



ANNUAL RESULTS 2020/2021

A transition year and implementation of a new strategy allying premium games, Atari VCS, Blockchain/NFTs and Licensing

Press release - Paris, France - August 16, 2021 - 07:00pm - During its meeting on August 16, 2021, Atari SA's Board of Directors reviewed the preliminary financial estimates for the year ended March 31, 2021 and authorized its disclosure. The audit procedures for the consolidated accounts are in the process of being finalized, however they still require certain verifications by the statutory auditors, notably regarding the transactions in digital assets, NFTs and tokens. Furthermore, in the context of the evolution of the current strategy, the budget for 2021/2022 is under review. The finalization of this budget may impact the fair value attributed to R&D costs for free-to-play mobile games capitalized on the balance sheet, depending on the continued exploitation, discontinuation or sale of these games. All these options are currently being examined. Under these conditions, the annual financial report will be published during the month of September 2021, once the work of the statutory auditors is completed, following the verification of the management report and its notes and the conclusion of all the required diligence measures.

With the appointment of Wade Rosen as CEO in April 2021, the Group has undertaken an in-depth review of the business. As a result, the Company will implement a new strategy focused on the development of premium games and cash flow generation. This strategic evolution has prompted the Group to increase selectivity for its projects, halt investments in certain free-to-play games while exploring their divestment, and to wind down Atari's operations in Africa. These decisions resulted in the recognition of significant write-downs that had a material impact on the results for the financial year ended March 31, 2021.

Wade J. Rosen, CEO and largest shareholder of the Atari Group declared: *"The decrease in financial results for the fiscal year ended in March are due to a combination of factors including the reduction in licensing revenue due to Covid-19, the increase in user acquisition costs for free-to-play titles, the pursuit of projects which did not turn out to be profitable and the lack of successful new games. In this context, the Group has decided to implement some important strategic changes: a shift from free-to-play mobile games to premium games, investments focused on redeveloping existing Atari IP, the establishment of a blockchain division to capitalize on the opportunities arising in NFTs and blockchain gaming as well as the pursuit of licensing partners that are more closely in alignment with the brand ethos. By pursuing this new strategic direction, we're going back to our roots: making great games with the core Atari IP, with the Atari VCS, Blockchain and Licensing divisions complementing that strategy by expanding the Atari ecosystem, whose main goal is to bring fun and innovation to the gaming community."*

CONSOLIDATED FINANCIAL RESULTS AS OF MARCH 31, 2021

| <i>IFRS in €M</i> | <i>31.03.2021</i> | <i>31.03.2020</i> | <i>Variation</i> |
|---|-----------------------------|-----------------------------|------------------|
| Revenue | 21.4 | 24.0 | -10.9% |
| Cost of goods sold | (5.2) | (2.4) | |
| GROSS MARGIN <i>in % of revenue</i> | 16.2 75.7% | 21.6 90.0% | -25.1% |
| Research and development expenses | (7.9) | (9.8) | |
| Marketing and selling expenses | (2.6) | (4.2) | |
| General and administrative expenses | (6.3) | (4.7) | |
| Other operating income (expenses) | 0.0 | (0.1) | |
| CURRENT OPERATING INCOME | (0.6) | 2.9 | -121% |
| Other income (expenses) | (4.6) | 0.0 | |
| OPERATING INCOME | (5.2) | 2.9 | |
| Cost of debt | (0.1) | (0.0) | |
| Other financial income (expenses) | (0.2) | (0.8) | |
| Income tax | (0.0) | (0.1) | |
| CONSOLIDATED NET INCOME | (5.5) | 2.0 | |
| Group Share | (5.4) | 2.3 | |
| Minority interests | (0.0) | (0.3) | |

BUSINESS OVERVIEW AND REVENUE

As of March 31, 2021, Atari is reporting consolidated revenue of €21.4m, compared with €24.0m the previous year. The decrease (-10.9% at current exchange rates and -6.9% at constant exchange rates) is related to the drop in licensing revenue, down almost 45%, which has been significantly affected by Covid-19 and to a lesser degree to the slowdown in the video game division; faced with rising user acquisition costs the decision was taken to optimize marketing spend, thus improving the profitability of the video games division. These trends overshadow the ramp up of the first deliveries of the Atari VCS since December 2020 and the start of the blockchain activities, which account for nearly 12% of revenue for the period. The activities related to NFTs and the Atari Token started during this year and generated €2.5m of revenue.

OPERATIONS AND RESULTS

The evolution of the gross margin from 90.0% in the previous year to 75.5% of revenue takes into account the first deliveries of the Atari VCS, a business line with a lower margin than the other businesses of the Group.

Research and development expenses are significantly lower due to lower amortization of capitalized R&D costs from previous years but also due to lower levels of investments in the development of new games.

Marketing expenses decreased significantly as a result of the focus on profitability in the video games business through reduced and more targeted user acquisition campaigns.

The increase in general and administrative expenses is related to legal fees for successful litigation outcomes of copyright infringement proceedings for an amount of €0.5m, and a €1.1m non-cash expense resulting from the allocation of Atari Tokens granted to certain members of the Group.

As a result of these elements, the current operating income amounts to a loss of €0.6m€, of which - €0.8m are related to the African casino operations whose wind down has been decided, compared to an operating profit of €2.9m for the previous year.

Other operating income and expenses amount to -€4.6m and reflect the impact of write-downs recorded as a result of the strategic review conducted by the Group.

The cost of debt is not material as the Group is debt free and corresponds mainly to the IFRS 16 restatements of the financing component of leases.

Other financial income and expenses primarily concern adjustments in the value of non-current financial assets and the administration fees of the company's securities.

Subject to the finalization of the budget regarding the fair value of R&D costs for games capitalized on the balance sheet, consolidated net income (Group share) for the year amounts to -€5.5m, compared with €2.0m in the previous year.

KEY BALANCE SHEET AND CASH FLOW ITEMS

The detailed balance sheet, prepared in accordance with IFRS, is included as an appendix.

Consolidated shareholders' equity amounted to €30.6m at March 31, 2021 compared to €28.1m at March 31, 2020, strengthened mainly by the capital increase of €5.6m conducted in December 2020 and by the exercise of stock options by certain employees during the year.

Total fixed assets amounted to €35.0 million, of which €13.3 million was attributable to capitalized R&D costs for games and €14.3 million to long-term receivables. In the context of the evolution of the current strategy, the budget for 2021/2022 is under review. The finalization of this budget may impact the fair value attributed to R&D costs for games capitalized on the balance sheet, depending on the continued exploitation, discontinuation or sale of these games. All these options are currently being examined.

As at March 31, 2021, the Group's net cash position was €2.5m. As a reminder, on April 1, 2020, the Group proceeded with the redemption of the last OCEANE bonds in circulation for €0.6m (OCEANE 2003-2020).

STRATEGY & OUTLOOK 2021-2022

The strategy of the Atari Group of a broad entertainment offer will be supported by its four primary business units with strong synergies:

ATARI GAMES

The video games division is already executing against an initiative to broaden its portfolio, which includes publishing premium games for the VCS, PC and console, republishing classic IP, and focusing on the most profitable and high-potential free-to-play games in its portfolio. It has recently announced the launch of a new version of the classic game *Food Fight* in early 2022 and has greenlit a number of additional new titles for release over the next 12 months. The first new games will launch in September of this year.

As it prepares to celebrate 50 years since it launched the video game industry, Atari is committed to fully leverage the more than 200 titles in its IP catalog. Classic games first published in the 70s, 80s and 90s will be optimized and republished on PC, PlayStation, Switch, Xbox and the new Atari VCS.

The flagship mobile title, *Rollercoaster Tycoon Touch* (available on iOS, Android and Facebook Cloud) celebrated its four-year anniversary in March and is still gaining loyal players from around the world. Player engagement is even on the rise with the introduction of new, 'always-on' seasonal events and new attractions based on classic Atari games.

Two new free-to-play games are slated for full release in Q4 of this calendar year, including a new *Rollercoaster Tycoon* franchise entry, *Rollercoaster Tycoon Idle*, and the RPG title *Mob Empire*.

ATARI VCS

The Atari VCS began shipping to original backers at the end of 2020 for the pre-orders made through the Indiegogo platform. Direct preorder sales began shipping in Q1 of 2021. The retail and commercial launch started in June 2021 with outlets including GameStop, Best Buy and Micro Center in the USA, along with JB Hi-Fi and other distributors in Australia and New Zealand. The team is focused on additional Atari VCS deliveries in anticipation of the 2021 holiday season, while evaluating opportunities to add additional retail markets in 2022.

In the coming months, Atari will continue to build out the content offerings and capabilities of the VCS including:

- *Food Fight* – Recently-announced reimagining of the arcade & 7800 classic, coming first to Atari VCS in 2021 with exclusive features.
- Additional indie publishers and developers bringing innovative and original games to the platform, including Graffiti Games, Akupara, and others.
- More Atari franchise ports, such as *Tempest 4000*, *Rollercoaster Tycoon* and others.
- Native retro emulation, starting with titles from the Atari 7800 and DOS PC games.
- Atari VCS Homebrew Initiative, offering creator and community sharing tools for amateur game makers.
- Cloud game streaming with direct access to popular services like Stadia, GeForce Now, Luna and Xbox
- Enhanced productivity with direct access to Google's G-Suite of Gmail, Sheets, Slides and other apps.
- Streamlined access to PC Mode, with easy-to-use USB thumb drive accessories.

LICENSING

The Atari Group has successfully launched new business lines in the recent years and intends to pursue such initiatives. The Atari arcade gaming machines launched under license by *Arcade 1 Up / Tastemakers, LLC* prove to be a continuing success. The Atari Group has recently extended the scope of that partnership, adding new games, new models and even home casual slot machines. As a result, the licensing agreement has been extended until 2029. Another area of strong focus for the Atari Group is the development of skill-based games, with existing deals with Gametaco and G3 Esports, LLC. Finally, the Atari Group is ramping up its efforts for the development of very specific products to commemorate its upcoming 50th anniversary in June 2022.

The Atari Group continues to vigorously defend its trademark and intellectual property rights. A number of important cases are currently ongoing, with over \$2.8m of cash settlements collected by the Atari Group in the last 3 years, net of legal fees.

ATARI BLOCKCHAIN

This new division was created as of April 1, 2021 to regroup all activities related to blockchain applications for games and digital goods developed by Atari or third parties. Atari Blockchain is focused on building out this ecosystem, notably by furthering the adoption and use cases of the Atari Token.

The strong growth and rise in popularity of NFTs and blockchain based games and online worlds validate Atari's positioning in this new ecosystem. Atari has established early mover positions through strong partnerships with leading players including Animoca Brands, Sandbox, Decentraland and Zed Run. To date, sales of Atari NFTs conducted through licensing partners have grossed over \$1m.

In the coming months, Atari will continue to strengthen its commitment to offer NFTs with the launch of a dedicated NFT marketplace for curated video game related NFT drops. Atari's objective is to onboard the large community of Atari fans and video gaming enthusiasts onto the world of true digital ownership enabled by blockchain technology, with NFTs becoming a gateway to unlocking a wider range of games and experiences.

ANNUAL SHAREHOLDERS MEETING 2021

The Annual Shareholders Meeting will be convened at the time of publication of the Universal Registration Document, including the management report, the annual financial report and the corporate governance report.

Disclaimer:

The realization of the plans, and their operational budget and financing plan remain inherently uncertain, and the non-realization of these assumptions may impact their value.

About Atari:

Atari, comprised of Atari SA and its subsidiaries, is a global interactive entertainment and multiplatform licensing group. The true innovator of the video game, founded in 1972, Atari owns and/or manages a portfolio of more than 200 games and franchises, including globally known brands such as Asteroids®, Centipede®, Missile Command® and Pong®. From this important portfolio of intellectual properties, Atari delivers attractive online games for smartphones, tablets, and other connected devices. Atari also develops and distributes interactive entertainment for Microsoft, Sony and Nintendo game consoles. Atari also leverages its brand and franchises with licensing agreements through other media, derivative products and publishing. For more information: www.atari.com and www.atari-investisseurs.fr/en/. Atari shares are listed in France on Euronext Paris (Compartment C, ISIN Code FR0010478248, Ticker ATA), in Sweden on Nasdaq First North Growth Market as Swedish Depositary Receipts (ISIN Code SE0012481232, Ticker ATA SDB) and are eligible for the Nasdaq International program in the United States (OTC - Ticker PONGF).

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This is information that Atari SA. is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, on August 16, 2021 at 7:00pm CET.

APPENDIX : CONSOLIDATED BALANCE SHEET

| ASSETS(M€) | 31.03.2021 | 31.03.2020 |
|---|-------------------|-------------------|
| Intangible assets | 15.2 | 17.8 |
| Property, plant and equipment | 0.0 | 0.0 |
| Right of use assets related to leases | 1.9 | 2.3 |
| Non-current financial assets | 16.0 | 15.7 |
| Deferred tax assets | 1.9 | 2.1 |
| NON-CURRENT ASSETS | 35.0 | 38.0 |
| Inventories | 2.5 | 0.6 |
| Trade receivables | 3.2 | 2.8 |
| Current tax assets | 0.0 | 0.0 |
| Other current assets | 0.6 | 0.7 |
| Cash and cash equivalents | 2.5 | 1.8 |
| Assets held for sale | 0.3 | - |
| CURRENT ASSETS | 9.1 | 5.8 |
| TOTAL ASSETS | 44.1 | 43.8 |
| | | |
| LIABILITIES (M€) | 31.03.2021 | 31.03.2020 |
| Share capital | 3.0 | 2.7 |
| Share premium | 19.1 | 11.0 |
| Consolidated reserves | 14.0 | 12.5 |
| Net income – Group share | (5.4) | 2.3 |
| SHAREHOLDERS' EQUITY (GROUP SHARE) | 30.6 | 28.5 |
| Minority interests | (0.0) | (0.4) |
| TOTAL CONSOLIDATED EQUITY | 30.6 | 28.1 |
| Provisions for non-current contingencies and losses | 0.0 | 0.0 |
| Non-current financial liabilities | - | 0.9 |
| Long term lease liabilities | 1.6 | 2.1 |
| Deferred tax liabilities | - | - |
| Other non-current liabilities | 0.7 | 0.8 |
| NON-CURRENT LIABILITIES | 2.3 | 3.7 |
| Provisions for current contingencies and losses | - | 0.1 |
| Current financial liabilities | - | 0.6 |
| Current lease liabilities | 0.3 | 0.3 |
| Trade payables | 7.3 | 5.7 |
| Current tax liabilities | - | 0.0 |
| Other current liabilities | 3.5 | 5.2 |
| CURRENT LIABILITIES | 11.2 | 11.9 |
| TOTAL EQUITY AND LIABILITIES | 44.1 | 43.8 |
