, 2006 have been restated to include the transactions pertaining to those assets on a separate line.

Revenue from ordinary business for each region in which the Group operates divides up similarly on the basis of the location of the Group's customers.

NOTE 17 - OPERATING EXPENSES

(€ millions)	03/31/2007	03/31/2006 (*)
Cost of goods sold	(179.3)	(220.0)
Research and development	(57.9)	(53.6)
Marketing and selling expenses	(58.2)	(82.9)
General and administrative expenses	(49.2)	(64.2)
Restructuring charges	(8.7)	(13.2)
Gains (losses) from sales of assets	2.7	40.8
Impairment of Goodwill	(17.3)	(125.4)
Other operating revenue (expenses)	0.8	-
Total net operating expenses	**(367.1)**	**(518.5)**

(*) As prescribed by IFRS 5 on discontinued operations, the relevant financial statements (Paradigm, Shiny, Reflections/Driver and Melbourne House) for the year ended March 31, 2006 have been restated to include the transactions pertaining to those assets on a separate line.

Research and development expenses comprise both the costs incurred by the Group's own studios for developments up to the feasibility stage and the amortization allowances on research and development expenditures capitalized as intangible assets. They also include the cost of localizing and testing products distributed.

Administrative expenses include all of the Group's structural costs (including those resulting from stock option plans).

Restructuring charges represent mainly costs incurred by the Group to significantly reduce its workforce. For the year ended March 31, 2007 most of those charges were incurred in the United States and consisted of the following:

(€ millions)	3/31/2007	3/31/2006
Number of employees	4.1	6.3
Unused office space	1.0	4.4
Assets	2.4	1.0
Other changes	1.2	1.5
Total	**8.7**	**13.2**

On March 31, 2007, gains of € 2.7 million from disposals of assets were accounted for primarily by the profit made on the sale of the Stuntman license on May 10, 2006.

On March 31, 2006, proceeds of € 40.8 million from disposals of assets included € 36.6 million from the sale of the Hasbro license.

Goodwill impairments are reviewed in note 3.3.

NOTE 18 - PAYROLL

Payroll expenses are shown in the table below:

	3/31/2007	3/31/2006
Compensation	45.3	62.8
Employee benefits	5.7	9.1
Incentive and profit-sharing bonuses	0.1	0.2
Total payroll expenses	**51.1**	**72.1**

The table below shows the size of the Group's workforce at the end of the past two fiscal years:

	3/31/2007	3/31/2006
Supervisory	325	503
Non-management personnel	279	479
Total workforce	**604**	**982**

NOTE 19 - PAYMENTS IN SHARES

19.1. VALUATION MODEL

As prescribed by IFRS 2 - "Payments in shares", options granted to employees to purchase new or existing shares are accounted for in the following manner: the fair value of the options granted, assumed to correspond to the fair value of the services performed by the employees for which options are granted as consideration, is determined on the date of grant.

The fair value of stock options is calculated in accordance with the Black & Scholes model, which takes into account the features of the options (exercise price and period), market conditions on the date of grant (risk-free rate, trading price of shares, volatility, expected dividends) and assumptions concerning the behavior of option holders, such as whether they are likely to exercise their options before the end of the exercise period.

As prescribed by the transitional provisions of IFRS 2, only stock options granted after November 7, 2002 and that were not fully vested on January 1, 2005 are measured.

19.2. EXPENSE RELATED TO PAYMENTS IN SHARES

The Group recognizes an offsetting expense for all payments in shares, as follows:

	31/03/2007	31/03/2006
Infogrames Entertainment SA Stock Option Plan	0.7	1.6
Atari, Inc. stock option plans	(0.7)	2.9
Expense related to payments in shares	**-**	**4.5**

There was no expense under this heading for the year ended March 31, 2007 (4.5 million euros for the year ended March 31, 2006). The absence of expenses in fiscal 2006-2007 was due to the cancellation of a number of options not yet fully vested, due to the departure of their beneficiaries from the Group.
The expense is recognized in the income statement as follows:

	31/03/2007	31/03/2006
Research and development expenditures	-	0.1
Marketing expenses	-	0.5
Administrative expenses	-	3.9
Expense related to payments in shares	**-**	**4.5**

19.3 STOCK OPTIONS GRANTED TO EMPLOYEES

Infogrames Entertainment grants stock options to officers and senior executives as well as other employees for their contribution to the business of the Group. On the date of grant, the options' exercise price is set close to the trading price of shares. Options are for eight years and have a four-year vesting period.

Atari Inc, a subsidiary in which Infogrames Entertainment holds an indirect interest of 51.39%, also has its own stock option plan. Atari options have an eight-year life. One-fourth of the options granted vest in one year and the other three-fourths vest quarterly until the fourth year.

The table below summarizes the information concerning current Infogrames Entertainment stock-option plans:

	2006 – 2007 (*)		2005 – 2006 (*)	
	Number of options	Average exercise price	Number of options	Average exercise price
Number of options outstanding at the start of the year	**19,231**	**2.0**	**17,186**	**2.4**
Granted	-	-	5,433	0.6
Cancelled	(1,536)	1.6	(3,388)	1.9
Exercised	-	-	-	-
Expired	(862)	1.6	-	-
Adjustment	-	-	-	-
Number of options outstanding at the end of the year	**16,833**	**2.1**	**19,231**	**2.0**
Of which, exercisable	12,542	2.5	10,554	3.0

(*) The number of options and their exercise price have been adjusted to reflect the distribution to Company stockholders of bonus stock warrants in December 2004 and 2006 and the equity issue of January 2007.

The table below summarizes the information concerning current Atari Inc. stock-option plans:

	2006 - 2007		2005 - 2006	
	Number of options	Average exercise price in US$	Number of options	Average exercise price in US$
Number of options outstanding at the start of the year	**752.0**	**78.0**	**1 131.0**	**69.4**
Granted	628.0	7.3	79.0	25.7
Cancelled	(394.0)	113.8	(452.0)	48.0
Exercised	(1.0)	3.4	(6.0)	13.3
Expired	-	-	-	-
Number of options outstanding at the end of the year	**985.0**	**7.8**	**752.0**	**78.0**
Of which, exercisable	473.0	65.8	559.0	96.2

19.4. FAIR VALUE OF OPTIONS GRANTED DURING THE PERIOD

As explained in note 2.18, the fair value of options is calculated on the date of grant using the Black & Scholes model. Subsequent changes in their fair value are not recognized.

No stock option was granted by Infogrames Entertainment in fiscal 2006-2007. The Group used the following assumptions to determine the fair value of options granted by Atari Inc. in fiscal 2006-2005 under the September 7, 2005 plan:

Principal assumptions	2005 - 2006
Valuation model	Black & Scholes
Price of shares on option grant date	1.41
Exercise price on option grant date	1.38
Expected volatility	77.60%
Risk-free interest rate on grant date	2.60%
Expected dividend rate	0.00%
Fair value of options on grant date	0.91

Volatility measures the propensity of an asset's value to fluctuate. The more the asset's value changes over a short period of time, the higher its volatility. According to IFRS 2, the period over which historical fluctuations in the price of underlying securities is taken into consideration to determine volatility must be equal to the expected life of options (5 years). Based on the Group's dividend history, no dividend is anticipated.

The risk-free rate is that of government bonds with a maturity equal to the estimated life of the options (5 years) on the various option grant dates.

The Group used the following assumptions to determine the fair value of options granted by Atari Inc. in fiscal 2006-2007 and 2005-2006:

Principal assumptions	2006-2007	2005-2006
Valuation model	Black & Scholes	Black & Scholes
Average price of shares	$7.28	$2.57
Average exercise price	$7.28	$2.57
Expected volatility	81.00%	92.00%
Risk-free interest rate on grant date	4.78%	4.19%
Expected dividend rate	0.00%	0.00%

Based on the above assumptions, the weighted average fair value of the main options granted by Atari Inc. in fiscal 2006-2007 and 2005-2006 were respectively $4.62 and $17.80.

NOTE 20 - FINANCIAL INCOME

(€ millions)	3/31/2007	3/31/2006
Interest on bond debt	(13.1)	(14.2)
Interest on bank debt	(8.1)	(5.9)
Financial restructuring fees	(3.3)	-
Other interest	(1.1)	-
Cost of debt	**(25.6)**	**(20.1)**
Foreign-exchange gain (loss)	2.9	(2.1)
Non-current financial assets impairments	(0.6)	(1.2)
Other financial income (expenses)	(0.5)	-
Other financial income or expenses	**1.8**	**(3.3)**
Total	**(23.8)**	**(23.4)**

NOTE 21 - CORPORATE INCOME TAX

21.1. TAX EXPENSE

(€ millions)	3/31/2007	3/31/2006
Tax credit (tax payable)	**0.6**	**(0.8)**
French entities	(0.2)	(0.2)
Foreign entities	0.8	(0.6)
Changes in deferred taxes	**0.5**	**(0.9)**
French entities	-	-
Foreign entities	0.5	(0.9)
Deferred tax asset (liability)	**1.1**	**(1.7)**
Effective tax rate	**-1.0%**	**1.0%**

21.2. DEFERRED TAXES

Deferred tax assets and liabilities are netted in the balance sheet, as explained in note 2.29.

The table below shows changes in deferred tax assets and liabilities for the two periods under review:

(€ millions)	3/31/2007	3/31/2006
Net deferred taxes on April 1	**5.7**	**6.6**
Tax expense	0.5	(0.9)
Unrealized foreign-exchange gains (losses)	0.1	-
Recognized in equity	-	-
Discontinued operations	(0.9)	-
Changes in consolidation	-	-
Deferred tax assets on March 31	**5.4**	**5.7**

The sources of deferred taxes were as follows:

(€ millions)	2007 deferred tax assets	2006 deferred tax assets
Tax credit on losses carried over	438.7	397.8
Consolidation adjustments	0.9	(9.5)
Timing differences	10.5	23.1
Deferred tax write-off	(444.7)	(405.7)
Total	**5.4**	**5.7**

As of March 31, 2007 and March 31, 2006, the Group carried forward tax losses of approximately 994.1 million euros and 939.5 million euros, respectively. The losses cannot be used to offset taxable income in countries other than those in which they were incurred.

As of March 31, 2007 and March 31, 2006, the valuation allowance recognized concerns primarily losses carried over by the Group in the United States (Atari, Inc.), in England (Atari UK) and in France.

Infogrames Entertainment SA opted for the tax consolidation of its French subsidiaries on July 1, 1995. The five-year option was extended on March 31, 2005. For the period ended March 31, 2007, the tax saving resulting from this treatment was 1.5 million euros.

Tax credits from carryover losses can be used until the following dates:

(€ millions)	Total	less than 1 year	more than 1 year but less than 5 years	less than 5 years
France	**198.0**	-	-	198.0
US	**212.8**	-	-	212.8
UK	**17.8**	-	-	17.8
Australia	**4.1**	-	-	4.1
Other	**6.0**	-	-	6.0
	438.7	-	-	438.7

21.3. TAX PROOF

Corporate income tax for the year was calculated by applying the rate in effect at the end of the year to income before tax on March 31, 2007. In France, deferred taxes were calculated at the tax rate of 33.33% for the year ended March 31, 2007 and for the year ended March 31, 2006.

The table below shows the reconciliation of the theoretical tax calculated on the basis of the tax rate applicable in France and the actual tax:

(€ millions)	2007	2006
Net income (loss)	(103.1)	(149.8)
Tax expense	(1.1)	1.7
Minority interests	(9.4)	(29.5)
Income of equity entities	0.5	(0.1)
Income before taxes	**(113.1)**	**(177.7)**
Theoretical tax credit (tax payable)	**37.7**	**59.2**
Impairment of goodwill	(7.0)	(49.7)
Other permanent differences	(0.2)	(4.2)
Use of deferred tax assets on losses carried over	1.0	16.4
Deferred tax assets recognized on previous losses	-	-
Deferred tax assets not recognized for the period and limit on deferred taxes	(33.6)	(35.2)
Effect of variations in tax rates between countries	3.3	13.0
Reversals of unused deferred tax liabilities	-	-
Share based payments	-	(1.6)
Other (tax credits, flat taxes, etc.)	(0.1)	0.4
Actual tax credit (tax payable)	**1.1**	**(1.7)**

NOTE 22 – DISCONTINUED OPERATIONS

The Group sold several assets during the fiscal year (Paradigm, Shiny, Reflections/Driver, Melbourne House).

22.1. INCOME OF DISCONTINUED OPERATIONS

As prescribed by IFRS 5, which is summarized in note 1.2. net income generated by discontinued operations includes the entire income of sold development studios. The table below shows the items from the financial statements of the development studios that were reclassified under the line “Income of discontinued operations” in the consolidated income statement of Infogrames Entertainment SA:

(€ millions)	03/31/2007	03/31/2006
Revenue from ordinary business	(0.3)	25.7
Cost of goods sold	(1.9)	(10.0)
Gross margin (loss)	**(2.2)**	**15.7**
Research and development expenditures	(5.1)	(11.9)
Marketing and selling expenses	(0.1)	(4.7)
General and administrative expenses	(0.4)	(0.2)
OPERATING INCOME (LOSS) – Discontinued operations	**(7.8)**	**(1.1)**
Income tax	(0.9)	(0.2)
Gains (losses) from disposals	(0.1)	-
INCOME (LOSS) OF DISCONTINUED OPERATIONS	**(8.8)**	**(1.3)**

22.2. SEGMENT REPORTING OF DISCONTINUED OPERATIONS

Revenue from ordinary business – Discontinued operations	03/31/2007	03/31/2006
United States	1.5	5.8
Europe	(1.8)	18.3
Asia	-	1.6
Corporate	-	-
Total	**(0.3)**	**25.7**
Operating income - Discontinued operations	**03/31/2007**	**03/31/2006**
United States	(6.3)	(9.0)
Europe	(1.3)	6.8
Asia	(0.2)	1.1
Corporate	-	-
Elimination	-	-
Total	**(7.8)**	**(1.1)**

22.3. ASSETS OF DISCONTINUED OPERATIONS

(€ millions)	Assets of discontinued operations
Property, plant and equipment	-
Inventories	-
Other current assets	0.9
Cash	-
Other non-current assets	
Assets of discontinued operations	**0.9**

22.4. NET CASH FLOW FROM DISCONTINUED OPERATIONS

(€ millions)	31/03/2007	31/03/2006
Operating cash flow	(7.8)	(1.2)
Investment cash flow	20.6	(8.4)
Net cash flow from discontinued operations	**12.8**	**(9.6)**

A total of 0.9 million euros was deposited in escrow accounts in connection with the disposals of assets.

NOTE 23 - OFF BALANCE-SHEET COMMITMENTS

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

(€ millions)	3/31/2007	3/31/2006	Notes
Guarantees given to suppliers (letters of credit)	16.6	2.9	1
Non-cancelable operating leases	41.1	22.7	2
Development and licensing agreements	11.6	25.4	3
Assignment of receivables and use as security (Dailly, etc.)	-	-	
Total commitments made	**69.3**	**55.3**	
Commitments received			
Bank guarantees (standby credit, letters of credit, documentary credit, etc.)	-	-	
Revolving credit facilities (March 2007: Guggenheim; March 2006: HSBC)	11.3	-	4
Other credit facilities secured by trade receivables	2.8	4.0	5
Production funds	-	3.2	6
Total commitments received	**14.1**	**7.2**	

(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 decline from the previous year is related to the renegotiations of the debt and bank credit facilities.

(2) The Group is a party to non-cancelable leases. The schedule of minimum future lease payments to be made on such leases is as

follows:

	3/31/2007	3/31/2006
N+1	5.5	8.1
N+2	5.2	5.3
N+3	5.4	4.0
N+4	3.1	3.7
N+5	2.6	1.4
Subsequent years	19.3	0.2
Aggregate of future rents	**41.1**	**22.7**

The change in obligations from the previous year is accounted for by the fact that Atari Inc. signed its principal office lease in June 2006. The lease is for a term of fifteen years ending June 30, 2021. Annual rent is 2.4 million dollars the first five years, rising to 2.7 million dollars for the next five and to 2.9 million dollars for the last five years. The owner also has agreed to (i) waive one year's rent for 2.4 million dollars and (ii) grant Atari Inc. a rent allowance of 4.5 million dollars in exchange for improvements to the premises.

(3) In the ordinary 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 March 31, 2007, the Group had undertaken to advance a minimum of € 11.6 million over the coming year, subject to the fulfillment of all contractually specified production criteria. On March 31, 2006, its commitments amounted to € 25.4 million;

(4) Atari Inc. has access to a revolving credit facility of 15 million US dollars.

(5) The Group has access to up to € 6.5 million in financing through the assignment of trade receivables. On March 31, 2007, only € 3.7 million of this financing was being used.
(6) The amount corresponds to the sums to be received by Infogrames from the production fund.

NB: Collateral provided as security for debt is reported in note 13.

NOTE 24 - MANAGEMENT OF FINANCIAL MARKET RISKS

24.1. RISK MANAGEMENT

Risk exposure is handled by a holding entity in accordance with conditions in the financial market and based on procedures set by management. Foreign-exchange transactions are carried out in accordance with local regulations and access to financial markets. Subsidiaries may do business directly with local banks under the supervision of the parent company, provided that they comply with Group procedures and policies.

24.2. CURRENCY RISKS

Even though more than half of the Group's revenue is generated outside the euro zone, its sales do not expose it to significant currency risks. This is so because overall revenue and expenses are balanced in the principal currencies (euros and US dollars). Accordingly, the Group generally does not make use of currency hedges for its commercial transactions.

Exposure to foreign-exchange risk associated with the financing of subsidiaries is handled by the parent corporation, which arranges for hedges as required depending on the specific type of financing concerned. As of March 31, 2007, the Group had not hedged its exchange-rate exposure on these sums, which represent long-term financing for its United States operations.

Nevertheless, the Group's financial statements are presented in euros, and its assets, liabilities, revenue and expenses in other currencies must be translated into euros at the applicable exchange rate in order to be reported in the Group's consolidated financial statements. Whenever the value of the euro increases in relation to another currency, the value in euros of the Group's assets, liabilities, revenue and expenses that were in that other currency declines. The opposite occurs whenever the exchange value of the euro declines. Consequently, fluctuations in euro exchange rates can have an impact on the value in euros of the Group's assets, liabilities, revenue and expenses outside the euro-zone, even if their value in domestic currencies has remained unchanged. Exposure to foreign-exchange risk is most critical in the case of sales, the income of subsidiaries operating in US dollars, as well as the value of intangible assets and the Group's goodwill in these subsidiaries.

For example, a one-percent decline in the value of the dollar in relation to the euro would cause consolidated revenue to drop by € 0.9 million, based on the 2007 financial statements. Operating income would decline by € 0,4 million and consolidated shareholders' equity by € 0.8 million.

24.3. INTEREST-RATE RISKS

The Group does not use a dynamic interest-rate risk management program. As of March 31, 2007, it had a net borrowing position at variable interest rate of 12.2 million euros.
A one-point increase in the interest rate would cause annual interest expense to go up by about € 0.1 million.

24.4. CREDIT RISKS

The Group has a worldwide customer base and manages its commercial risks so as not to be exposed to excessive concentration of credit risks.

NOTE 25 - CONTINGENT LIABILITIES

Group entities may, during the ordinary course of business, be involved in various court, arbitration, administrative and tax proceedings. 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.

However, a significant case arose in a previous year, in which the Company was sued by a former employee who claimed that he had co-authored one of the Group's best-selling franchises. The plaintiff was seeking damages for moral prejudice and financial loss suffered as a result of the allegedly unlawful distribution by the Group of games based on that universe. Damages claimed were in excess of € 17.0 million. At this stage of the proceeding, the Company is categorically rejecting the plaintiff's claim of authorship and considers the grounds and amount of his claim to be unfounded. Briefs are currently being filed in this case for submission to the Lyon District Court. The Company considers that, given the status of the proceedings and based on the information at its disposal, a contingent liability should be recognized in connection with this dispute and that accordingly no provision needs to be set aside.

NOTE 26 - RELATED PARTIES

26.1. ASSOCIATED AND NON-CONSOLIDATED ENTITIES

Transactions in fiscal 2006-2007 and 2005-2006

Licensing agreement between iFone, Glu Mobile and Atari Inc. As part of the commercial exploitation of its intellectual properties, Atari Inc has licensed certain rights to iFone and Glu Mobile. During the period, iFone (which is advised by a director of Atari, Inc. and a former director of Infogrames Entertainment) was acquired by Glu Mobile. Income from licenses for the fiscal years ended March 31, 2007 and March 31, 2006 was respectively US$2.3 and US$1.5 million. An aggregate of US$0.9 million was owed by these companies on March 31, 2006. No receivables from iFone/Glu Mobile were outstanding on March 31, 2007.

Transactions in 2005-2006:

Acquisition of 35.8% of Game One during fiscal 2005-2006: The Group increased its interest in the Game One thematic television channel by purchasing 35.8% of that company's shares from I-Partners SAS, intending to establish a close equity and business relationship with MTV, which, with 50% of the shares, is Game One's principal owner. Because the two companies share a director and certain executives, the acquisition had to be approved in advance by the board of directors. The purchase price of € 500,000 was negotiated by the parties on the basis of a valuation of Game One by an independent appraiser.

The consolidated financial statements do not reflect any other material transactions with associates and non-consolidated entities.

26.2. COST OF OFFICERS' COMPENSATION AND BENEFITS

The Group's officers received the following compensation and benefits for the years ended March 31, 2007 and March 31, 2006:

(€ MILLIONS)	3/31/2007	3/31/2006
Cash compensation		
Fixed compensation	1.4	1.6
Variable compensation	2.9	0.9
Directors' fees	0.1	0.1
Other compensation		
Employee benefits	0.2	-
Compensation in shares of which, stock options	(0.5)	1.5
Total	4.1	4.1

Variable compensation for fiscal years 2006-2007 and 2005-2006 includes severance benefits of respectively 2.5 million euros and 0.4 million euros, exclusive of social security contributions (see note 27 on events subsequent to the end of the fiscal year).

NOTE 27 - EVENTS SUBSEQUENT TO THE END OF THE FISCAL YEAR

▪ CHANGE OF MANAGEMENT

The Infogrames Entertainment board of directors, at its meeting of April 4, 2007 decided to appoint Mr. Patrick Leleu as chairman and chief executive officer of the Group, replacing Company founder, chairman and chief executive officer Bruno Bonnell, all of whose appointments, included with Atari, Inc., were terminated. Provision of 3 million euros have been recognized for the cost of Mr. Bonnell's departure in the financial statements for the year ended March 31, 2007. The Company has also extended a loan of one million euros to BB26, which is headed by the former Company chairman, for a research and development project into online gaming communities. The loan bears interest at 8% (not capitalized) and is repayable no later than in April 2009.

A new senior management structure for the Group was approved by the board of directors at its meeting of April 26, 2007. In light of the fact that the terms of its executive vice presidents expired by virtue the appointment of a new chairman, Mr. Leleu appointed the following officers:

- Thomas Schmider, as executive vice president for strategy and development,
- Jean-Michel Perbet, as executive vice president for distribution,
- Mathias Hautefort as executive vice president for publishing and production; Mr. Hautefort joined the Group on June 4, 2007.

Mr. Yves Hannebelle, who had been appointed chief financial officer of the Group by the board of directors on April 12, 2006, was reappointed to that position.

The new management disclosed the Group's new strategy guidelines on June 21, 2007, at the time financial results for fiscal 2006-2007 were announced.

▪ RESTRUCTURING PLAN FOR ATARI, INC.

On May 1, 2007, Atari, Inc. announced a restructuring plan that would reduce its workforce by 20%, primarily eliminating administrative jobs. The cost of the plan, which was expected to be completed by July 31, 2007, was estimated at between 0.8 and 1.1 million US dollars.

▪ ADDITIONAL FINANCING

In order to secure financing for its relaunch plan, the Company entered into an agreement with its main financial partners on June 20, 2007. The existing bank facility was amended to provide additional credit lines of 33.5 million euros, bringing the aggregate ceiling on the facility to 68.5 million euros. Up to 7.5 million euros may be drawn down immediately under the facility, with an additional 15 million on September 15 and the balance of 11 million euros on November 15, 2007. The additional loans mature at the same time as those under the existing facility, on December 31, 2008. In another development, BlueBay Value Recovery Fund, the Group's principal shareholder, exercised 50 millions stock warrants for 7.5 million euros on July 23, 2007.

▪ NEW STRATEGIC AGREEMENT WITH HASBRO ON THE D&D FRANCHISE AND THE BUYBACK OF ONLINE AND WIRELESS LICENSING RIGHTS

Consistent with the Group's plan to relaunch the publishing business announced on June 21, 2007 and its intention to focus spending on major franchises with significant revenue potential, the Company announced the signature of an agreement with Hasbro on July 18, 2007 pertaining to:

- the extension to 2017 of its exclusive license to the Dungeons & Dragons universe for all interactive formats, including online and wireless; the license covers all current and future products derived from this universe, which include NeverWinter Nights and Baldur's Gate;
- the repurchase by Hasbro of online and wireless rights attached to nine licenses (Monopoly, Scrabble, Risk, Game of Life, Clue, Yahtzee, Battleship, Boggle and Simon), for 19.5 million US dollars. This transaction will have only a negligible impact on revenue for fiscal 2007-2008.

NOTE 28 - CONSOLIDATED ENTITIES

Company	Fiscal year-end date	Country	Voting rights		Ownership	
			3/31/2007	3/31/2006	3/31/2007	3/31/2006
Fully consolidated companies						
A+ Multimedia Ltda	June 30	Portugal	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		100.00	100.00	100.00	100.00
Atari Australia 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
Atari Denmark	March 31	Denmark	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
Atari Entertainment GmbH	March 31	Germany	100.00	100.00	100.00	100.00
Atari Europe SAS	March 31	France	99.99	99.99	99.99	99.99
Atari France SAS	March 31	France	100.00	100.00	100.00	100.00
Atari Hellas EPE	March 31	Greece	100.00	100.00	100.00	100.00
Atari Inc.	March 31	United States	51.39	51.40	51.39	51.40
Atari Interactive Australia Pty Ltd	March 31	Australia	100.00	100.00	100.00	100.00
Atari Interactive Inc	March 31	United States	100.00	100.00	100.00	100.00
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
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 Singapour Pte Ltd	March 31	Singapore	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 Taiwan Ltd	March 31	Taiwan	100.00	100.00	100.00	100.00
Atari UK	March 31	United Kingdom	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 System GmbH	June 30	Austria	100.00	100.00	100.00	100.00
Eden Games SAS	March 31	France	100.00	100.00	100.00	100.00
Game Nation Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Game Nation Inc	March 31	United States	100.00	100.00	100.00	100.00
Gamecity GmbH	March 31	Switzerland	90.00	90.00	90.00	90.00
Gremlin Group 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
Hartland Trefoil Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Humongous Inc	March 31	United States	100.00	100.00	100.00	100.00
IDRS SA	March 31	France	100.00	100.00	100.00	100.00
I-Music SARL	March 31	France	100.00	100.00	100.00	100.00
Infogrames Castlefield Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Infogrames Entertainment SA	March 31	France	100.00	100.00	100.00	100.00
Infogrames Entertainment Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Infogrames España Unipersonal	March 31	Spain	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
Infogrames Interactive 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
Infogrames Learning Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Infogrames Studios 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
Microprose Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Microprose Software 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
Ocean Holding Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Ocean International 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
Ocean Software Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Game Nation.net Inc	March 31	United States	100.00	100.00	100.00	100.00
Reflection Ltd	March 31	United Kingdom	51.39	51.40	51.39	51.40
Stewart Holdings Ltd	March 31	United Kingdom	100.00	100.00	100.00	100.00
Suomen Infogrames	March 31	Finland	100.00	100.00	100.00	100.00
Company accounted for by the equity method						
Game One	December 31	France	38.63	45.46	38.63	45.46

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Period ended March 31, 2007

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In accordance with the terms of our appointment by your Shareholders' Meeting, we have performed an audit of the consolidated financial statements of Infogrames Entertainment for the year ended March 31, 2007, as attached to this report.
The consolidated financial statements have been approved by the Board of Directors. Our responsibility is to express an opinion on these financial statements, based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain a reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position, the group at March 31, 2007, and the results of its operations audits cash flows for the year then ended, in accordance with IFRS as adopted by the European Union.

Without qualifying the above opinion, we wish to call to your attention the uncertainty regarding the continued operation of the company, referred to in note 2.1 to the financial statements.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L.823-9 of the French Commercial Code relating to the justification of our opinion, we bring to your attention the following matters :

- **GOING CONCERN**

Note 2.1 to the financial statements, referred to in the first part of this report, explains the Group's position and recent changes, as well as the uncertainty concerning its continued operation.
Based on our audit and the information that we have received to date and as part of our assessment of the accounting rules and principles applied by your Company, we have ascertained that the notes provide proper information regarding the position of the Company and its recent development, as well as the significant uncertainty concerning its continued operation.

▪ VALUATION OF GOODWILL AND INTANGIBLE ASSETS

The Company performs impairment tests on goodwill and intangible assets with an undetermined useful life in the manner set forth in note 2.12 to the financial statements. The parameters utilized for the tests performed and their results are reported in note 3.3 to the financial statements.

We have examined the methods used as well as the projected cash flows and the parameters utilized, and have ascertained that notes 2.12 and 3.3 to the financial statements provide appropriate information.

▪ ACCOUNTING TREATMENT OF THE EXCHANGE TENDER OFFER FOR THE OCEANE 2020 BONDS

Note 1.1 to the financial statements, under the heading “Step 5”, explains the accounting treatment of the exchange tender offer for the OCEANE 2020 bonds.

As part of our assessment of the accounting principles applied by your company. we have ascertained that this accounting treatment was appropriate and that adequate information was provided in the notes to the financial statements.

The above procedures form part of our audit of the consolidated financial statements and contributed to our opinion stated in the first part of our report.

III. SPECIFIC TESTS AND PROCEDURES

We have also performed procedures in accordance with professional standards applicable in France on the information given in the Group management report of the Board of Directors. We have no comment to make as to the fair presentation of this information, nor its consistency with the consolidated financial statements.

Lyon and Villeurbanne, July 31, 2007
The Auditors

Pin Associés	Deloitte & Associés
Jean-François Pin	Alain Descoins

INFORMATION CONCERNING THE PARENT COMPANY

GENERAL INFORMATION CONCERNING THE COMPANY

NAME AND PRINCIPAL OFFICE (ARTICLE 3 OF THE ARTICLES OF INCORPORATION)

INFOGRAMES ENTERTAINMENT S.A.
Principal Office
1 Place Verrazzano
69252 Lyon Cedex 09, France
Telephone: + 33 4 37 64 37 64

FORM OF BUSINESS ORGANIZATION AND GOVERNING LAW

French Company (société anonyme) with a board of directors, governed by Articles L. 210-1 et seq. of the Commercial Code (Code de Commerce). The Company is governed by French law.

DATE OF INCORPORATION AND LIFE

The Company was formed for a term of 99 years commencing on July 15, 1987 with its registration in the Trade and Company Register and ending July 15, 2086, absent early dissolution or extension.

CORPORATE PURPOSE (ARTICLE 2 OF THE ARTICLES OF INCORPORATION)

The corporate purpose consists of:

- designing, producing, publishing and distributing all multimedia and audiovisual products and works, including those in the nature of entertainment, in any form, including software, data processing and content (either interactive or otherwise) for all media and by means of all present and future means of communication;
- purchasing, selling, supplying and as a general matter distributing all products and services related to the foregoing;
- creating, acquiring, using and managing intellectual and industrial property rights or other rights in rem or in personam, including by means of assignment, licensing, patents, trademarks and other copyrights;
- acquiring interests in other firms, through joint ventures or by any other means, including the formation of new entities and the issuance, subscription or transfer of securities in any business directly or indirectly related to the foregoing or to the products and ideas developed by the Company;
- and, as a general matter, any transactions with a purpose similar or related to the foregoing, or otherwise likely to benefit the Company in France and elsewhere.

TRADE AND COMPANY REGISTRY

Lyon B 341 699 106, APE Code: 8907, NAF Code: 652 E.

PLACE WHERE LEGAL DOCUMENTS MAY BE EXAMINED

Company's principal office.

FISCAL YEAR (ARTICLE 6 OF THE ARTICLES OF INCORPORATION)

The fiscal year of the Company commences on April 1 and ends on March 31 of each year.

APPROPRIATION OF EARNINGS (ARTICLE 24 OF THE ARTICLES OF INCORPORATION)

The income or loss for each fiscal year is calculated by deducting from net revenue all overhead and other business expenses, including allowances for depreciation and provisions.

At least 5 percent of the net profit, minus previous losses, if any, is set aside as a legal reserve. This allowance ceases to be mandatory when the legal reserve is equal to one-tenth of capital stock. It resumes when, for any reason whatsoever, this ratio is no longer obtained. Earnings available for distribution to shareholders as a dividend consist of the year's income, less accumulated losses and the above reserve allowance, plus any retained earnings from previous years.

The Shareholders' Meeting to which the financial statements for the year are submitted may elect to pay out some or all of the dividends in either stock or cash.

SHAREHOLDERS' MEETINGS (ARTICLE 19 OF THE ARTICLES OF INCORPORATION)

The next special shareholders' meeting will be asked to amend article 19 of the Company's articles of incorporation and bylaws (*statuts*) to reflect changes in the law resulting from the adoption of Decree 2006-1566 of December 11, 2006. The summary below reflects the most recent changes in the law.

Notice of Meetings and Attendance

Annual shareholders' meetings are called in accordance with the law for the holders of fully paid-up stock, regardless of the number of shares they own on the date of the meeting. Each share entitles its owner to one vote.

There are no restrictions on the participation by shareholders at meetings:

- holders of shares in registered form who wish to participate must ensure that their shares are duly registered in the records of the Company's transfer agent at least three business days prior to the meeting;
- holders of shares in bearer form who wish to participate must deposit their shares with their financial intermediary or banker at least three business days prior to the meeting. The deposit of their shares is evidenced by a certificate issued by their authorized intermediary.

All shareholders may attend shareholders' meeting:

- holders of shares in registered form must apply to the Company's transfer agent for an admission card at least five days prior to the meeting date. The document will be sent to them directly by the transfer agent;
- holders of shares in bearer form must apply for an admission card with their financial intermediary, which will forward applications to the transfer agent (together with a certificate showing that the shares are deposited, confirmed three business days prior to the meeting), and the cards will be mailed to the shareholders.

Shareholders may elect to be represented by another shareholder or by their spouse only. Proxies, drawn up in accordance with applicable regulations, must be delivered to their financial intermediary, which will forward them to the Company's transfer agent one day prior to the Meeting together with a certificate that the corresponding shares are deposited.

Shareholders may elect to vote by mail using a ballot form, which will be sent to them free of charge on request by the Company's transfer agent, and which must be returned to their financial intermediary, or to the transfer agent in the case of registered shareholders, no later than three calendar days prior to the meeting. A certificate showing that the relevant shares are deposited must be provided by the financial intermediary and included with the mail ballot form.

The Board of Directors may refuse to allow shareholders or their proxies to vote by mail or attend shareholders' meetings if they fail to comply with the articles of incorporation, bylaws and applicable regulations. Shareholders may participate in meetings by means of video conferencing or other electronic telecommunications technology, as provided for by decree.

QUORUM AND MAJORITY RULES (ARTICLES 20 AND 21 OF THE ARTICLES OF INCORPORATION)

The annual shareholders' meeting may transact business and vote whenever one-fifth or more of the voting shares are represented. If that quorum is not present, a new meeting must be convened no sooner than six days after the original meeting. Business may be transacted at that second meeting regardless of the portion of shares represented but only to the extent that it was included in the

order of business of the first meeting.
Votes at annual shareholders' meetings are by a majority of the voting rights of shareholders present, voting by mail or represented by proxies.

Special shareholders' meetings may transact business and vote provided that the shareholders present or represented by proxies hold at least one-fourth of voting rights when the meeting is convened the first time and one-fifth of the voting rights when convened the second time; if the latter quorum is not present, the second meeting may be rescheduled no more than two months thereafter, subject to exceptions provided by law.
Votes at special shareholders' meetings are by a two-thirds majority of the voting rights of shareholders present, voting by mail or represented by proxies.

RIGHTS ATTACHED TO SHARES (ARTICLE 11 OF THE ARTICLES OF INCORPORATION)

Each share is entitled to a ratable portion of earnings corresponding to the amount of equity that it represents, in addition to the voting right to which it is entitled by law.

Pursuant to article L. 225-123 of the Commercial Code (formerly Article 175 of the Act of July 24, 1966), the Shareholders' Meeting of October 26, 1993 resolved to grant double voting rights to all existing paid-up shares held in registered form by the same shareholder for two years or more, as well as to all shares acquired further to the exercise of rights attached to such registered shares, based on the portion of equity which such shares represent.

Said two-year period runs from the date of registration of the shares, regardless of the date on which they were acquired.
In the event of a capital increase by the capitalization of reserves, retained earnings or premiums, bonus shares distributed to shareholders in consideration for registered shares with double voting rights held by them are likewise entitled to double voting rights. The Articles of Incorporation and Bylaws do not contain any provisions making such double voting rights contingent on a shareholder's nationality.

Shares converted into bearer form or which change hands lose their double voting rights. However, transfers of ownership by inheritance, liquidation, marital community of property or inter vivos gift to a spouse or a relative that can take by intestacy do not result in the loss of vested rights or toll the time periods specified in the above-cited article L. 225-123. of the Commercial Code.
Should the Company be merged into another company, the double voting rights will not be affected and can be exercised at shareholders’ meetings of the acquiring company, provided its articles of incorporation and bylaws so provide.

All current and future shares outstanding shall be treated equally insofar as the effect of taxation is concerned.
Whenever shareholders are required to own several old shares in order to exercise any right, in the event of an exchange or allocation procedure whereby new shares are exchanged for several old ones, holders of odd shares or shares in less than the necessary number shall not be entitled to any claim on the Company and shall be responsible for combining their holdings to reach the number of shares required.

REPORTING THRESHOLDS (ARTICLE 10 OF THE ARTICLES OF INCORPORATION)

Pursuant to resolution seventeen of the shareholders' meeting of December 16, 1999, article 10 of the Company's articles of incorporation and bylaws provides that individuals or legal entities, acting alone or in association with others, must report any increase or decrease in the number of shares that they hold, either directly or indirectly, which causes their equity interest or voting rights to rise above or to fall below, as the case may be, two percent or any multiple thereof. Reports must be sent to the Company's principal office by registered letter, return receipt requested, no later than five trading days after any of the limits has been exceeded and must state the number of securities held with a present or future right to equity and the number of attached voting rights. Mutual fund management companies must report this information for the aggregate number of the Company's shares held by the funds which they manage. Failure to comply with the foregoing obligation may, at the request of one or more shareholders owning five percent or more of the shares outstanding or voting rights, which request shall be recorded in the minutes of the shareholders' meeting, cause the portion of shares in excess of the number that should have been reported to be barred from voting at said meeting and at any subsequent meeting held within two years of the date on which they were properly reported.

IDENTIFICATION OF SHAREHOLDERS (ARTICLE 10 OF THE ARTICLES OF INCORPORATION)

The Annual Shareholders' Meeting of December 17, 2001 voted to amend its articles of incorporation and bylaws in order to take into account the provisions of article L. 228-3-3 of the Commercial Code, which provides that shareholders who fail to comply with provisions designed to identify the owners of shares may be disqualified from voting, failing which, the dividends on their shares may be suspended or cancelled.

COMPOSITION AND OPERATION OF THE BOARD OF DIRECTORS (ARTICLES 14 AND 15 OF THE ARTICLES OF INCORPORATION)

The Company is governed by a board of directors with a minimum of three members and a maximum of 18 members, subject to the exemption allowed by the Commercial Code in the event of mergers.
The directors are elected or reelected by the annual shareholders' meeting for six-year terms.
The board of directors chooses a chairman from among its individual members. The chairman represents the board of directors and chairs its meetings. The Chairman organizes and oversees the work of the board and reports thereon to the shareholders' meeting. The chairman sees to it that the Company's governing bodies operate properly and ascertains, in particular, that the directors are able to fulfill their duties.
The board of directors meets as frequently as the interests of the Company require. Its meetings are convened by its chairman. Whenever the board has not met over a period of two months, one-third or more of its members may demand that the chairman convene a meeting, provided that they also propose an order of business. If necessary, the chief executive officer may ask the chairman to convene a meeting of the board to consider a specific order of business.
Decisions by the board are by a majority of the members present or represented by proxies, each director having one vote. In the event of a tied vote, the chairman has the casting vote.

MANAGEMENT AUTHORITY (ARTICLE 16 OF THE ARTICLES OF INCORPORATION)

The Annual Shareholders' Meeting of December 17, 2001 voted to amend article 16 of the Company's Articles of Incorporation to bring it into compliance with article L. 225-51-1 of the Commercial Code, which offers a choice of two forms of corporate management authority.

GENERAL INFORMATION CONCERNING THE COMPANY'S CAPITAL

CHANGES IN STOCK AND RIGHTS

Changes in stock and the rights attached to shares outstanding are governed solely by the applicable laws, as the articles of incorporation and bylaws do not contain specific provisions on such changes.

Legal capital

Subsequent to the issuance of 265,331,539 stock subscription warrants (respectively 47,431,539 on December 22, 2006 and 217,900,000 on January 24, 2007) exercisable until December 31, 2009, the number of Company shares outstanding is revised quarterly to take into account the warrants exercised from time to time.

As of March 31, 2007, the Company had 1,232,599,421 shares with a par value of € 0.01 euro each issued and outstanding, fully paid up, with a nominal value of € 12,325,994.21.

As of June 30, 2007, the Company had 1,233,731,766 shares with a par value of € 0.01 euro each issued and outstanding, fully paid up, with a nominal value of € 12,337,317.66.

Authorized capital

▪ AUTHORIZATION TO INCREASE CAPITAL

The Special Shareholders' Meeting of November 15, 2005 granted authority to the Board of Directors for a period of 26 months to i) increase capital by issuing stock or securities with rights to equity, with or without shareholders' preemptive rights, and by capitalizing reserves, earnings or premiums, and ii) to increase capital by issuing stock, or other securities in the event of tender offers initiated by the Company for its own shares or those of another company, by up to € 750 million in nominal value (over the period). Another ceiling of € 500 million applies to the nominal value of debt instruments convertible or exchangeable for shares.

The same Special Shareholders' Meeting also granted authority to the Board of Directors, for a period of 26 months, to issue shares representing capitalized reserves, earnings or premiums, for up to € 800 million.

Lastly, the shareholders' meeting granted authority to the Board of Directors to issue equity in the following instances:

- authority to issue shares for offering to employees under a company savings plan or a group savings plan, for a period of 26 months and for up to 45 million euros;
- authority to issue shares or other securities in consideration for contributions in kind to the Company, over a period of 26 months and for up to an annual nominal value not in excess of 10% of capital stock;
- authority to issue shares for distribution as bonus shares to employees and officers of the company, for a period of 38 months, up to 10% of the shares outstanding (at the time the authority was granted).

The Shareholders' Meeting will be asked to approve the financial statements for the year ended March 31, 2007 and to complement some of the above grants of authority.

▪ AUTHORIZATION TO BUY BACK COMPANY SHARES AND RETIRING SHARES ACQUIRED UNDER A BUYBACK PROGRAM)

The Shareholders' Meeting of October 12, 2006 granted authority to the Board of Directors for a period of 18 months, along with the power to delegate such authority, to buy back up to 10% of the Company's shares outstanding on the date on which such authority is used. The Company does not plan to start a share buyback program in the foreseeable future.

The Special Shareholders' Meeting of November 15, 2006 granted authority to the Board of Directors to retire shares bought back by the Company under the above share buyback program, for up to 10% of those outstanding per 24-month period.

The Shareholders' Meeting called to approve the financial statements for the year ended March 31, 2007 will be asked to renew these grants of authority.

▪ STOCK OPTION PLANS

No stock options were granted by the Company to its employees in fiscal 2006-2007.

As of March 31, 2007, there were 16,833,361 options outstanding, which had a dilutive potential of 1.13%; if all were exercised.

The Shareholders' Meeting called to approve the financial statements for the year ended March 31, 2007 will be asked to renew the authority to grant stock options.

SECURITIES WITH RIGHTS TO EQUITY

STOCK OPTION PLANS (1):

Pursuant to the authority granted to it by the Special Shareholders' Meetings, the Board of Directors has granted stock options as shown below:

	Plan 3	Plan 4	Plan 5	Plan 6	Plan 7	Plan 8
Date of Shareholders' Meeting	12/15/1997	12/15/1997	12/15/1997	12/16/1999	12/15/2000	12/15/2000
Date of Board meeting	01/16/1998	03/15/1999	10/01/1999	10/30/2000	10/24/2001	10/24/2001
Number of stock options granted (1)	795,898	397,949	5,040,687	540,546	2,255,044	341,574
Of which, to members of the executive council and board of directors (2)	—	—	—	—	270,605	—
Starting date of the stock option exercise period	10/16/1998	03/15/1999	10/01/1999	10/30/2000	10/24/2001	10/24/2001
Expiration date of stock options	10/16/2006	03/15/2007	10/01/2007	10/30/2008	10/24/2009	10/24/2009
Exercise price of stock options (€) (1)	3.03	4.29	5.25	8.11	2.95	5.25
Vesting of stock options granted	20% per annum	20% per annum	20% per annum	20% per annum	25% per annum	25% per annum
Number of stock options outstanding on March 31, 2006	700,870	159,657	2,971,923	54,121	1,729,512	265,537
Stock options exercised between April 1, 2006 and March 31, 2007	—	—	—	—	—	—
Stock options cancelled between April 1, 2006 and March 31, 2007	700,870	159,657	—	—	—	—
Number of stock options outstanding on March 31, 2007	—	—	2,971,923	54,121	1,729,512	265,537
Of which, to members of the executive council and board of directors	—	—	—	—	270,605	—

(1) All figures have been adjusted as required by law to reflect the following events: (i) stock splits approved by the Shareholders' Meetings of December 15, 1997 and December 16, 1999, (ii) a five-percent stock dividend on January 15, 2002, (iii) the issuance of stock warrants on January 4, 2005 and (iv) the rights offering and distribution of warrants in January 2007.

(2) In its make-up on March 31, 2007

▪ STOCK OPTION PLANS (CONTINUED)

	Plan 9	Plan 10	Plan 11	Plan 12	Plan 13	Plan 14
Date of Shareholders' Meeting	12/17/2001	12/17/2001	5/29/2002	5/29/2002	5/29/2002	1/19/2005
Date of Board meeting	3/15/2002	11/7/2002	9/16/2003	3/3/2004	7/27/2004	9/7/2005
Number of stock options granted (1)	303,199	4,153,513	2,779,326	386,579	1,417,456	5,432,319
Of which, to members of the executive council and board of directors (2)	–	644,298	644,298	386,579	193,290	1,389,663
Starting date of the stock option exercise period	3/15/2002	11/7//2002	9/16/2003	3/3/2004	7/27/2004	9/7/2005
Expiration date of stock options	3/15/2010	7/11/2010	9/16/2011	3/3/2012	7/27/2012	9/7/2013
Exercise price of stock options (€) (1)	4.31	0.99 (3)	1.81	1.37	0.75	0.55
Vesting of stock options granted	25% per annum	25% per annum	25% per annum	25% per annum	25% per annum	25% per annum
Number of stock options en circulation au March 31, 2006	244,189	3,525,024	2,522,754	386,579	1,314,369	5,356,520
Stock options exercised between April 1, 2006 and March 31, 2007	–	–	–	–	–	–
Stock options cancelled between April 1, 2006 and March 31, 2007	–	57,097	160,142	–	148,189	1,171,739
Number of stock options en circulation au March 31, 2007	244,189	3,467,927	2,362,612	386,579	1,166,180	4,184,781
Of which, to members of the executive council and board of directors	–	644,298	644,298	386,579	193,290	1,389,663

(1) All figures have been adjusted as required by law to reflect the following events: (i) stock splits approved by the Shareholders' Meetings of December 15, 1997 and December 16, 1999, (ii) a five-percent stock dividend on January 15, 2002, (iii) the issuance of stock warrants on January 4, 2005 and (iv) the equity issue and distribution of warrants in January 2007.

(2) In its make-up on March 31, 2007

(3) € 1.04 for holders in the United States.

▪ 2000-2011 BONDS CONVERTIBLE INTO OR EXCHANGEABLE FOR NEW OR EXISTING SHARES (OCEANE 2000-2011):

On May 18, 2000, the Company issued convertible bonds in the form of 8,941,517 "OCEANE" bonds with a face value of € 39 each, for a total of € 348,719,163, with a redemption premium of € 63.57 million. The bonds matured 5 years and 32 days from their issue date and carried interest at 1.5 percent. The bonds were scheduled to be redeemed on July 1, 2005. A prospectus was prepared in connection with the bond issue and was approved on May 18, 2000 by the *Commission des Opérations de Bourse* under number 00-823. Following the January 15, 2002 distribution of one bonus share for each twenty shares held, each OCEANE 2000-2005 became convertible into 1,05 Company shares.

In November 2003, the Company issued a simplified tender offer to exchange the OCEANE 2000-2005 bonds, under which holders would be entitled to 1.05 new shares of the Company and 5 bonds convertible into new shares or exchangeable for existing shares of the Company (OCEANE 2003-2009) with an attached Company share warrant to be issued, for each OCEANE 2000/2005 bond tendered. On December 19, 2003, the AMF issued notice no. 203C2191 in which it stated that 2,191,180 OCEANE 2000-2005 bonds had been tendered under the offer, bringing the number of OCEANE 2000-2005 outstanding to 2,538,803.

In March 2005, the Company made a simplified tender offer in cash and securities for the OCEANE 2000-2005 bonds.

For each OCEANE 2000-2005 bond tendered, holders received:

- € 11.20 in cash,
- 10 new Infogrames Entertainment shares,
- 1 Infogrames Entertainment note (the "Notes").

On April 7, 2005, the AMF issued notice 205C0605 indicating that a total of 2,403,772 OCEANE 2000-2005 had been tendered under the Offer. At the close of the Offer on March 31, 2005, a total of 135,031 OCEANE 2000-2005 bonds had not been tendered and remained outstanding; they could be converted into or exchanged for 1,417,826 Infogrames Entertainment shares, based on the increased ratio of 10.5 shares for each OCEANE bond decided by the previously mentioned OCEANE bondholders' meeting. Following an adjustment, the ratio was subsequently raised to 24.718 shares for each OCEANE bond..

As of March 31, 2007, these 135,031 OCEANE bonds, which, if converted, could require the issuance of 3,337,754 shares, with a potential dilutive effect on the Company's stock of 0.22% and, if all were converted or exchanged.

The OCEANE 2000-2011 bonds still outstanding are redeemable on July 1, 2011.

▪ 2003-2009 BONDS CONVERTIBLE INTO OR EXCHANGEABLE FOR NEW OR EXISTING SHARES (OCEANE 2003-2009):

Following the exchange tender offer of November 2003 for the OCEANE 1999-2004 and OCEANE 2000-2005 bonds, the Company issued convertible bonds on December 23, 2003 in the form of 16,487,489 "OCEANE" bonds with a face value of € 7 each, for a total of € 115,412,423, with a redemption premium of € 8.89 million (final prospectus approved on November 6, 2003 by the *Commission des Opérations de Bourse* under number 03-971). The bonds originally matured 5 years and 100 days from their issue date and bore interest at 4 percent. Their redemption date was April 1, 2009.

In connection with the financial restructuring plan approved by the shareholders' meeting of November 15, 2006, the meeting of the body of holders of OCEANE 2003-2009 bonds resolved on September 29, 2006 to make certain amendments to their indenture, so that:

- the bond's maturity was extended from April 1, 2009 to April 1, 2020,
- the bonds would no longer be convertible or exchangeable after April 1, 2009;
- the interest rate on the bonds was reduced from 4% to 0.1%;
- the entire event-of-default clause was deleted (clause 2.5.10).

The Company subsequently made an exchange tender offer for the OCEANE 2003-2009 bonds. A registration statement was approved on February 2, 2007 by the AMF under number 07-035. The offer was in effect from February 12 to March 9, 2007.

Holders were offered 32 new shares of Infogrames Entertainment for each OCEANE 2003-2009 bond tendered.

On March 16, 2007, the AMF issued notice no. 207CO515 in which it stated that 16,403,083 OCEANE 2003-2009 bonds had been tendered under the offer, out of a total of 16,487,489 OCEANE 2003-2009 outstanding at the time. At the close of the tender offer on March 9, 2007, a total of 84,406 OCEANE 2003-2009 bonds (2003-2020) had not been tendered and remained outstanding; they could be converted into or exchanged for 202,658 Infogrames Entertainment shares, (based on a conversion and/or exchange ratio of 2.401 shares for each OCEANE 2003-2009 – see offer memorandum 07-035, page 18), noting that the meeting of the body of holders of OCEANE 2003-2009 bonds resolved on September 29, 2006 that the bonds would no longer be convertible or exchangeable after April 1, 2009.

As of March 31, 2007, there remained 84,406 OCEANE 2003/2020 bonds outstanding, which could be converted into or exchanged for 202,658 Infogrames Entertainment shares, with a potential dilutive effect on the Company's stock of 0.01% if all were converted or exchanged.

▪ STOCK SUBSCRIPTION WARRANTS ISSUED IN CONNECTION WITH THE FINANCIAL RESTRUCTURING PLAN APPROVED BY THE SPECIAL SHAREHOLDERS' MEETING OF NOVEMBER 15, 2006

The Infogrames Entertainment special shareholders' meeting of November 15, 2007 resolved to distribute 217,900,000 bonus stock warrants to the following recipients:

The BlueBay High Yield (Master) Fund (now The BlueBay Value Recovery (Master) Fund): 181,600,000 warrants;
The Sark Master Fund: 36,300,000 warrants;

The warrants were granted to the above investors on January 24, 2007 and became listed on the Eurolist of Euronext Paris on January 26, 2007 (ISIN FR 0010413237).

In addition to granting "Investor Warrants", the special shareholders' meeting of November 15, 2006 also resolved to distribute bonus warrants to the Company's shareholders, in the form of 47,431,539 "Shareholder Warrants" that were issued by the Company on December 22, 2006, and distributed as one bonus warrant for each four Company shares held by shareholders of record on December 21, 2006, according to Euroclear France. The "Shareholder Warrants" were listed on the Eurolist of Euronext Paris on January 15, 2007 (ISIN FR 0010413237).

A total of 265,331,539 warrants were thus granted by the Company, each warrant originally granted to either investors or shareholders being exercisable to subscribe for one new Infogrames Entertainment share with a par value of € 0.01 for a price of € 0.15 each. Accordingly, if all 265,331,539 warrants were to be exercised, a maximum of 265,331,539 new Infogrames Entertainment shares would have to be issued (exclusive of adjustments).

The warrants ("Investor Warrants" and "Shareholder Warrants") expire on December 31, 2009.

As of March 31, 2007, 24,686,617 warrants had been exercised, resulting in the creation of 24,686,617 new Infogrames Entertainment shares.

As of June 30, 2007, a total of 25,818,962 warrants had been exercised (including 1,132,345 in the period from March 31, 2007 to June 30, 2007), resulting in the creation of 1,132,345 new Infogrames Entertainment shares.
Subsequent to that date, BlueBay Value Recovery (Master) Fund exercised 50 millions warrants on July 23, 2007, causing 50 millions new Infogrames Entertainment shares to be issued.

No other securities exist with a right to the Company's equity other than the aforementioned securities.

INFORMATION CONCERNING THE DILUTION OF THE COMPANY'S CAPITAL SUBSEQUENT TO TRANSACTIONS INVOLVING ITS POTENTIAL EQUITY

(as of March 31, 2007)

Potentially dilutive securities	Issue date	Exercise price in euros (1)	Identity of holders	Expiration date	Number of shares for which securities can be exercised	Potential dilution from the exercise of the securities (on the basis of a fully diluted capital stock)
Stock options	10/1/1999	5.25	Persons referred to in sections L225-177 and L-225-180 of the Commercial Code	10/1/2008	2,971,923	
	10/30/2000	8.11		10/30/2008	54,121	
	10/24/2001	2.95		10/24/2009	1,729,512	
	10/24/2001	5.25		10/24/2009	265,537	
	3/15/2002	4.31		3/15/2010	244,189	
	11/7/2002	0.99 **(2)**		11/7/2010	3,467,927	
	9/16/2003	1.81		9/16/2011	2,362,612	
	3/3/2004	1.37		3/3/2012	386,579	
	7/27/2004	0.75		7/27/2012	1,166,180	
	9/7/2005	0.55		9/7/2013	4,184,781	
Total					**16,833,361**	Total = 1.13%
OCEANE2000-2005-2011 **(3)**	5/18/2000		Public	7/1/2011	3,337,754	**0 .22**%
OCEANE 2003-2009-2020	12/23/2003		Public	4/1/2009	202,658	**0.01**%
Share subscription warrants	12/22/2006 1/24/2007	0.15	Public **(4)**	12/31/2009	240,644,922	**16.11**
Total					**261,018,695**	**17.47%**

(1) All figures have been adjusted as required by law to reflect the following events: (i) stock splits approved by the Shareholders' Meetings of December 15, 1997 and December 16, 1999, (ii) a five-percent stock dividend on January 15, 2002, (iii) the issuance of stock warrants on January 4, 2005, (iv) the rights offering of January 24, 2007 and (v) the distribution of 47,431,539 bonus stock warrants to the Company's shareholders on December 22, 2006.

(2) € 1.04 for holders in the United States.

(3) Subsequent to the exchange offer for the OCEANE 2000-2005 bonds, the maturity of those bonds has been deferred to July 1, 2011, in accordance with the decision of the March 4, 2005 bondholders' meeting.

(4) The warrants were granted free of charge to i) The BlueBay High Yield (Master) Fund (181,600,000 warrants) and The Sark Master Fund (36,300,000 warrants) on January 24, 2007, and to ii) the Company's shareholders on December 22, 2006, and are listed on the Eurolist of Euronext Paris (ISIN FR 0010413237).

CHANGES IN CAPITAL

Date and nature of transactions	Cumulative number of shares outstanding	In cash or in kind		By capitalization	Total capital stock (in FFR) (in €)
		Nominal value	Other paid-in capital		
7/15/98					
Conversion of bonds	11,079,761	8,019,100	65,355,665		221,595,220
7/15/98					
Equity issue (1)	12,911,573	36,636,240	650,293,260		258,231,460
10/5/98					
Conversion of bonds	12,946,663	701,800	12,456,950		258,933,260
3/15/99					
Conversion of bonds	12,997,093	1,008,600	8,220,090		259,941,860
Exercise of options	13,011,182	281,780	996,958		260,223,640
6/8/99					
Conversion of bonds	13,238,132	4,539,000	36,992,850		264,762,640
Exercise of options	13,238,504	7,440	24,260		264,770,080
10/1/99					
Conversion of bonds	13,634,069	7,911,300			272,681,380
Exercise of warrants	13,634,156	1,740			272,683,120
12/31/99					
Exercise of options	13,709,780	1,512,480	7,030,213.40		274,195,600
Conversion of bonds	13,954,325	4,890,900	18,294,305		279,086,500
Exercise of warrants	13,998,871	890,920	19,154,780		279,977,420
Conversion of OCEANE bonds	14,149,407	3,010,720	81,910,102.94		282,988,140
1/3/2000					
Five-for-one stock splits (2)	70,747,035				282,988,140
2/29/2000					
Exercise of options	70,775,350	113,260	284,848		283,101,400
Conversion of bonds	71,283,475	2,032,500	16,564,875		285,133,900
Exercise of warrants	71,496,445	851,880	18,315,420		285,985,780
Conversion of OCEANE bonds	73,530,695	8,137,000	221,376,450.70		294,122,780
3/24/2000					
Exercise of options	73,534,625	15,720	83,787.60		294,138,500
Conversion of bonds	73,539,275	18,600	151,590		294,157,100
Exercise of warrants	73,653,015	454,960	9,781,640		294,612,060
Conversion of OCEANE bonds	74,107,750	1,818,940	49,486,356.30		296,431,000
6/30/2000					
Conversion of bonds	74,701,400	2,374,600	19,352,990		298,805,600
Exercise of warrants	74,746,415	180,060	3,871,290		298,985,660
Conversion of OCEANE bonds	77,136,590	9,560,700	260,109,847.87		308,546,360
Stock offering to employees	77,176,590	160,000	5,475,982.54		308,706,360
7/1/2000					
Restatement of capital in euros					(change to euros) € 47,061,981,20
7/28/2000					
Conversion of bonds	77,483,315	187,040	1,524,373.55		€ 47,249,020.90
Exercise of warrants	77,483,570	155	3,343.21		€ 47,249,176.39
Equity issue (3)	78,140,489	400,587	17,011,708.38		€ 47,649,763.02
1/26/2001					
Conversion of bonds (maturing Oct. 2000)	79,720,989	963,782.69	7,854,828.89		€ 48,613,545.71
Exercise of warrants	79,837,544	71,074.78	1,528,063.25		€ 48,684,620.49
Conversion of OCEANE bonds	80,013,089	107,046.65	2,912,327.35		€ 48,791,667.14
Exercise of options	80,098,139	51,863.15	200,477.59		€ 48,843,530.29
Equity issue (4)	84,619,544	2,757,134.99	107,339,076.80		€ 51,600,665.29
6/30/2001					
Exercise of warrants	88,471,759	2,349,065.56	50,504,895.96		€ 53,949,730.85
Conversion of OCEANE bonds	-	-	-		-
Exercise of options	88,560,319	54,003.53	306,431.61		€ 54,003,734.39
12/17/2001					
Equity issue (5)	104,090,877	9,470,473.22	67,151,019.96		€ 63,474,207.61
12/31/2001					
Exercise of options	104,189,542	60,165.53	286,914.72		€ 63,534,373.14
12/31/2001					
Stock offering to employees	104,374,017	112,492.13	1,127,179.87		€ 63,646,865.27
2/15/2002					
Stock dividend (6)	109,592,717			3,182,342.74	€ 66,829,208.01
5/29/2002					
Equity issue (7)	110,179,781	357,989.32	6,980,310.68		€ 67,187,197.34
6/30/2002					

Exercise of options	110,240,081	36,770.70	142 32 .30		€ 67,223,968.04
12/15/2002 Exercise of options	110,442,769	123,598.35	447,981.81		€ 67,347,566.39
6/6/2003 Stock offering to employees	111,714,862	775,717.31	1,692,143.11		€ 68,123,283.70
9/30/2003 Exercise of options	111,741,114	16,007.15	96,080.35		€ 68,139,290.85
12/18/2003 Exchange offer for OCEANE bonds (8)	119,573,442	4,776,122.83	0		€ 72,915,413.68
12/31/2003 Conversion of OCEANE bonds	121,387,159	1,105,998.72	7,128,258.03		€ 74,021,412.40
12/31/2003 Exercise of options	121,391,095	2,400.16	8 187.68		€ 74,023,812.56
3/31/2004 Exercise of warrants	121,391,155	36,59	323,41		€ 74,023,849.15
6/30/2004 Conversion of OCEANE 2004 bonds	121,900,566	310,637.02	8,808,336.55		€ 74,334,486.17
1/4/2005 Exercise of warrants (9)	157.139.475	21.488.548,18	17.626.640.82		€ 95,823,034.34
3/31/2005 Stock offering to employees	159,458,788	1,414,307.95	448,480.03		€ 97,237,342.29
4/30/2005 Exchange offer for OCEANE bonds (10)	183,496,508	14,658,107.01	17,723,839.05		€ 111,895,449.25
6/30/2005 Exercise of warrants (11)	183,496,653	88.42	766.27		€ 111,694,176.91
8/22/2005 Equity issue (12)	189,726,158	3,798,727.66	5,234,055.52		€ 115,694,265.33
11/15/2006 Reduction of capital	189,726,013	- 114,537,323.30	+114,537,323.30		€ 1,156,942.00
11/27/2006 Equity issue (13)	189,726,158	+ 740,319.58	- 740,319.58		€ 1,897,261.58
1/24/2007 Share issues	683,014,148	4,932,879.9	69,060,318.60		€ 6,830,141.48
3/9/2007 Equity issue (14)	1,207,912,804	5,248,986.56	120,726,690.88		€ 12,079,128.04
3/31/2007 Exercise of warrants (15)	1,232,599,421	246,866.17	3,456,126.87		€ 12,325,994.21
6/30/2007 Exercise of warrants (15)	1,233,731,766	11,323.45	158,528.30		€ 12,337,317.66
7/23/2007 Exercise of warrants (16)	1,233,731,766	500,000	49,500.000		€ 12,837,317.66

(1) Issue of stock warrants. A prospectus was filed in connection with the issue and approved by the Commission des Opérations de Bourse on June 25, 1998 (Visa no. 98-559).

(2) The Shareholders' Meeting of December 16, 1999 resolved to replace each existing share with five new shares.

(3) Issue of 656,919 new shares as consideration for the transfer of Paradigm Entertainment Inc. stock to the Company (Combined Shareholders' Meeting of July 28, 2000).

(4) Issue of 4,521,405 new shares as consideration for the transfer of the Interactive Division of Hasbro Inc. to the Company (Special Shareholders' Meeting of January 23, 2001).

(5) The Shareholders' Meeting of December 17, 2001 approved the merger into the Company of Interactive Partners S.A. and the issuance of 15,530,558 shares as consideration.

(6) On January 15, 2002 the Company distributed one bonus share for each twenty held as a stock dividend; for that purpose it issued 5,218,700 new shares that were allotted effective January 16, 2002.

(7) Issue of 587,064 shares as consideration for the transfer of Eden Studios S.A. stock to the Company (Combined Shareholders' Meeting of May 29, 2002).

(8) Issue of 7,832,328 new shares as part of the simplified tender offer to exchange the OCEANE 1999-2004 and OCEANE 2000-2005 bonds (Shareholders' Meeting of December 18, 2003); a prospectus was issued in connection with the tender offer and approved by the Commission des Opérations de Bourse on November 6, 2003 under number 03-971.

(9) As part of the Company's debt restructuring plan and in order to fulfill its obligations arising from the maturity of the OCEANE 2000-2005 bonds, 121,900,566 warrants were issued and distributed free of charge to the shareholders, on December 17, 2004. A total of 70,477,818 warrants were exercised during the exercise period of December 17 to 24, 2004, requiring the issuance of 35,238,909 new

shares.

(10) Issue of 24,037,720 new shares in connection with the simplified exchange offer for the OCEANE 2000-2005 bonds (Annual and Special Shareholders' Meeting of January 19, 2005); a circular concerning the offer was filed with the Commission des Opérations de Bourse under number 05-130 on March 4, 2005.

(11) Issue of 145 new shares in consideration of the exercise of warrants in June 2005.

(12) Issue of 6,229,505 new shares as consideration for the transfer of all of the shares of Humongous Inc. on August 22,2005..

(13) Adjustment of the par value of shares from € 0.609796069 to € 0.01, as resolved by the special shareholders' meeting of November 15 2006 (resolution 17).

(14) Issue of 524,898,656 new shares with a par value of € 0.01each, in consideration for the tendering of 16,403,083 OCEANE 2003-2009 bonds under the simplified exchange tender offer in effect from February 12 to March 9, 2007.

(15) Exercise of warrants distributed by the Company to its shareholders and to The BlueBay High Yield (Master) Fund and The Sark Master Fund pursuant to resolutions by the special shareholders' meeting of November 15, 2007. The warrants are exercisable until December 31, 2009 and a statement on those exercised will be prepared at the end of each quarter.

(16) Exercise of 50 million stock warrants by BlueBay Value Recovery (Master) Fund.

STOCK OWNERSHIP AND VOTING RIGHTS

On March 31, 2007, the Company's shareholders were entitled to an aggregate of 1,236,823.835 votes. The data below was prepared on the basis of information obtained from the registrar.

To the best of the Company's knowledge, share ownership and voting rights divided up as follows on March 31, 2007:

	Number of shares	(%)	Number of voting rights	(%)
The BlueBay Value Recovery (Master) Fund[1]	238,627,392	19.34	238,627,392	19.29
GLG[2]	119,31, 696	9.68	119,313,696	9.64
Morgan Stanley & Co. International Plc.	48,053,650	3.92	48,053,650	3.89
Public[3]	826,604,683	67.06	830,829,097	67.15
Total	1,232,599,421	100.0	1,236,823,835	100.0

[1] The BlueBay Value Recovery (Master) Fund and GLG reported that they were parties to a shareholders agreement on March 28, 2007..
[2] GLG Market Neutral Fund, GLG Global Convertible UCITS Fund and GLG Global Convertible Fund PLC
[3] The principal company founders (Bruno Bonnell, Christophe Sapet and Thomas Schmider) together hold, either directly or indirectly, less than 1% of the shares and voting rights; Hasbro, Inc holds less than 0.25% of the shares and 0.5% of voting rights.

The Company's principal shareholders have the same voting rights as all other shareholders.

To the best of the company's knowledge, and subject to the information below, as of March 31, 2007, no other shareholder owned, alone or in association with others, 5 percent or more of the shares or voting rights.

Subsequent to the exercise by BlueBay of 50,000,000 stock warrants, share ownership was as follows on July 30, 2007:

	Number of shares	%	Number of voting rights	%
The BlueBay Value Recovery (Master) Fund[1]	288,627,392	22.50	288,627,392	22.43
GLG[2]	119,161,101	9.29	119,161,101	9.26
Morgan Stanley &Co International Plc.[3]	52,065,384	4.06	52,065,384	4.04
Public	822,745,544	64.15	826,969,958	64.27
Total	**1,282,599,421**	**100.00**	**1,286,823,835**	**100.00**

[1] BlueBay reported on April 26, 2007 that the shareholders' agreement with GLG had expired.
[2] GLG Market Neutral Fund, GLG Global Convertible UCITS Fund and GLG Global Convertible Fund PLC
[3] The principal company founders (Bruno Bonnell, Christophe Sapet and Thomas Schmider) together hold, either directly or indirectly, less than 1% of the shares and voting rights;

Hasbro, Inc holds less than 0.25% of the shares and 0.5% of voting rights.

CROSSING OF reporting THRESHOLDS IN THE PERIOD FROM MARCH 31, 2006 TO JULY 30, 2007

As required by the Company's articles of incorporation and bylaws, which provide that any ownership of 2 percent or more of the shares or voting rights must be reported, the Company was notified of the following changes in share ownership during the period:

- In a letter dated March 28, 2007, (i) The BlueBay Value Recovery (Master) Fund (formerly BlueBay High Yield (Master) Fund) and (ii) GLG Market Neutral Fund, GLG Global Convertible UCITS Fund and GLG Global Convertible Fund PLC, reported that they had acquired in concert 357,941,088 Infogrames Entertainment shares on March 21, 2007, in connection with the exchange tender offer for the OCEANE 2003-2009 bonds, and as a result their combined holdings had exceeded the reporting limits of 5%, 10%, 15%, 20% and 25% of the Company's shares.
- In a letter dated April 26, 2007, (i) The BlueBay Value Recovery (Master) Fund (formerly BlueBay High Yield (Master) Fund) and (ii) GLG Market Neutral Fund, GLG Global Convertible UCITS Fund and GLG Global Convertible Fund PLC, reported that their combined holdings had declined to below the reporting limits of 5%, 10%, 15%, 20% et 25% of the Company's shares, specifying that the crossing of those thresholds had resulted from the expiration of the shareholders' agreement between them and that their respective holdings remained unchanged.
- In a letter dated April 4, 2007, Morgan Stanley & Co. International Plc. reported that, on March 29, 2007 its holdings had increased to more than 5% of the Company's shares and that it held 7.62% of the shares and 7.59% of voting rights.
- In a letter dated April 4, 2007, Morgan Stanley & Co. International Plc. reported that, on March 30, 2007 its holdings had declined to less than 5% of the Company's shares and that it held 3.89% of the shares and 3.88% of voting rights.
- In a letter dated April 4, 2007, Morgan Stanley & Co. International Plc. reported that, on April 2, 2007 its holdings had increased to more than 5% of the Company's shares and that it held 7.60% of the shares and 7.57% of voting rights.
- In a letter dated April 11, 2007, UBS AG reported that, on April 2, 2007, its holdings had increased to more than 2% of the Company's shares and that it held 2.88% of the shares and 2.88% of voting rights.
- In a letter dated April 17, 2007, Morgan Stanley & Co. International Plc. reported that, on April 13, 2007 its holdings had increased to more than 10% of the Company's shares and that it held 10.41% of the shares and 10.38% of voting rights.
- In a letter dated May 9, 2007, Morgan Stanley & Co. International Plc. reported that, on May 2, 2007 its holdings had declined to less 5% of the Company's shares and that it held 4.38% of the shares and 4.37% of voting rights.
- In a letter dated May 9, 2007, Morgan Stanley & Co. International Plc. reported that, on May 7, 2007 its holdings had increased to more than 5% of the Company's shares and that it held 7.58% of the shares and 7.55% of voting rights.
- In a letter dated May 31, 2007, UBS AG reported that, on May 25, 2007, its holdings had declined to less than 2% of the Company's shares and that it held 1.98% of the shares and 1.97% of voting rights.
- In a letter dated June 4, 2007, Morgan Stanley & Co. International Plc. reported that, on May 30, 2007 its holdings had declined to less 5% (and coincidentally to less than the 2-percent threshold) of the Company's shares and that it held 1.74% of the shares and 1.74% of voting rights.
- In a letter dated July 2, 2007, Morgan Stanley & Co. International Plc. reported that, on June 26, 2007 its holdings had increased to more than 5% of the Company's shares and that it held 6.20% of the shares and 6.18% of voting rights.
- In a letter dated July 2, 2007, Morgan Stanley & Co. International Plc. reported that, on June 27, 2007 its holdings had declined to less 5% of the Company's shares and that it held 4.22% of the shares and 4.20% of voting rights
- In a letter dated July 12, 2007, UBS AG reported that, on July 5, 2007, its holdings had increased to more than 2% of the Company's shares and that it held 2.73% of the shares and 2.73% of voting rights.
- In a letter dated July 20, 2007, UBS AG reported that its holdings had declined to less than 2% of the Company's shares and that it held 1.76% of the shares and 1.76% of voting rights.
- In a letter dated July 24, 2007, BlueBay Asset Management reported to the Company that its holdings had increased to more than 20% of the shares and voting rights following the exercise of 50 millions stock warrants, and that it held 22.50% of the shares and 22.43% of voting rights.

TRADING BY THE COMPANY IN ITS OWN SHARES

The Company did not buy back any of its own shares in the period from April 1, 2006 to June 31, 2007.

TRADING BY COMPANY OFFICERS IN SHARES AND OTHER SECURITIES (article L.621-18-2 OF THE FRENCH MONETARY

AND FINANCIAL Code)

Name and position on the transaction date	Type of transaction	Transaction date	Number of securities	Unit price (€)	Transaction amount (€)
Bruno Bonnell Chairman and Chief Executive Officer	Disposals	4/13/06	350,000	0.68	238,000
Bruno Bonnell Chairman and Chief Executive Officer	Disposals	4/24/06	1,050,000	0.70	735,000
Bruno Bonnell Chairman and Chief Executive Officer	Disposals	5/9/06	85,470	0.70	59,829
Bruno Bonnell Chairman and Chief Executive Officer	Disposals	1/10/07	7,965	0.37	2,947.05
Bruno Bonnell Chairman and Chief Executive Officer	Disposals	1/12/07	812,344	0.33	268,073.61
Bruno Bonnell Chairman and Chief Executive Officer	Subscription	1/121/07	1,539,799	0.15	230,969.85
Bruno Bonnell Chairman and Chief Executive Officer	Disposals	2/20/07	1,500,000	0.25	375,000
Thomas Schmider Director Chief Operating Officer	Disposals	11/13/06	1,000,000	0.50	500,000
Thomas Schmider Director Chief Operating Officer	Disposals	12/8/2006	500,000	0.73	365,000
Thomas Schmider Director Chief Operating Officer	Disposals	12/11/06	200,000	0.75	150,000
Thomas Schmider Director Chief Operating Officer	Subscription	1/12/07	2,151,408	0.15	332,711.20
Thomas Schmider Director Chief Operating Officer	Disposals	1/9/07	100,000	0.28	28,000
Thomas Schmider Director Chief Operating Officer	Disposals	3/2/07	100,000	0.26	100,000
Thomas Schmider Director Chief Operating Officer	Disposals	3/5/07	100,000	0.27	27,000

CHANGES IN OWNERSHIP DURING THE FISCAL YEAR

The table below shows changes in treasury shares held by the Company since March 31, 2004:

	March 31, 2004	Increase	Decrease	September 30, 2004	Increase	Decrease	February 28, 2005	Increase	Decrease	March 31, 2005	March 31, 2006	March 31, 2007
Trading to maintain an orderly market	73,590		(73,590)	-	-	-	-			0-	0-	0-
Hasbro price adjustment	604,205		(604,205)	-	-	-	-			0-	0-	0-
Bond conversions	563,570	105,099	(653,997)	14,672	7,336	-	22,008		(22,008)	0	0	0
Other	135,474		(135,474)	-	1,500	-	1,500		(1,500)	0-	0-	0-
TOTAL	1,376,839	105,099	(1,467,266)	14,672	8,836 (1)	-	23,508		(23,508)	0-	0-	0-

(1) Including the exercise of warrants for 7,836 new shares.

As of March 31, 2007, the Company no longer held any of its own stock.

CHANGES IN OWNERSHIP OVER THE PAST THREE FISCAL YEARS

Stock ownership has changed as follows in terms of percentage of stock held and voting rights over the past three years. Differences between the number of shares and voting rights held is due to the fact that shares held in registered form for two years or more are entitled to double voting rights:

Shareholders	March 31, 2007			March 31, 2006			March 31, 2005		
	Shares	% equity	% voting rights	Shares	% equity	% voting rights	Shares	% equity	% voting rights
Founders (1)	(5)	(5)	(5)	4,244,036	2.23%	4.01%	7,760,453	4.87%	8.66%
Eurazeo S.A.	-	-	-	-	-	-	32,789	0.02%	0.04%
Hasbro Inc.	2,977,945	0,24%	0.48	2,977,945	1.57%	2.42%	2,977,945	1.87%	2.77%
Dassault Multimedia S.A.S. (2) (2)	-	-	-	-	-	-	2 577 702	1,62%	3,01%
The BlueBay Value Recovery (Master) Fund	238,627,392	19.34	19.29	-	-	-	-	-	-
GLG (3)	119,313,696	9.68	9.64	-	-	-	-	-	-
Morgan Stanley & Co. International Plc.	48,053,650	3.92	3.89	-	-	-	-	-	
Treasury shares	-	-	-	-	-	-	-	-	-
Company shares held by subsidiaries	-	-	-	-	-	-	-	-	-
Public (4)	871,680,388	70.74		182,504,176	96.20%	93.57%	146,109,899	91.63%	85.52%
Total	**1,232,599,421**	**100.0%**	**100.0%**	**189,726,158**	**100.00%**	**100.00%**	**159,458,788**	**100.00%**	**100.00%**

(1) Directly or indirectly held by Bruno Bonnell, Christophe Sapet and Thomas Schmider.

(2) Dassault Multimedia SAS registered its shares directly with the Company during fiscal 2005-2006.

(3) GLG Market Neutral Fund, GLG Global Convertible UCITS Fund and GLG Global Convertible Fund PLC

(4) Including employees.

(5) as of March 31, 2007, the principal founders (Bruno Bonnell, Christophe Sapet and Thomas Schmider) together held, either directly or indirectly, less than 1% of the shares and of voting rights

SHAREHOLDERS AGREEMENTS

BlueBay and GLG announced, in letters dated April 26, 2007, that the shareholders agreement between them had expired, specifying that their respective holdings had not been affected.

The terms of the shareholders agreement had been posted on the AMF website.

TRANSACTIONS WITH AFFILIATES

Atari license: Atari Interactive Inc., the wholly-owned subsidiary of the Company in the United States, which owns the Atari trademark and logos, granted an exclusive license to Atari Inc. in September 2003, allowing it to use the trademark and logos in the United States, Canada and Mexico, and another to Atari Europe covering the rest of the world. The licenses expire on December 31, 2013. Starting January 1, 2009, royalty payments will be calculated as a percentage of the licensees' net annual sales.

Intra-group service agreements: Infogrames Entertainment, the parent company, charges the Group for services (strategic and financial management, legal and communications services, etc.)….). Atari Inc. charges the Group for services (management, financial, legal, etc.) provided to the Group's subsidiaries in the United States. For the year ended March 31, 2007, the charges amounted to US$ 3 million. Atari Inc. also bills the Group, on a product-by-product basis for the manufacture and localization of games.

Licensing agreement between iFone, Glu Mobile and Atari Inc. As part of the commercial exploitation of its intellectual properties, Atari Inc has licensed certain rights to iFone and Glu Mobile. During the period, iFone (which is advised by a director of Atari, Inc. and a former director of Infogrames Entertainment), was acquired by Glu Mobile. Income from licenses for the fiscal years ended March 31, 2007 and March 31, 2006 was respectively US$2,3 and US$1,5 million. An aggregate of US$0,9 million was owed by these companies on March 31, 2006. No receivables from iFone/Glu Mobile were outstanding on March 31, 2007.

Regulated agreement with BlueBay Asset Management. In connection with the refinancing of the Group, the board of directors approved an increase from 35 million euros to 68.5 million euros of the short-term credit facility extended by Banc of America on April 21, 2006. Amendment 4 to that credit facility provides that, upon request by the Company, 7.5 million euros could be made available immediately (the sum was affectively drawn down by the Company on July 3, 2007), another 15 million euros on September 15, 2007 and 11 million euros on November 15, 2007. The entire additional financing of 33.5 million euros extended to the Company is counter guaranteed with Banc of America by the BlueBay Asset Management fund, a Company director and its principal shareholder. Accordingly, the increase in the credit facility is a regulated agreement and was given prior approval by the board of directors on June 20, 2007, as required by article L.225-38 of the Commercial Code.

Regulated agreement with Atari, Inc. The Company entered into a new agreement with Hasbro on July 18, 2007 concerning the extension until 2017 of the license to the Dungeons & Dragons universe and the buyback of the online and wireless rights to certain licenses that had been underutilized by the Group. The transaction was for 19.5 million dollars, of which 4 million were then passed on by the Company to Atari, Inc. as provided for in the Group's distribution agreement. This regulated agreement with Atari, Inc. received the board of directors' prior approval on July 9, 2007, as required by article L.225-38 of the Commercial Code.

Regulated agreements entered into or which remained in force during the year or pertaining to the period are described in the auditors' special report, prepared in accordance with article L.225-40 of the Commercial Code.

PLEDGES, SURETYSHIPS AND GUARANTEES

ON BEHALF OF EUROPEAN ENTITIES

▪ ASSETS PLEDGED TO FINANCE OPERATIONS

As part of the renegotiation of their bank debt, Infogrames Entertainment and Atari signed a new agreement with a new major bank, Banc of America Securities Limited ("BoA") deferring to March 31, 2008 the repayment of € 25.5 million in medium-term loans (agreement of June 12, 2006), extending € 20 million in short-term operating loans over the following year and providing for the possibility of obtaining up to € 30 million in local financing in Europe, secured by trade receivables. The new agreement replaces the Group's previous agreements with other banks (3).

A subsequent agreement was reached on September 8, 2006, increasing the short-term credit facility to € 45 million, of which € 10 million were repaid from the proceeds of the equity issue of January 2007 under the financial restructuring plan. The final repayment date of the facility was also deferred to December 31, 2008.

Subsequent to the end of the fiscal year, the short-term credit facility was increased to a maximum of 68.5 million euros on June 20, 2007.

Under these agreements, the Company and Atari Europe have pledged i) all of the shares of the following subsidiaries: Eden Games SAS, Atari Interactive Inc. and Atari Europe SAS, and their majority holdings in European and Australian subsidiaries (Atari France SAS, Atari United Kingdom Ltd., Infogrames Entertainment GmbH and Atari Asia Holding Pty. Ltd.) ii) certain trademarks and elements making up games published by Atari Europe SAS and iii) receivables from certain Group entities.
Infogrames Entertainment and Atari Europe have also given a separate guarantee to BoA.

These liens serve to secure the obligations of Atari Europe and its borrowing subsidiaries with respect to short- and medium-term financing, which are further guaranteed by Infogrames Entertainment in the form of a suretyship and a guarantee given by Atari Europe SAS for the obligations of its subsidiaries.

In addition, short-term credit facilities in Europe are secured by trade receivables, on a basis that varies with the sums drawn down.

The table below shows the book value of the assets pledged by the Group (other than Atari Inc.) on March 31, 2007 (in millions of euros):

Pledged assets	Effective date of pledge	Expiration date	Value of pledged assets (a)	Balance-sheet total (b)	% % (a)/(b)
Intangible assets (1)	April 16, 2003 (renewed on April 13,2006)	December 31, 2008	-	61.9 M€	0,.%
Investment holdings (2)	April 16, 2003 renewed on April 13, 2006	December 31, 2008	199.4 M€	242.8 M€	82.1%

(1) The consolidated net book value of most games pledged by Atari Europe is not material, as most of it has been depreciated; the sum of € 61.9 million comes from the consolidated financial statements.

(2) The book value of those shares and of the related shareholder loans is shown in the company financial statements on March 31, 2007 and is the only relevant value, as the subsidiaries concerned are consolidated. The balance sheet amount is the amount shown in the company financial statements.

▪ ON BEHALF OF ATARI INC. IN THE UNITED STATES

In the United States, the 15-million dollar revolving credit facility obtained by Atari, Inc. from Guggenheim Corporate Funding LLC on November 3, 2006 is secured by its receivables and inventories, as well as by all of the subsidiary's tangible and intangible assets.

The Company does not stand surety for Atari's obligations to Guggenheim under this facility.

▪ OTHER PLEDGES

The Group has also given guarantees to holders of its 2005-2008 Notes in connection with the exchange tender offer for the OCEANE 2000-2005. The servicing of the Notes in principal repayment, costs and ancillary expenses is guaranteed by California US Holding, Inc., a wholly-owned subsidiary of the Company, by means of a senior pledge of 40.1 million Atari Inc. shares.
Following the prepayment of all of the 2005-2008 Notes, Infogrames Entertainment and California US Holding, Inc. obtained the release of the pledge of Atari inc. shares on January 24, 2007.

▪ UNDERTAKING TO PLEDGE OR TO KEEP CERTAIN ASSETS FREE OF LIENS AND ENCUMBRANCES

As part of the previously mentioned bank refinancing, Infogrames Entertainment and its principal subsidiaries (other than Atari Interactive Inc., Atari Inc., California US Holdings Inc. and their respective subsidiaries) have undertaken to refrain from creating security interests on their current or future assets without the consent of BoA (including in the form of counter guarantees for security given by any member of the Group), without issuing an equivalent pari passu security in favor of the lender or creating an equivalent security interest.

The Group has also guaranteed, in connection with the production fund, that California US Holding Inc. would keep Atari shares with a market value of € 14 million free of liens and encumbrances, for as long as the Group has not fulfilled all of its obligations to the production fund.

As of March 31, 2007, CUSH shares held by the Group were not pledged.

▪ GUARANTEES GIVEN BY THE COMPANY AND ATARI EUROPE SAS

In connection with the financing of its operations, the Company has given parent-company guarantees to Group subsidiaries during the year ended March 31, 2007 for a total of € 23.5 million, of which € 4.6 million for overdraft facilities and cash loans extended to Atari Italia (€ 2.3 million), Atari España (€ 1.3 million), and € 19.9 million for letters of credit and other guarantees provided by banks to Atari Europe's principal suppliers to finance its purchasing of supplies. The Company is also a guarantor of financial obligations of AUS 8.5 million (€ 5 million) by its Atari Australia subsidiary.

The Company and Atari Europe provided joint and several guarantees to their subsidiaries in connection with the bank debt refinancing of April 13, 2006 with Banc of America covering the following:

Debt guaranteed	Guaranteed principal (plus interest and expenses)	Due date
Short-term credit facility	€ 35 million	12/31/08
Medium-term loan (existing)	€ 26.2 million	3/31/08
Other local facilities extended by banks (Italy, Spain, Australia)	€ 1.6 million	–

- **OTHER GUARANTEES**

The Company is also guarantor of Atari Europe's obligations to production funds; the aggregate amount guaranteed on March 31, 2007 is € 19.9 million (not including any royalties that may be payable).

California US Holdings is also a guarantor of Atari Europe's obligations to the production fund of December 2004, for € 3.9 million (not including any royalties that may be payable).

INFORMATION ON TRADING IN THE COMPANY'S SHARES

Paying agent: CACEIS Corporate Trust, 14 Rue Rouget de Lisle, 92130 ISSY LES MOULINEAUX, Telephone: +33 1 57 78 00 00

- **COMMON STOCK - ISIN CODE: FR-0000052573**

The Company's stock is traded on the First Market (Premier Marché) of Euronext Paris S.A – Compartment C
The shares are not eligible for trading under the deferred settlement system (SDR)
The stock is included in the following indices: Next Economy; CAC All shares
ISIN code: FR-0000052573
Reuters code: IFOE.PA
Bloomberg code: IFGEF

	Monthly highs and lows		Trading volume	Value of shares traded (€ millions)
	High (euros)	Low (euros)		
2003				
January	3.84	2.81	15,713,203	52.22
February	3.71	2.26	16,408,957	51.10
March	2.93	1.95	13,539,419	33.22
April	4.41	2.26	18,200,197	61.32
May	6.98	4.16	37,096,496	210.35
June	6.10	4.92	16,870,830	93.41
July	5.55	4.52	20,989,161	106.89
August	5.16	4.57	13,474,837	65.93
September	5.40	4.55	26,268,553	131.79
October	5.02	4.33	18,963,575	89.80
November	5.33	4.64	20,720,464	103.77
December	5.47	4.04	14,898,627	71.71
2004				
January	4.72	3.83	20,607,489	107.19
February	4.07	3.55	17,390,242	63.66
March	3.97	3.10	16,078,414	57.02
April	3.45	3.03	7,970,103	25.02
May	3.02	1.99	27,007,582	67.71
June	2.38	2.00	16,744,359	37.77
July	2.24	1.52	24,007,695	46.48
August	1.67	1.05	59,556,984	84.53
September	1.54	1.33	23,096,868	34.24
October	1.47	1.14	32,691,566	44.69
November	1.58	1.16	62,750,938	89.07
December	1.27	1.11	53,042,507	63.76
2005				
January	1.48	1.13	95,175,166	124.92
February	1.96	1.40	176,611,548	310.54
March	1.79	1.48	75,959,310	123.48
April	1.54	1.09	139,077,104	177.41
May	1.33	1.11	121,374,933	149.36
June	1.76	1.25	242,182,599	375.42
July	1.8	1.54	148,439,234	249.83
August	1.74	1.38	131,649,896	199.66
September	1.61	1.38	87,083,662	128.8
October	1.64	1.39	82,926,208	127.01
November	1.48	1.31	69,983,652	99.33
December	1.47	1.34	46,906,121	65.83
2006				
January	1.41	1.17	75,961,757	97.29
February	1.21	0.74	284,938,517	250.81
March	0.84	0.71	176,607,515	136.08
April	0.73	0.65	102,723,735	71.52
May	0.81	0.63	144,517,093	103.45
June	0.78	0.45	128,781,518	74.43
July	0.20	0.17	33,546,831	17.09
August	0.19	0.14	77,146,743	34.14
September	0.18	0.09	213,397,338	73.76
October	0.16	0.13	64,690,684	25.92
November	0.35	0.14	351,821,708	258.05
December	0.46	0.25	161,574,657	92.72
2007				
January	0.42	0.28	348,154,457	121.38
February	0.31	0.21	180,255,454	47.10
March	0.27	0.20	268,007,869	65.23
April	0.28	0.20	279,920,834	70.40
May	0.26	0.24	70,986,269	17.64
June	0.25	0.22	89,599,551	21.48

(Source: Euronext)

■ **OCEANE 2000-2011 (FORMERLY 2000-2005) - ISIN CODE: FR-0000181042**

	Monthly highs and lows		Trading volume	Value of shares traded (€ millions)
	High (euros)	Low (euros)		
2003				
January	16.40	12.30	66,519	0.92
February	18.50	15.53	60,122	1.04
March	17.50	14.00	43,822	0.70
April	22.38	14.55	38,539	0.71
May	30.50	21.50	95,021	2.76
June	29.50	27.00	30,405	0.87
July	29.50	26.00	37,823	1.06
August	34.90	29.00	201,196	6.82
September	38.61	33.50	241,775	8.93
October	38.50	37.00	277,803	10.49
November	40.80	38.50	472,401	19.06
December	41.90	40.10	61,859	2.53
2004				
January	41.90	40.05	12,982	0.54
February	41.10	40.30	8,359	0.34
March	40.95	39.50	146,676	5.97
April	41.10	33.20	8,483	0.34
May	41.05	39.15	12,547	0.50
June	39.95	36.00	3,359	0.13
July	39.80	38.60	10,090	0.39
August	41.41	33.70	7,776	0.27
September	35.10	20.05	30,448	0.82
October	24.00	15.00	23,078	0.44
November	29.50	20.40	131,044	3.57
December	34.00	29.40	66,478	2.05
2005				
January	38.00	33.50	166,292	5.83
February	39.80	37.00	28,296	1.10
March	42.90	32.00	6,045	0.23
April	29.00	18.00	217	0.004
May	19.00	15.90	250	0.004
June	28.50	16.82	251	0.006
July	27.3	27.3	30	0.001
August	30	19.03	251	0.005
September	20	15.03	630	0.011
October				0.000
November	17.9	17.9	60	0.001
December	15	14.5	182	0.003
2006				
January	16.5	16.5	62	0.001
February	14.9	14.9	90	0.001
March	11	11	35	0.000
April	11	11	45	0.000
May	10	8.1	152	0.001
June	12.85	7.3	300	0.003
July	-	-	-	-
August	-	-	-	-
September	15.00	12.00	174	0.002
October	13.50	11.00	524	0.006
November	10.20	8.26	3,323	0.031
December	10.05	9.00	1,160	0.011
2007				
January	22.85	9.77	950	0.014
February	25.00	22.05	5,730	0.133
March	22.00	19.85	390	0.008
April	25.85	21.50	265	0.007
May	24.20	22.00	966	0.022
June	21.50	18.15	110	0.002

(Source: Euronext)

As noted above, by decision of the bondholders' meeting of March 4, 2005, the maturity date of OCEANE 2000-2005 bonds not tendered under the exchange offer by the Company in the period from March 9 to 31, 2005 was moved back to July 1, 2011 and their conversion ratio was adjusted upward to 24.718 Infogrames Entertainment shares per OCEANE 2000-2011 bond.

▪ OCEANE 2003-2020 (FORMERLY 2003-2009) - ISIN CODE: FR-0010032839

	Monthly highs and lows		Trading volume	Value of shares traded (€ millions)
	High (euros)	Low (euros)		
2003				
December	7.10	6.90	3	0.00
2004				
January	7.10	6.35	3,960	0.03
February	6.40	5.55	2,404	0.01
March	6.03	5.25	22,478	0.13
April	5.66	5.50	29,228	0.16
May	5.61	4.22	52,177	0.23
June	5	4.3	7,162	0.03
July	5	4.2	18,403	0.08
August	4.3	3.1	10,135	0.04
September	3.85	3.19	237,535	0.79
October	3.45	2.7	49,869	0.14
November	3.5	2.95	754,212	2.49
December	4.8	3.3	123,157	0.44
2005				
January	4.7	4.12	23,589	0.10
February	5.79	4.5	34,580	0.18
March	5.6	5	2,600	0.001
April	5.3	5	3,030	0.001
May	0	0	0	0
June	5.89	5	584,052	3.08
July	5.8	5.1	134,362	0.696
August	5.48	4.98	168,653	0.900
September	5.3	4.95	341,480	1.736
October	5.09	4.6	116,634	0.588
November	5.14	4.7	55,691	0.273
December	5	4.25	297,018	1.363
2006				
January	4.6	4	997,418	4.327
February	4.25	2.05	935,054	2.870
March	3.3	2.74	237,057	0.682
April	3.21	2.3	271,784	0.715
May	3.99	2.5	70,501	0.200
June	3.95	2.75	20,855	0.060
July	3.00	2.60	38,512	0.112
August	3.00	2.70	23,654	0.069
September	5.33	2.80	288,821	1.394
October	5.40	4.85	181,747	0.927
November	6.48	4.91	352,026	2.011
December	8.32	5.96	101,112	0.696
2007				
January	8.60	7.11	180,754	1.443
February	8.48	6.73	497,358	3.781
March	7.75	6.87	52,913	0.389
April	3.82	2.00	1,910	0.006
May	1.61	1.45	10,500	0.016
June	1.31	0.98	5,948	0.006

(Source: Euronext)

As noted above, by decision of the bondholders' meeting of September 29, 2006, the maturity date of OCEANE 2003-2009 bonds not tendered under the exchange offer by the Company in the period from February 12 to March 9, 2007 was moved back to April 1, 2020.

STOCK WARRANTS - ISIN CODE: FR0010413237

	Monthly highs and lows		Trading volume	Value of shares traded (€ millions)
	High (euros)	Low (euros)		
2007				
January	0.26	0.15	10,065,242	2.02
February	0.19	0.12	9,923,585	1.58
March	0.17	0.12	8,268,989	1.19
April	0.16	0.10	16,748,179	2.24
May	0.16	0.13	5,066,053	0.74
June	0.15	0.13	4,677,962	0.63

(Source: Euronext)

DIVIDENDS

The Company has not paid any dividends for the past five fiscal years and does not anticipate that it will propose to distribute a dividend for fiscal 2007.

MANAGEMENT, SUPERVISORY AND OVERSIGHT BODIES

On June 30, 2007 the Board of Directors had eight full members, one non-voting advisor (*censeur*) and three employee representatives. One seat was vacant as a result of the resignation of a director.

The directors are elected by the shareholders' meeting for terms of six years.

The role of non-voting members, as set forth in article 15 of the articles of incorporation and bylaws, is to ensure that the articles of incorporation and bylaws are complied with and to make recommendations to the Board. They attend Board meetings in a consultative capacity.

Employee representatives are appointed by the Works' Council for four-year terms, as provided by law, and do not vote.

The Board has established two permanent committees to help it carry out its assignment: the audit committee and the appointment and compensation committee.

A review of the work of the Board of Directors is included in the report by its chairman required pursuant to article 225-37 of the Commercial Code.

COMPOSITION OF THE BOARD OF DIRECTORS

The following individuals and legal entities were members of the Board of Directors during the period from April 1, 2006 to July 30, 2007:

- **PATRICK LELEU (SINCE APRIL 4, 2007)**

Patrick Leleu has been the Chairman and Chief Executive Officer of Infogrames Entertainment since April 4, 2007.
He previously served as chief executive officer of Bouygues Telecom from the inception of that company until 2001 and later as the CEO of cable operator Noos, from 2001 to 2005.
Mr. Leleu is a graduate of Ecole Polytechnique and the holder of an MBA from the Institut Supérieur des Affaires business school).
He is also a director of InfoVista and Netsize.
Positions previously held: director of FILAO.

- **BRUNO BONNELL (UNTIL APRIL 4, 2007)**

Mr. Bonnell holds degrees in chemical engineering and economics from the university of Paris Dauphine. He founded IESA with Thomas Schmider and Christophe Sapet in 1983.
Chairman and Chief Executive Officer of IESA from May 24, 1987 to April 4, 2007.
Term expired at the Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2008.
Mr. Bonnell resigned as a director on April 4, 2007.
He held the following other position with the Group until April 4, 2007: Chairman of the Board of Directors, Chief Executive Officer of Atari, Inc., Chief Financial Officer (interim) of Atari, Inc., Chief Creative Officer of Atari, Inc.
Other positions held: Chairman of Robopolis SAS and Sorobot SAS; director of Danone S.A., Eurazeo S.A., LZ Publications; member of the supervisory Board of Pathé S.A.
Mr. Bonnell was also an officer of most of the Group's subsidiaries in France and other countries.
Positions previously held: During the past five years, Mr. Bonnell also served as Chairman of I-Volution SAS and as a director of IXO

S.A.* and Interactive Partners.

- **THOMAS SCHMIDER**

Mr. Schmider is a graduate of the Lyon ESC school of business. He founded IESA with Bruno Bonnell and Christophe Sapet in 1983.
Director since June 20, 1990; Executive Vice President for Strategy since April 26, 20007.
Term expires at the Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2008.
Other positions currently held: Director of Atari, Inc, Chairman of SUP SAS and Executive Vice President of the Company until April 4, 2007.
Mr. Schmider is also an officer of most of the Group's subsidiaries in France and other countries.
Positions previously held: Mr. Schmider also served as Chairman of the Board of S.A.O.S A.S.S.E, director of Flamatis, Infosources, Interactive Partners, Exodia S.A. and IXO S.A.*.

- **CHRISTOPHE SAPET**

Mr. Sapet is a graduate of Ecole Nationale Supérieure de Chimie et de Physique (ENSCP) and of CESMA (Lyon ESC School of Business) and a co-founder of Infogrames Entertainment.
Director since May 24, 1987;
Term expires at the Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2008.
Other positions currently held: Managing Director of XK Interactive (a partnership); Representative of XK Interactive in his capacity as Chairman of I-Partners S.A.S.
Positions previously held: During the past five years, Mr. Sapet also served as Chief Financial Officer of IESA (until December 2005); Chairman and Chief Executive Officer of IXO S.A.*, Himalaya S.A.*, TOP Achats.com S.A., and Wattmusic S.A.; Chairman of Francité France S.A.S., General Manager of Interactive Partners; Director of Flamatis S.A., IXO Publishing S.A.*, Zonejeux.com S.A. and Capbooster; Member of the Supervisory Board of TOP Achat.com S.A., Francité International, Inc. and as permanent representative of IXO S.A. on the Board of Directors of Capitol S.A.

- **JEAN-MICHEL PERBET**

After serving as chief executive officer of Sony Europe and Chairman of Sony France (Electronics Division), Mr. Perbet was appointed chairman of Atari Europe and Executive Vice President for Marketing and Distribution since September 7, 2005. A graduate of the IPAG business school, he started out as the distributor of Texas Instruments' TI99/4 the first home computer sold in France, and later set up the first sale network for home computer software, VIFI Nathan. He also organized Sony's personal computer operations in Europe, which brought out the Vaio PC line there.
A director since December 18, 2003; Chairman of Atari Europe and Executive Vice President for Marketing and Distribution.
Term expires at the Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2009. Positions previously held: Executive Vice President of the Company until April 4, 2007.

Asterisks (*) above indicate that the company has been liquidated, in accordance with article L. 640 of the Commercial Code.

- **EVENCE-CHARLES COPPÉE**

Evence-Charles Coppée joined Infogrames Entertainment in September 2005 as the Group's Executive Vice President for Administration and Finance (until April 4, 2007), after having served as chief executive officer and joint manager of the Paris daily Libération.

Before joining Libération, he spent ten years as a key operational executive at Chargeurs/Pathé, whose operations include textiles, transportation, communications and movies. A Belgian national, Mr. Coppée started his professional career at the Boston Consulting Group, where he stayed for seven years .

A director since October 20, 2005; Executive Vice President for Administration and Finance until April 4, 2007.
Term expires at the Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2011.
Other positions held: Director of Lafarge Ciments S.A.

CLAUDE DE SAINT VINCENT (RESIGNED NOVEMBER 27, 2006)

Claude de Saint Vincent is the chief executive officer of Groupe Dargaud (since 1991), where he is in charge of publishing and film and video production.
Before joining Groupe Dargaud, he served as vice president for communications and development at the La Sept/Arte television channel. Mr. de Saint Vincent has also worked as sales and marketing manager for Groupe Air France. He is a graduate of the Hautes Etudes Commerciales business school.
Outside director since October 20, 2005.
Term expires at the Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2011.
Other positions held: Managing director of Groupe Dupuis since 2004.

DOMINIQUE D'HINNIN

Dominique d'Hinnin has been serving since 1998 as the chief financial officer of Groupe Lagardère.
A graduate of Ecole Normale Supérieure and a senior tax inspector, he joined Groupe Lagardère in 1990 as assistant to Philippe Camus. He then served successively as head of internal audit for the group and chief financial officer at Hachette Livre, before his 1994 appointment as Executive Vice-President of Grolier Inc.
Named outside director on November 22, 2005; Chairman of the Audit Committee. Mr. d'Hinnin sits on the Board of Directors in his personal capacity and not as a representative of Groupe Lagardère.
Other positions held: Director of Canal+ France SA, Le Monde SA and Sogeade Gérance SAS; Mr. d'Hinnin also holds various positions with Groupe Lagardère.
Term expires at the Shareholders' Meeting called to approve the financial statements for the year ending March 31, 2007.

GINA GERMANO (SINCE NOVEMBER 15, 2006)

Gina Germano was appointed to the Board of Directors following the special shareholders' meeting of November 15, 2006.
Mrs. Germano joined BlueBay in April 2002 from Lazard Asset Management in New York, where she had been a portfolio manager in charge of high-yield European securities since 1998. From 1996 to 1998, she served as a financial analyst (equity markets) at Morgan Stanley in New York. She holds degrees from Boston University and Northwestern University as well as a master's degree from the university of Lund (Sweden).

Mrs. Germano does not hold other corporate positions with French companies.

BLUEBAY ASSET MANAGEMENT (SINCE NOVEMBER 15, 2006)

BlueBay Asset Management was given a seat on the Board of Directors as a legal entity following the special shareholders' meeting of November 15, 2006.

From November 15, 2006 to January 16, 2007, BlueBay Asset Management was represented by Mr. Eli Muraidekh.

Eli Muraidekh is a director of BlueBay Asset Management Plc. Before joining BlueBay, he was a member of Elwin Capital Partners, a private investment fund, which he had formed in 2000. From 1994 to 2000, Mr. Muraidekh worked as a senior investment specialist with Goldman Sachs, in New York and London, selecting, assessing and making investments for private equity funds in a wide range of sectors and markets. Prior to going to work for Goldman Sachs, he held positions with McKinsey in London and Morgan Stanley in New York. Mr. Muraidekh is the holder of an MBA from Harvard Business School and a BA in economics from Yale.

From January 16, 2007 to April 4, 2007, BlueBay Asset Management was represented by Mr. Patrick Leleu.
Since April 4, 2007, BlueBay Asset Management has again been represented by Mr. Eli Muraidekh.

- **BENOÎT REGNAULT DE MAULMIN (ADVISOR TO THE BOARD SINCE APRIL 18, 2002)**

Other positions currently held: managing director of Game Production Fund 1 S.A., director of Anuman Interactive S.A., member of the supervisory Board of Metaboli S.A.
Positions previously held: During the past five years, Mr. Regnault de Maulmin also served as chairman of the Board of Inskor Entertainment Ltd., director of Infogrames Entertainment and Interactive Partners and managing director of Interactive Finance S.A. and Game production Fund S.A.

EMPLOYEE REPRESENTATIVES (ELECTED BY THE WORKS' COUNCIL MEETING OF THE INFOGRAMES ENTERTAINMENT FRENCH ENTITIES ON JANUARY 12, 2007)

Nadège de Bergevin, senior producer (management staff)
Jean-Yves Lapasset, Consultant (game analyst) (technical staff)
Wilfrid Trawinski, department assistant (non-supervisory employees)

The Board of Directors does not include members elected by the employees.

SUPERVISORY AND OVERSIGHT BODIES (ON MARCH 31 AND JUNE 30, 2007)

GENERAL MANAGEMENT:

- **MARCH 31, 2007**

Bruno Bonnell	Chairman and Chief Executive Officer
Thomas Schmider	Chief Operating Officer
Jean-Michel Perbet	Executive Vice President Marketing and Distribution, Chairman Europe
Evence-Charles Coppée	Executive Vice President Administration and Finance

- **JUNE 30, 2007**

Patrick Leleu	Chairman and Chief Executive Officer
Thomas Schmider	Executive Vice President for Strategy and Development
Jean-Michel Perbet	Executive Vice President for Marketing and Distribution; Chairman, Europe
Mathias Hautefort	Executive Vice President for Publishing and Production

GROUP EXECUTIVE COMMITTEE:

Since April 4, 2007, the Group’s senior officers and executives form part of an executive committee made up of Patrick Leleu (chairman and chief executive officer of Infogrames Entertainment SA), Thomas Schmider (executive vice president), Jean-Michel Perbet (chairman for Europe, executive vice president), et Mathias Hautefort (executive vice president), along with Yves Hannebelle, the Group's Chief Financial and the General Counsel of the Company.

BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

ORGANIZATION OF THE BOARD

Article 14 of the articles of incorporation and bylaws provides that the Company's Board of Directors must have a minimum of three members and a maximum of 18, subject to legal exemptions. The Board of Directors has its own bylaws, which are regularly updated. As recommended by the Bouton Report on corporate governance, those bylaws include provisions governing eligibility (including in terms of business qualifications) for membership and reelection as well as a code of conduct for the directors (including obligations to abstain from trading on the basis of privileged information).

In order to qualify for a seat on the Board, directors are required to hold at least 1,000 shares of the Company. The bylaws also provide for procedures by which Board members can obtain independent and critical information and an annual assessment of the directors and of the Board's work.

The Company's Board of Directors met fifteen times between April 1, 2006 and March 31, 2007. On average, more than 93% of the directors attended the meetings. Board meetings were chaired by the chairman and were attended by employee representatives, the corporate secretary and, depending on the order of business, the auditors, Group executives and outside experts. Besides examining the annual and interim financial statements and decisions of a financial or legal nature made in the ordinary course of business, the Board principally concerned itself with: (i) financing operations, renegotiating bank agreements and implementing measures to ensure continued operations, (ii) the Group's financial restructuring - including the debt reduction plan, (iii) the three-year business plan and the approval of the budget.

OUTSIDE DIRECTORS

Dominique d'Hinnin (chairman of the audit committee)
Claude de Saint-Vincent (resigned November 27, 2006).

The Company aims to gradually fill half of the seats of the Board with outside directors, as advocated by the Bouton Report. The outside directors will be asked to evaluate the work of the Board and the independence of its members, on an annual basis. At its meeting of April 26, 2007, the Board asked the Appointment Committee to identify outside directors who could help it achieve this objective.

CONVICTIONS AND FAMILY TIES

During the past five years, to the best of the Company's knowledge, except as stated previously or indicated below, none of the members of the governing bodies has been:

- convicted of fraud,
- involved in a bankruptcy or liquidation proceeding, or placed under the control of a receiver or bankruptcy trustee,
- charged or formally sanctioned by any statutory or regulatory body, including trade associations;
- barred by a court from acting as member of a governing, management or supervisory body of an issuer or from participating in the management or operation of an issuer.

1) In connection with his former employment with the Construction Division of the Bouygues Group, Mr. Patrick Leleu was convicted of fraud for acts committed between 1990 and 1995 in the building and construction industry.
2) When serving as chairman of IXO SA, Mr. Christophe Sapet was fined by the AMF in connection with a delayed suspension of trading in IXO shares after its IXO Publishing subsidiary had filed for bankruptcy.

▪ BOARD COMMITTEES

On March 31, 2007, the Board of Directors included:

▪ An **audit committee** made up of Dominique d'Hinnin (chairman), Thomas Schmider and Evence-Charles Coppée;

▪ A **compensation and appointment committee** made up of Bruno Bonnell (chairman), Dominique d'Hinnin and BlueBay, represented by M. Patrick Leleu;

Subsequent to the departure of Mr. Bonnell on April 4, 2007, the compensation and appointment committee was reorganized as follows:

▪ The **compensation and appointment committee** is made up of Dominique d'Hinnin and BlueBay, represented by Eli Muraidekh;

At the Board of Directors meeting of April 26, 2007, the chairman of the Board proposed that the chairman of that committee be appointed only when there would be more outside directors on the Board of Directors.

The Board of Directors has also set up ad hoc committees to work on specific matters:

▪ a subcommittee for strategic analysis was formed on March 20, 2007 to examine alternative strategy options in connection with the preparation of the business plan. The current members of the subcommittee are Gina Germano, Dominique d'Hinnin and BlueBay, represented by Eli Muraidekh;

▪ A subcommittee on relations between the Group and Atari Inc. was formed on June 19, 2007, and was subsequently recomposed. Its current members are. Patrick Leleu and Eli Muraidekh (representing BlueBay).

The membership of the audit committee has remained unchanged and consists of Dominique d'Hinnin (chairman), Thomas Schmider and Evence-Charles Coppée.

▪ LOANS EXTENDED AND GUARANTEES PROVIDED

During the past fiscal year, no loans were extended or guarantees provided to members of the Board of Directors or corporate officers.

COMPENSATION OF DIRECTORS AND OFFICERS

▪ COMPENSATION

Aggregate compensation paid by all Group entities to corporate officers, not including directors' fees, for the period ended March 31, 2007 (12 months) amounted to € 1.4 million in fixed salaries and € 410,800 in variable compensation.

The table below shows the aggregate compensation, benefits in kind and directors' fees received by each officer, either directly or indirectly, from the Company or other Group entities during the year ended March 31, 2007.

€ 000	B. BONNELL	T. SCHMIDER	C. SAPET	JM. PERBET	EC. COPPEE	Other
2006-2007 fixed compensation	(1) 559.7	240.0	-	300.3	300.0	
2006-2007 variable compensation	-	192.0	-	120.0	98.8	
Benefits in kind	(6) 188.5	(2) 3.8	-	(2) 3.9	-	
Directors' fees	29.7(3)	30.5 (3)	26.5	23.0	(3) 18.3	64.0
Total for period to 3/31/2007 (12 months)	**777.9**	**466.3**	**26.5**	**447.2**	**417.1**	**64.0**
2005-2006 fixed compensation	(1) 561.9	240.0	140.7	289.9	(4) 178.4	
2005-2006 variable compensation	30.0	180.0	62.2	137.5		
One-time compensation paid in fiscal 2005-2006			(5) 430.0			
Plus benefits in kind	(6) 171.3	(2) 3.8	(2) 2.5	(2) 3.9		
Directors' fees	(3) 21.9	(3) 21.9	23.3	10	(3) -	25.0
Total for period to 3/31/2006 (12 months)	**785.1**	**445.7**	**658.7**	**441.3**	**178.4**	**25.0**

(1) Mr. Bonnell received a fixed compensation of € 559,700 for the period 2006-2007 and had not been paid variable compensation as of March 31, 2007. As noted earlier, the fixed portion of Mr. Bonnell's compensation as Chairman and Chief Executive Officer of Infogrames Entertainment was reduced to € 5,000 in gross monthly pay starting in 2004, by decision of the Board of Directors of December 13, 2004, in order to take into account compensation received in the United States from Atari, Inc. for his position as Chairman of the Board of Directors and Chief Creative Officer. For the 12-month period to March 31, 2007, Mr. Bonnell received compensation of € 60,000 from Infogrames Entertainment. Over the same period, he was paid € 499,658 ($640,951) by Atari, Inc. The variable portion of the US compensation is limited to 100% and is based on the attainment of targets. Mr. Bonnell did not receive any variable compensation from either Atari or Infogrames Entertainment for the year ended March 31, 2007.

(2) Company car.

(3) Messrs. Bonnell, Schmider and Coppée did not receive directors' fees as members of the Board of Atari Inc.

(4) Compensation paid for the period from September 2005 to March 2006.

(5) Mr. Sapet was paid € 430,000 in severance pay when he resigned from his position as chief operating officer. under an agreement approved by the Board of Directors on December 14, 2005, as required by article L225-38 of the Commercial Code.

(6) Company housing and company car in the United States.

▪ VARIABLE COMPENSATION PAID OR TO BE PAID IN FISCAL 2007-2008 FOR THE PERIOD ENDED MARCH 31, 2007

(€ 000)

Executives	Amount paid	Group entity
Bruno Bonnell	-	Infogrames Entertainment
Thomas Schmider	192.0	Infogrames Entertainment
Jean-Michel Perbet	120.0	Infogrames Entertainment
Evence Coppée	98.8	Infogrames Entertainment

None of the persons above received variable compensation from Atari, Inc. during fiscal 2006-2007.

▪ VARIABLE COMPENSATION PAID OR TO BE PAID IN 2007 FOR THE PERIOD ENDED MARCH 31, 2007

The Board of Directors, at the recommendation of its compensation committee, on June 19, 2007 set variable compensation for Mr. Schmider and Mr. Perbet at respectively 200,000 euros and 180,000 euros. At the same meeting, the Board, acting on a recommendation of the compensation committee, also decided that Mr. Coppée would be paid the 150,000-euro annual bonus provided for in his contract as officer of the company, approved by the Board of Directors on September 7, 2005.

▪ GRANTS OF FREE SHARES TO MR. PATRICK LELEU AND MR. MATHIAS HAUTEFORT

Subsequent to the end of the fiscal year, the Board of Directors, acting under the authority granted to it by the shareholders' meeting of November 15, 2006 (resolution 16), resolved to grant 29,464,886 shares, representing 2% of those outstanding, to Patrick Leleu and 14,732,443 shares, representing 1% of those outstanding, to Mathias Hautefort.

The Board made the grant of shares contingent on certain targets being reached, expressed as annual increases in gross margin, as well as on the beneficiaries' continued presence in the Group over a three-year period, or less under certain circumstances. Once granted, the shares must be held by their owners for a period of two years. The Board did not instruct Mr. Leleu to keep a minimum number of shares following the two-year lockup period.

▪ DIRECTORS' FEES PAID DURING THE YEAR ENDED MARCH 31, 2007 (FOR THE 2006 CALENDAR YEAR, INCLUDING A BALANCE FOR THE 2005 CALENDAR YEAR)

(€ 000)

Executives	Amount paid	Group entity
Bruno Bonnell	29.7	Infogrames Entertainment
Thomas Schmider	30.5	Infogrames Entertainment
Christophe Sapet	26.5	Infogrames Entertainment
Jean-Michel Perbet	23.0	Infogrames Entertainment
Evence Coppée	18.3	Infogrames Entertainment
Benoît de Maulmin	25.0	Infogrames Entertainment
Dominique d'Hinnin	19.0	Infogrames Entertainment
David Ward	6.5	Infogrames Entertainment
Claude de Saint Vincent	0.0	-

Mr. de St Vincent waived his right to directors' fees. No directors' fees were paid during the year by Atari Inc. to Infogrames Entertainment directors with seats on its Board of Directors.

The shareholders' meeting of October 20, 2005 (in resolution 7) authorized the Board of Directors to pay directors' fees of up to € 250,000. The Group has not booked any provisions for retirement or other benefits for the foregoing officers.

▪ SEVERANCE TERMS OF MR. BRUNO BONNELL

At its meeting of April 4, 2007, the Board of Directors approved the severance terms of Mr. Bruno Bonnell, the founder of the Infogrames Group, in connection with the termination of his appointment as chairman and chief executive officer. Those terms fall under the scope of article 8 of Act no. 2005-842 of July 26, 2005.

A legal opinion regarding the terms decided by the compensation committee at its meeting of March 26, 2007 was provided to the Board of Directors prior to its approval of the agreement.

Various payments totaling € 2,100,000 were made to Mr. Bonnell in connection with the termination of all of his positions with the Group, including an indemnity of € 900,000 in consideration for commitments made by Mr. Bonnell on behalf of the Group.

Under the severance agreements, Mr. Bonnell has agreed to refrain from engaging in any business in the European Union that would be in competition with that of the Group, from making any statements regarding the Group without its consent and from hiring Group employees for a period of two years. Mr. Bonnell has also agreed not to purchase any securities issued by the Company or by Atari Inc. during that same two-year period.

Under the agreement, the Company will pay Mr. Bonnell's residential expenses for a period of twelve months and up to € 300,000 and his attorney fees of up to US$ 25,000.

The Company has also agreed to extend a loan of 1 million euros to BB26 LLC, a Delaware (United States) company controlled by Mr. Bonnell that is intended to build online gaming communities. The loan carries interest at 8% (not capitalized), and is repayable in principal and interest no later than April 30, 2009.

The loan agreement provides that the Group and BB26 LLC will have an opportunity to assess the company's business plan in this segment prior to January 15, 2008. Should the Group then consider it advisable, it will have the option to purchase shares of the company for up to 5 million euros, on the basis of an enterprise value set by an independent appraiser.

Under all circumstances, Infogrames would have the option of converting the loan of 1 million euros extended by it into shares of BB26 LLC.

A provision has been recognized in the financial statements for the period to March 31, 2007 for the cost of the above severance benefits.

- **SEVERANCE TERMS OF MR. EVENCE-CHARLES COPPEE AS EXECUTIVE VICE PRESIDENT**

Following the appointment of Mr. Leleu as chairman and chief executive officer of the Company on April 4, 2007, Mr. Charles-Evence Coppée ceased to hold the position of executive vice president of the Company. In accordance with the terms and conditions of the appointment of Mr. Coppée, which had been approved by the Board of Directors on September 7, 2005, Mr. Coppée asked to be paid an indemnity in consideration for his covenant not to compete after the termination of his appointment.

Following discussions between the Company and Mr. Coppée, a compromise agreement was reached that called for the payment of compensation in the amount of € 665,000 euros to Mr. Coppée, primarily in consideration for his covenant not to compete anywhere in the world over a period of 18 months. On June 19, 2007, the board of directors approved the terms applicable to the termination of the appointment of Mr. Coppée as executive vice president.

A provision has been recognized in the financial statements on March 31, 2007 covering the cost of terminating the appointment.

AUDITORS' FEES

(€ 000)		3/31/2007				3/31/2006			
		Pin Associés		Deloitte & Associés		Pin Associés		Deloitte & Associés	
		In euros	%	In euros	%	In euros	%	In euros	%
Auditing									
	Audit, certification, examination of the consolidated and annual financial statements	136.6	67%	2,451.5	98%	208.1	100%	2,152.1	94%
	Other assignments	68.5		31.5	1%			12.7	1%
Sub-total auditing (1)		205.1	100%	2,483.0	99%	208.1	100%	2,164.8	95%
Other services, if applicable									
	Legal, tax, personnel			19.4	1%			112.7	5%
	IT								
	Internal audits								
	Other (specify if more than 10% of auditor fees)								
Sub-total other services (2)		0	0%	19.4	1%	0.0	0%	112.7	5%
TOTAL (1)+(2)		205.1	100%	2,502.3	100%	208.1	100%	2,277.5	100%

INFORMATION CONCERNING EMPLOYEE PROFIT SHARING

PROFIT-SHARING AGREEMENT

An employee profit-sharing agreement was negotiated on December 15, 1999, for the Group's entities in France. Sums set aside for employees are calculated in accordance with the profit-sharing formula provided for by law and distributed to employees on the payroll of the Infogrames French entities. The agreement provides that employees have the option to have their benefits paid into the Group Employee Savings Plan (*Plan d'Epargne Entreprise*) (see below).
There is no optional profit-sharing agreement.

EMPLOYEE SAVINGS PLAN

An employee savings plan was also established for the Group's French entities on December 15, 1999. Employees may pay into it the sums they receive under the profit-sharing plan and make additional voluntary deposits as permitted by law.

Stock offerings of € 1.3 million and € 2.5 million, respectively, were made to employees on December 2001 and June 2003.

In March 2005, employees subscribed for € 1,414,307.95 in stocks under a special offering. Employees were not offered shares during the year ended March 31, 2007, or the previous year. As of June 30, 2007, the employees of French entities held less than 0.4% of the Company’s shares outstanding, through a savings plan.

Sums deposited in the employee savings plan may be invested, at each employee's option, (1) in an Infogrames mutual fund invested in Infogrames Entertainment stock and for up to 5% in money-market fund shares, (2) in a fund invested exclusively in money-market instruments, or (3) in diversified mutual funds (international equities and bonds).

REGULATED AGREEMENTS

The special report below contains information on regulated agreements.

AUDITORS' SPECIAL REPORT

PERIOD ENDED MARCH 31, 2007

Ladies, Gentlemen,

In our capacity as your Company's financial auditors, we hereby submit our report on regulated agreements and commitments about which we have been notified.

Pursuant to article L.225-40 of the Commercial Code, we have been informed about agreements and commitments which are subject to the prior approval of the Board of Directors.

It is not our role to investigate the existence of other agreements and commitments, but to report to you, based on the information provided to us, the nature and basic terms and conditions of those which were brought to our attention, without expressing an opinion as to their purpose or justification. Pursuant to Article R. 225-31 of the Commercial Code, our assignment requires us to assess the value of these agreements and commitments that has warranted their approval.

We have conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform examinations to obtain a reasonable assurance that the information provided to us reflects the contents of the documents on which it is based.

1. TRANSFER OF THE SHARES OF OCEAN INTERNATIONAL LTD., INFOGRAMES ENTERTAINMENT GMBH AND ATARI ASIA HOLDINGS PTY LTD

In order to simplify the structure of the Atari Group distribution business in the Pacific and Asia region, the Board of Directors decided to combine all distribution subsidiaries owned directly by Infogrames Entertainment under the umbrella of Atari Europe SAS. This resulted inn the transfer to Atari Europe SAS of all of the shares outstanding of Ocean International Ltd, Infogrames Entertainment GmbH and Atari Asia Holdings Pty. Ltd.

The transfer of shares, valued at a combined 58,159,000 euros, was subject to the approval of an official appraiser (*Commissaire aux apports*), and was paid for as follows:

- Atari Europe SAS assumed a liability of € 23,436,268 related to the bank debt of Infogrames Entertainment;
- an Infogrames Entertainment liability of € 17,722,732 in the books of Atari Europe SAS was erased;
- Atari Europe SAS gave Infogrames Entertainment 1,700,000 newly-issued shares in exchange for a contribution in kind, with a par value of € 10 each, fully paid up, for a total of € 17,000,000

The transfer price was equal to the book value of the shares in the books of Infogrames Entertainment.

Authorization granted by the Board of Directors on April 12, 2006.

Interested party: Bruno Bonnell

2. AGREEMENTS WITH MR. BRUNO BONNELL

2.1 TERMINATION OF THE APPOINTMENT OF BRUNO BONNELL AS CHAIRMAN

At its meeting of April 4, 2007, the Board of Directors approved the terms of severance of Mr. Bonnell as chairman and chief executive officer, as set forth in an agreement on that same date. The terms fall within the scope of article 8 of Act no. 2005-842 of July 26, 2005.

The agreement provides for the payment of aggregate compensation of € 2,420,000 as consideration for undertakings by Mr. Bonnell.

The Company has recognized an aggregate expense of € 3,038,000 in connection with the agreement, including employer social security contributions, for the year ended March 31, 2007.

Authorization granted by the Board of Directors on April 4, 2007.

Interested party: Bruno Bonnell

▪2.2 LOAN TO BB26 LLC

The Company has agreed to extend a loan of one million euros to BB26 LLC, a Delaware (United States) corporation controlled by Bruno Bonnell, for financing the development of online gaming communities. The loan carries interest at 8% per annum (not capitalized) and is repayable on April 30, 2009. The shares of BB26 LLC have been pledged as security for the loan.

The loan agreement provides that the Infogrames Group and BB26 LLC will have an opportunity to assess the company's business plan prior to January 15, 2008. Should Infogrames Entertainment then consider it advisable, it will have the option to purchase shares of the company for up to 5 million euros, on the basis of an enterprise value set by an independent appraiser.

Infogrames Entertainment also has the option to convert the debt resulting from the loan into shares of BB26 LLC.

The foregoing agreement had no effect on the year ended March 31, 2007. The loan was effectively granted on June 7, 2007.

Authorization granted by the Board of Directors on April 4, 2007.

Interested party: Bruno Bonnell

3. SEVERANCE TERMS OF MR. EVENCE-CHARLES COPPEE AS EXECUTIVE VICE PRESIDENT

At its meeting of June 19, 2007, the Board of Directors approved the terms of the departure of Mr. Coppée from his position as executive vice president. Those terms fall under the scope of article 8 of Act no. 2005-842 of July 26, 2005.

In connection with his departure, the Company agreed to pay to Mr. Coppée various forms of compensation totaling € 665,000 as consideration for commitments made by him over a period of eighteen months.

The new agreement cancels and supersedes the agreement authorized by the Board of Directors on September 7, 2005 and approved by the shareholders' meeting of October 12, 2006.

A provision has been recognized in the financial statement for the year ended March 31, 2007 for the corresponding expense of € 799,755 , including employer social security contributions.

Authorization granted by the Board of Directors on June 19, 2007.

Interested party: Evence-Charles Coppée

4. APPROVAL OF THE TERMS AND CONDITIONS OF THE APPOINTMENT OF PATRICK LELEU AS CHAIRMAN AND CHIEF EXECUTIVE

The Board of Directors has set the terms and conditions of Mr. Patrick Leleu's appointment as chairman and chief executive officer, including obligations in the event of termination. These obligations falls under the scope of article 8 of Act no. 2005-842 of July 26, 2005.

In the event that Patrick Leleu should leave his position of chairman and chief executive officer as a "good leaver", the Company would pay him gross compensation (on which Mr. Leleu would be liable for social security and related contributions) equal to twelve times his monthly compensation and the bonus paid for the previous fiscal year, provided that gross variable compensation may not exceed € 500,000. Severance compensation would be calculated only on base pay if termination takes place before the first anniversary of Mr. Leleu's appointment.

Should Mr. Leleu's appointment terminate during a given year before the bonus for the previous year has been calculated, the portion corresponding to his variable compensation would be based on the bonus calculated for the performance of his duties during the preceding year or would be 50% of a theoretical bonus of € 500,000 if no bonus had been previously granted by the Board of Directors.

The notion of "good leaver" covers the following situations:

- resignation due to disability or after reaching the legal or authorized retirement age in order to collect a pension;
- termination of the appointment other than in the following circumstances: (i) resignation or refusal to agree to an extension of his term when it expires, (ii) gross misconduct or serious mismanagement contrary to the Company's interest.

The foregoing agreement had no effect on the year ended March 31, 2007.

Authorization granted by the Board of Directors on April 4, 2007.

Interested party: Patrick Leleu

5. AGREEMENT PERTAINING TO THE FINANCING OF THE GROUP

As part of the financing of the Group, the Board of Directors authorized the execution of an amendment increasing the short-term credit facility originally granted on April 21, 2006 by Banc of America from 35 million euros to 68.5 million euros.

The entire additional financing of € 33,500,000 extended to the Company is secured by a counter guarantee in favor of Banc of America by a fund controlled by BlueBay Asset Management, a shareholder and director of the Company.

The foregoing agreement had no effect on the year ended March 31, 2007.

Authorization granted by the Board of Directors on June 20, 2007.

Interested party: BlueBay Asset Management, represented by Mr. Muraidekh

In addition, as required by the Commercial Code, we have been informed that the following agreements and commitments, approved in previous periods, continued in force during the past fiscal year.

SERVICE AGREEMENT WITH ATARI INC

Atari Inc and your Company entered into a five-year service agreement on March 31, 2006, which clearly sets forth the relationship between the two companies. The agreement covers the provision of parent-company services for which your Company charges Atari Inc. US$3 million per year.

The Company collected proceeds under the agreement of US$3 million (€ 2,355,390) for the year ended March 31, 2007.

PLEDGED ATARI INC SHARES

Under the agreement of March 28, 2006 with holders of 2006-2008 Notes, your Company agreed that California US Holdings Inc would pledge an additional 7,000,000 shares of Atari Inc. as security for the repayment of the 2006-2008 Notes.

The shares were pledged on April 28, 2006. The total number of Atari Inc. shares provided as collateral was increased from 33,107,151 to 40,107,151.

The pledge was not enforced during the year ended March 31, 2007 and was terminated following the full repayment of the 2006-2008 Notes during the period.

We also hereby submit our report on the agreements and commitments governed by article L. 225-42 of the Commercial Code.

As required by article L. 823-12 of the Code, we hereby inform you that these agreements and commitments have not received the prior approval of the Board of Directors.

Our assignment includes reporting to you on the principal features and terms of these agreements and commitments, based on information provided to us, as well as on the circumstances that led to the approval procedure not being followed, without expressing an opinion as to the purpose of justification thereof. Pursuant to article R. 225-31 of the Commercial Code, the shareholders are asked to examine the interest presented by these agreements and commitments with a view to approving them.

We have conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform examinations to obtain a reasonable assurance that the information provided to us reflects the contents of the documents on which it is based.

CANCELLATION OF A DEBT OWED BY I-DRS

On March 31, 2007 your Company cancelled a debt of € 11,330,000 arising from a shareholder loan to its I-DRS subsidiary. No terms have been set concerning the repayment of this debt in the event that I-DRS should become profitable again.

The cancellation of this debt was not approved in advance by the Board of Directors, due to the fact that its meeting scheduled for March 26, 2007 was postponed. It was approved after the fact, at the Board of Directors' meeting of May 9, 2007.

Interested parties: Bruno Bonnell and Thomas Schmider

Villeurbanne and Lyon, July 31, 2007

The Auditors

Deloitte & Associés	Pin Associés
Alain Descoins	Jean-François Pin

REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS PURSUANT TO ARTICLE L. 225-37 OF THE COMMERCIAL CODE ON CONDITIONS GOVERNING THE PREPARATION AND ORGANIZATION OF THE BOARD'S WORK AND ON INTERNAL OVERSIGHT PROCEDURES

As required by article 117 of the Financial Security Act of August 1, 2003 and article L.225-37 of the Commercial Code, the Chairman of the Board hereby submits to you his report on the conditions in which the work of the Board of Directors is prepared and organized and on Infogrames Entertainment's internal oversight procedures.

This report contains information on the following matters:

- Preparation and organization of the Board of Directors' work
- Restrictions on the chief executive officer's authority
- Internal oversight

1. PREPARATION AND ORGANIZATION OF THE BOARD OF DIRECTORS' WORK

1.1 PRINCIPLES

The Board of Directors sets the strategic orientations of the Company and ensures that management implements them.

The Company follows local recommendations on corporate governance, including those of the Viénot Report and the AFEP-MEDEF working party headed by Daniel Bouton to improve corporate governance at listed companies (the "Bouton Report"). At this time, the proportion of outside directors is less than that recommended by the report. The Board is gradually moving toward the point where half of its members will be outside directors. The Atari Inc. subsidiary, whose shares are publicly traded in the United States, also complies with the corporate governance rules of the NASDAQ and the Sarbanes-Oxley Act.

The Board of Directors has adopted its own bylaws, which govern the manner in which it is organized and operates and include most of the recommendations of the Bouton Report. The Board's bylaws list the decisions requiring its prior authorization (including significant acquisitions and divestitures, transactions that are not part of the corporate strategy or for which no provisions have been made in the budget). The bylaws also contain the eligibility and reappointment rules applicable to directors (including in terms of business experience) as well as a code of conduct.

1.2 ORGANIZATION OF THE BOARD

The directors have access to independent and critical information, as provided for by law and the Board's bylaws, enabling them to conduct independent and critical evaluations of the Group's business, financial position, earnings and prospects. During the fiscal year ended March 31, 2007, the Board of Directors had the following members: (i) Group founders who were also senior executives (Messrs. Bonnell and Schmider), (ii) the chairman of Atari Europe and executive vice president for marketing et distribution (Jean-Michel Perbet), (iii) the executive vice president for administration et finance (Evence Coppée) and (iv) two outside directors (Dominique d'Hinnin and Claude de Saint Vincent – the latter resigned on November 27, 2006). As agreed upon in September 2006 with BlueBay Asset Management in connection with the Group's financial restructuring, the shareholders' meeting of November 15, 2006 elected Mrs. Gina Germano and BlueBay Asset Management to the Board of Directors, increasing its membership to eight on March 31, 2007. Mr. Benoît de Maulmin, a former company founder, is a non-voting member of the Board (*censeur*). The Board members have been selected on the basis of their recognized expertise in management, finance and accounting, as well as their knowledge of the interactive entertainment sector. The Company is gradually reaching the point where half of its Board will consist of outside directors, as prescribed by the Bouton report. As regards the organization of the Board and the independence of its members, during the fiscal year ending March 31, 2008 the Board of Directors will examine how an assessment can be made of the directors and the work of the Board.

1.3 WORK BY THE BOARD DURING THE YEAR ENDED

The Company's Board of Directors met fifteen times between April 1, 2006 and March 31, 2007. On average, more than 93% of the directors attended the meetings. Board meetings were chaired by the chairman and were attended by employee representatives, the corporate secretary and, depending on the order of business, the auditors, Group executives and outside experts, including the Company's bank advising it on its financial restructuring. Besides examining the annual and interim financial statements and decisions of a financial or legal nature made in the ordinary course of business, the Board principally concerned itself with: (i) the financing of operations, negotiating new agreements with Banc of America, (ii) the Group's financial restructuring - including renegotiations with the holders of the Group's bond debt, the initiation of a public offering followed by an exchange tender offer for the OCEANE 2003-2009, (iii) the adoption of a strategic relaunch plan for the Group and the approval of a budget (iv) the improvement of its organization and (v) developments at Atari Inc., its NASDAQ-traded US subsidiary.

Organization and business of the committees during the year ended: The Board's bylaws provide that it is assisted in its work by various committees (audit committee, compensation and appointment committee). Each committee has its own bylaws, which specify its competences and operating mode. The audit committee met twice during the fiscal year ended March 31, 2007. The compensation and appointment committee met more than twice during the period. At the Board of Directors' meeting of April 26, 2007, the chairman proposed that the chairman of that committee be appointed once the Board had more outside directors.

Lastly, the Board of Directors has also set up ad hoc committees to work on specific matters:

▪ a subcommittee for strategic analysis was formed on March 20, 2007 to examine alternative strategy options in connection with the preparation of the business plan. The current members of the subcommittee are Gina Germano, Dominique d'Hinnin and BlueBay, represented by Eli Muraidekh;

▪ after the end of the fiscal year, a subcommittee on relations between the Group and Atari Inc. was recomposed on June 19, 2007. Its current members are. Patrick Leleu and Eli Muraidekh (representing BlueBay).

Prior to the approval of the annual and consolidated financial statements for March 31, 2007, the members of the audit committee, financial management and the independent auditors held several meetings following which the committee chairman, management and the auditors reported their respective conclusions to the Board of Directors on June 19, 2007.

2. RESTRICTIONS ON THE CHIEF EXECUTIVE OFFICER'S AUTHORITY

The Company's bylaws and articles of incorporation do not contain restrictions on the authority of the chief executive officer.

3. INTERNAL OVERSIGHT

This report on internal oversight pertains to all of the entities controlled by the Company and consolidated by it.

1. Objectives of the Group's internal oversight procedures
2. Risk assessment procedures implemented by the Group
3. Responsibility for internal oversight
4. Internal oversight documents
5. Assessment of the internal oversight of processes that have an impact on the accuracy of the financial information
6. Summarized information on internal oversight procedures implemented by the Group
7. Principles and rules governing the compensation and benefits or officers and executives.

(1) OBJECTIVES OF THE GROUP'S INTERNAL OVERSIGHT PROCEDURES

Internal oversight is a process carried out by the chairman, management and the staff, under the authority of the Board of Directors, aimed at obtaining reasonable assurances concerning the fulfillment of the following objectives:

- The proper operation of the Company's internal control procedures
- The performance and effectiveness of operations

- The consistency of financial transactions
- Compliance with applicable laws and regulations

One of the aims of the internal oversight system is to prevent and control risks to which the business is exposed and risks of errors and fraud, in particular in the financial and accounting areas. As in the case of other oversight systems, it cannot provide an absolute guarantee that all of those risks will be eliminated.

(2) RISK ASSESSMENT PROCEDURES IMPLEMENTED BY THE GROUP

Internal oversight is based on risk assessment procedures performed by the management of operating entities and the Group, including in connection with annual reviews and budgeting processes. A summary of these procedures must still be prepared in the form of a mapping of risks.

In fiscal years 2004 and 2005, a critical review was conducted of the operating subsidiaries in Europe, Australia and Asia to draw up an inventory of the main oversight procedures implemented by finance management at the local level. No significant risks had emerged which could not be satisfactorily managed.

Atari Inc, the publicly-traded Group subsidiary in the United States, continued to assess its internal control procedures, as required by section 4 of the Sarbanes-Oxley Act, which provides, inter alia, that the directors of companies concerned must formally evaluate internal oversight of processes that have an impact on the accuracy on the Group's financial information.

The risks to which the Group is exposed are explained in section 8 of the Management Rapport.

(3) RESPONSIBILITY FOR INTERNAL OVERSIGHT

In addition to the Board of Directors and pursuant to the Group's internal oversight policy, the management of operating entities has direct authority for internal oversight. Financial executives are responsible for the implementation of procedures at the local level.

The internal oversight of processes that have an impact on the accuracy on the Group's financial information, whether of a financial reporting nature (consolidation, financial accounting, etc.) or having to do with operations procedures (purchases, sales), is specifically under the authority of:

- the chief financial officers at the Group or division level for the definition and design or internal control procedures;
- the management of operating entities, regions, subsidiaries and the Group, for the supervision of the effective implementation of internal oversight measures.

(4) INTERNAL OVERSIGHT DOCUMENTS

Group procedures and guidebooks are provided to affiliates. They contain mainly accounting rules adopted by the Group's general management.

Detailed documents on key oversight of processes that have an impact on the accuracy of financial information are being drafted in the principal regions.

Specific procedures apply to the process of preparing financial information for release. They include:
a computerized financial reporting and consolidation system to produce the Group's financial statements;
a formal process of reporting and analyzing other information contained in Group annual reports and proxy statements.

The heads of finance at legal departments and the Group chief financial officer are in charge of this procedure.

(5) ASSESSMENT OF INTERNAL OVERSIGHT OF PROCESSES THAT HAVE AN IMPACT ON THE ACCURACY OF THE GROUP'S FINANCIAL INFORMATION

A management oversight entity exists for each region, responsible for monitoring operating performance (revenue, expenses, capital expenditures) and cash flow. Overall supervision is provided by a management control unit at the Group's principal office.

During the period, the Group's financial planning process was restarted. If consists of:

- a strategic phase aimed at executing the business plan;
- a budgeting phase preceded by a definition of key objectives for the year;
- A re-budgeting phase for reviewing progress achieved during the first half and adjusting projections for the full year, so as to ensure that budget guidelines are complied with;
- periodic reassessments of revenue at monthly performance monitoring meetings for regional finance teams and the chief executives of entities.

The Group's financial management conducts on-site reviews at each operating entity, including of technical performances and risk, procedures, action plans decided in connection with financial planning processes and ad-hoc audits.

The independent auditors also report to the Group's top management any shortfall in oversight that they may identify during the course of their audit of the annual and interim financial statements.

Oversight is conducted at various management and line levels and includes a wide range of measures, including authorizations, verifications and reconciliations, assessments of operating performance and verifications that due care is exercised to protect the assets and that the separation between functions is effective.

Internal oversight procedures implemented by the Group are designed to handle the subsidiaries' accounting and financial information and to ensure that such accounting and financial information is exhaustive, accurate and fair.

As required by article 302 of the Sarbanes-Oxley Act, the chief executive officer and the chief financial officer of Atari, Inc., the Group's subsidiary in the United States, singled out significant weaknesses in the annual report for the year ended March 31, 2006, in the following four areas:

- Cash-flow statement preparation and review procedure
- Procedure for calculating tax expenses and preparing notes to the annual financial statements concerning taxes
- Payroll reconciliation procedure at a development studio
- Impact of electronic general audit on sale and purchasing procedures

At the time, these shortcomings led the US management to determine that internal oversight procedures were not efficient, as measured against the COSO guidelines. Measures to correct these weak spots were carried out in fiscal 2006-2007, except regarding the second item above.

As of the date of this report, Atari Inc. had not filed its Form 10-K report. The Group accordingly was not informed of the conclusions reached by the auditors regarding internal control procedures. However, a report filed by Atari Inc.'s management on July 24, 2007 (Form 8-K) stated that oversight of accounting treatment and the preparation of the notes concerning taxation was insufficient and amounted to a significant shortcoming in internal control. Atari's management is currently examining steps to remedy this identified inadequacy in control within 12 months.

(6) SUMMARIZED INFORMATION ON INTERNAL OVERSIGHT PROCEDURES IMPLEMENTED BY THE GROUP

In accordance with the Board of Directors' policy of delegating authority, the implementation and supervision of internal oversight procedures are part of the responsibilities of operating and financial managers at each subsidiary. All internal control systems must be consistent with Group guidelines, which describe, inter alia, the following oversight procedures:

SELF-ASSESSMENT OF INTERNAL OVERSIGHT PROCEDURES

During the past fiscal year, all of the attention of financial management was focused on the Group's financial restructuring plan. Self-assessment procedures for internal control have therefore not been updated.

It should be noted, however, that a self-assessment system was developed over the previous fiscal years and focused on the general performance of internal oversight. An examination of accounting principles had also been initiated to ascertain that they were consistent with the new International Financial Reporting Standards.

REPORTING PROCEDURE

The Group's financial management is in charge of ensuring that the reporting procedure is consistent with Group guidelines (A-Book) which are available on the intranet system. The procedure calls, inter alia, for the submission of monthly reports by subsidiaries with an analysis of key operating data and of the use and source of funds, based on a model and standards selected by the Group.

One of the purposes of the reporting procedure is to provide regional managers with a detailed analysis of financial and operating performances, which they can use when making decisions on the allocation of resources and to measure the effectiveness of existing processes.

During the year, the Group started work on improving financial reporting and on bringing the consolidation system in conformity with IFRS. The process of developing uniform financial reporting, oversight and cash management systems started in the current fiscal year and is expected to be completed in coming months.

PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are prepared by the financial management on the basis of information provided to it by the general and financial management of subsidiaries. The manner in which this information is presented must be consistent with the Group's instructions. The information is prepared by the subsidiaries.

In order to ensure that financial reporting by consolidated subsidiaries is accurate, Group financial management circulates internal memoranda issued by the regional financial divisions. The memoranda include a cost-based review of the principal financial items, which are compared to budgeted expenses, and a specific review of the business risks to which they are exposed.

When auditing the consolidated financial statements, the independent auditors examine consolidation reports provided by the consolidated entities included in their assignment. During the course of their work and travels, the regional financial officers also validate, on a spot basis, the proper implementation of Group guidelines on the preparation of consolidated financial statements by Group's principal subsidiaries and brings issues raised to the attention of management

Lastly, the consolidated financial statements are submitted to the chief financial officer and the audit committee for review, prior to their approval by the Board of Directors.

(7) PRINCIPLES AND RULES ADOPTED FOR THE COMPENSATION AND BENEFITS OF OFFICERS AND EXECUTIVES

Within the Board of Directors, the two-member compensation committee, which includes one outside director, is in charge of making proposals to the Board of Directors regarding compensation paid by the Group (mainly to officers and executives) and the distribution of options and bonus shares.

Fees are paid to the directors on the basis of their participation at Board and committees meetings.

The gross compensation paid to the chairman and chief executive officer of Infogrames Entertainment includes a fixed portion and a variable portion, set annually by the Board of Directors on the basis of proposals submitted by the compensation committee.

The variable compensation of the chairman and chief executive officer is contingent on the achievement of annual performance targets.

Patrick Leleu
Chairman and Chief Executive Officer

AUDITORS' REPORT ON THE REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF INFOGRAMES ENTERTAINMENT CONCERNING INTERNAL OVERSIGHT PROCEDURES ON THE PREPARATION AND TREATMENT OF FINANCIAL AND ACCOUNTING INFORMATION, SUBMITTED PURSUANT TO ARTICLE L.225-235 OF THE COMMERCIAL CODE

Ladies, Gentlemen,

In our capacity as Infogrames Entertainment's auditors and pursuant to the provisions of article L. 225-235 of the Commercial Code, we hereby submit our report on the report prepared by your Company's Chairman in accordance with article L.225-37 of the Commercial Code, for the financial year ended March 31, 2007.

The Chairman must include in his report information on the manner in which the work of the Board of Directors and the internal oversight procedures implemented by the Company are prepared and organized.

Our responsibility consists of informing you of any observations regarding the information contained in the Chairman's Report on the internal oversight procedures concerning the preparation and processing of accounting and financial information.

We have conducted our audit in accordance with professional standards applicable in France. These standards require that we perform verifications in order to examine the fairness of the information contained in the Chairman's report on internal oversight procedures concerning the preparation and treatment of accounting and financial information. These verifications include:

- examining the objectives and the general organization of internal oversight, as well as internal oversight procedures concerning the preparation and treatment of financial and accounting information, as set forth in the Chairman’s report;
- reviewing the procedures underlying the information contained in said report.

Part 5 of the Chairman's report refers to significant shortcomings in internal control procedures at the Atari Inc. subsidiary. Based on our audit, we have no observations to make regarding the information given on internal oversight procedures concerning the preparation and processing of accounting and financial information in the report by the Chairman of the Board of Directors prepared pursuant to article L.225-37 of the Commercial Code.

Lyon and Villeurbanne, July 31, 2007
The Auditors

Pin Associés	Deloitte & Associés
Jean-François Pin	Alain Descoins

PARTIES RESPONSIBLE FOR THE ANNUAL REPORT AND DECLARATIONS

PARTIES RESPONSIBLE FOR THE ANNUAL REPORT AND PROXY STATEMENT

▪ PARTY RESPONSIBLE

Patrick Leleu, Chairman and Chief Executive Officer

▪ DECLARATION

I hereby certify that, based on all reasonable diligences in this respect, the information contained in this Document is, to the best of my knowledge, consistent with the facts and does not omit anything likely to materially affect its import.

I have received an audit letter from the statutory auditors, in which they report that they have examined the information on the financial position and the financial statements contained herein, and read this entire Document.

The historical financial information contained in this Document has been examined by the statutory auditors.

- In their report on the consolidated financial statements for the fiscal year ended March 31, 2007 (included on page 129 of this Document) the statutory auditors made an observation concerning the going-concern assumption referred to in note 2.1 to the financial statements.
- In their report on the consolidated financial statements for the fiscal year ended March 31, 2006 (included on page 132 of Document D.06-0869), the statutory auditors made an observation calling attention to note 1.B(2), which explains the method used to prepare the consolidated financial statements under the going-concern assumption and the changes in estimates explained in note 1.3 to the financial statements, concerning the recognition of in-house development expenses.
- In their reports on the consolidated financial statements for the fiscal year ended March 31, 2005 (included on page 80 of Documents D.05-1115), the statutory auditors made an observation calling attention to note 1.B(2), which explains the method used to prepare the consolidated financial statements under the going-concern assumption.

Lyon, July 31, 2007

Patrick Leleu, Chairman and Chief Executive Officer

PARTIES RESPONSIBLE FOR THE FINANCIAL AUDIT

Auditors

Pin et Associés
Represented by Jean-François Pin
170 Boulevard Stalingrad, 69006 Lyon
Initially appointed in June 1993. Term extended by the Shareholders' Meeting of December 15, 1998 and January 19, 2005 for an additional six years.
Term expires at the end of the Shareholders' Meeting called to approve the financial statements for fiscal 2010.

Deloitte & Associés
Represented by Alain Descoins
185 Avenue Charles de Gaulle, 92203 Neuilly-sur-Seine
Initially appointed in October 1993. Term extended by the Shareholders' Meetings of December 16, 1999 and October 20, 2005 for an additional six years.
Term expires at the end of the Shareholders' Meeting called to approve the financial statements for fiscal 2011.

Alternate auditors

Hervé Gay
170 Boulevard Stalingrad, 69006 Lyon
Appointed in January 2005
Term expires at the end of the Shareholders' Meeting called to approve the financial statements for fiscal 2010.

B.E.A.S. SARL
7/9 Villa Houssaye, 92200 Neuilly-sur-Seine
Appointed in December 1999.
Term expires at the end of the Shareholders' Meeting called to approve the financial statements for fiscal 2011.

INFORMATION

PARTIES RESPONSIBLE FOR INVESTOR INFORMATION

Patrick Leleu Tel: + 33 (0) 4 37 64 30 00

Yves Hannebelle Tel: + 33 (0) 4 37 64 30 00

INVESTOR RELATIONS

Yves Hannebelle Tel: + 33 (0) 4 37 64 30 00

Information on the Company's business and financial position can be found on its website at http\\www.infogrames.com

TENTATIVE TIMETABLE (FOR INFORMATION)

Annual Shareholders' Meeting:	September 27, 2007 (initial notice)
Announcement of fiscal 2007-2008 first-quarter revenue:	August 9, 2007
Announcement of fiscal 2007-2008 second-quarter revenue:	November 9, 2007
Interim financial results:	November 28, 2007

The dates above are indicative only and may have to be changed. Firm dates can be obtained by contacting the Company.

FINANCIAL ANNOUNCEMENTS (http://www.infogrames.com and principal offices of the Company)	Release date
Disclosure of trading in shares and new share ownerships as of July 27, 2007	2/27/2007
(Relayed Atari Inc. announcement) Completion of audit by Deloitte & Touche LLP	7/25/2007
(Relayed Atari Inc. announcement) Notification by Nasdaq to Atari Inc.	7/20/2007
New agreement with Hasbro	7/18/2007
(Relayed Atari Inc. announcement) Publication of annual financial statements for the year ended March 31, 2007	6/29/2007
Fiscal 2006-2007 consolidated financial results	6/21/2007
(Relayed Atari Inc. announcement) Atari Inc. postpones to the end of June the announcement of its 2006-2007 annual results fiscal	6/15/2007
Fiscal 2006-2007 consolidated sales	5/11/2007
Infogrames announces the departure of Bruno Bonnell, appointment of Patrick Leleu as chairman and chief executive officer	4/5/2007
(Relayed Atari Inc. announcement) Atari Inc. announces the layoff of some 20% of its workforce	5/1/2007
Relayed Atari Inc. announcement, concerning a goodwill impairment test	4/30/2007
Results of the simplified tender offer for the OCEANE 2003-2009 bonds	3/16/2007
(Relayed Atari Inc. announcement) Financial results for the third quarter of fiscal 2006-2007	2/9/2007
AMF issues notice of conformity of the simplified exchange offer for OCEANE 2003-2009 bonds	2/5/2007
Sales for the first nine months of fiscal 2006-2007	2/1/2007
Filing of registration statement concerning the exchange tender offer of the OCEANE 2009	1/26/2007
Early redemption of the 6% 2005-2008 Notes	1/19/2007
Start of rights offering and distribution of bonus warrants to existing shareholders and investors	12/20/2006
Proposed timetable of the debt restructuring plan	12/11/2006
Fiscal 2006-2007 interim results	11/29/2006
Reduction of the company's share capital	11/22/2006
Fiscal 2006-2007 first-half financial highlights	11/15/2006
Report on the November 15, 2006 Shareholders' Meeting	11/15/2006
(Relayed Atari Inc. announcement) Atari Inc.: fiscal 2006-2007 half-year interim financial results	11/9/2006
(Relayed Atari Inc. announcement) Atari Inc. secures a 3-year, 15-million dollar revolving credit facility	11/8/2006
(Relayed Atari Inc. announcement) Atari Inc. release of November 3, 2006	11/6/2006
Infogrames entertainment announces the sale of its Atari Melbourne House development studio	11/3/2006
Report on the October 12, 2006 Shareholders' Meeting	10/12/2006
Overall debt restructuring plan - independent expert finds plan fair to all parties	10/6/2006
(Relayed Atari Inc. announcement) Atari Inc. completes the restructuring of its internal development operations with the sale of Shiny	10/2/2006
Report on the bondholders meeting for holders of OCEANE 2003-2009	9/29/2006
Report on the bondholders meeting for holders of 2005-2008 Notes	9/29/2006

FINANCIAL ANNOUNCEMENTS (http://www.infogrames.com and principal offices of the Company)	Release date
Infogrames Entertainment annual and special stockholders' meeting convened on 2nd notice for Thursday, October 12, 2006	9/27/2006
Final debt restructuring plan and restoration of the industrial investment capacity	9/12/2006
Request for temporary suspension of trading	9/11/2006
(Relayed Atari Inc. announcement) Atari Inc. appoints David Pierce as its chief executive officer	9/5/2006
Relayed Atari Inc. announcement concerning the update of the NASDAQ notification on the procedure to bring Atari Inc. common stock into compliance	9/1/2006
Fiscal 2006-2007 first quarter sales	8/10/2006
(Relayed Atari Inc. announcement) Atari Inc.: Fiscal 2006-2007 first quarter financial results	8/9/2006
(Relayed Atari Inc. announcement) Atari completes the sale of the Driver franchise and of the Reflections studio	8/4/2006
(Relayed Atari Inc. announcement) Atari Inc. announces the sale of the Driver franchise and of the Reflections studio for US$24 millions	7/13/2006
Notice of interest payment on 6% 2006/2008 Notes and 1.5% OCEANE 2011 bonds	6/30/2006
Fiscal 2005-2006 year-end results	6/15/2006
Agreement reached with the holders of 2006-2008 Notes	6/15/2006
Relayed Atari Inc. announcement concerning fiscal 2005-2006 financial results	6/14/2006
Infogrames to sell assets for € 20 million	5/10/2006
Fiscal 2005-2006 4th quarter sales	5/5/2006
Infogrames reaches a new agreement with banks	4/24/2006
Notice of interest payment on 4% OCEANE 2003-2009 bonds	4/18/2006

SHAREHOLDERS' AND BONDHOLDERS' MEETING (http://www.infogrammes.com / Infogrames Ent.IR and principal office of the Company)
SHAREHOLDERS' MEETING OF NOVEMBER 15, 2006: Chairman's letter, Information document for shareholders, Proxy, Instruction for giving proxies, Example of certificate that shares have been deposited, Shareholder FAQ
SHAREHOLDERS' MEETING OF OCTOBER 12, 2006: Letter to the shareholders, Notice of meeting, Information document for shareholders (art 133 of Decree 67-236 of March 23, 1967), Special report by the board of directors on the issue of warrants, Auditors' special report on the warning procedure, Proxy, Instruction for giving proxies, Example of certificate that shares have been deposited, Auditors' report on the distribution of free shares to employees and officers, Auditors' report on the distribution of bonus stock warrants, Auditors' report on the share offering to employees, Auditors' report on the issuance of securities, Auditors' report on the reduction in capital (Resolution 19), Auditors' report on the reduction in capital (Resolution 7), Auditors' special report
BONDHOLDERS' MEETING OF SEPTEMBER 29, 2006 FOR HOLDERS OF 2005-2008 NOTE: Notice of meeting
BONDHOLDERS' MEETING OF SEPTEMBER 29, 2006 FOR HOLDERS OF OCEANE 2003-2009 BONDS: Notice of meeting

FINANCIAL REPORTS (http://www.infogrammes.com / Infogrames Ent.IR and principal office of the Company)
Annual report / Corporate profile for fiscal 2006-2007
Interim report for fiscal 2006-2007
Second update of Annual report / Corporate profile for fiscal 2005-2006
First update of Annual report / Corporate profile for fiscal 2005-2006
Annual report / Corporate profile fiscal 2005-2006

ANNOUNCEMENTS IN THE LEGAL GAZETTE (*BULLETIN DES ANNONCES LÉGALES OBLIGATOIRES*) (www.balo.journal-officiel.gouv.fr)	Notice number	Notice date
PERIODIC ANNOUNCEMENTS Industrial and business corporation – (consolidated financial statements)	0708551	6/8/2007
PERIODIC ANNOUNCEMENTS Industrial and business corporation – (interim financial statements)	0708551	6/8/2007
PERIODIC ANNOUNCEMENTS Industrial and business corporation – (quarterly revenue and results)	0706447	5/14/2007
NOTICES	0704886	4/25/2007
PERIODIC ANNOUNCEMENTS Industrial and business corporation – (quarterly revenue and results)	0701106	2/9/2007
NOTICES	0700566	1/26/2007
NOTICES	0618222	12/22/2006
NOTICES	0618220	12/22/2006
ISSUES AND LISTINGS French securities - equities	0618206	12/22/2006
NOTICES	0618110	12/20/2006
PERIODIC ANNOUNCEMENTS Industrial and business corporation – (annual financial statements)	0617415	11/24/2006
NOTICES	0617386	11/24/2006
PERIODIC ANNOUNCEMENTS Industrial and business corporation – (quarterly revenue and results)	0617347	11/22/2006
NOTICES OF MEETINGS Shareholders' meetings	0615778	10/27/2006
NOTICES OF MEETINGS Shareholders' meetings	0614725	10/2/2006
NOTICES OF MEETINGS Shareholders' meetings	0614446	9/22/2006
NOTICES OF MEETINGS Shareholders' meetings	0614223	9/13/2006
NOTICES OF MEETINGS Bondholders' meetings	0614220	9/13/2006
NOTICES OF MEETINGS Bondholders' meetings	0614219	9/13/2006
NOTICES OF MEETINGS Shareholders' meetings	0613875	8/30/2006
PERIODIC ANNOUNCEMENTS Industrial and business corporation – (quarterly revenue and results)	0613251	8/14/2006
PERIODIC ANNOUNCEMENTS Industrial and business corporation – (annual financial statements)	0612214	8/4/2006
NOTICES OF MEETINGS Bondholders' meetings	067867	5/31/2006
PERIODIC ANNOUNCEMENTS Industrial and business corporation – (quarterly revenue and results)	066532	5/15/2006

CROSS REFERENCE TO THE PRESENTATION REQUIRED UNDER EUROPEAN REGULATION 809/2004

PARTNERSHIPS WITH TALENTED DEVELOPMENT STUDIOS

INFOGRAMES
Entertainment

1, place Verrazzano
69252 Lyon Cedex 09 - France
www.infogrames.com