

# ATARI®



## COMPANY DESCRIPTION



Nasdaq First North is an MTF, as defined in EU legislation (as implemented in national law), operated by an exchange within the Nasdaq group. Issuers on Nasdaq First North are not subject to all the same rules as issuers on a regulated main market, as defined in EU legislation (as implemented in national law). Instead they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in an issuer on Nasdaq First North may therefore be higher than investing in a company on the main market. All issuers with shares admitted to trading on Nasdaq First North have a Certified Adviser who monitors that the rules are followed. The exchange (Nasdaq Stockholm AB) approves the application for admission to trading.



## IMPORTANT INFORMATION

This company description (the "**Company Description**") has been produced by Atari, SA ("**Atari**" or the "**Company**") as an information-only document for the purpose of providing certain information in conjunction with a listing (the "**Listing**") of Swedish Depository Receipts ("**SDR**"), representing shares in the Company, on Nasdaq First North. The "**Group**" refers to Atari and its subsidiaries. The Company Description does not constitute a prospectus and thus has not been established in accordance with the provisions of the Swedish Financial Instruments Trading Act (1991:980) (*Sw. lagen (1991:980) om handel med finansiella instrument*), Directive 2003/71/EC of the European Parliament and of the Council or Commission Regulation (EC) No 211/2007. The Company Description has neither been approved nor registered by the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*) or any other governmental authority in any jurisdiction.

The distribution of this Company Description in certain jurisdictions is restricted by law. No action has been taken by the Company or any other person to permit a public offering in any jurisdiction. Persons into whose possession this Company Description may come are required to inform themselves about and to observe such restrictions. This Company Description may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorized or is unlawful. This Company Description does not constitute an offer to sell or a solicitation of an offer to buy any shares, SDRs or other financial instruments in the Company, neither in Sweden nor in any other jurisdiction.

Neither the shares nor the SDRs have been or will be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or under any of the relevant securities laws of any state or other jurisdiction of the United States of America. The shares and the SDRs may not be offered or sold in the United States, except pursuant to an exemption from the Securities Act or in a transaction not subject to the registration requirements of the Securities Act.

In this Company Description, the terms "we", "our" and "us" all refer to Atari.

No representation or warranty, express or implied, is made by Redeye AB ("**Redeye**") as to the accuracy or completeness of any information contained in this Company Description. In making an investment decision, investors must rely on their own assessment of Atari. No person is or has been authorized to give any information or make any representation under this Company Description other than those contained in this Company Description and, if given or made, such information or representation must not be relied upon as having been authorized by the Company who does not accept any liability with respect to any such information or representation.

The delivery of this Company Description shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for Atari's development and profitability and statements preceded by "expects", "estimates", "forecasts" or similar expressions, are forward-looking statements. These statements are based on current decisions and plans and currently known factors. They involve risks and uncertainties, which may cause the actual results to materially differ from the results currently expected for Atari.

This Company Description is governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any conflict or dispute arising out of or in connection with this Company Description.

Investing in the Company involves a high degree of risk. For a discussion of certain of the risk factors that should be considered in connection with an investment in the company, please see the section "Risk Factors".

As the date of this Company Description, Redeye, acting as Certified Adviser, does not own any shares or SDRs in the Company, either directly or indirectly.

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**DEFINITIONS**

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Atari or the Company	Atari, SA
Company Description	This company description
EUR or €	Euro
Euroclear	Euroclear Sweden AB
First North	Nasdaq First North, a multilateral trading facility operated by Nasdaq Stockholm AB
Group	The group in which Atari is the parent company
Listing	The listing of the SDRs on First North
MAR	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation)
Redeye	Redeye AB
SDR	Swedish Depository Receipts representing a share in Atari
SFSA	Swedish Financial Supervisory Authority
SEK	Swedish kronor
Trading Act	Swedish Financial Trading Act (1991:980) ( <i>Sw. lagen (1991:980) om handel med finansiella instrument</i> )
USD or US\$	American dollar

**FINANCIAL CALENDAR**

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FY 2018/2019 results	28 June 2019
Annual report 2018/2019	31 July 2019
Annual general meeting	30 September 2019

**IDENTIFICATION**

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ISIN code for the SDR	SE0012481232
Short name (ticker) on First North	ATA

## RISK FACTORS

An investment in securities is always associated with risk. A number of factors beyond the control of the Company may have a material adverse effect on the Company's results of operations, earnings and financial position, which could result in a decline in the value of the Company's securities and the loss, in whole or in part, of a shareholder's invested capital. Consequently, when evaluating the Company's future performance, it is important to factor in various risks associated with the Company's operations, alongside its potentially positive performance.

In the exercise of its activities, the Group faces risks that could have a material adverse effect on the Company, its business, its financial position and/or its results. The main risks identified by the Company are described below without this list being considered exhaustive because other risks, which are not yet identified or may be considered insignificant by Atari as of the filing date of this Company Description, could also have a material adverse effect. Please also refer to the latest Reference Document of the Company which includes an extensive description of risk factors. There can be no guarantees or assurances that the objectives of the Company can be reached and that an investment in the SDRs in turn will generate a positive return for the investor.

### FINANCIAL RISKS

#### **Liquidity Risk, Risks Associated with a Going Concern, and Risks Associated with Operating Losses**

The Company is exposed to liquidity risk. The Company continuously monitors its cash flow through forecasts that are based on certain assumptions and expectations that may prove to be incorrect. In addition, there is a risk that unforeseen circumstances, such as significant degradations of economic conditions or legal claims, negatively affect the Company's cash flow.

There is a risk that the Company, due to insufficient cash and cash equivalents, cannot meet its payment obligations as they become due, or that the Company can only meet its payment obligations on terms unfavourable to the Company. An inability to maintain adequate liquidity may force the Company to put the Company into debt, possibly at a higher interest rate, which may adversely impact the Company's operations and ability to obtain further capital and financing. Failure to maintain adequate cash flow and capital in the future may have a material adverse effect on the Company's results of operations, earnings and financial position.

#### **Risks Associated with the Group's Ability to distribute dividends**

The Company has not paid any dividends in the two previous years and it has no plans to pay dividends in the foreseeable future. Future dividends should be declared and paid in the future based on the Company's financial position at the relevant time and it cannot be predicted whether any dividend will be proposed or declared in any given year.

### RISKS ASSOCIATED WITH THE COMPANY'S ACCOUNTS

#### **Foreign Exchange Risk**

The parent company is responsible for risk management according to the context of the financial markets and the procedures established by management. Foreign exchange transactions are carried out according to local laws and access to the financial markets. Subsidiaries may enter into contracts directly with local banks under the supervision of the parent company and in accordance with the Group's procedures and policies.

Since the Group's consolidated financial statements are presented in euros, the assets, liabilities, income, and expenses that are initially recorded in currencies other than the euro must then be translated into euros at the applicable exchange rate before they are included in the Group's consolidated financial statements. If the euro appreciates against any other currency, the value in euros of the Group's assets, liabilities, income and expenses initially denominated in another currency



will decrease. The opposite is true if the euro depreciates. As a result, changes in the exchange rate of the euro may have an effect on the value in euros of the Group's assets, liabilities, income and expenses outside the eurozone, even if their value remains unchanged in their original currency. The most critical foreign exchange risk relates to the revenue and result of subsidiaries that record their transactions in USD and to the Group's intangible assets and purchased goodwill denominated in USD.

### **Interest-rate Risk**

The Company no longer has a variable rate loan.

### **Credit Risk**

The global distribution of the Group's customers and the business risk management procedures have ensured there is no excessive concentration of credit risk.

## **RISKS ASSOCIATED WITH POTENTIAL DILUTION**

The Company has in the past, and may in the future, sell and issue additional equity securities (or securities convertible to equity securities) to finance operations, exploration, development, acquisitions or other projects. The Company cannot predict the size of future issuances of securities or the effect, if any, that such future sale and issuances will have on the market price of the shares or the SDRs. Any transaction involving the issuance of previously authorized but unissued shares, or securities convertible into shares or SDRs, would result in dilution, possibly substantial, to shareholders or holders of SDRs. Exercises of presently outstanding stock options may also result in dilution to shareholders. Therefore, the Company's shareholders and holders of SDRs bear the risk for any future new share issuance that may reduce the price of the Company shares or SDRs and/or dilute their holdings in the Company.

## **RISKS ASSOCIATED WITH LICENSING**

The RollerCoaster Tycoon license accounted for approximately 50% of revenue in 2017/2018 and expires in 2022 given the renewal obtained in May 2017. In any case, the Group is working to launch new franchises. At this stage, the Group considers that the loss of a license (by non-renewal or termination of contract) such as RollerCoaster Tycoon could, on its own, have a significant impact on its business or result. In addition, the simultaneous loss of several licenses could significantly affect the Group's financial position, business, or result, since such losses would not be offset by new licenses having the same economic impact.

## **RISKS ASSOCIATED WITH INTELLECTUAL PROPERTY RIGHTS**

Because Atari depends substantially on intellectual property rights, the protection of Atari's intellectual property rights is important to the success of its business. Atari rely upon a combination of trademark, trade secret and copyright law as well as contractual restrictions to protect its intellectual property. Despite Atari's efforts to protect its property rights, unauthorized parties may attempt to copy aspects of our games, software and service or obtain and use information that we consider proprietary. Moreover, policing Atari's proprietary rights is difficult and may not always be effective. In addition, we may need to enforce our rights under the laws of countries with reduced or varied protection for intellectual property rights.

Moreover, Atari's success depends, in part, upon its intellectual properties not infringing, misappropriating or violating the intellectual property rights owned by others and being able to resolve claims of intellectual property infringement. Such intellectual property claims and proceedings brought against Atari, whether successful or not, can be complex and time-consuming and could result in substantial costs and harm to Atari's reputation. Such claims and proceedings can also distract and divert our management and key personnel from other tasks important to the success of our business. Moreover, the legal threshold for initiating such claims and proceedings is low, so that even claims with a low probability of success could be initiated and require significant resources and attention to defend.



## **RISKS ASSOCIATED WITH THE VIDEO GAME INDUSTRY**

### **Risk of a Change of Business Model**

Atari is evolving towards a new business model centered on mobile and online games promoting the Atari brand and Atari's intellectual property, rather than games sold in boxes in supermarkets or via specialized networks. Atari derives most of its revenue from the mobile gaming activities of Apple's iOS and Google's Android platforms, and if Atari is unable to maintain good relationships with these two companies, or if Apple's App Store, Google's Play Store, or Amazon's App Store are unavailable for a significant period of time, it could have a significant impact on Atari's business.

In order to increase the revenue generated by digital activities, Atari needs to increase the number of users playing its games and keep them longer for more efficient monetization. To attract and retain players, Atari must allocate its creative and development resources to the creation of captivating content. One of the challenges of the freemium business model is to gain users' loyalty after initial game downloads, and Atari may not be able to increase the average play time of its players. If Atari fails to increase the number of active users, if the rates at which it attracts and retains players do not increase, or if the average amount spent by players declines, it could have a negative impact on the Company's profitability.

In addition, users' preferences are constantly changing and are often unpredictable. Sales could suffer if Atari fails to develop and publish new digital games accepted by the market or if Atari fails to direct users' interest to its games rather than to other forms of entertainment to which consumers have access.

### **Risks Related to New Platforms**

Atari's strategy involves a significant development of new titles for smartphones, tablets, and online content. If Atari cannot generate the revenue and gross margins contemplated in the budget for these games, the Group's financial position, revenue, and operating profit may suffer.

For Atari's success, management believes that the company needs to publish more mobile games, which are widely appreciated and have a great commercial success on smartphones and tablets platforms, succeed at monetizing games, but also significantly increase the number of users of Atari games and their average play time. Atari's efforts to increase revenue from smartphone and tablet games may not be successful or, even if they are, the time it takes to draw significant revenue from them may be longer than expected. The risks inherent in these games for smartphones and tablets are due to the changing nature of platforms such as Apple's App Store and Google's Play Store. Because of this, it's hard for Atari to accurately forecast sales. In addition, the direct nature of sales on these digital storefronts significantly increases competition. It also makes promoting Atari games more difficult. Finally, price sensitivity is increased due to the changing nature of the mobile and digital markets. It is therefore a risk that the Company may be outcompeted by other companies in one or more areas. If this occurs, there would be negative impact on the Company's profitability, operating results and financial condition.

### **Risks Associated with the Lifetime and Success of the Games**

The main risks intrinsic to the business of video game publisher concern the lifetime of a given game and the change in technologies. In a highly competitive interactive leisure market that is increasingly focused on "hits," the Company's financial position and outlook depend on its ability to regularly offer new titles that can meet players' expectations and obtain commercial successes from these products and in particular from these flagship products. If the Company fails to regularly develop new games and improve existing games, there is a risk that this could have a negative impact on the Company's operating results and financial condition.

### **Risks Associated With Dependency on a Limited Number of Games and Delayed Release of Key Games**

The Company is exposed to a risk of dependency related to the fact that it releases a small number of games, which correspond to a large portion of its business.

In addition, the Group's desire to revitalize its publishing plan depends in part on the release of a limited number of "key" franchises.





The Group mainly outsources its development projects to independent developers hired via contract, who may not be able to release the game on schedule or who may be forced to suspend production. In addition, the Group may not find suitable developers for certain games, or the developers' level of competence may be insufficient to obtain the quality necessary for a game to succeed. The developer may also experience financial difficulties, change key members of its team, or face any other difficulty that may cause significant delays or the abandonment of a game. The delayed release of major games or their abandonment could have a material adverse effect on the Group's financial position.

### **Risks Associated with the Seasonality of the Business**

The traditional video game industry sold in stores is exposed to strong seasonal variations in business which translate into a high level of activity in the second half of the year and more particularly in the third quarter of the year with the Christmas period. There is a risk that such phenomenon affects the Group's interim results and annual results.

### **Risks Associated with Customer Dependency and Withdrawal from Sale**

If existing and future partnerships and customer relationships cannot be established, cannot be entered into, or do not work as intended, with the sale of mobile games or a direct subscription by the end customer, there could be a negative impact on the Company's commercialization opportunities.

### **Risks Associated with Changes in Video Game Regulations**

The Group's business operates in several countries and is consequently exposed to risks related to regulatory compliance regarding games of chance with real money. Potential regulatory changes in various jurisdictions regarding video games, and action games in particular, could affect the Company's capacity to sell and market games, which could have negative impact on the Company's profitability, operating results and financial condition.

## **RISKS ASSOCIATED WITH DATA PROTECTION**

Legislation and regulations relating to the protection of personal data, including confidentiality and security obligations, are constantly changing and if Atari does not comply with them, or gives the impression of not complying with them, its business could suffer.

The Group is subject to the laws of France, the United States, and other countries relating to the protection of personal data that Atari collects from its users and the Group is consequently exposed to risks related to regulatory compliance in such countries.

The US government, including the Federal Trade Commission and the Department of Commerce, has announced that it is examining whether it is necessary to put in place more extensive regulations on the collection of information about consumer behavior on the Internet, and the European Union has implemented the GDPR. If Atari does not comply with the laws and regulations relating to the protection of personal data or if its practices in this area were to be questioned by a consumer, even without ground, this could damage the reputation of the Group and operating profit could suffer. Any current or new regulations could potentially be onerous and vary to the Group and could have a negative impact on the Company's ability to collect certain information in order to evaluate behavioral and purchasing patterns among the Company's customers. Any non-compliance by Atari with its privacy policy, service conditions, or laws and regulations relating to the confidentiality of personal data may result in legal action against the Company by public authorities, could have a negative impact on Atari's business. The Company may have to incur additional costs and modify its business practices to comply with these various obligations. Finally, if Atari fails to adequately protect the information of its users, the latter may lose confidence in its services and this could adversely affect the Group's business.





## **LEGAL RISKS**

### **Legal, arbitral, administrative and tax proceedings**

In the normal course of business, Group companies may be involved in a number of legal, arbitral, administrative and tax proceedings. Litigation can be costly and time consuming and the outcome is often uncertain. If the Company is embroiled in disputes, it could have a negative impact on the Company's business, profitability and operating results.

### **Regulatory changes and regulatory compliance**

Atari operates in several countries all over the world and the Company is consequently exposed to risks related to regulatory compliance. Future amendments to legislations and other regulations, or stricter interpretations of these, could have a negative impact on the Company's profitability, operating results and financial condition, and result in increased cost, lower production than planned and delayed development of new operations.

## **RISKS ASSOCIATED WITH THE LOSS OF THE BRAND**

The ATARI brand is a synonym for video games worldwide, in all languages, it enjoys an incredible reputation, and is in and of itself the Group's most important intellectual property asset. As such, it is relatively coveted by other market operators who may be able to express their interest in an acquisition for a transfer price that may be essential for the Group's development. A loss of the brand would result in (i) a need for change of corporate name for the company, (ii) a significant loss of reputation that may have materially impact on the commercial activity, (iii) and a substantial reduction in the Group's value.

## **RISKS ASSOCIATED WITH THE REGULATORY ENVIRONMENT OF THE GROUP**

The Atari Group, like any game publisher, must comply with many national regulations on the content of games and the protection of consumer rights. Failure to comply with these regulations may have a negative impact on sales (delayed launching or withdrawal of products from the market for example) and on customer loyalty (loss of the players attentive to the respect of their rights and risks of complaints filed with consumer associations and administrative authorities).

## **RISKS ASSOCIATED WITH HUMAN RESOURCES**

### **Risk Related to the Departure of Key Personnel**

The business is dependent on key personnel as it is a knowledge-intensive company. In the event of the departure of key personnel, the Group may encounter difficulties in replacing them and its activities may be slowed down. Similarly, its financial position, results, or ability to achieve its objectives could be affected and this could have negative consequences on the Company's business and operating results.

### **Risk Associated with Hiring Needs**

The success of the Group is largely due to the performance of the technical teams and their management. Like most players in the video games sector, the Group faces difficulties in hiring personnel with specialized and experienced technical skills. The success of its growth strategy will depend on its ability to retain its talent and attract new talent as the long restructuring period the Group has faced has put a strain on a number of its assets and skills. The performance risks arising from these considerations are likely to have an impact on the implementation of the relaunch plan and the financial position of the Group.

## **RISKS ASSOCIATED WITH EQUITY PARTICIPATIONS**



As part of its licensing business, the Group may receive unlisted securities in consideration for a brand and/or gaming license. Given their lack of liquidity, these securities are more difficult to value and dispose than listed shares. Their value is also more sensitive to significant and rapid variations, as these companies are generally start-ups operating in high-growth industries and are most often in the fundraising phase. The risk of default or impairment of these investments is accordingly higher, given their characteristics.

### **RISKS ASSOCIATED WITH NEW BUSINESS SECTORS**

The Group is further expanding into new activities, including online casino games, multimedia production and blockchain projects. Insofar as possible, the Group seeks to grow via partnerships in order to accelerate its acquisition of expertise and to share the risks involved. Nevertheless, these new business lines, which differ from the video game sector, entail a higher level of risk for the Group insofar as it is necessary to acquire new expertise and build strong positions in a new sector, which could lead to higher losses in the early stages of an investment. Growth in these new sectors requires a particular analysis of revenue potential and the contractual risk taken on, and there is a risk that, during the start-up phase, such projections by the Group will not be as accurate as desired.

### **RISKS ASSOCIATED WITH THE ACHIEVEMENT OF OBJECTIVES**

The Group may fail to achieve set objectives, of the operating budget and the financing plan. The valuation of Group assets—in particular where it concerns capitalized productions (games, TV shows) or investments—and liabilities may be affected where such assumptions fail to materialize.

### **RISKS ASSOCIATED WITH THE SDRS AND THE LISTING**

#### **Risk Related to the Marketplace**

The SDRs have been approved for listing on First North. First North is an MTF, which is an alternative marketplace, operated by the several exchanges within the Nasdaq group. Companies whose financial instruments are traded on First North are covered by a less extensive regulatory framework than companies that are traded on main market of Nasdaq Stockholm. Holders of SDRs may suffer actual or perceived prejudice to the extent the Company takes advantage of the increased flexibility that is allowed through a listing on First North. It is possible that the market for the SDRs will be subject to disruptions, and any such disruption may have a negative effect on investors, regardless of the Group's prospects and financial performance. An investment in the Company's SDRs therefore carries a higher degree of risk than an investment in a company listed on a regulated market. Although the SDRs have been approved for trading on First North, it is possible that the SDRs will not remain listed or that future success and liquidity in the market will not be achieved. Although no assurances can be made as to the liquidity of the SDRs as a result of admission to trading on First North, delisting of the SDRs from First North may have a material effect on an investor's ability to resell the SDRs in the secondary market.

#### **Risk Related to Fluctuations in the Market Price of the SDR**

An investment in the Company's SDRs is associated with a high degree of risk, and the price of the SDRs may not develop favorably. Prior to the Listing, there has been no public market for the SDRs. Following the listing, an active or liquid trading market in the Company's SDRs may not develop or be sustained. If such market fails to develop or be sustained, it could have a negative impact on the liquidity and price of the SDRs and could increase the price volatility of the SDRs. Investors may not be in a position to sell their SDRs quickly or at the market price if there is no active trading in the Company's SDRs. The market prices of publicly-traded companies can be highly volatile and, after the Listing, the price of the SDRs could fluctuate substantially due to various factors, some of which could be specific to the Group and its operations, and some of which could be related to the industry in which the Group operates or equity markets generally. The market price of the SDRs may decline, regardless of the Group's actual operating performance, and there can be no assurances as to the liquidity of any market of the SDRs, an investor's ability to sell their SDRs or the prices at which investors would be able to sell their SDRs.

**Risk Related to Future Sales of SDRs after the Listing**

Sales of a significant number of SDRs following the Listing, or the perception that such sales could occur, may have a material negative effect on the market price of the SDRs.

**Risk Related to Future Offerings of Securities**

In the future, the Company may seek to raise capital through offerings of debt securities (potentially including convertible debt securities) or additional equity securities. An issuance of additional equity securities or securities with rights to convert into equity could reduce the market price of the SDRs and would dilute the economic and voting rights of existing holders of SDRs if made without granting subscription rights to existing holders. Because the timing and nature of any future offering will depend on market conditions at the time of such an offering, the Company cannot predict or estimate the amount, timing or nature of any future offering. Thus, holders of the SDRs bear the risk of any future offerings reducing the market price of the SDRs and/or diluting their holdings in the Company.

**Risks Associated with Exchange Rate Fluctuations**

If the Company would, in the future, pay dividends in respect of the shares, such dividends will be paid in EUR. However, holders of SDRs registered with Euroclear will receive dividend distributions in SEK. Any depreciation of EUR in relation to SEK could reduce the value of the investment or of any dividends, and any appreciation of EUR could increase the value in any such investment or dividends. Furthermore, the holding of SDRs registered with Euroclear by an investor whose principal currency is not SEK would expose the investor to additional foreign currency exchange rate risk.



## BACKGROUND AND REASONS FOR THE LISTING

Atari is a French public limited liability company whose shares are listed on the Euronext Paris market, compartment C (ISIN code: FR0010478248, ticker: ATA).

Atari ([www.atari.com](http://www.atari.com)) is an interactive entertainment production company that manages an intellectual property portfolio focused on the Atari brand, Atari Classics games, and intellectual property assets and licenses such as RollerCoaster Tycoon. The company has 4 main business lines: (i) video games (“Atari Games”) make up the Group’s DNA, which includes, by extension, the monetization of such games via multiple channels, multimedia production and licensing activities, (ii) the regulated online casino games within Atari Casino (a company dedicated to this business); (iii) the Group’s new console Atari VCS; and (iv) Atari Partners, the Group’s investment activities in technology companies.

The Company’s business model is based on directly or indirectly monetizing its rights, in the broadest possible sense. Direct monetization includes revenue earned from games played on mobile, PC, online, console, or multimedia platforms. Such direct monetization also includes the final sale of rights under an ongoing arbitrage policy concerning the Company’s intellectual property portfolio. Indirect monetization covers licensing agreements granted to third parties, who are then responsible for manufacturing and producing products or applications in exchange for royalties paid to Atari, under multi-year contracts. In general, any transaction concerning such rights, whatever their legal nature, is considered part of the Company’s current business activity and contributes to its revenue and/or current operating profit.

The Company has performed strongly financially in 2018 with organic sales growth of 27% in the first half ended September 30, 2018 of its 2018-19 financial year and a current operating margin of 20%, up from 13% on the previous year. The strong financial development is mainly attributable to continued strong performance of the RollerCoaster Tycoon franchise as well as a strong contribution from licensing activities.

The Board of Directors believes Atari is in an excellent position to capitalize on its scalable business model and the Listing on First North is part of the wider, long-term growth strategy. Atari is well funded and no new capital will be raised as part of the Listing. Through the Listing, Atari wants to increase its recognition and brand awareness in the Swedish and Scandinavian investor landscape, which comprises experienced investors with an understanding for gaming companies.

Atari’s Board of Directors is responsible for the information given in this Company Description. The Board of Directors declares that, to the best of its knowledge, the information provided in the Company Description is accurate and that, to the best of its knowledge, the Company Description is not subject to any omissions that may serve to distort the picture the Company Description is to provide, and that all relevant information in the minutes of board meetings, auditors’ records and other internal documents is included in the Company Description.

### **The Board of Directors of Atari**

**Paris, March 27, 2019**



## HISTORY

Atari Inc., a pioneer in the video game industry, was founded in 1972 in Sunnyvale, California by Nolan Bushnell and Ted Dabney. Its products such as Pong and the Atari 2600 helped define the electronic entertainment industry from the 1970s to the mid-1980s. In 1976, Nolan Bushnell sold Atari Inc. to Warner Communications. Under Warner, Atari achieved its greatest success, selling millions of console systems and home computers. At its peak, Atari was the fastest growing company in US history at the time. The boom period was followed by the video game crash of 1983, which saw a large-scale recession in the industry due in part to perceived market saturation in the number of consoles and games. In 1984, Warner sold the home computing and console divisions of Atari to Jack Tramiel, who created a new company under the name Atari Corporation. Warner retained the arcade division but sold it to Namco in 1985. Under Tramiel's ownership Atari released the Atari ST home computer system followed by the Atari 7800 home console. In 1989 Atari released the Atari Lynx, a handheld console with color graphics that struggled to compete against Nintendo's cheaper Game Boy. Atari was the first console maker to release a 64-bit console in 1993 with the Jaguar, but it sold poorly. The failures of the Lynx and Jaguar resulted in a rapid succession of changes of ownership with Hasbro ending up as the owner of the Atari brand and intellectual properties in 1998.

Infogrames Entertainment ("Infogrames"), a French video game development company was founded in 1983 and first listed on the Paris Stock Exchange in 1993. Its listing was transferred to the main segment in 1996. From that moment a strategy of external growth was pursued which included a number of large acquisitions including GT Interactive Software in 1999 (with franchises such as Driver, Unreal, Unreal Tournament and Deer Hunter). In January 2001, Infogrames acquired Hasbro Interactive from Hasbro, which transferred ownership of the Atari brand and all related intellectual properties to Infogrames as well as a license to all Hasbro properties. In 2003, Infogrames' US subsidiary Infogrames Inc. was renamed Atari, Inc.

Following the rapid expansion phase, which was essentially financed through the issuance of convertible bonds and bank loans, Infogrames launched a restructuring plan in 2003. This plan resulted in a public exchange offer in 2003 for its convertible bonds due 2004 and 2005, which allowed to restructure over EUR 200 million of convertible bonds. Infogrames also sold back the licensing rights on Hasbro properties to Hasbro in 2005 for US\$65 million and announced a further plan of asset sales in 2006.

In March 2007, Infogrames announced a new comprehensive restructuring plan, which included a EUR 74 million capital increase, the issuance of new stock warrants, as well as an exchange offer for its 2003-2009 convertible bonds. These transactions resulted in the restructuring of EUR 165 million of debt and the arrival of the hedge fund BlueBay as the new largest shareholder of the group with 19.3%. Acting in concert with another hedge fund, GLG Partners, BlueBay controlled 29% of the capital. In April 2007, the CEO and founder of Infogrames Bruno Bonnell was replaced by Patrick Leleu.

In January 2008, under new ownership, Infogrames embarked on an ambitious new growth strategy. It raised EUR 150 million through the issuance of mandatorily convertible bonds and installed a new management team lead by David Gardner and Phil Harrison. In April 2008, to simplify the group structure Infogrames announced an offer to buy out minority shareholders in its US subsidiary Atari, Inc, which was completed in October. In December 2008, Infogrames announced the acquisition of US based Cryptic Studios, a developer of massively multiplayer online (MMO) games for up to US\$75 million in cash and earn-outs. In order to finance the acquisition, Infogrames issued EUR 40.5 million of new mandatorily convertible bonds with warrants in January 2009, subscribed for 80% by BlueBay. In March 2009, Infogrames accelerates its strategic shift towards online gaming by disposing of its European and Asian physical distribution business to Namco Bandai.

In May 2009, Infogrames Entertainment changed its name to Atari. In January 2010, the Company raised EUR 43 million through the issuance of stock warrants and converted part of its debt into equity. In January 2011, the Company decided to accelerate its transition to a new business model and to focus exclusively on casual, social and mobile games. In May 2011, the Company announced the sale of Cryptic Studios to Perfect World of China for EUR 35 million. It became evident in 2012 that the Company had failed to reach its targets and it could not raise the necessary funds to refinance the loan extended to it by BlueBay.



In early 2013, the US subsidiaries (the "US Subsidiaries") were placed in court-supervised receivership (the "Chapter 11 Proceedings"). In February, the BlueBay funds sold their stakes to Ker Ventures, LLC (a holding company owned by Frédéric Chesnais) and Alden Capital Group ("Alden"). Frédéric Chesnais was appointed Chairman of the Board and Chief Executive Officer.

By immediately granting a loan of EUR 250,000 to Atari, Ker Ventures (holding company owned by Frédéric Chesnais) prevented the initiation of a safeguard procedure for Atari and its subsidiary Atari Europe SAS. The procedure had been solicited by the former management team.

In September 2013, Atari filed a reorganization plan for US Subsidiaries, personally guaranteed by Frédéric Chesnais. This plan was approved by the US Court and, on December 24, 2013, the US Subsidiaries exited the Chapter 11 Proceedings.

In February 2014, Atari issued EUR 28.3 million of new convertible bonds due 2019. In March 2014, Atari exercised the early redemption clause of the convertible bonds through the issuance of new shares, resulting in a significant strengthening of shareholders' equity. In June 2014, the US Chapter 11 Proceedings were definitively closed in the US courts. In February 2015, Atari issued EUR 5 million of convertible bonds due 2020, of which EUR 3.8 million were converted into shares in March 2015.

In March 2015 a dispute arose between Atari and Alden, which had taken over the loan initially granted by BlueBay. The dispute was settled in July 2016, the loan in a total amount of EUR 12.5 million was repurchased by Atari for EUR 4.5 million in cash and the issuance of 5 million new shares to Alden. The repurchase was financed through (i) the issuance of EUR 2 million of new shares to a third-party investor at EUR 0.17 per share and (ii) a bridge loan of EUR 2 million granted by Ker Ventures, and of EUR 0.5 million granted by board member Alexandre Zyngier.

In October 2016 Atari raised EUR 4.9 million through a capital increase in order to repay the bridge loan and provide additional working capital.

Since then, the business has returned to growth and profitability, and the Atari Group now holds a strong net cash position.



## MARKET OVERVIEW

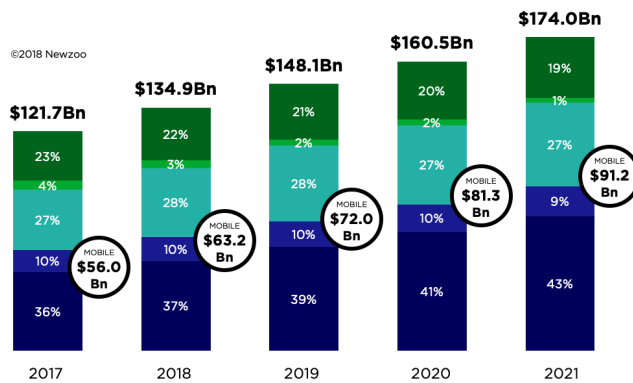
### OVERVIEW

The global games industry is one of the largest entertainment industries today. Newzoo estimates the global games market at US\$135 billion in 2018. It is larger than the sales of movie tickets, music downloads, and music streaming combined. The Asia Pacific (APAC) region is the largest at US\$66 billion followed by North America at US\$34 billion and Europe, Middle East & Africa (EMEA) at US\$30 billion. Global annual revenue for the market is expected to grow at 9.3% per year to reach a total market size in excess of US\$170 billion by 2021. While historically console and PC games drove the majority of total revenue, 2018 will mark the first year where games on smartphone and tablets account for nearly 50% of the global market. This segment also has the most players with 2.2 billion, the majority of whom are gaming on their smartphone, and is expected grow by 14% per annum until 2021.



### 2017-2021 GLOBAL GAMES MARKET

FORECAST PER SEGMENT TOWARD 2021

**+9.3%**TOTAL MARKET CAGR  
2017-2021

- Boxed/Downloaded PC
- Browser PC
- Console
- Tablet
- Smartphone

Source: ©Newzoo | October 2018 Quarterly Update | Global Games Market Report  
newzoo.com/globalgamesreport

### THE MARKET FOR MOBILE GAMES, ON SMARTPHONES AND TABLETS

Mobile games are video games that are played on mobile phones, smartphones, tablets, portable multimedia devices, excluding any game played only on dedicated portable consoles.

The mobile market is benefiting from the fast penetration rate of smartphones (mainly devices running iOS and Android). The tablet market also benefits from a fast and high penetration rate.

The rapid expansion of these smartphones has generated and has benefited from the success of “apps,” small specialized programs that may be downloaded to mobile devices.

### ONLINE GAMES AND CONSOLE GAMES

The online games segment covers several types of games, from “casual” to “hardcore” games, and uses all types of platforms, from personal computers (PCs) to consoles (via Microsoft Xbox Live, Sony PlayStation Network). An Internet connection is required at the time of download, and sometimes also during the game phase.

These games can either be paid at the time of download, or free but then, in most cases, with options





to make payments via microtransactions as and when the game progresses.

The revenue from online games is thus generated by the following sources:

- Game downloads
- Microtransactions, which consist of offering additional content or virtual goods to players who already have a free or paid game (most often, new features or access to additional zones or levels)
- Online advertising
- Subscriptions, usually monthly or quarterly
- Billing by the minute
- Trial offers.

## **CURRENT MARKET TRENDS AND DYNAMICS**

### Social Trends:

- Global living standards are improving steadily, for the gaming industry this translates to more free time and an increased demand for entertainment products as well as more money to spend on entertainment.
- Demographic shifts have increased the average age of gamers. Popularity for games grew during the 80s and 90s; this first generation of gamers is now in their mid-thirties with often-considerable disposable income to spend on games. In the United States there are about 160 million people in the ages of 10-65 that play games at least once a month.
- The ubiquity of the Internet and social media has helped foster and develop highly engaged communities of enthusiastic gamers across the world. Game developers now have access to an extremely loyal core fan base for certain games or genres who are happy to support new projects both financially (i.e. crowdfunding) and through very powerful viral online marketing.

### Gameplay Trends (changes in game consumption):

Evolution of technology and social dynamics has completely changed the way games are consumed. The hardcore male teenage and twenty-something console or PC gamer has been overtaken by an entirely new population of casual gamers thanks to the adoption of smartphones and mobile games. The casual gamer is often older (35-45) and includes a large proportion of females. The end result is a much larger global audience of gamers. Another powerful trend in the way the gaming experience is changing is the emergence of E-Sports and streaming extending the gaming universe from purely active gaming to the possibility to watch and support the most skilled gamers across the world in real time. The emergence of streaming and competitive tournaments has had a huge impact in turning certain games that are particularly well suited to the format into blockbuster commercial successes like Fortnite, which is grossing over US\$300 million per month currently. The streaming platform Twitch boasts 15 million daily average users and over 44 billion minutes watched per month.

### Technological Trends (digital is overtaking physical):

Digitalization has completely revolutionized the value chain in global gaming and by lowering the cost of distribution and increasing availability it has largely contributed to the explosive growth of the industry in recent years. While a game was historically limited to being a physical box with static content, now a game's life can be extended for years through new downloadable content. Game as a Service (GaaS) has become the new normal which is contributing to industry growth by extending the lifespan and revenue potential of games. Further growth is to be expected from the crossover of gaming experience into real life. Virtual Reality, Augmented Reality and Gamification are increasingly blurring the boundaries between gaming and reality.

## **INDUSTRY COMPETITION**



While the competitive dynamics vary across different gaming products and platforms, the overall gaming market remains extremely competitive. The industry is growing at a strong pace and constantly evolving creating threats and opportunities for established players as well as new entrants. Atari competes with game developers and publishers from all over the world.

Changes in technology and evolving consumer habits and demographics require that gaming companies constantly reinvent themselves in order to remain relevant and secure their position in the market. Game quality and creativity are more important success factors than prior achievements or long-term history of a company.

#### Mobile and Tablet Games:

Mobile games are often so called “casual games” characterized by lower complexity and player involvement and shorter playing times. Mobile games are typically quicker and cheaper to develop and are easily distributed through Apple and Google online stores. Their life cycle tends to be shorter and due to low barriers to entry and limited upfront costs the number of games available to play has skyrocketed. At the end of 2018 over 800,000 active game apps were available on Apple’s App Store. Competition in the mobile games segment is significant making it difficult to achieve strong levels of profitability for the average developer.

While the barriers to entry are lower for mobile games in terms of development costs compared to mid and high-quality PC and console games, the sheer number of games available on digital storefronts today make differentiation and consumer awareness the most important elements of success. Reaching a substantial user base to ensure commercial success of a game often requires a large marketing budget and continuous reinvestment in user acquisition, making it harder for small developers with limited financial resources to compete.

Competition in the mobile gaming industry is widespread and includes large players like Zynga, Electronic Arts, Activision or Vivendi as well as more focused mobile game developers like Rovio or Glu Mobile. Due to the lower barriers to entry competition also includes a myriad of small developers or even individuals.

#### Online and Console Games:

Continued industry growth coupled with vast improvements in gaming technology over the cycles has led to an escalation of video game development budgets for so called AAA, high quality console and PC titles. The combination of a large necessary upfront investment coupled with the hit-driven nature of the industry has increased the risk to develop such games substantially. Competition in this segment is therefore somewhat limited to a smaller number of large players like Activision, Electronic Arts, Take Two, Ubisoft or Microsoft.

The move to digitalization and appearance of digital storefronts like Steam for PC and of Sony, Microsoft and Nintendo for their last generation consoles has however opened up opportunities for smaller players to compete in the market for low to mid-range budget titles. Competition is still somewhat more restricted than in the mobile space as the barriers to entry are still higher. However, for most small developers the environment is still very difficult, as there exists a large number of quality games competing for limited amounts of game time. This has led to numerous smaller and independent game developers going out of business. There are still numerous independent developers competing successfully in this space including THQ Nordic, Paradox Entertainment or Frontier Developments.



## BUSINESS OVERVIEW

### GROUP OVERVIEW

Atari is an interactive entertainment production company that manages an intellectual property portfolio focused on the Atari brand, Atari Classics games, and intellectual property assets and licenses such as RollerCoaster Tycoon.

The Atari brand is known worldwide and is associated with entertainment and digital technologies.

Atari's strategy is to develop, directly or via licensing, content and applications that blend digital entertainment and innovation. On September 20, 2018, Atari announced the creation of 4 operational divisions. This creation is justified by the Group's growth and by the will to speed up the dynamics and the development cycles specific to each of these activities in order to exploit the Atari brand and its intellectual properties in the best way. The business units are made up of:

#### **Atari Games ("Video Games, Multimedia & Licensing")**

This division covers video games, the Group's DNA, which includes, by extension the monetization of such games via multiple channels, multimedia production and licensing activities. The strategy is to develop, exploit and monetize in the best way the portfolio of over 200 Atari games with a priority focus on mobile games and digital distribution. The investment cycle is about 18 months on average, in partnership with leading development and production studios.

Today, Atari Games is showing strong dynamism especially with the *RollerCoaster Tycoon* license whose *RCT Touch* game continues to have in excess of 150,000 daily users or the *RCT Adventures* game for Nintendo Switch, which was released at the end of 2018. New games are being developed and will be released in 2019, mainly focusing on simulation games and other original mobile games. This division today represents the largest source of revenue (EUR 15.0 million in FY 2017/18 or 83.7% of Group revenue).

#### **Atari Casino ("Game like never before")**

This division covers the regulated online casino games as well as any other real-money games including e-sports. Atari Casino's strategy is to leverage the attractiveness of the brand through licensing agreements with platforms, which are suited for these types of games.

To date, Atari Casino is developing mainly through its license agreement with Pariplay, an integrated and licensed provider of real-money games in Europe, which has already developed five key Atari games on its platforms. To benefit from Pariplay's growth, in exchange for an extension of the brand license, the Group recently took a 2.52% stake in the capital of Pariplay, Ltd. The Group is also collaborating with a US provider of slot machines Next Gaming for the development of a slot machine under the *Asteroids* brand.

Atari Casino mainly operates in Europe given the state of advancement of legislation in this region and is still waiting for the legislative evolution in the United States to deploy within that territory. A license agreement has also been entered into with Short Shot for a project in Latin America. With regard to e-sports, Atari has granted a license to Bayside Games for the development of tournament-based games of skill and "player vs. player" games offering real-money prizes when the legislation allows it.

The division represented EUR 1.8m or 10.1% of Group revenue in FY 2017/18.

#### **Atari VCS ("Reinventing the way you game again")**

This division's primary objective is to launch and distribute the new Atari multimedia home console (VCS – Video Computer System) and to integrate a large content offering available online to attract the largest number of users. By extension this division is also in charge of projects like the Speaker Hat and other connected objects in development stage.

The Indiegogo crowd-funding campaign for the Atari VCS was launched in May 2018 and resulted in more than 10,000 units pre-ordered for a total of US\$3 million. The Atari VC will be released in 2019 for a suggested retail price of US\$249/US\$299 depending on the configuration.



The division did not have any meaningful revenues in FY 2017/18 and is expected to contribute starting in FY 2019/2020.

### **Atari Partners (“Investing in technology for the future”)**

This division’s objective is to take equity stakes in young growth companies led by recognized entrepreneurs, preferably through a licensing grant of the Atari brand in exchange for equity participation. Atari relies on its reputation and its ability to get experts on board in order to accelerate the growth of these companies. This strategy allows to reconcile innovation whilst limiting financial risk and commitments.

Current investments to date include a 15% stake in Infinity Networks Limited, in exchange for a license to develop a blockchain platform for multimedia work and a 10% stake in Roam, an innovative company specialized in audio accessories.

The division represented EUR 1.1 million or 5.9% of Group revenue in FY 2017/18.

## **SEGMENT INFORMATION**

Management considers that analyzing its revenue by geographic area or by platform is not relevant to or indicative of its operating activity. The interactive entertainment market is global by definition and our games are downloaded and played in a large number of territories. Management considers its most important geographical markets to be North America and Western Europe. In light of the establishment of 4 business units, the Group is evaluating the feasibility of producing segment information starting in the financial year 2019-2020.

## **STRATEGY & BUSINESS MODEL**

The Company’s business model is based on directly or indirectly monetizing its rights, in the broadest possible sense. Direct monetization includes revenue earned from games played on mobile, PC, online, console, or multimedia platforms. Such direct monetization also includes the final sale of rights under an ongoing arbitrage policy concerning the Company’s intellectual property portfolio. Indirect monetization covers licensing agreements granted to third parties, who are then responsible for manufacturing and producing products or applications in exchange for royalties paid to Atari, under multi-year contracts. In general, any transaction concerning such rights, whatever their legal nature, is considered part of the Company’s current business activity and contributes to its revenue and/or current operating profit.

Atari’s business model for games is that of an executive producer. Atari owns the rights (directly or through an exclusive license) to the intellectual properties and partners with third-party development studios for the production of the game. Atari does not develop any games in-house and does not own any development studios itself. Atari then takes delivery of the finished games and publishes the game itself. For mobile games Atari pursues a free-to-play or freemium strategy, where the games are downloadable for free on Apple’s App Store or Google Play for Android. Revenue is generated from micro-transactions and in-game advertising and the revenues are collected globally by Apple and Google and remitted to Atari. For console and PC games, Atari’s strategy focuses on digital distribution. Atari publishes its games directly on Steam (for PC), Nintendo’s eShop (for Switch), Microsofts Xbox Live Arcade (for Xbox) and Sony’s Playstation Store (for Playstation 4). Revenues are again collected by these platforms globally and remitted to Atari. When Atari decides to release a game in physical format like the recent *RCT Adventures* for Nintendo Switch, it uses distribution partners (BigBen Entertainment in Europe, AtGames in the US) who sell directly to retailers. Thus Atari does not carry any inventory and only books royalty revenues for each unit sold at retail.

## **FRANCHISING & LICENSING**

The activities of the Atari Group have enabled it to acquire or manage a large portfolio of intellectual



property assets. The Group also licenses some of its intellectual property assets.

The Atari Group can, therefore, find itself in one of two situations: (i) as a licensee and in the obligation to pay royalties to the licensor; (ii) as a licensor and being remunerated as such. In both cases, the structures of the licensing agreements are relatively similar.

The licensor's remuneration consists of a fixed fee and/or a proportional charge based generally on a percentage of the sales made. The licensor may negotiate advances on licensing fees payable in installments spread over the entire term of the contract, which is effectively a guaranteed minimum income. Advances are then deducted from the amount of the remuneration due, so that the licensee is able to recover the equivalent of the advances paid before being required to pay additional remuneration.

Content licenses and support licenses have a number of ethical, graphic, and technical requirements. The publishing and the commercial release of the product are in fact subject to the preliminary approval of the right-holder or the media manufacturer.

**FINANCIAL OVERVIEW****FINANCIAL OVERVIEW FOR THE FIRST HALF OF THE FINANCIAL YEARS 2017/2018 AND 2018/2019****CONDENSED CONSOLIDATED INCOME STATEMENT**

(MC)	Sept. 30, 2018		Sept. 30, 2017		Variation	
Revenue	<b>10,8</b>	<b>100%</b>	8,5	100%	<b>2,3</b>	<b>27%</b>
Cost of goods sold	<b>(2,7)</b>	<b>-25%</b>	(1,1)	-14%	<b>(1,5)</b>	<b>135%</b>
<b>GROSS MARGIN</b>	<b>8,1</b>	<b>75%</b>	7,3	86%	<b>0,7</b>	<b>10%</b>
Research and development expenses	<b>(3,1)</b>	<b>-29%</b>	(2,2)	-26%	<b>(0,9)</b>	<b>42%</b>
Marketing and selling expenses	<b>(1,5)</b>	<b>-14%</b>	(1,9)	-22%	<b>0,4</b>	<b>-19%</b>
General and administrative expenses	<b>(1,7)</b>	<b>-16%</b>	(1,7)	-20%	<b>(0,0)</b>	<b>1%</b>
Other operating income (expenses)	<b>0,5</b>	<b>5%</b>	(0,4)	-4%	<b>0,9</b>	<b>-229%</b>
<b>CURRENT OPERATING INCOME (LOSS)</b>	<b>2,2</b>	<b>20%</b>	1,2	14%	<b>1,0</b>	<b>87%</b>

**Note:** The Statutory Auditors issued a qualified opinion in their review report on the condensed half-yearly financial information as of September 30, 2018 (see page 26).

**Revenue**

For the first six months ended September 30, 2018, the Atari Group recorded EUR 10.8 million in revenue, compared to EUR 8.5 million euros for the same half of the previous financial year. Growth is 31% at constant exchange rates and 27% at current exchange rates.

The pace of sales for the first half of the year mainly reflects

- The good performance of the entire video game catalog, particularly RollerCoaster Tycoon Touch;
- The very strong growth of Atari Flashback hardware products;
- The very strong growth in licensing activities.

IFRS 15 restatement:

On January 1, 2018 the Group applied for the first time IFRS 15 – *Revenue from Contracts with Customers*. This replaces IAS 19 – *Revenue*, as well as its related interpretations.

The main change introduced by this new standard for the Group's activities concerns revenue associated with the sale of intellectual property licenses.

The Group has elected to apply the new standard retrospectively only to contracts which were not completed as of April 1, 2018, while accounting for the cumulative effect of the initial application on the date of the first application by adjusting the opening balance of shareholder's equity on April 1, 2018.

Certain license agreements are now recognized as an access right spread over time. The revenue impact for the period ended September 30, 2018 of contracts that were not completed on April 1, 2018 amounts to EUR 0.1 million.

**Gross Margin**

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

**Research and Development Expenses**



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

### **Marketing and Sales Expenses**

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

### **General and Administrative Expenses**

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

### **Other Operating Income and Expenses**

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

### **Current Operating income**

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

### **Other non operating income and expenses**

As of September 30, 2018, and as of September 30, 2017, other operating income and expenses are not significant.

### **Operating income**

Operating income for the first half of 2018/2019 showed a profit of EUR 2.0 million, compared to a profit of EUR 1.3 million in the first half of 2017/2018 representing an increase of more than 54%.

## **OTHER INCOME STATEMENT ITEMS**

<b>(MC)</b>	<b>Sept. 30, 2018</b>		<b>Sept. 30, 2017</b>		<b>Variation</b>	
<b>CURRENT OPERATING INCOME (LOSS)</b>	<b>2.2</b>	<b>20%</b>	1.2	14%	<b>1.0</b>	<b>87%</b>
Other income (expense)	<b>(0.2)</b>	<b>-2%</b>	0.1	1%	<b>(0.3)</b>	<b>-338%</b>
<b>OPERATING INCOME (LOSS)</b>	<b>2.0</b>	<b>18.2%</b>	<b>1.3</b>	<b>15.0%</b>	<b>0.7</b>	<b>54.4%</b>
Cost of debt	<b>(0.0)</b>	<b>-0.1%</b>	(0.1)	<b>-0.9%</b>	<b>0.1</b>	<b>-78.5%</b>
Other financial income (expense)	<b>0.0</b>	<b>0.1%</b>	(0.1)	<b>-1.0%</b>	<b>0.1</b>	<b>-113.2%</b>
Income tax	<b>(0.2)</b>	<b>-1.8%</b>	-	-	<b>(0.2)</b>	
<b>NET INCOME (LOSS)</b>	<b>1.8</b>	<b>16.4%</b>	1.1	<b>13.1%</b>	<b>0.7</b>	<b>59.2%</b>
Minority interests	(0.0)	<b>0.0%</b>	0.0	0.0	<b>(0.0)</b>	
<b>NET INCOME GROUP SHARE</b>	<b>1.8</b>	<b>16.4%</b>	1.1	<b>13.1%</b>	<b>0.7</b>	<b>59.6%</b>

**Note:** The Statutory Auditors issued a qualified opinion in their review report on the condensed half-yearly financial information as of September 30, 2018 (see page 26).



**Cost of debt**

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

**Income tax**

Given its results and tax loss carryforwards, the Group recorded a tax expense limited to EUR 159,000 for its US entities.

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

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

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

Utilization of tax loss carryforwards in France is limited to the first EUR 1,000,000 of taxable profit, which can be fully offset, above EUR 1,000,000 taxable profits can only be offset in a proportion of 50%, the other 50% being taxed at the prevailing corporate income tax rate.

**Net income (Group share)**

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

**SIMPLIFIED CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017**

<b>ASSETS (M€)</b>	<b>Sept. 30, 2018</b>	<b>March 31, 2018</b>
Intangible assets	<b>11.7</b>	9.2
Property, plant and equipment	<b>0.0</b>	0.0
Non-current financial assets	<b>5.2</b>	4.9
Deferred tax assets	<b>0.9</b>	0.5
<b>Non-current assets</b>	<b>17.8</b>	14.6
Inventories	<b>0.2</b>	0.2
Trade receivables	<b>6.5</b>	3.9
Current tax assets	<b>0.0</b>	0.0
Other current assets	<b>0.5</b>	0.4
Cash and cash equivalents	<b>8.8</b>	3.1
<b>Current assets</b>	<b>16.0</b>	7.6
<b>Total assets</b>	<b>33.8</b>	22.2



<b>EQUITY &amp; LIABILITIES (M€)</b>	<b>Sept. 30, 2018</b>	<b>March 31, 2018</b>
Capital stock	2.6	2.4
Share premium	7.9	11.6
Consolidated reserves	10.9	(2.5)
Net Income (Group share)	1.8	2.3
<b>Shareholders' equity</b>	<b>23.1</b>	<b>13.8</b>
Minority interests	(0.0)	(0.0)
<b>Total equity</b>	<b>23.1</b>	<b>13.8</b>
Provisions for non-current contingencies and losses	0.0	0.0
Non-current financial liabilities	0.6	0.6
Other non-current liabilities	-	-
<b>Non-current liabilities</b>	<b>0.7</b>	<b>0.7</b>
Provisions for current contingencies and losses	0.1	0.4
Current financial liabilities	-	-
Trade payables	5.4	5.4
Other current liabilities	4.6	2.0
<b>Current liabilities</b>	<b>10.1</b>	<b>7.8</b>
<b>Total equity and liabilities</b>	<b>33.8</b>	<b>22.2</b>

**Note:** The Statutory Auditors issued a qualified opinion in their review report on the condensed half-yearly financial information as of September 30, 2018 (see page 26).

### **Shareholders' Equity**

The table below shows the changes in equity over the period ended September 30, 2018:

<b>Equity as at March 31, 2018 (M€)</b>	<b>13.8</b>
Restatement IFRS 15	(1.0)
<b>Equity as at March 31, 2018 restated IFRS 15 (M€)</b>	<b>12.8</b>
Net income	1.8
Capital increase	7.4
Movement in treasury shares	0.4
Share-based payments	0.3
Other variations	0.4
<b>Equity as at September 30, 2018 (M€)</b>	<b>23.1</b>

Changes over the period are mainly attributable to the result for the period and the capital increase. On April 18, 2018, Atari launched a capital increase of EUR 7.5 million through a directed share issue to accelerate the Company's growth plans. 13,636,364 new shares were issued at EUR 0.55 per share.

### **IFRS 15 restatement:**

The Group applied for the first time IFRS 15 – *Revenue from Contracts with Customers*. This replaces IAS 19 – *Revenue*, as well as its related interpretations.

The main change introduced by this new standard for the Group's activities concerns revenue associated with the sale of intellectual property licenses.

The Group has elected to apply the new standard retrospectively only to contracts which were not completed as of April 1, 2018, while accounting for the cumulative effect of the initial application on the date of the first application by adjusting the opening balance of shareholder's equity on April 1, 2018.

### **Net cash position / (Net debt)**



As of September 30, 2018, the Group shows a positive net cash position of EUR 8.1 million. The net cash position is broken down in the table below:

(M€)	Sept. 30, 2018	March 31, 2018
OCEANes 2003-2020	(0.6)	(0.6)
<b>Gross Financial debt</b>	<b>(0.6)</b>	<b>(0.6)</b>
Cash and equivalents	8.8	3.1
<b>Net cash</b>	<b>8.1</b>	<b>2.5</b>

The gross financial debt consists of the Oceane 2003-2020 with a maturity date of April 1, 2020.

### Other Balance Sheet Items

#### **Intangible Fixed Assets**

As of September 30, 2018, intangible fixed assets break down as follows:

Gross value (M€)	Developments in progress	Licenses	Other	Total
<b>March 31, 2018</b>	<b>14,1</b>	<b>0,2</b>	<b>-</b>	<b>14,3</b>
Acquisitions	3,3			3,3
Disposals / Decrease	(1,3)			(1,3)
Other changes	0,9	0,0		0,9
<b>Sept. 30, 2018</b>	<b>17,0</b>	<b>0,2</b>	<b>-</b>	<b>17,2</b>

Amortization (M€)	Developments in progress	Licenses	Other	Total
<b>March 31, 2018</b>	<b>(5,0)</b>	<b>(0,1)</b>	<b>-</b>	<b>(5,1)</b>
Acquisitions	(1,4)	(0,0)		(1,4)
Disposals / Decrease	1,3			1,3
Other changes	(0,3)	(0,0)		(0,3)
<b>Sept. 30, 2018</b>	<b>(5,4)</b>	<b>(0,1)</b>	<b>-</b>	<b>(5,5)</b>

Net value (M€)	Developments in progress	Licenses	Other	Total
<b>March 31, 2018</b>	<b>9,1</b>	<b>0,1</b>	<b>-</b>	<b>9,2</b>
<b>Sept. 30, 2018</b>	<b>11,6</b>	<b>0,1</b>	<b>-</b>	<b>11,7</b>

Games research and development expenses are capitalized in the balance sheet when the criteria provided for in IAS 38 are met.

Licenses are rights acquired from third-party publishers.

#### **Non-current financial assets**

Non-current financial assets break down as follows as of September 30, 2018:

(M€)	Sept. 30, 2018	March 31, 2018
Financial assets measured at fair value through OCI	3,2	3,1
Financial assets measured at fair value through profit & loss	1,8	1,6
Financial assets measured at amortized cost	0,2	0,2
<b>Non-current financial assets</b>	<b>5,2</b>	<b>4,9</b>



For the first half of its financial year 2018/2019, the Atari Group has applied the new accounting standard IFRS 9 – *Financial Instruments*, which came into effect for financial years beginning after January 1, 2018.

The IFRS 9 standard includes three segments on the accounting treatment for financial instruments, recognition and measurement, impairment and general hedge accounting. The Group has completed its analysis of its financial position and the new classification and measurement method has no material impact on the Group's accounts.

**The working capital requirement** (current assets less current liabilities, excluding interest-bearing current assets and liabilities and assets and liabilities held for sale) is EUR (2.9) million as of September 30, 2018.

## CONSOLIDATED CASH FLOWS

As of September 30, 2018, net cash position stood at EUR 8.1 million, compared to EUR 2.5 million as of March 31, 2018.

The cash flow statements prepared by the Company for the six-month periods ended September 30, 2018 and September 30, 2017 are shown below:

(M€)	Sept 30, 2018	Sept 30, 2017
<b>Net cash (used)/generated in operating activities</b>	<b>2,1</b>	2,8
of which continuing operations	2,1	2,8
<b>Net cash (used)/generated in investing activities</b>	<b>(3,3)</b>	(3,1)
of which continuing operations	(3,3)	(3,1)
of which intangible assets and fixed assets	(3,3)	(3,1)
<b>Net cash provided (used in) by financing activities</b>	<b>7,3</b>	0,2
of which continuing operations	7,3	0,2
of which interest paid	-	-
<b>Other cash flows</b>	<b>(0,5)</b>	0,1
<b>Net change in cash and cash equivalent</b>	<b>5,7</b>	(0,0)

**Note:** The Statutory Auditors issued a qualified opinion in their review report on the condensed half-yearly financial information as of September 30, 2018 (see page 26).

The EUR 1.2 million decrease in the working capital requirement, combined with net cash provided by operating activities of EUR 3.4 million, allowed the business to generate a net cash flow of EUR 2.1 million. Financing activities generated EUR 7.3 million. Funds were primarily used during the period for investments in games. The change in net cash for the period is EUR +5.7 million.

### Qualified conclusion on the Financial Statements

The following is an excerpt from the Statutory Auditors' Report on the Interim Financial Report:

#### Measurement of Infinity Networks Limited's Shares and other current liabilities

In February 2018, Atari granted Infinity Networks Limited a license of the Atari brand to develop a blockchain entertainment platform. Shares of Infinity Networks Limited, representing 15% of its capital and voting rights, were issued to Atari as partial compensation for the contract and were thus recorded as revenue as of March 31, 2018 for the amount of their value on the date of the contract. They are recognized in the consolidated balance sheet for an amount of €406k as of September 30, 2018, unchanged from March 31, 2018.



The fair value of the shares of Infinity Networks Limited on that date was based on a valuation report prepared by a merchant bank specialized in the field of entertainment and media. This report does not include a technical and financial analysis of the entertainment platform project carried out by Infinity Networks Limited—a company created for this purpose—which was at this stage its only business project. Also, our exchanges with the merchant bank did not allow us to collect evidence that we believe is sufficient to justify the valuation retained in the consolidated financial statements as of March 31, 2018. This situation lead us to issue a qualified opinion in our report on the consolidated financial statements for the year ended March 31, 2018. As of 30 September, 2018, we have not received additional information that could contribute to justify the measurement of the shares of Infinity Networks Limited.

The first application of IFRS 15 has resulted in a restatement of the revenue that was recognized at the time of the signing of the contract with Infinity Networks Limited, the counterparty for the fair value of the shares of Infinity Networks Limited. Taking into account this restatement, the reserves would be decreased by €10k and other current liabilities would be decreased by €396k in the condensed half-yearly consolidated financial statements as of September 30, 2018.

Those matters already lead us to express a qualified opinion in our report on the consolidated financial statements for the year ended March 31, 2018.

**FINANCIAL OVERVIEW FOR THE FINANCIAL YEARS 2016/2017 AND 2017/2018****CONDENSED CONSOLIDATED INCOME STATEMENT**

(M€)	<b>March 31, 2018</b>	March 31, 2017 Excluding Alden	March 31, 2017 Published
Revenue	<b>18.0</b>	15.4	15.4
Cost of goods sold	<b>(2.2)</b>	(3.9)	(3.9)
<b>GROSS MARGIN</b>	<b>15.8</b>	11.5	11.5
Research and development expenses	<b>(4.9)</b>	(3.8)	(3.8)
Marketing and selling expenses	<b>(4.5)</b>	(2.0)	(2.0)
General and administrative expenses	<b>(3.8)</b>	(4.1)	(4.1)
Other operating income (expense)	<b>(0.3)</b>	0.3	0.3
<b>CURRENT OPERATING INCOME (LOSS)</b>	<b>2.3</b>	1.9	1.9
Restructuring costs	-	-	-
Other income (expense)	<b>0.2</b>	(0.5)	6.6
<b>OPERATING INCOME (LOSS)</b>	<b>2.5</b>	1.4	8.5

- Notes:**
- *As of March 31, 2017, the Atari Group recorded a non-recurring income of €7.1 million on the Alden debt redemption, thus impacting the Operating Income and the Net Income, which ultimately amounted to €8.5 million and €7.7 million, respectively. To allow for a comparison between income statements from different periods, the income statement as of March 31, 2017 as presented excludes the impact of the Alden transaction. The Alden transaction had no impact on current operating income as of March 31, 2017, nor on the 2018 financial statements.*
  - *The Statutory Auditors issued a qualified opinion in their report on the financial statements for the 2017-2018 financial year (see page 34).*

The financial year 2017/18 saw no change in the scope of consolidation, with the exception of the creation of two new subsidiaries in the United States and the exit, with no impact on the income statement, of the dormant subsidiaries in the United Kingdom and Switzerland.

**Revenue**

As of March 31, 2018, Atari achieved consolidated revenue of EUR 18.0 million, compared to EUR 15.4 million for the last financial year—an increase of 23.6% at constant exchange rates and 16.6% at the current exchange rate.

The entire catalog and the licensing business contributed significantly to the increase in sales. Sales include revenues from the RollerCoaster Tycoon Touch games and royalties from the Atari Flashback. For the blockchain license, Atari benefits from guaranteed income related to the use of the platform and a share in the profits linked to the sales of tokens. Guaranteed income will only contribute in future years. As of March 31, 2018, total revenue of EUR 1.1 million was recorded in the accounts as follows: (i) EUR 0.4 million corresponding to securities of Infinity Networks Limited (INL) as valued by Bond Lane, an independent US merchant bank; (ii) EUR 0.7 million corresponding to the short-term portion (50%) of the guaranteed minimum of EUR 1.3 million provided for in the INL license agreement. As of the date of publication of the Annual Report for 2017/18, taking into account the amounts of receipts since the end of the financial year, the remaining balance of the INL guaranteed minimum shown in the books is EUR 0.3 million maturing on March 31, 2019 (i.e., a 70% reduction of the residual value of said guaranteed minimum). This amount was recorded as revenue in the financial statements as of March 31, 2018 because Atari no longer has an obligation to ensure a specific result for INL in future years.

**Gross Margin**

For the financial year 2017/18 the gross margin rate increased to 87.9% of revenue, compared to 74.5% for the financial year 2016/17, is, as in the previous financial year, due to the change in the product mix.

**Research and Development Expenses**



For the financial year 2017/18 research and development expenses amounted to EUR 4.9 million, compared to EUR 3.8 million for the financial year 2016/17. Their increase, net of amounts recorded as intangible assets in progress, reflects a revival of production.

### **Marketing and Sales Expenses**

For the financial year 2017/18 marketing and sales expenses amounted to EUR 4.5 million compared to EUR 2.0 million in the financial year 2016/17, reflecting the progress of RollerCoaster Tycoon Touch. This change was already present by September 30, 2017.

### **General and Administrative Expenses**

For the financial year 2017/18 general and administrative expenses decreased slightly, amounting to EUR 3.8 million compared to EUR 4.1 million for the financial year 2016/17.

### **Other Operating Income and Expenses**

For the financial year 2017/18 other operating income and expenses amounted to EUR (0.3) million and correspond to a series of non-material transactions.

### **Current Operating Income**

For the financial year 2017/18, the Group confirmed its objective of profitable growth and thus recorded a current operating income of EUR 2.3 million for the year ended March 31, 2018 compared to EUR 1.9 million for the year ended March 31, 2017 — an increase of 23.7%.

### **Other Non-current Operating Income and Expenses**

For the financial year 2017/18 other non-current operating income and expenses amounted to EUR 0.2 million and mainly correspond to changes in provisions.

### **Operating Income**

Operating income for the financial year 2017/18 amounted to EUR 2.5 million, compared with an operating income of EUR 1.4 million excluding Alden for the financial year 2016/17. The published operating income included the gain on the Alden loan redemption of EUR 7.1 million.

## **OTHER INCOME STATEMENT ITEMS**

(M€)	March 31, 2018	March 31, 2017 Excluding Alden	March 31, 2017 Published
<b>OPERATING INCOME (LOSS)</b>	<b>2.5</b>	1.4	8.5
Cost of debt	(0.2)	(0.8)	(0.8)
Other financial income (expense)	(0.1)	(0.0)	(0.0)
Income tax	-	(0.0)	(0.0)
<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>2.3</b>	0.5	7.7
Profit (loss) from discontinued operations	0.0	-	-
<b>NET INCOME FOR THE YEAR</b>	<b>2.3</b>	<b>0.5</b>	<b>7.7</b>

**Note:** The Statutory Auditors issued a qualified opinion in their report on the financial statements for the 2017-2018 financial year (see page 34).

### **Cost of Debt**

For the financial year 2017/18 the cost of debt amounted to EUR 0.2 million and corresponds to the latest interest charges on the Océane Bonds.

### **Other Financial Income and Expenses**

Other financial income and expenses for the 2017/18 financial year are not material and mainly concern exchange gains and losses. Minority interests are not material.

### **Income Tax**

As of March 31, 2018, the Group's deferrable tax losses are approximately EUR 733 million in France and close to \$600 million in the United States.





As of March 31, 2018, the consolidated taxable income for French companies amounts to nearly EUR 0.7 million before deduction of the deferred tax loss. Such deduction of the deferred loss from taxable income as of March 31, 2018 resulted in tax savings of around EUR 0.2 million.

### **Minority Interests**

Minority interests are not material.

### **Net income—Group share**

For the financial year 2017/18 the Group share of the consolidated net income is a profit of EUR 2.3 million euros, compared to a profit of EUR 7.7 million (including Alden) for the financial year 2016/17.

## **SIMPLIFIED CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2018 AND MARCH 31, 2017**

<b>ASSETS (M€)</b>	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Intangible assets	9,2	6,9
Property, plant and equipment	0,0	0,0
Non-current financial assets	4,9	3,0
Deferred tax assets	0,5	0,5
<b>Non-current assets</b>	<b>14,6</b>	<b>10,5</b>
Inventories	0,2	-
Trade receivables	3,9	7,3
Current tax assets	0,0	-
Other current assets	0,4	0,7
Cash and cash equivalents	3,1	1,1
Assets held for sale	-	0,4
<b>Current assets</b>	<b>7,6</b>	<b>9,6</b>
<b>Total assets</b>	<b>22,2</b>	<b>20,0</b>



<b>EQUITY &amp; LIABILITIES (M€)</b>	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Capital stock	2,4	2,3
Share premium	11,6	7,5
Consolidated reserves	(2,5)	(10,1)
Net income (loss) Group share	2,3	7,7
<b>Shareholders' equity</b>	<b>13,8</b>	<b>7,4</b>
Minority interests	(0,0)	0,0
<b>Total equity</b>	<b>13,8</b>	<b>7,4</b>
Provisions for non-current contingencies and losses	0,0	0,3
Non-current financial liabilities	0,6	2,0
Deferred tax liabilities	-	-
Other non-current liabilities	-	0,0
<b>Non-current liabilities</b>	<b>0,7</b>	<b>2,3</b>
Provisions for current contingencies and losses	0,4	0,4
Current financial liabilities	-	-
Trade payables	5,4	6,3
Current tax liabilities	-	0,0
Other current liabilities	2,0	3,6
<b>Current liabilities</b>	<b>7,8</b>	<b>10,3</b>
<b>Total equity and liabilities</b>	<b>22,2</b>	<b>20,0</b>

**Note:** The Statutory Auditors issued a qualified opinion in their report on the financial statements for the 2017-2018 financial year (see page 34).

### **Shareholders' Equity**

Consolidated shareholders' equity amounted to EUR 13.8 million as of March 31, 2018, a significant improvement compared to EUR 7.4 million on March 31, 2017. The table below shows the changes in shareholders' equity during the period (in millions of euros):

<b>Total shareholders' equity as at March 31, 2016 (M€)</b>	<b>(10.6)</b>
Net Income	7.7
Capital increase	8.0
Movement in treasury shares	1.7
Currency exchange rate variations	0.7
<b>Total shareholders' equity as at March 31, 2017 (M€)</b>	<b>7.4</b>
<b>Total shareholders' equity as at March 31, 2017 (M€)</b>	<b>7.4</b>
Net Income	2.3
Capital increase	4.2
Movement in treasury shares	(0.0)
Currency exchange rate variations	(0.1)
<b>Total shareholders' equity as at March 31, 2018 (M€)</b>	<b>13.8</b>

On July 12, 2016, Atari launched a capital increase of EUR 3.1 million through a directed share issue to repay the bridge loan used to finance the Alden settlement and to finance development of new games. The new shares were issued at EUR 0.17 per share.

On October 24, 2016, Atari launched a capital increase of EUR 4.9 million through a rights issue to completely deleverage the Group and to finance the Group's activities. The new shares were issued at EUR 0.17 per share.

On September 28, 2017, Atari launched an issue of convertible bonds due 2022 (OCEANE 2022). At the end of the subscription period a total of 5,494,327 bonds were placed for a total of EUR 2.6 million. The bonds have a nominal value of EUR 0.47 each and allow the holder to convert each bond into one new or existing share of Atari.

On January 26, 2018, Atari announced to the remaining holders of its convertible bonds due 2020 (OCEANE 2020) issued in September 2014, that in accordance with the terms and conditions it was exercising its right to early redemption of the bonds. On this date 3,294,923 bonds remained outstanding and were redeemed by the issuance of new Atari shares at a price of EUR 0.436. This resulted in an increase in capital of EUR 1.4 million.

On February 26, 2018, Atari announced to the remaining holders of its convertible bonds due 2022 (OCEANE 2022) issued in October 2017, that in accordance with the terms and conditions it was exercising its right to early redemption of the bonds. On this date 5,463,181 bonds remained outstanding and were redeemed by the issuance of new Atari shares at a price of EUR 0.4804. This resulted in an increase in capital of EUR 2.6 million

### **Net Cash**

As of March 31, 2018, the Group's net cash stood at EUR 2.5 million euros, compared to net debt of EUR 0.9 million on March 31, 2017. Cash and cash equivalents stood at EUR 3.1 million euros,



compared to EUR 1.1 million on March 31, 2017.

Net cash is defined as cash and cash equivalents less short-term and long-term debt and is calculated as follows:

(M€)	March 31, 2018	March 31, 2017
Cash and cash equivalents	3,1	1,1
Non-current financial liabilities	(0,6)	(2,0)
Current financial liabilities	-	-
<b>Net cash (net debt)</b>	<b>2,5</b>	<b>(0,9)</b>

Net debt is broken down in the table below:

(M€)	March 31, 2018	March 31, 2017
OCEANes 2003-2020	(0,6)	(0,6)
OCEANes 2015-2020	-	(1,4)
<b>Gross Financial debt</b>	<b>(0,6)</b>	<b>(2,0)</b>
Cash and equivalents	3,1	1,1
<b>Net Cash (net debt)</b>	<b>2,5</b>	<b>(0,9)</b>

### **Other Balance Sheet Items**

#### **Intangible Assets**

Intangible assets mainly relate to the costs of producing TV shows and the RollerCoaster Tycoon World, RollerCoaster Tycoon Touch, Alone in the Dark: Illumination, and Asteroids games, as well as games under development. Expenses thus capitalized as of 31 March 2018 represent an amount of EUR 14.1 million in gross value and EUR 9.1 million in net value.

#### **Other non-current financial assets**

Other non-current financial assets are broken down as follows:

(M€)	March 31, 2018	March 31, 2017
Assets held for sale	3,0	2,0
Unhedged derivatives	1,7	0,7
Other financial assets	0,2	0,2
<b>Non-current financial assets</b>	<b>4,9</b>	<b>3,0</b>

**The working capital requirement** (which corresponds to current assets less current liabilities, excluding short-term liabilities carrying interest and assets and liabilities held for sale) is EUR -3.5 million as of 31 March 2018, compared to EUR -2.2 million for the previous financial year. Other non-current liabilities (including non-current provisions) are not material.

### **CONSOLIDATED CASH FLOWS**

Cash and cash equivalents amounted to EUR 3.1 million as of March 31, 2018, compared to EUR 1.1 million at the end of the previous financial year.

The cash flow statements for the years ended March 31, 2018 and March 31, 2017 are summarized as follows:



(M€)	March 31, 2018	March 31, 2017
<b>Net cash (used)/generated in operating activities</b>	<b>4,3</b>	3,1
of which continuing operations	4,3	3,1
<b>Net cash (used)/generated in investing activities</b>	<b>(5,7)</b>	(6,7)
of which continuing operations	(5,7)	(6,7)
of which intangible assets and fixed assets	(5,7)	(6,7)
<b>Net cash provided (used in) by financing activities</b>	<b>3,5</b>	3,4
of which continuing operations	3,5	3,4
of which interest paid	(0,0)	(0,2)
<b>Other cash flows</b>	<b>0,0</b>	0,1
<b>Net change in cash and cash equivalent</b>	<b>2,0</b>	(0,1)

**Note:** The Statutory Auditors issued a qualified opinion in their report on the financial statements for the 2017-2018 financial year (see page 34).

The EUR 0.9 million decrease in the working capital requirement, combined with net cash provided by operating activities of EUR 3.4 million, allowed the business to generate a net cash flow of EUR 4.3 million. Financing activities generated EUR 3.5 million. Funds were primarily used during the period for investments in games and financial assets and for multimedia production. The change in net cash for the period is EUR +2.0 million.

### Qualified opinion

The following is an excerpt from the Statutory Auditors' Report on the Consolidated Financial Statements:

In compliance with the engagement entrusted to us by your general shareholders' meeting, we have audited the accompanying consolidated financial statements of ATARI for the financial year ended March 31, 2018.

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at March 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

### Basis for Qualified Opinion

As stated in Note 1 "Highlights of the Period" to the consolidated financial statements, Atari granted Infinity Networks Limited a license of the Atari brand to develop a blockchain entertainment platform. In respect of this contract, Atari recorded in its consolidated financial statements:

- Revenue of €406k corresponding to the value, at the date the contract was entered into, of a 15% stake in the shares of Infinity Networks Limited awarded to Atari as partial compensation for the contract
- Revenue and a trade receivable of €649k corresponding to the short-term portion (50%) of the guaranteed minimum of €1.3M set out in the license agreement.

### Measurement of Infinity Networks Limited's Shares and of the Corresponding Revenue

Note 6.1 "Non-current financial instruments" to the consolidated financial statements describes the terms and conditions that have been adopted for the fair value of Infinity Networks Limited shares, based on a valuation report prepared by a merchant bank specialized in the field of entertainment and media.

This report does not include a technical and financial analysis of the entertainment platform project carried out by Infinity Networks Limited—a company created for this purpose—which is at this stage its only business project. Also, our exchanges with the merchant bank did not allow us to collect



evidence that we believe is sufficient to justify the fair value of the 15% stake in the Infinity Networks Limited shares and the associated revenue used, amounting to €406k as of March 31, 2018.

*Measurement of the Receivable towards Infinity Networks Limited and of the Revenue Corresponding to the Guaranteed Minimum*

The short-term portion (50%) of the guaranteed minimum of €1.3 million that Atari deemed recoverable and therefore recorded as revenue corresponds to a partial settlement of €304k obtained at the beginning of August 2018 and an amount of \$350k for which amendments also signed in early August 2018 provide for a settlement before March 31, 2019.

Infinity Networks Limited is a newly incorporated company operating in a risky sector whose development and sustainability will largely depend on fundraising tied to the issuance of a virtual currency, which is inherently uncertain. In this context, we consider that the recoverable portion of the receivable towards Infinity Networks Limited should be limited to the amounts already received, i.e., €304k, and not €649k recorded in Atari's accounts. Trade receivables as of March 31, 2018 are thus overestimated by €345k (and impairment provisions thus underestimated by the same amount), corresponding to an overstatement of net income and shareholders' equity of €345k.

**EQUITY, LIABILITIES AND OTHER FINANCIAL INFORMATION**

The table below accounts for the Company's interest-bearing net indebtedness as at 28 February 2019:

**CONSOLIDATED NET INDEBTEDNESS**

<b>Unaudited (M€)</b>	<b>28-Feb-19</b>
A Cash	<b>8.5</b>
B Cash equivalents	<b>0.0</b>
C Trading securities	<b>0.0</b>
<b>D Liquidity A + B + C</b>	<b>8.5</b>
E Current financial receivables	<b>0.0</b>
F Current bank debt	<b>0.0</b>
G Current portion of non-current debt	<b>0.0</b>
H Other current financial debt	<b>0.0</b>
<b>I Current debt F + G + H</b>	<b>-</b>
<b>J Net current liquidity I - E - D</b>	<b>8.5</b>
K Non-current bank loans	<b>0.0</b>
L Bonds issued	<b>0.6</b>
M Other non-current debt	<b>0.0</b>
<b>N Non-current financial indebtedness K + L + M</b>	<b>0.6</b>
<b>O Net liquidity J + N</b>	<b>7.8</b>

**TRENDS AND PROSPECTS**

In addition to what has been stated in this Company Description, the Company does not know of any other trends, uncertainties, potential claims or other claims or events, that can be expected to materially affect the Company's business prospects.

In addition to what has been stated in this Company Description, the Company does not know of any public, economic, fiscal, monetary or other factors that, directly or indirectly, can materially affect or could potentially affect the Company's business.

**WORKING CAPITAL STATEMENT**

The Board of Directors of Atari consider that the working capital is sufficient for the current needs for at least the next 12 months counting from the date of this Company Description.





## BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS

The Company is a French *société anonyme* (corporation) with a Board of Directors. The functions of Chairman of the Board of Directors and Chief Executive Officer are not separated.

### BOARD OF DIRECTORS

The Board of Directors is composed of five directors, 60% of whom are independent directors within the meaning of Recommendation No. 3 of the MiddleNext corporate governance code. The Board of Directors' work is governed by French law, the articles of association and the Board of Directors' rules of procedure.

The members of the Board of Directors are:

- Frédéric Chesnais, Chairman and Chief Executive Officer, non-independent director
- Erick Euvrard, independent director
- Alyssa Padia-Walles, independent director
- Isabelle Andrés, independent director
- Alexandre Zyngier, non-independent director

Since April 1, 2016, Frank E. Dangeard has been a non-voting Board member (this is an unpaid position). The observer participates without a right vote in the meetings of the Board of Directors and has access to all the information like directors. He issues any opinion or observation he deems appropriate.

Directors are appointed by the General Meeting for a period of three years.

### FRÉDÉRIC CHESNAIS

Born 1963. Chairman of the Board of Directors since 2013.

**Education and work experience:** Frédéric hold a degree in Finance and Law from the Institute of Political Studies Paris. From 2001 to 2007, Frédéric was a member of the Atari Group's management team, first as Group Chief Operating Officer and Chief Financial Officer, then as Chief Executive Officer of Atari Interactive. In 2007, Frédéric left Atari to create his own video game company.

**Other current positions:** General manager of Ker Ventures LLC, Free Reign East and OP Productions LLC. Director of Infinity Network Limited, member of the advisory board to the Department of Psychiatry of Mount Sinai in New York and a director of the board of the French American Foundation.

**Other positions which have been previously held during the past five years:** -

**Shareholding in Atari:** 47,065,781 shares, 1,755,294 warrants and 13,427,500 stock options both directly and indirectly through Frédéric's wholly-owned company Ker Ventures LLC.

**Independent in relation to the Company and its senior management:** No.

**Independent in relation to major shareholders:** No.

### ISABELLE ANDRÉS

Born 1966. Member of the Board of Directors since 2017.

**Education and work experience:** Isabelle hold a bachelor's degree in psychology from the Paris Nanterre University and is a master's graduate of HEC Business School. Chief Financial Officer in Betclit Everest Group (online gambling) from 2009 to 2013 and then Group Chief Executive Officer from 2013 to 2017. Currently Managing Director of the Alchimie Group, an aggregator and distributor of digital content (videos, games) on web and mobile platforms.

**Other current positions:** CEO in SAS Karina Square and Managing Director in Alchimie Group. COO in Alchimie Group. Director of the board in Bet-at-home.com.

**Other positions which have been previously held during the past five years:** -



**Shareholding in Atari:** 4,500 shares.

**Independent in relation to the Company and its senior management:** Yes.

**Independent in relation to major shareholders:** Yes.

### **ERICK EUVRARD**

Born 1963. Member of the Board of Directors since 2013. Chairman of the Audit Committee.

**Education and work experience:** Erick hold a Master of Business Administration from ESSEC Business School. Started his career at Arthur Andersen in the Restructuring practice, led the turnaround of the Bidermann Group and took over and sold has experience LBO Gigastore, a non-food discount retailer.

**Other current positions:** CEO of Keatis (investment company) and in Quadrature (consulting and investments).

**Other positions which have been previously held during the past five years:** -

**Shareholding:** 236,842 shares.

**Independent in relation to the Company and its senior management:** Yes.

**Independent in relation to major shareholders:** Yes.

### **ALYSSA PADIA WALLE**

Born 1959. Member of the Board of Directors since 2013. Chairperson of the Compensation Committee.

**Education and work experience:** Alyssa hold a bachelor's degree from the University of Southern California. Alyssa has significant experience in the media field as the chairman of the board in Amplitude Consulting, Inc. Alyssa's career includes launching the Walt Disney Gift Catalog, developing international distribution markets for Sony PlayStation and negotiation national sports league agreements. At Sony Computer Entertainment, Alyssa was a member of the senior management team that launched PlayStation across Europe, Australia, New Zealand, Eastern Europe and the Middle East.

**Other current positions:** Chairman of Amplitude Consulting, Inc.

**Other positions which have been previously held during the past five years:** -

**Shareholding:** 105,263 shares.

**Independent in relation to the Company and its senior management:** Yes.

**Independent in relation to major shareholders:** Yes.

### **ALEXANDRE ZYNGIER**

Born 1969. Member of the Board of Directors since 2014.

**Education and work experience:** Alexandre hold a bachelor's degree in Chemical Engineering from the University of Campinas, Brazil, and a Master of Business Administration in Finance Accounting from the University of Chicago. Alexandre has an extensive experience within financial planning, strategy and M&A from positions at McKinsey, Goldman Sachs & Co, Deutsche Bank and Alden Global Capital.

**Other current positions:** Founding Partner of Batuta Capital Advisors LLC. Director in Applied Minerals Inc., AudioEye Inc., Torchlight Energy Resources Inc., LootCrate Inc., First Contract Entertainment, and GT Advanced Technologies Inc.



**Other positions which have been previously held during the past five years:** Director of Turing Pharmaceuticals SA and Remington Outdoor Inc.

**Shareholding:** 9,519,540 shares and 1,043,823 warrants both individually and through controlled companies.

**Independent in relation to the Company and its senior management:** No.

**Independent in relation to major shareholders:** No.

## SENIOR MANAGEMENT

### FRÉDÉRIC CHESNAIS

Born 1963. Chief Executive Officer since 2013.

See above under Board of Directors.

### PHILIPPE MULARSKI

Born 1957. Chief Financial Officer of the Company since 2014.

**Education and work experience:** Chartered accountant from CNAM & ENOES. Accounting director for Sucres et Denrées SA, Financial Director in Lagardère SCA.

**Other current positions:** -

**Other positions which have been previously held during the past five years:** -

**Shareholding:** 1,509,275 stock options.

**Independent in relation to major shareholders:** Yes

### JEAN-MARCEL NICOLAÏ

Born 1965. Chief Operating Officer of Atari Games since 2018

**Education and work experience:** Degree in Computer Science from ADEA. Head of Global Production of Disney Interactive Studios, Chief Technology Officer of Atari and Chief Product Officer in Centric Digital.

**Other current positions:** -

**Other positions which have been previously held during the past five years:** -

**Shareholding:** 300,000 stock options.

**Independent in relation to major shareholders:** Yes.

### MICHAEL ARZT

Born 1966. Chief Operating Officer of Atari since 2017 and Atari VCS since 2018.

**Education and work experience:** Degree in Business Administration from Skidmore College. General Manager for Samsung's World Cyber Games, senior vice president in Sportsrocket, Inc., Chief Executive Officer in Start-Menu/MAA Marketing and vice president in Turtle Beach, Inc..

**Other current positions:** -

**Other positions which have been previously held during the past five years:** -



**Shareholding:** 1,002,000 stock options.

**Independent in relation to major shareholders:** Yes

### **MANFRED MANTSCHÉV**

Born 1979. Director of Strategy and Business Development of the Company since 2018.

**Education and work experience:** Degree in Business Administration from ESCP Europe. Associate at UBS Investment Bank, senior vice president at Halcyon Asset Management, senior investment analyst at Laffitte Capital Management, portfolio manager at Dromeus Capital Management, senior investment analyst at Jabre Capital Partners.

**Other current positions:** -

**Other positions which have been previously held during the past five years:** -

**Shareholding:** 250,000 stock options.

**Independent in relation to major shareholders:** Yes

### **OTHER INFORMATION ABOUT THE BOARD OF DIRECTORS AND MANAGEMENT**

All members of the Board of Directors of the Company, Philippe Mularski and Manfred Mantschev have their business address at Atari SA, 78 rue Taitbout, 75009 Paris, France. Frédéric Chesnais, Jean-Marcel Nicolaï and Michael Arzt have their business address at Atari Inc, 286 Madison Avenue, New York, 10017 NY, USA.

To the best of the Company's knowledge, during the last five years, none of the directors of the board or members of the senior management of the Group

- been convicted of fraud related crimes;
- been a member of the board or management of a company that has entered into bankruptcy, been involuntarily liquidated or been placed under receivership;
- been charged with, or sanctioned, by authorities or courts prohibiting them to be a member of an issuer's management.

None of the board members or members of the senior management of the Group has any private interests which could conflict with the interest of the Company. As accounted for above, several of the directors of the board and members of the senior management of the Group have financial interests in the Group due to their shareholding in the Company.

There are no family ties between any of the board members or members of the management of the Group.

Some of the board members and members of the senior management of the Group have, directly or indirectly, entered into agreements with Atari as described in the section Related Party Transactions. The agreements have been entered into on market terms.

### **REMUNERATION TO THE BOARD OF DIRECTORS AND MANAGEMENT**

Fees and other remuneration for members of the Board of Directors, including the Chairman of the board, are resolved upon by the annual general meeting.

#### **Remuneration to the Chairman and Chief Executive Officer**

Since February 1, 2013, Frédéric Chesnais has taken on the role of Chief Executive Officer of the



Group and also serves as Chairman of the Board of Directors.

#### ANNUAL FIXED COMPENSATION:

On May 13, 2014, on the recommendation of the Appointments and Compensation Committee, the Board of Directors approved the terms and conditions for compensating of the Chairman of the Board of Directors and Chief Executive Officer of Atari to the tune of EUR 1,000 (gross monthly fee) and of US\$1,000 per month for Atari Inc.

The Board of Directors, also on the recommendation of the Appointments and Compensation Comment, has set, in respect of the operating functions exercised in the Group's US subsidiaries, a fixed annual compensation equivalent to an annual gross salary of EUR 288,000. This sum is paid in the United States, in US dollars, at the historical exchange rate of the day on which the latter was determined, and has not changed since 2013. This corresponds to a monthly salary of EUR 24,000, which is an overall cost for the company of US\$46,500 per month. This sum (US\$46,500 per month) is paid to Frédéric Chesnais, who pays himself in the United States all social security and pension costs and other employee or employer contributions. This compensation was confirmed at the Board of Directors meeting of May 24, 2017.

#### VARIABLE COMPENSATION/OPTIONS:

##### Payments for the 2016-2017 financial year

As of March 31, 2017, Frédéric Chesnais had not received any variable compensation since joining the Atari Group in 2013.

On May 24, 2017, to cover the entire period from April 1, 2013 to March 31, 2017, i.e., four years, the Board of Directors, on the recommendation of the Appointment and Compensation Committee, awarded a one-time overall payment of approximately 18 months' compensation, payable 50% in cash and 50% in Company shares subject to a 2-year lock-up agreement. Reported on an annual basis over four years, such variable compensation represents approximately 35% of the annual compensation. This compensation was approved by the General Meeting of September 29, 2017 and was paid during the 2017-2018 financial year.

During the 2016-2017 financial year, he was awarded 3,680,000 stock options at a unit exercise price of EUR 0.28, as long-term incentive under the stock option plan enacted by the General Meeting of September 30, 2014.

##### Variable compensation for the 2017-2018 financial year:

On July 12, 2017, the Board of Directors decided, on the recommendation of the Appointments and Compensation Committee, to set up an annual discretionary bonus, as of April 1, 2017, which could represent (except in exceptional circumstances) between 50% and 125% of the annual fixed compensation thus paid and incorporating the following elements: level of revenue, EBITDA margin, cash generation, changes in stock prices, as well as various objective criteria related to the activity. In addition, making use of the delegation of authority granted by the General Meeting, the Board of Directors reserves the right to award stock options as part of an option plan.

In addition, on December 21, 2017, the Board of Directors, on the recommendation of the Compensation Committee, added an additional profit-sharing criterion by awarding an additional bonus equal to 10% of the amounts received by Atari for its share of the profits on token sales under the trademark license agreement with Infinity Network Limited. Such profit-sharing, for which a EUR 65,000 provision was recorded, did not result in any payment and can only be paid after Atari has received its share of the profits on token sales.

##### Variable compensation policy for the 2018-2019 financial year (principles and criteria for determining, distributing and awarding compensation)

For the 2018-2019 financial year, fixed compensation was renewed in the same way, the terms and conditions for the award of variable compensation were also renewed in the same proportions, including the additional bonus relating to the amounts received by Atari for its share of profits on tokens, while adding the criterion of growth in recurring net earnings per share that takes into account all items in the income statement.

#### **Remuneration to the Board of Directors**

The directors of the board are paid a director's fee in accordance with the board's decision based on



recommendations of the Compensation Committee.

In respect of the 2017/2018 financial year, Mr. Frédéric Chesnais is entitled to directors' fees under the same conditions as all other directors.

The following tables include compensation and benefits of any kind due and/or paid to corporate officers by the company in which they are appointed as directors, in connection with such appointment by the company and by the controlled companies within the meaning of Article L233-16 of the French Commercial Code.

**Table 1 - Executive corporate officer compensation (excluding social security contributions):**

Frédéric Chesnais - CEO  (Amounts in K€)	FY 2017/2018				FY 2016/2017			
	Amount due		Amount paid		Amount due		Amount paid	
	Atari SA	Subs.	Atari SA	Subs.	Atari SA	Subs.	Atari SA	Subs.
Fixed compensation	12	300	12	300	12	300	12	300
Variable compensation	27	362	-	-	-	-	-	-
Exceptionnal compensation			8	412	8	412	-	-
Director's fees	20	-	20	-	20	-	20	-
<b>TOTAL</b>	<b>59</b>	<b>662</b>	<b>40</b>	<b>712</b>	<b>40</b>	<b>712</b>	<b>32</b>	<b>300</b>

Frédéric Chesnais is not entitled, in the event of termination of his employment contract and/or directorship, to gross severance pay.

As mentioned above, Frédéric Chesnais himself pays the United States for all social security and pension costs and other employee or employer contributions, amounts paid to him by American companies. The total cost for the Group, equivalent to a gross salary including employer and employee contributions, is EUR 503,000 for the fixed compensation component, EUR 505,000 for the variable compensation component due as of March 31, 2018, and EUR 38,000 in directors' fees.

**Table 2 - Compensation of Non-executive Corporate Officers:**

(Net amounts in K€)	FY 2017/2018		FY 2016/2017	
	Director's fees	Other compensation	Director's fees	Other compensation
Alexandre Zyngier	20	30	20	30
Erick Euvrard	20	-	20	-
Isabelle Andres	20			
Alyssa Padia Walles	20	-	20	-
<b>TOTAL</b>	<b>80</b>	<b>30</b>	<b>60</b>	<b>30</b>

**Table 3—Stock Options Awarded During the Financial Year to Each Executive Corporate Officer by the Issuer and by Any Other Group Company:**

Name of the Corporate Officer	N° and date of the plan	Nature of the options (purchase or subscription)	Valuation of the options according to the method used for consolidated financial statements	Number of stock options granted	Exercise price	Exercise period
Frédéric Chesnais	Plan 24-1 July 12, 2017	Purchase option	552 000	3 680 000	0,28 €	8 years
<b>TOTAL</b>			<b>552 000</b>	<b>3 680 000</b>		

### Incentive Program

The Company may award stock options to its executives and senior management, as well as to other



employees, for their contribution to the Group's performance. At the award date, the exercise price of the fixed option shall be close to the price at which the Company's shares are exchanged. The options awarded generally have a life of eight years and a vesting period of 0-3 years.

As of March 1, 2019, three stock option plans are in effect:

- Plan No. 23 approved by the General Meeting of September 30, 2014 for 7,497,528 stock options;
- Plan No. 24 approved by the General Meeting of September 30, 2016 for 8,552,472 stock options;
- Plan No. 25 approved by the General Meeting of September 29, 2017 for 10,000,000 stock options, 8,725,000 granted as of March 1, 2019.

As of March 1, 2019, the total number of shares for which existing options could be exercised represented, given the conversion ratios, 8.5% of the Company's share capital at that date. The main characteristics of all outstanding Atari stock options are summarized in the table below.

Option plan in effect	Plan N°23-1	Plan N°23-2	Plan N°23-3	Plan N°23-4
Date of Shareholders' Meeting	September 30, 2014			
Date of Board of Directors Meeting	May 9, 2014	June 29, 2015	Jan. 4, 2016	Jan. 27, 2016
Number of Stock Options granted	4,575,000	433,000	144,000	2,345,528
<i>Of which to the Top Executive Management and Board of Directors</i>	<i>4,000,000</i>			<i>1,650,000</i>
Expiration date of stock option	Oct. 29, 2022	August 31, 2023	Jan. 3, 2024	May 31, 2024
Exercise price of stock options (in euros) (1)	0.20 €	0.20 €	0.16 €	0.17 €
Vesting of stock options granted	1/3 per year	1/3 per year	1/3 per year	1/3 per year
Stock options granted during FY 2014/2015	4,575,000	-	-	-
Stock options granted during FY 2015/2016	-	469,139	144,000	-
Stock options granted during FY 2016/2017	-	-	-	2,378,528
Stock options granted during FY 2017/2018	-	-	-	-
Stock options cancelled during FY 2017/2018	-	(36,139)	-	(33,000)
Stock options exercised between Apr. 1, 2018 and March 1, 2019	(395,108)	(210,059)	-	(72,349)
<b>Total number of stock options outstanding on March 1, 2019</b>	<b>4,179,892</b>	<b>222,941</b>	<b>144,000</b>	<b>2,273,179</b>

(1) The subscription price of the options is determined without discount or premium in relation to the weighted average market price of the last twenty trading days prior to the award of the options.

Option plan in effect	Plan N°24-1	Plan N°24-2	Plan N°24-3
Date of Shareholders' Meeting	September 30, 2016		
Date of Board of Directors Meeting	July 12, 2017	October 20, 2017	January 15, 2018
Number of Stock Options granted	5,935,805	316,667	2,300,000
<i>Of which to the Top Executive Management and Board of Directors</i>	<i>3,680,000</i>		
Expiration date of stock option	July 11, 2025	October 19, 2025	January 14, 2026
Exercise price of stock options (in euros) (1)	0.280 €	0.350 €	0.458 €
Vesting of stock options granted	1/3 per year	1/3 per year	1/3 per year
Stock options granted during FY 2017/2018	5,935,805	950,000	2,300,000
Stock options cancelled during FY 2017/2018	-	(633,333)	-
Stock options exercised between Apr. 1, 2018 and March 1, 2019	(318,147)	-	-
Stock options cancelled between Apr. 1, 2018 and March 1, 2019	-	-	(2,100,000)
<b>Total number of stock options outstanding on March 1, 2019</b>	<b>5,617,658</b>	<b>316,667</b>	<b>200,000</b>

(1) The subscription price of the options is determined without discount or premium in relation to the weighted average market price of the last twenty trading days prior to the award of the options.





Option plan in effect	Plan N°25-1	Plan N°25-2	Plan N°25-3
Date of Shareholders' Meeting	29-Sep-17		
Date of Board of Directors Meeting	July 16, 2018	July 16, 2018	January 18, 2019
Number of Stock Options granted	5,935,805	316,667	370,000
<i>Of which to the Top Executive Management and Board of Directors</i>	<i>3,680,000</i>		<i>250,000</i>
Expiration date of stock option	July 31, 2026	July 31, 2026	January 18, 2027
Exercise price of stock options (in euros) (1)	0.280 €	0.350 €	0.270 €
Vesting of stock options granted	1/3 per year	1/3 per year	1/3 per year
Stock options granted between Apr. 1, 2018 and March 1, 2019	6,255,000	2,000,000	370,000
Stock options exercised between Apr. 1, 2018 and March 1, 2019	-	-	-
Stock options cancelled between Apr. 1, 2018 and March 1, 2019	-	-	-
<b>Total number of stock options outstanding on March 1, 2019</b>	<b>6,255,000</b>	<b>2,000,000</b>	<b>370,000</b>

(1) The subscription price of the options is determined without discount or premium in relation to the weighted average market price of the last twenty trading days prior to the award of the options.



## **Auditors**

The statutory auditors of the Group are Deloitte & Associés, represented by Benoît Pimont, and J.L.S Partner, represented by Julien Wajsborn. Deloitte & Associés was appointed in October 1993 by the General Meeting and has served as auditors for 26 uninterrupted years. JLS Partner was appointed by the General Meeting on September 30, 2016.



## CORPORATE GOVERNANCE

### General

The corporate law applicable to Atari is the French Commercial Code, applicable to French company law, in addition to Atari's articles of association.

At its meeting on March 16, 2017, the Company's Board of Directors decided to adopt the MiddleNext Corporate Governance Code of September 2016 for small and mid-caps (the "MiddleNext Code") as a reference code for the Company in terms of corporate governance, considering that it is the most suitable for its size and the structure of its shareholding. This code is available on the website of MiddleNext ([www.middlenext.com](http://www.middlenext.com)).

The MiddleNext code contains points of vigilance, which call to mind the questions that the Board of Directors must ask itself for the good functioning of the governance.

As of the date of publication of this report, the Company has not complied with all the recommendations of the MiddleNext Code. In accordance with the provisions of paragraph 7 of Article L. 225-37 of the French Commercial Code, this report specifies the provisions of the MiddleNext Code that have been rejected and explains the reasons why they were rejected.

Thus, the Company considers that it is not in conformity with the following recommendation:

- R10—Directors' compensation: the total amount of directors' fees is allocated to directors equally. Indeed, the company considers that, even if a director cannot participate in a meeting of the Board, his or her responsibility remains engaged. In addition, directors devote time to their duties outside the board.

In addition to applicable French requirements, listed shares and the companies' behavior on First North are regulated through Nasdaq First North Rulebook. Nasdaq First North Rulebook generally require companies to comply with other mandatory corporate governance rules provided in the Swedish Companies Act (Sw. *Aktiebolagslagen (2005:551)*). However, the requirements do not apply to non-Swedish companies. As a non-Swedish company, the Company does not intend to comply with any other rules than those explicitly stated in the Nasdaq First North Rulebook.

Further details regarding rules in relation to corporate governance are set forth below under *Certain Differences in French and Swedish legislation*.

### General Meeting

General meetings of the Company ("General Meetings") are convened in accordance with French law and are made up of all the shareholders whose shares are paid up, regardless of the number of shares owned by each of them at the time of the meetings. Meetings are convened at least fifteen days in advance for the first notification to attend and at least six days in advance for the second notification to attend, by a notice inserted in a newspaper authorized to receive legal announcements in the department of the corporate headquarters or by simple letter addressed to the last known domicile of each shareholder.

Each share entitles to one vote. There is no clause restricting shareholder participation in Meetings:

- For the registered shareholders, their participation depends on the registration of their shares on the Company's registers with the Company's account-holding institution no later than three business days before the date of the Meeting.
- For holders of bearer shares, their participation depends on the accounting registration of their shares, to their name, no later than three business days before the date of the Meeting, in their securities account held by their banker or financial intermediary. The accounting registration of their securities must be recorded by a stock certificate issued by an authorized intermediary.

All shareholders may attend the General Meeting:

- Registered shareholders must request an admission card from the Company's account-holding institution at least five days before the Meeting. The account-holding institution will send this



document directly to them.

- Holders of bearer shares must make this request to their financial intermediary. The latter will send this request to the Company's account-holding institution (accompanied by a certificate of registration in an account, confirmed no later than three business days before the date of the Meeting). Shareholders will receive their admission card by mail.
- Shareholders may only be represented by another shareholder or by their spouse. The powers of attorney, drawn up in accordance with the requirements of the regulations in force, must be addressed:
  - As concerns registered shareholders, to the account-holding institution
  - As concerns holders of bearer shares, to the financial intermediary of the shareholder who will transmit them to the Company's account-holding institution at least one day before the Meeting, together with a stock certificate.

All shareholders may vote by correspondence by means of a form sent to them free of charge, at their request, by the institution in charge of managing the Company's securities. The form must be returned to their financial intermediary, or to the account-holding institution in the case of registered shareholders, at least three calendar days before the Meeting. A stock certificate issued by the financial intermediary must be attached to the mail voting form.

The Board of Directors will always have the option of refusing mail voting or access to the Meeting to any shareholder or representative who fails to comply with statutory and regulatory requirements. Shareholders may participate in General Meetings by videoconference or by electronic means of communication under conditions defined by decree.

The Ordinary General Meeting is regularly convened and deliberates validly when it gathers at least one fifth of the shares with voting rights. If this quorum is not reached, a new Assembly shall be held at least six days after the first. The deliberations taken in this second meeting are valid whatever the fraction of the capital represented, but they can only relate to all or part of the agenda of the first meeting.

The decisions of the Ordinary General Meeting are taken by a majority of the votes of the shareholders present, voting by correspondence, or represented.

The Extraordinary Shareholders' Meeting is regularly convened and deliberates validly if the shareholders present or represented have at least, on first convocation, a quarter and, on second convocation, one-fifth of the shares with voting rights; in the absence of the latter quorum, the second Meeting may be rescheduled at a date not exceeding two months later than the date of its meeting, subject to the exceptions provided by law.

Decisions of the Extraordinary General Meeting are taken by a two-thirds majority of the votes of the shareholders present, voting by correspondence, or represented.

## **Board of Directors**

The Company's articles of association provide that the Board of Directors is to be elected by the shareholders and consist of not less than three and not more than eighteen board members, subject to an exemption provided for by the legal provisions. The Board of Directors does not have a director elected by the employees. The members of the Board of Directors have been chosen because of their recognized expertise in the areas of management, finance, and accounting, on the one hand, and of the interactive entertainment industry, on the other. On the date hereof, the Board of Directors consists of five board members, including the chairman.

All board members are appointed for a term of three years. Frédéric Chesnais and Erick Euvrard were re-elected at the annual general meeting on 30 September 2016. Isabelle Andrés was appointed and Alyssa Padia Walles re-elected at the annual general meeting on 29 September 2017. Alexandre Zyngier was re-elected at the annual general meeting on 28 September 2018.

The Board of Directors appoints a chairman from among its natural person members. The chairman represents the Board of Directors and chairs the board. He or she organizes and directs the work of



the Board of Directors, which he or she reports to the General Meeting. The chairman ensures the proper functioning of the Company's bodies and ensures in particular that the directors are able to fulfill their mission.

The Board of Directors meets as often as the interests of the Company require, however not less than two times every six months according to the rules of procedures of the Board of Directors. Board meetings are convened by the chairman of the board. Directors, constituting at least one third of the members of the council, may request the chairman to convene the council, indicating the agenda of the meeting, if it has not met for more than two months. If necessary, the Chief Executive Officer may request the chairman to convene the Board of Directors for a specific agenda.

Decisions are taken by a majority vote of the members present or represented, each director having one vote. In the event of a tie, the chairman has the casting vote.

In accordance with the Company's internal regulations approved by the Board of Directors on March 16, 2017, the Board of Directors has the broadest management powers to act in all circumstances for and on behalf of the Company. It defines the Company's general management policy and ensures that it is implemented, and, more generally, all important matters are referred to it in accordance with Recommendation No. 5 of the MiddleNext code. The Board of Directors approves the Company's strategic guidelines and ensures that they are implemented by senior management. In particular, the Board of Directors sets the thresholds for prior authorization necessary for the Chief Executive Officer (or other senior executives) to finalize and give effect to the main operations of the Company and approves the annual budget and the multi-year game publishing plan. The Board also approves any material changes to the Budget or publishing plan during the year.

In accordance with the law and the internal regulations of the Board, the directors have the necessary means to obtain all information essential to carry out an independent and critical analysis of the Group's business, its financial position, its results, and its prospects. The Board of Directors ensures that at least one-third of its members are independent directors. At the date of this document, the Board of Directors had three independent directors out of five members (i.e., 60%) consisting of Mr. Erick Euvrard, Ms. Alyssa Padia Walles, and Ms. Isabelle Andrés

In accordance with Recommendation No. 6 of the MiddleNext Code, the Board of Directors is assisted by two standing committees: the Audit Committee and the Nomination and Compensation Committee.

Each committee shall meet as often as necessary, convened by its chairman or by at least half of its members, to examine any matter within its area of competence. Independent directors constitute at least half of the members of the committees. Each committee is chaired by an independent director appointed by the Board of Directors.

### **Audit Committee**

The Audit Committee assists the Board of Directors in fulfilling its responsibilities by among others the review and audit of financial statements and the verification of the clarity and accuracy of information provided to shareholders and financial markets.

As of March 31, 2018, the Audit Committee was comprised of two directors, Erik Euvrard (chairman) and Alexandre Zyngier. During the 2017/2018 financial year, the Audit Committee met before the board of directors' meetings (the attendance rate was 100%) to handle accounting and financial matters. Each member has an understanding of the gaming industry and business in which the Company is engaged and has an appreciation of the financial issues and accounting principles that are relevant in assessing the Company's financial disclosures and internal control systems.

### **Nomination and Compensation Committee**



The Nomination and Compensation Committee assists the Board of Directors in its duty to review the Group's policy compensation (mainly executive compensation), the granting of stock options or free shares, and other recommendations to the Board of Directors in respect of compensation matters relating to the Company's management. The policy on compensation and benefits of all kinds granted to the Company's executive officers is in accordance with Recommendation No. 13 of the MiddleNext Code, the principles for determining remuneration meet the criteria of completeness, balance, benchmark, consistency, readability, measurement and transparency.

As of March 31, 2018, the Nomination and Compensation Committee was comprised of three members, Alyssa Padia Walles (chairperson), Isabelle Andrés and Frédéric Chesnais. The members of the Nomination and Compensation Committee have direct experience, which is relevant to their responsibilities as Nomination and Compensation Committee members. During the 2017/2018 financial year, the Nomination and Compensation Committee met four times (the attendance rate was 100%).

### **CEO and other Senior Management**

The CEO of the Company is appointed by the Board of Directors and shall abide by the instructions adopted by the Board of Directors. The CEO is responsible for the Company's day-to-day management, which includes managing all operational aspects of the Company's business in accordance with the business plan, principles and instructions adopted by the Board of Directors. The CEO is furthermore responsible for the preparation and presentation of matters to be addressed by the Board of Directors, as well as for the execution of decisions made by the Board of Directors. Frédéric Chesnais is the CEO of the Company and has been employed since 2013. For more information about Frédéric Chesnais see under *Board of Directors, Management and Auditors*.

In addition to the CEO, the Senior Management of Atari consists of the Company's CFO Philippe Mularski, who was employed as the Company's CFO in 2014, Jean-Marcel Nicolaï, who was employed as Chief Operating Officer for the Atari Games division in 2018 and Michael Arzt who was employed as Chief Operating Officer for the Atari VCS division in 2017. For more information about the management of the Company see under *Board of Directors, Management and Auditors*.



## SHARE CAPITAL AND OWNERSHIP STRUCTURE

### The Shares and the Share Capital

All of the Company's shares are denominated in EUR and issued in accordance with French law. As of December 31, 2018, the Company's share capital amounts to EUR 2,556,790.56 divided into 255,679,056 shares with a par value of EUR 0.01.<sup>1</sup> The Company's shares are traded on Euronext (France) since 1993 and holds the ISIN code: FR0010478248.

All shares are of the same class and may be held, at the option of the holder, in the form of Identifiable Bearer Securities (*Titres au Porteur Identifiable*, TPI) or registered shares. Each share entitles the holder to one vote on each of the resolutions submitted to the shareholders. A double voting right is attached to all the existing paid-up shares held by the same shareholder for a minimum of two years, as well as to any shares subsequently acquired by the same shareholder through the exercise of the rights attached to these registered shares.

Each share entitles the holder thereof a pro rata right to dividends and the right to subscribe for shares in new issues of shares by the Company. All shares carry equal rights to the Company's assets available for distribution to shareholders in the event of liquidation, dissolution or winding up of the Company. The shares are not subject to any restrictions on their transferability.

The SDRs representing shares in the Company have been created under Swedish law and are nominated in SEK. The SDRs will be traded and settled in SEK on First North with ISIN code SE0012481232 and under the ticker ATA. The SDRs are issued by Mangold and are registered with Euroclear Sweden AB, which acts as the central securities depository enabling trading and safekeeping for the SDRs. Certain terms and conditions apply to the SDRs as a result of an arrangement between the Company and Mangold, whereby Mangold will hold the shares on behalf of the holders of SDRs, and an arrangement between Mangold and Euroclear. In accordance with Swedish laws and the terms and conditions of the SDRs as well as the terms and conditions applicable between Mangold and Euroclear, Mangold provides the holders of SDRs with information on general meetings of shareholders of the Company and procedures for exercising voting rights, amongst other things.

An SDR in Atari entitles the holder to the same right to dividend as a share in Atari. To the same extent as a shareholder, holders of SDRs are entitled to a surplus (if any) in proportion to the number of SDRs held in the event of a liquidation of the Company. Further, a holder of an SDR has the same right to vote at general meetings as holder of a share. Mangold, as registered owner of the Shares on behalf of SDR holders, shall appoint as proxies, all those SDR holders who have notified Mangold or its representative of their intention to attend the general meeting. An SDR holder who holds SDRs through a nominee may vote at shareholders' meeting through its registered nominee by submitting a proxy to the registered nominee with voting instructions. Such registered nominee would then vote, generally, by proxy in accordance with the instructions on the proxy. Pursuant to the general terms and conditions for the SDRs, Mangold shall notify the SDR holders of the Company's shareholders' meetings as soon as possible after Mangold has received notice of a meeting of shareholders of the Company, including providing instructions regarding any measures to be taken by the SDR holders in order to submit a proxy with voting instructions for such meetings. In Sweden, Euroclear is responsible for maintaining a register of the SDRs and Mangold shall, prior to any shareholders' meeting in Atari, seek voting instructions from the SDR holders who are registered in the Euroclear register on the record date and who have notified Mangold of their intention to submit such instructions. Please see section "Terms and Conditions for Depositary Receipts" for more information.

### Historic Share Capital and Issuance of Financial Instruments

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<sup>1</sup> These are the current share capital figures as of the date of this Company Description. The share capital and number of shares may differ from the articles of association in the Company from time-to-time due to the registration with the French Companies Registration Office of e.g. a share issue.





On July 12, 2016, Atari launched a capital increase of EUR 3.1 million through a directed share issue to repay the bridge loan used to finance the Alden settlement and to finance development of new games. The new shares were issued at EUR 0.17 per share.

On October 24, 2016, Atari launched a capital increase of EUR 4.9 million through a rights issue to completely deleverage the Group and to finance the Group's activities. The new shares were issued at EUR 0.17 per share.

On September 28, 2017, Atari launched an issue of convertible bonds due 2022 (OCEANE 2022). At the end of the subscription period a total of 5,494,327 bonds were placed for a total of EUR 2.6 million. The bonds have a nominal value of EUR 0.47 each, a coupon of 5.5% paid semi-annually and allow the holder to convert each bond into one new or existing share of Atari.

On January 26, 2018, Atari announced to the remaining holders of its convertible bonds due 2020 (OCEANE 2020) issued in September 2014, that in accordance with the terms and conditions it was exercising its right to early redemption of the bonds. On this date 3,294,923 bonds remained outstanding and were redeemed by the issuance of new Atari shares at a price of EUR 0.436. This resulted in an increase in capital of EUR 1.4 million.

On February 26, 2018, Atari announced to the remaining holders of its convertible bonds due 2022 (OCEANE 2022) issued in October 2017, that in accordance with the terms and conditions it was exercising its right to early redemption of the bonds. On this date 5,463,181 bonds remained outstanding and were redeemed by the issuance of new Atari shares at a price of EUR 0.4804. This resulted in an increase in capital of EUR 2.6 million.

On April 18, 2018, Atari launched a capital increase of EUR 7.5 million through a directed share issue to accelerate the Company's growth plans. 13,636,364 new shares were issued at EUR 0.55 per share.

The table below shows changes in the share capital since March 31, 2013

Financial year	Type of transaction	Number of shares	Cumulative number of shares	Nominal value of the share	Share premium	Total capital stock (in €)
<b>As at 31/03/2013</b>			<b>29,534,751</b>	<b>0.50 €</b>	<b>217,538,109 €</b>	<b>14,767,376 €</b>
2013/2014	Conversion of ORANE bonds	30,223		0.50 €	5,551,486 €	15,112 €
2013/2014	Capital reduction			0.01 €		-14,486,837 €
2013/2014	Conversion of OCEANE bonds	19,156,498		0.01 €	4,418,560 €	191,565 €
<b>As at 31/03/2014</b>			<b>48,721,472</b>	<b>0.01 €</b>	<b>227,508,155 €</b>	<b>487,215 €</b>
2014/2015	Conversion of OCEANE bonds	99,222,381		0.01 €	24,889,542 €	992,224 €
2014/2015	Conversion of ORANE bonds	22,869,383		0.01 €	93,546,989 €	228,694 €
<b>As at 31/03/2015</b>			<b>170,813,236</b>	<b>0.01 €</b>	<b>345,944,686 €</b>	<b>1,708,132 €</b>
2015/2016	Conversion of ORANE bonds	12,372,338		0.01 €	61,527,400 €	123,723 €
<b>As at 31/03/2016</b>			<b>183,185,574</b>	<b>0.01 €</b>	<b>407,472,085 €</b>	<b>1,831,856 €</b>
2016/2017	Capital increase	47,223,181		0.01 €	7,481,080 €	472,232 €
2016/2017	Allocation of past losses				-407,472,085 €	
<b>As at 31/03/2017</b>			<b>230,408,755</b>	<b>0.01 €</b>	<b>7,481,080 €</b>	<b>2,304,088 €</b>
2017/2018	Conversion of OCEANE bonds	11,060,241		0.01 €	4,094,869 €	110,602 €
<b>As at 31/03/2018</b>			<b>241,468,996</b>	<b>0.01 €</b>	<b>11,575,949 €</b>	<b>2,414,690 €</b>
2018/2019	Capital increase	14,210,060		0.01 €	7,234,506 €	142,101 €
2018/2019	Allocation of past losses				-10,934,092 €	
<b>As at 31/12/2018</b>			<b>255,679,056</b>	<b>0.01 €</b>	<b>7,876,363 €</b>	<b>2,556,791 €</b>

## Ownership Structure

To the best of the Company's knowledge, as of March 1, 2019, the breakdown of capital and voting rights was as follows:



Ownership	01 March 2019					
	Number of shares	%	Theoretical voting rights	%	Exercisable voting rights	%
Ker Ventures, LLC (1)	47,065,781	18.38%	47,065,781	18.37%	47,065,781	18.42%
Mr Alexandre Zyngier	9,519,540	3.72%	9,519,540	3.72%	9,519,540	3.72%
Arbevel	6,485,933	2.53%	6,485,933	2.53%	6,485,933	2.54%
Treasury shares	652,000	0.25%	652,000	0.25%	0	0.00%
Public (2)	192,386,006	75.12%	192,488,844	75.13%	192,488,844	75.32%
<b>Total</b>	<b>256,109,260</b>	<b>100.00%</b>	<b>256,212,098</b>	<b>100.00%</b>	<b>255,560,098</b>	<b>100.00%</b>

(1) Ker Ventures: holding company owned by Frédéric Chesnais, Company CEO.

(2) As of March 1, 2019, 102 838 shares have double voting rights.

## Warrants

As part of the agreement reached with Alden on July 12, 2016, Atari had set up a loan of EUR 2.0 million underwritten by Ker Ventures (holding controlled by Frédéric Chesnais) and EUR 0.5 million underwritten by HZ Investments (Alexandre Zyngier and HZ Investments hereinafter collectively referred to as "Alexandre Zyngier"). On July 7, 2016, the Board of Directors granted, as compensation in addition to the loaned sums, 4,117,647 stock warrants (also known by their French acronym BSA, from *bon de souscription d'actions*) for Ker Ventures and 1,029,412 stock warrants for Alexandre Zyngier. These stock warrants are exercisable at any time for 5 years with a non-discounted subscription price of EUR 0.17. The fair value of the warrants is determined using the Black-Scholes model.

In January 2017, as announced, Atari replaced these warrants with new warrants exercisable in new shares in the same quantities and under the same terms as the warrants issued on July 12, 2016. However, as the shares delivered in the event of the exercise of these new warrants are new shares, the exercise of these new warrants will therefore lead to additional dilution. Concurrently with this new issue of warrants, Ker Ventures and Alexandre Zyngier have relinquished the old warrants awarded in July 2016, which are in effect canceled.

In March 2018, Ker Ventures exercised 2,386,590 stock warrants by paying the sum of EUR 0.17 per warrant exercised, in exchange for the creation of 2,420,000 new Atari shares.

As of March 1, 2019, taking into account this partial exercise of stock warrants, Ker Ventures still holds 1,731,057 warrants, with Alexandre Zyngier holding 1,029,412 warrants. The potential dilution of all the warrants would be 1.08% based on the capital as of March 1, 2019.

## Stock Options

As of March 1, 2019, three stock option plans are in effect:

- Plan No. 23 approved by the General Meeting of September 30, 2014 for 7,497,528 stock options;
- Plan No. 24 approved by the General Meeting of September 30, 2016 for 8,552,472 stock options;
- Plan No. 25 approved by the General Meeting of September 29, 2017 for 10,000,000 stock options, 8,725,000 granted as of March 1, 2019.

As of March 1, 2019, the total number of shares for which existing options could be exercised represented, given the conversion ratios, 8.5% of the Company's share capital at that date. The main characteristics of all outstanding Atari stock options are summarized in the table below.



Option plan in effect	Plan N°23-1	Plan N°23-2	Plan N°23-3	Plan N°23-4
Date of Shareholders' Meeting	September 30, 2014			
Date of Board of Directors Meeting	May 9, 2014	June 29, 2015	Jan. 4, 2016	Jan. 27, 2016
Number of Stock Options granted	4,575,000	433,000	144,000	2,345,528
<i>Of which to the Top Executive Management and Board of Directors</i>	<i>4,000,000</i>			<i>1,650,000</i>
Expiration date of stock option	Oct. 29, 2022	August 31, 2023	Jan. 3, 2024	May 31, 2024
Exercise price of stock options (in euros) (1)	0.20 €	0.20 €	0.16 €	0.17 €
Vesting of stock options granted	1/3 per year	1/3 per year	1/3 per year	1/3 per year
Stock options granted during FY 2014/2015	4,575,000	-	-	-
Stock options granted during FY 2015/2016	-	469,139	144,000	-
Stock options granted during FY 2016/2017	-	-	-	2,378,528
Stock options granted during FY 2017/2018	-	-	-	-
Stock options cancelled during FY 2017/2018	-	(36,139)	-	(33,000)
Stock options exercised between Apr. 1, 2018 and March 1, 2019	(395,108)	(210,059)	-	(72,349)
<b>Total number of stock options outstanding on March 1, 2019</b>	<b>4,179,892</b>	<b>222,941</b>	<b>144,000</b>	<b>2,273,179</b>

(1) The subscription price of the options is determined without discount or premium in relation to the weighted average market price of the last twenty trading days prior to the award of the options.

Option plan in effect	Plan N°24-1	Plan N°24-2	Plan N°24-3
Date of Shareholders' Meeting	September 30, 2016		
Date of Board of Directors Meeting	July 12, 2017	October 20, 2017	January 15, 2018
Number of Stock Options granted	5,935,805	316,667	2,300,000
<i>Of which to the Top Executive Management and Board of Directors</i>	<i>3,680,000</i>		
Expiration date of stock option	July 11, 2025	October 19, 2025	January 14, 2026
Exercise price of stock options (in euros) (1)	0.280 €	0.350 €	0.458 €
Vesting of stock options granted	1/3 per year	1/3 per year	1/3 per year
Stock options granted during FY 2017/2018	5,935,805	950,000	2,300,000
Stock options cancelled during FY 2017/2018	-	(633,333)	-
Stock options exercised between Apr. 1, 2018 and March 1, 2019	(318,147)	-	-
Stock options cancelled between Apr. 1, 2018 and March 1, 2019	-	-	(2,100,000)
<b>Total number of stock options outstanding on March 1, 2019</b>	<b>5,617,658</b>	<b>316,667</b>	<b>200,000</b>

(1) The subscription price of the options is determined without discount or premium in relation to the weighted average market price of the last twenty trading days prior to the award of the options.

Option plan in effect	Plan N°25-1	Plan N°25-2	Plan N°25-3
Date of Shareholders' Meeting	29-Sep-17		
Date of Board of Directors Meeting	July 16, 2018	July 16, 2018	January 18, 2019
Number of Stock Options granted	5,935,805	316,667	370,000
<i>Of which to the Top Executive Management and Board of Directors</i>	<i>3,680,000</i>		<i>250,000</i>
Expiration date of stock option	July 31, 2026	July 31, 2026	January 18, 2027
Exercise price of stock options (in euros) (1)	0.280 €	0.350 €	0.270 €
Vesting of stock options granted	1/3 per year	1/3 per year	1/3 per year
Stock options granted between Apr. 1, 2018 and March 1, 2019	6,255,000	2,000,000	370,000
Stock options exercised between Apr. 1, 2018 and March 1, 2019	-	-	-
Stock options cancelled between Apr. 1, 2018 and March 1, 2019	-	-	-
<b>Total number of stock options outstanding on March 1, 2019</b>	<b>6,255,000</b>	<b>2,000,000</b>	<b>370,000</b>

(1) The subscription price of the options is determined without discount or premium in relation to the weighted average market price of the last twenty trading days prior to the award of the options.



### **Authorization for the Board of Directors to issue securities**

At the extraordinary general meeting held on 28 September 2018 it was resolved to authorize the Board of Directors to resolve to issue, on one or several occasions, for a duration of 26 months, shares, warrants or convertible bonds. Such issue may be made with or without preferential rights for the shareholders.

### **Shareholder agreement**

To the Board of Director's best knowledge there are no shareholder agreements or similar agreements that could lead to a shift in control of the Company.

### **Dividend Policy**

There is no formal dividend policy in place as of the date of this document. The Group has not paid out any dividends in the last three financial years and does not foresee to pay any dividends going forward.

**LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION****General Corporate Information**

Atari is a public limited company, formed and incorporated under French law on 15 July 1987. The legal name is Atari, reg. no. 341 699 106 RCS Paris, and its registered place of business is Paris, France. The Company's shares are traded on Euronext Paris and SDRs representing shares will be traded on First North. The Company conducts its business in accordance with French law.

**Group Structure**

The Group consists of Atari as a parent and thirteen wholly and partially owned subsidiaries. The table below illustrates the legal structure of the Group. All entities illustrated below are wholly owned unless specifically indicated below. All subsidiaries are registered in the United States except Atari Partners S.A.S., which is registered in France.

Company	Fiscal year end	Country	% control		% interest	
			30/09/2018	30/09/2017	30/09/2018	30/09/2017
<b>Active subsidiaries</b>						
Atari Partners S.A.S.	March 31	France	100.00	100.00	100.00	100.00
California US Holdings Inc.	March 31	USA	100.00	100.00	100.00	100.00
Atari Inc.	March 31	USA	100.00	100.00	100.00	100.00
Atari Interactive Inc	March 31	USA	100.00	100.00	100.00	100.00
Atari Studios Inc	March 31	USA	100.00	100.00	100.00	100.00
Atari Games Corp	March 31	USA	100.00	100.00	100.00	100.00
AITD Productions LLC	March 31	USA	100.00	100.00	100.00	100.00
Cubed Productions LLC	March 31	USA	90.72	90.72	90.72	90.72
RCTO Productions LLC	March 31	USA	100.00	100.00	100.00	100.00
Atari Connect LLC	March 31	USA	100.00	100.00	100.00	100.00
Atari Casino LLC	March 31	USA	100.00	100.00	100.00	100.00
Atari Gamebox LLC	March 31	USA	100.00	100.00	100.00	100.00
Atari Game Partners Corp	March 31	USA	100.00	100.00	100.00	100.00
<b>Inactive and undergoing liquidation</b>						
Atari Japan KK	March 31	Japan	100.00	100.00	100.00	100.00
Infogrames Entertainment GmbH	March 31	Germany	100.00	100.00	100.00	100.00
Infogrames Interactive GmbH	March 31	Germany	100.00	100.00	100.00	100.00

**Material Agreements**

To the Group's knowledge, apart from the contracts entered into in the normal course of business, including those relating to long-term licensing in the gaming, casino, multimedia or blockchain sectors, there are no other significant contracts, except those specified below, entered into by any Group companies in the two years preceding the date of this Reference Document that are still in force today, and that contain provisions creating an obligation or a commitment likely to have a material and negative impact on the Group's business or financial position.

**LICENSING AGREEMENTS**

The Group holds the license to the game RollerCoaster Tycoon which accounted for approximately 50% of revenue in 2017/2018. This license has been granted until June 30, 2022 by Chris Sawyer, the owner of the rights to this franchise. At this stage, the Group considers that the loss of a license (by non-renewal or termination of contract) such as RollerCoaster Tycoon could, on its own, have a significant impact on its business or result, since such losses would not be offset by new licenses having the same economic impact.

**AGREEMENTS WITH CONSOLE MANUFACTURERS**

Contracts between the Company and/or its subsidiaries and console manufacturers (Sony Computer Entertainment and Microsoft) govern the operation of the relationship between the parties. These contracts allow the Company to use these console manufacturers' technology to develop and operate products that are compatible with their respective consoles. These contracts cover in detail the use of development kits, the publishing authorization process, the publisher' royalties to the



manufacturer, the duration of the relationship, the territories concerned, the manufacturing costs as well as the cost of production, the related logistics, the payment terms and the confidentiality obligations of the parties, among other things.

### **AGREEMENTS WITH MOBILE AND ONLINE PLATFORMS**

The Atari Group uses mobile and online platforms such as iOS (Apple), Android (Google) or Steam or Facebook to reach users via these platforms. The Atari Group must comply with the terms and conditions applicable to application developers. Such terms and conditions define how these platforms work, and how they are promoted and distributed. Such terms and conditions may be modified at the sole discretion of the platform owners. In addition, the Group is dependent on the functionalities of these platforms.

### **LEASE AGREEMENTS**

The Group conducts its operations in leased premises. The lease terms are in the Company's view customary and in accordance with the market practice and price for the relevant type of leases. No such leases have, as of the date hereof, been terminated or are under renegotiation. The Group is not dependent on any premises that are currently leased, and is deemed to be able to find new premises during the relevant notice period.

### **Employees**

The Company employs 20 full-time staff.

### **Intellectual Property**

The Company owns a portfolio of valuable intellectual property rights including the Atari brand and a portfolio of over 200 games. Specialized lawyers manage, oversee, and acquire intellectual property rights for the Group. The Group also works with law firms renowned for their know-how in this area and uses intellectual property monitoring services. The Group is registering the brands and copyrights of its products in the countries it deems necessary, mainly in Europe, the United States, and other major countries. The Group does not register patents for its games and is not dependent on any particular patent.

### **Loans and Financing**

The Company does not have any bank loans or other borrowings save for an outstanding amount of EUR 0.6 million of bonds maturing on 1 April 2020.

On December 23, 2003, the Company issued 16,487,489 bonds convertible into or exchangeable for new or existing shares (hereinafter, the "2003-2020 OCEANE Bonds") with a par value of EUR 7, amounting to EUR 124.30 million in principal. These bonds, which initially matured on April 1, 2009, bore interest at 4% per annum. Each bond could initially be converted into an Atari share.

On September 29, 2006, the General Meeting of the holders of 2003-2009 OCEANE Bonds amended these OCEANE bonds as follows:

- Change of the maturity date from April 1, 2009 to April 1, 2020
- Loss by holders of OCEANE bonds as from April 1, 2009 of the option to convert and/or exchange their debt securities into/for new or existing Atari shares
- Change in the nominal interest rate from the initial 4% to 0.1%
- Deletion of Article 2.5.10 of the issuance agreement entitled "Early Repayment of 2020 OCEANE Bonds in the Event of Default"

Since April 1, 2009, the holders of 2003-2020 OCEANE Bonds may no longer subscribe for, exchange, or buy Atari shares. Hence, the 2003-2020 OCEANE Bonds no longer have a dilutive effect on the



share capital of the Company from that date.

As of September 30, 2018, 82,906 2003-2020 OCEANE Bonds remain outstanding, with maturity on April 1, 2020.

### **Related Party Transactions**

All transactions between companies within the Group are conducted on normal commercial terms and at arm's length.

The following related party agreements were put in place in 2016 in order to allow the Company to honor its engagements with respect to the settlement agreement with Alden in the short timeframe stipulated by the agreement.

- Loan agreement between Ker Ventures and Atari SA, for a duration of 5 days, of 5,000,000 shares valued at EUR 850,000 and remunerated at the applicable French legal rate of interest, approved by the Board of Directors on 13 July 2016. This loan was repaid in its entirety with interest paid of EUR 151.60.
- Loan agreement between Ker Ventures and Atari SA, for an amount of EUR 2,000,000 and a maximum duration of 18 months, remunerated at 10% interest rate and against free attribution of 4,117,647 stock warrants exercisable at any time over five years with an exercise price of EUR 0.17, approved by the Board of Directors on 7 July 2016. This loan was repaid in its entirety with interest paid of 86,373.95 euros
- Loan agreement between HZ Investments (Alexandre Zyngier and HR Investments collectively referred to hereafter as "Alexandre Zyngier") and Atari SA, for an amount of EUR 500,000 and a maximum duration of 18 months, remunerated at 10% interest rate and against free attribution of 1,029,412 stock warrants exercisable at any time over five years with an exercise price of EUR 0.17, approved by the Board of Directors on 7 July 2016. This loan was repaid in its entirety with interest paid of EUR 21,215.39.

The following regulated agreement approved in a previous financial year was still in effect in the financial year 2018/19:

- Three-year contract for the Group's licensing activities, until September 30, 2018, with Batuta Capital Advisor LLC (Alexandre Zyngier) authorized by the Board of Directors on July 29, 2015. The expense for the year ended 30 March 2018 is EUR 91,000 and for the six months ended 30 September 2018 is EUR 44,000.

As of the date of this Company Description no related party transactions remain in effect.

### **Reporting Obligations**

Individuals holding 2% or more of the share capital or the voting rights in the Company, individually or together with closely related parties, are required to notify the Company.

### **Certified Adviser**

The Company's Certified Adviser upon the listing on First North will be Redeye AB. Contact information for Redeye AB can be found at the end of this document.

### **Liquidity Provider**

The Company has not entered into any agreements with respect to the establishment of a liquidity provider in Atari's share on First North.

### **Disputes and Legal Procedures**

Apart from the disputes referred to below, to the Company's best knowledge, no proceedings have





been brought by a government, and there are no judicial or arbitral proceedings, including any ongoing proceedings or threat of action that could have a significant impact on the Group's financial position and profitability or that have had such an impact in the last twelve months.

#### Dispute between a Former Employee and the Company

During a previous financial year, a significant dispute arose between the Company and a former employee of the Group who claimed to have co-authored the Group's Alone in the Dark franchise. The plaintiff was seeking monetary and non-monetary damages arising from the allegedly illegal distribution by the Group of games based on this universe. The lawsuit was for approximately EUR 17 million. The dispute was finally settled out of court in September 2018 in exchange for a cash payment of EUR 358,000 and 39,250 shares of Atari held in treasury as well as a share of future profits of the franchise.

#### **Insurance**

The Group benefits from global coverage in the areas of property damage, business interruption and operating, professional, and intellectual property liability. The Group also takes out directors and officers liability insurance. In general, the Group's business does not present any extraordinary risks, except for possible supplier deficiency or the consequences of the massive withdrawal of a game. In order to take into account the specificities of different countries' markets, policies taken out at the local level (and in particular in North America) are supplemented by a global program.

The table below summarizes the levels of protection put in place for the main policies.

Policy	Amounts
Business liability Property damage Business interruption	Per occurrence limit is \$1 million Annual aggregate limit is \$1 million
Error & omissions/Media Security & Privacy	\$1 million
Directors and Officers Liability	Ceiling of \$10 million
Key Personnel Insurance	\$5 million

The total amount of insurance premiums expensed on behalf of Atari and on behalf of its subsidiaries on the above policies for the year ended March 31, 2018 was EUR 0.2 million.



## SUMMARY OF SHAREHOLDER RIGHTS

The following is a summary of the rights of shareholders in Atari based upon the corporate law applicable to Atari, the French Companies Act of 1966, the regulations promulgated thereunder and the Company's articles of association. It also sets out certain differences between the French and Swedish corporate law (in those parts applicable to companies whose shares are subject to trading on First North) and Swedish corporate governance principles. As noted in the section Corporate Governance, the Company is not required to follow, nor does it intend to follow the Swedish Corporate Governance Code. This summary is of a general nature only. It does not claim to give an exhaustive account of the aforementioned corporate documents, nor of all potentially relevant differences between French and Swedish law or corporate governance requirements, material or not. As described in the section "Share Capital and Ownership Structure" shares issued by the Company are represented by SDRs with Mangold as custodian. Since the terms of the SDRs will grant the holders of SDRs the same rights as are attached to the shares represented by SDRs, the following description does not always reflect the fact that shares are held indirectly via SDRs.

### The business and objectives of Atari

#### France

Under the French Commercial Code, the corporate purpose of a French "Société Anonyme" ("**French SA**") must be set out in the by-laws. The corporate purpose sets out the limits within which the company can operate and must be specified with a certain degree of precision, e.g. by being linked to a specific industry.

#### Sweden

Under the Swedish Companies Act, the objectives of a Swedish limited liability company must be set out in the articles of association. The objectives set out the limits within which the company can operate and must be specified with some precision, e.g. by being linked to a specific industry.

### Shares

#### France

Under the French Commercial Code, all shares of a French SA carry equal rights in the company. A French SA may issue different classes of shares provided that such classes of shares are specified in the company's by-laws. The by-laws define the specific rights granted to each share class.

#### Sweden

Under the Swedish Companies Act, the general rule is that all shares shall carry equal rights in the company. A company may issue different classes of shares provided that such classes of shares are specified in the company's articles of association. The articles of association shall also contain limitations on the minimum and maximum number of shares of each share class.

### Voting rights

#### France

Under the French Commercial Code, all shares of a French SA carry one (1) vote each, and shares kept in a nominative form for at least two (2) years carry double voting rights. A shareholder may vote for all the shares owned or represented by such shareholder.

Shareholders registered in the share register as of the record date for a shareholders' meeting are entitled to vote at such shareholders' meeting (in person or by appointing a proxy holder). Shareholders with shares registered through a nominee must request to be temporarily registered as a shareholder of record on the record date in order to participate in a shareholders' meeting. Shareholders must also, if provided for in the by-laws, give notice to the company of their intention to attend a shareholders' meeting.

#### Sweden

Under the Swedish Companies Act, all shares carry one (1) vote each unless different share classes with different voting rights are provided for in the articles of association of the company. No share may however have a voting right which exceeds ten times the voting rights of any other share. A



shareholder may vote for all the shares owned or represented by him, unless otherwise stated in the articles of association.

Shareholders registered in the share register as of the record date for a general meeting are entitled to vote at such general meeting (in person or by appointing a proxy holder). Shareholders with shares registered through a nominee must request to be temporarily registered as a shareholder of record on the record date in order to participate in a general meeting. The share register is kept by Euroclear Sweden and the record date for a general meeting shall be the fifth business day prior to the date of the meeting. Shareholders must also, if provided for in the articles of association, give notice to the company of their intention to attend a shareholders' meeting.

### **Shareholders' meeting**

#### France

A French SA must hold an annual shareholders' meeting within six months from the end of its statutory financial year. At such meeting, the board must present the annual report and the auditor's report.

Shareholders' meetings must be held at the company's registered office.

The following matters must be voted at the annual shareholders' meetings: (i) approval of the annual accounts, (ii) allocation of the company's profit or loss as set out in the approved annual accounts, (iii) discharge from liability for directors and the managing director, (iv) approval of the sumptuary costs and expenses, (v) approval of the regulated agreements, and (vi) other matters to be dealt with under the French Commercial Code or the by-laws of the company.

The annual shareholders' meetings and the ordinary shareholders' meetings can validly be held if shareholders holding at least 20 per cent of the voting rights are present or represented at such meetings. If such threshold is not met at such first meeting, the company will call for a second meeting, at least two weeks after the date of the first meeting, in which case no minimum voting rights shall be required. Decisions are adopted by the majority of the votes cast by the shareholders present or represented at such meeting.

Extraordinary shareholders' meetings may, according to the French Commercial Code, be convened at any time by the board of directors. In addition, in accordance with the French Commercial Code, the company's auditor or shareholders holding 5 per cent or more of all the shares in the company may request the board of directors to convene a shareholders' meeting.

Extraordinary shareholders' meeting can validly be held if shareholders holding at least 25 per cent of the voting rights are present or represented at such meetings. If such threshold is not met at such first meeting, the company will call for a second meeting, at least two weeks after the date of the first meeting, and the extraordinary shareholders' meeting can validly be held if shareholders holding at least 20 per cent of the voting rights are present or represented. Decisions are adopted at a two-third majority of the votes cast by the shareholders present or represented at such meeting.

The shareholders' meeting is chaired by the chairman of the board of directors or such person that the board of directors has appointed in such function.

#### Sweden

The shareholders' meeting is the highest decision-making body of a Swedish limited liability company. The company must hold an annual general meeting within six months from the end of the financial year at which the board must present the annual report and the auditor's report. The meeting must be held within the municipality where the registered office of the company is situated. The articles of association may however prescribe that the meeting shall or may be held at another designated location in Sweden.

The following matters must be passed at the general meeting: (i) adoption of the balance sheet and profit and loss account, (ii) allocation of the company's profit or loss as set out on the adopted balance sheet, (iii) discharge from liability for directors and the managing director, and (iv) other matters to be dealt with under the Swedish Companies Act or the articles of association of the company.

Extraordinary general meetings may, according to the Swedish Companies Act, be convened at any time by the board of directors. In addition, in accordance with the Swedish Companies Act, the



company's auditor or shareholders holding 10 per cent or more of all the shares in the company may request the board of directors to convene an extraordinary general meeting.

The general meeting shall be opened by the chairman of the board of directors or such person as the board of directors has decided.

### **Notice of meeting**

#### France

A notice to attend a shareholders' meeting of a French SA must be issued not later than 35 days prior to the shareholders' meeting, and a notice of convening must be issued not later than 15 days prior to the shareholders' meeting.

The notice is published in the French Official Gazette (Fr. *Bulletin des Annonces Légales Obligatoires*). The company must also either publish the full notice or short form message with information regarding the notice and where it can be found in a daily newspaper with nationwide circulation.

#### Sweden

The shareholders shall be given notice to attend a general meeting in the manner prescribed in the articles of association. A notice to attend an annual general meeting shall be issued not earlier than six weeks and not later than four weeks prior to the general meeting.

A notice to attend an extraordinary general meeting shall be issued not earlier than six weeks and not later than two weeks prior to the meeting. If the extraordinary general meeting shall resolve on alterations of the articles of association, the notice shall be issued not earlier than six weeks and not later than four weeks prior to the meeting.

The notice shall be announced in a press release, published in the Swedish Official Gazette (Sw. *Post-och Inrikes Tidningar*) and on the company's website. The company must also either publish the full notice or short form message with information regarding the notice and where it can be found in a daily newspaper with nationwide circulation.

### **Record date**

#### France

Under the French Commercial Code, the record date for shareholders' meetings is the second business day prior to the date of the shareholders' meeting.

#### Sweden

Under the Swedish Companies Act, the record date for a shareholders' meeting is the fifth business day prior to the date of the meeting.

### **Issue of shares**

#### France

Under the French Commercial Code, new shares of a French SA are issued at extraordinary shareholders' meetings. The board of directors may also be authorized by the extraordinary shareholders' meeting to issue new shares for up to 26 months following such meeting. New shares may be issued against payment in cash, in kind or by set-off. With respect to listed companies, existing shareholders have the right to subscribe in priority new shares issued by the company, unless such right is waived by the shareholders at such extraordinary shareholders' meeting, see section *Pre-emption rights* below.

#### Sweden

Under the Swedish Companies Act, resolutions on new share issues are as a main rule passed by the shareholders at a general meeting. A general meeting may also authorize the board of directors to issue new shares for a period of no longer than until the next annual general meeting. Furthermore, the board of directors may also resolve to issue new shares without such authorization, provided that the resolution is conditioned upon the shareholders' approval at a general meeting. New shares may be issued against payment in cash, in kind or by set-off. As a general rule, the shareholders have pre-emption rights to new shares issued, see section *Pre-emption rights* below.



When issuing new shares, the limitations on maximum number of shares and share capital set out in the company's articles of association need to be adhered to, unless a general meeting decides to amend the articles of association.

### **Pre-emption right**

#### France

Under the French Commercial Code, shareholders have a preferential subscription right (*Fr. Droit préférentiel de souscription*) to subscribe new shares issued in proportion to their existing shareholdings as of the record date for the new share issue. Such preferential subscription right does not apply to shares issued for consideration in kind or shares issued pursuant to convertibles or warrants previously granted by the company. The preferential subscription right may also be waived by a resolution passed by two thirds of the votes cast and shares represented. Shareholders may also authorize at such extraordinary shareholders' meeting, by a two-third majority, the board of directors to issue new shares without a preferential subscription right.

#### Sweden

Under the Swedish Companies Act, shareholders have pre-emption right (*Sw. företrädesrätt*) to subscribe for new shares issued in proportion to their shareholdings as of a certain record date for the new share issue. Pre-emption right to subscribe for new shares do not apply in respect of shares issued for consideration in kind or shares issued pursuant to convertibles or warrants previously granted by the company. The pre-emption right to subscribe for new shares may also be set aside by a resolution passed by two thirds of the votes cast and shares represented at the general meeting resolving upon the issue. The corresponding majority threshold applies to a decision by a general meeting to authorize the board of directors to decide upon new share issues with deviation from shareholders' pre-emption right.

### **Dividend**

#### France

Under the French Commercial Code, payments of dividends must be authorized at an ordinary shareholders' meeting.

Dividends shall not be distributed to the shareholders if the net equity of the company is or becomes, as a result of such distribution, less than the amount of the share capital, increased by the legal and statutory reserves. In addition, the payment of dividends shall take into consideration the company's global financial position.

Each shareholder listed in the share register as of the record date for the dividend is entitled to receive the dividend distribution. Dividends are normally distributed to the shareholders through Euroclear.

#### Sweden

Under the Swedish Companies Act, resolutions on payments of dividends must be passed at a general meeting. A resolution to pay dividends may, with some exceptions, not exceed the amount recommended by the board of directors.

Dividends may only be made if, after the payment of the dividend, there is sufficient coverage for the company's restricted equity and the payment of dividends is justified, taking into consideration the equity required for the type of operations, the company's need for consolidation and liquidity as well as the company's financial position in general.

Each shareholder listed in the share register as of the record date for the dividend is entitled to receive the dividend distribution. Dividends are normally distributed to the shareholders through Euroclear Sweden.

### **Distribution of assets in case of liquidation**

#### France

Under the French Commercial Code, a French SA can enter into voluntary liquidation following a resolution passed by a majority of at least two thirds of the total votes cast. The ordinary shareholders' meeting shall decide, by a simple majority of the votes cast by the shareholders present or represented, the closing of the voluntary liquidation and the approval of the liquidation accounts



of the company. All shares carry equal rights in a liquidation, except for class of shares with double voting rights.

Judicial liquidations may only be decided by the French Commercial Courts if, following a cessation of payments by a company, the continuation of the company's activity is clearly impossible.

#### Sweden

The Swedish Companies Act stipulated that a company shall enter into compulsory liquidation in a capital deficiency situation and in certain other situations, such as a decision by the Swedish Companies Registration Office (Sw. Bolagsverket) or a provision of the articles of association.

Under the Swedish Companies Act, a company can enter into voluntary liquidation following a resolution by simple majority vote among the shareholders at a general meeting, unless otherwise prescribed in the articles of association. All shares carry equal rights in a liquidation unless otherwise provided for in the articles of association.

### **Certain extraordinary corporate actions**

#### France

Under the French Commercial Code, any merger require a two-third majority of the votes cast by the shareholders present or represented at an extraordinary shareholders' meeting. As provided in Section "Distribution of assets in case of liquidation", a French SA can enter into voluntary liquidation following a two-third majority of the votes cast by the shareholders present or represented at an extraordinary shareholders' meeting. A material change of the operations conducted by the company may require a change of the company's objects and purposes in the by-laws, see section *Amendment to the articles* below.

#### Sweden

Under the Swedish Companies Act, a statutory merger requires a shareholder resolution passed at a general meeting. The majority requirements for a valid resolution depends on the type of companies involved, however not less than two-thirds of the votes cast and the shares represented at the meeting. A voluntary liquidation requires a resolution passed at a shareholders meeting supported by more than half of the votes cast, unless otherwise provided in the articles of association of the company. A material change of the operations conducted by the company may require a change of the company's objects and purposes in the articles of association, see section *Amendment to the articles* below.

### **Restrictions on change of control**

#### France

Restrictions on change of control are not subject to French law, except for the provisions relating to mandatory takeover bids.

#### Sweden

Restrictions on change of control are not subject of Swedish law.

### **Mandatory takeover bids**

#### France

Under the French Monetary and Financial Code, a shareholder holding directly or indirectly 30 percent or more of the share capital or of the voting rights in a French SA with shares listed on a regulated market, must launch a mandatory take-over bid.

In addition, a shareholder holding directly or indirectly between 30 per cent and 50 per cent of the share capital or of the voting rights in a French SA with shares listed on a regulated market and who, within a period of 12 months, has increased such holding by at least 1 per cent of the share capital or of voting rights of the company, must also launch a mandatory take-over bid.

Under the French Commercial Code, a shareholder holding more than 95 per cent of the shares and voting rights in a French SA listed on a regulated market must buy-out the remaining shares from the other shareholders in the company. On the other hand, a minority shareholder is also, in such situation, entitled to demand that the majority shareholder purchases its shares.



### Sweden

Under applicable Swedish rules regarding certain trading platforms an obligation to launch a mandatory take-over bid applies when a party becomes the owner of 30 percent or more of the votes in a company with shares listed on a multilateral trading facility.

Under the Swedish Companies Act, a shareholder holding more than 90 per cent of the shares in a company is entitled, on a compulsory basis, to buy-out the remaining shares from the other shareholders in the company. On the other hand, a minority shareholder is also, in such situation, entitled to demand that the majority shareholder purchases his or her shares.

### **Redemption provisions**

#### France

Under the French Commercial Code, a French SA with shares listed on a regulated market is permitted to repurchase its own shares, up to 10 per cent of its share capital, in order to improve the liquidity of the shares or to grant shares to its employees or corporate officers.

Shareholders may decide the redemption of company's shares through an ordinary shareholders' meeting.

#### Sweden

Under the Swedish Companies Act, a company with shares listed on a multilateral trading facility is as a general rule not permitted to repurchase its own shares.

A general meeting may however resolve upon the redemption of the company's shares through which the share capital of the company will be reduced. This is a formal and complex process, which as a main rule involves also notice to the company's creditors.

### **Amendments of the articles**

#### France

Under the French Commercial Code, shareholders may decide by a two-third majority of the votes cast by the shareholders present or represented at an extraordinary shareholders' meeting to amend the by-laws of the company. Any amendments to the by-laws shall be reported to the Trade and Commercial Registry.

#### Sweden

Under the Swedish Companies Act, an amendment of the articles of association requires a shareholder resolution at a general meeting. The majority requirement for a valid resolution depends on the type of alteration. However, not less than two-thirds of the votes cast and of the shares represented at the meeting will be required. Any amendments to the articles of association shall be reported immediately to the Swedish Companies Registration Office for registration and may not, other than in certain exceptional cases, be effective prior to registration.

### **Directors and the board of directors**

#### France

Under the French Commercial Code, a public company must have no fewer than three directors and up to eighteen directors (or twenty-four in case of merger). The chairman of the board of directors may be the managing director of the company.

The actual number of directors shall be determined at an ordinary shareholders' meeting, with the limits set out in the company's by-laws. The members of the board of directors are usually elected for a period up to six years. It is possible to re-elect the directors.

The remuneration to the board of directors shall be determined by the ordinary shareholders' meeting, specifying the global amount for all directors.

#### Sweden

Under the Swedish Companies Act, a public company must have no fewer than three directors and the chairman of the board of directors may not be the managing director of the company. At least half of the directors shall be residing within the European Economic Area, unless otherwise approved by the Swedish Companies Registration Office. When the Swedish Companies Registration Office





assess whether or not there are special reasons to grant an exemption, they make an overall assessment of all relevant circumstances.

The actual number of directors shall be determined by a general meeting, with the limits set out in the company's articles of association. The members of the board of directors are usually elected for the period until the end of the next annual general meeting. It is possible to re-elect the directors.

The remuneration to the board of directors shall be determined by the general meeting of shareholders, specifying the amount for each director.

### **Powers of the board of directors and delegation of the board of directors**

#### France

Under the French Commercial Code, the board of directors shall appoint and dismiss the managing director and the chairman of the board. The board of directors shall regularly assess the company's financial position and, where the company is a parent company in a group, the group's financial position. The board of directors shall ensure that the company's organization is structured in such a manner that accounting, management of funds, and the company's finances in general are monitored in a satisfactory manner and shall establish the annual accounts, the management report, the report on the corporate governance, the forecast management documents and shall authorize the conclusion of regulated agreements and certain decisions made by the managing director.

The chairman of the board is chosen amongst the directors and is not empowered to represent the company in its dealings with third parties.

The managing director is responsible for the day-to-day management of the French SA. In addition, the managing director represents the company in its dealings with third parties. The powers of the managing director may be limited by the board of directors or the by-laws of the company.

#### Sweden

Under the Swedish Companies Act, the board of directors is responsible for the organization of the company and the management of the company's affairs. The board of directors shall regularly assess the company's financial position and, where the company is a parent company in a group, the group's financial position. The board of directors shall ensure that the company's organization is structured in such a manner that accounting, management of funds, and the company's finances in general are monitored in a satisfactory manner.

Further, the board of directors in a public limited liability company shall appoint a managing director and issue instructions to such director setting out the responsibilities of the board and managing director. The board shall also issue instructions in reporting obligations in order for the board to fulfill its duties.

The managing director is responsible for the day-to-day management of the company pursuant to guidelines and instructions issued by the board of directors. In addition, the managing director may, without authorization by the board of directors, take measures which, in light of the scope and nature of the company's operations, are of an unusual nature or of great significance, provided a decision by the board of directors cannot be awaited without significant prejudice to the company's operations. In such cases, the board of directors shall be notified as soon as possible of any measures taken. The managing director shall be resident within the European Economic Area, unless otherwise approved by the Swedish Companies Registration Office.

### **Right to indemnification**

#### France

Directors and officers of a French SA are personally liable for their role and duties in the company. French companies can have professional indemnity insurance in place for its board of directors and officers.

The annual shareholders' meeting of shareholders shall resolve on the discharge of the board of directors of and managing director from liability. An action for damages on behalf of the company may be available in certain circumstances against a director, managing director, auditor or shareholder of the company.





### Sweden

The Swedish Companies Act does not contain any specific provisions requiring that the articles of association provide for indemnification of directors, officers or other persons. Instead, Swedish companies can have professional indemnity insurance in place for its board of directors and officers.

The annual general meeting of shareholders shall resolve on the discharge of the board of directors of and managing director from liability. An action for damages on behalf of the company may be available in certain circumstances against a founder, director, managing director, auditor or shareholder of the company. Such an action may be instituted where at a general meeting the majority or a minority comprising the owners of at least one-tenth of all shares has supported the proposal for such an action to be instituted. The action for damages in favor of a company may also be conducted by owners (in their own name) of at least one-tenth of all shares.

## **Financial statements, auditor's report, auditor and audit committee**

### France

Under the French Commercial Code, the annual shareholders' meeting approves the annual accounts and the consolidated accounts, as the case may be, of the company and decides the payment of dividends.

The annual parent company accounts and consolidated accounts, together with the auditor's report, must be presented at the annual shareholders' meeting, which according to the French Commercial Code shall be held within six months after the end of the statutory financial year.

Auditors are appointed by the annual shareholders' meeting. Companies listed on a regulated market must have an audit committee.

### Sweden

Under the Swedish Companies Act, the annual general meeting shall adopt the balance sheet and the profit and loss statement. Further, it resolves on issues in respect of the disposition of the company's profit or loss, such as payment of dividends.

The annual report, together with the auditor's report, must be presented at the annual general meeting, which according to the Swedish Companies Act shall be held within six months after the end of the financial year.

Auditors are appointed by the general meeting of shareholders, whereby a registered accounting firm may be appointed as auditor. Companies listed on an MTF is not obliged to have an audit committee.

## **Corporate governance reports and website**

### France

Companies listed on Euronext must have their own website on which all relevant information shall be readily available for at least five years. Annual reports, prospectuses, and other information provided for distribution to, or kept available to, shareholders shall be readily available on the website, unless special causes exist. The website shall also include the company's by-laws and details of the current board of directors, senior management and the name of the statutory auditor.

### Sweden

Companies listed on First North must have its own website on which all published information from the company to the market shall be readily available for at least five years. Annual reports, prospectuses, and other information provided for distribution to, or kept available to, shareholders shall be readily available on the website, unless special cause exists. The website shall also include the company's articles of incorporation and details of the current board of directors and senior management and the name of the certified adviser.

## **Company's obligation to disclose changes in its share capital**

### France

The company must register increases and decreases in its share capital with the Paris Trade and Commercial Registry.

### Sweden

The company must register increases and decreases in the share capital to the Swedish Companies Registration Office.



## Distribution of information to the French and Swedish markets

The Company follows the rules of the French Securities Regulator AMF with respect to full and effective dissemination of regulated information. The AMF General Regulation requires full and effective dissemination of regulated information by electronic means (Article 221-3). Dissemination is considered full and effective if it makes it possible:

- to reach the widest possible audience in the shortest possible period of time between its being distributed in France and in the other Member States of the European Union;
- to provide full information to the media in a way that ensures secure transmission, minimises the risk of data corruption and unauthorized access, and allows total certainty as to the source of the transmitted information;
- for the public to clearly identify the issuer concerned, the purpose of the information, and the date and time at which the issuer transmitted it.

Companies, or primary information providers that distribute regulated information, must when disseminating information to the public also file the information with the AMF.

Companies may disseminate the information themselves or use the services of a primary information provider on the list published by the AMF. Under Article 221-4 of the AMF General Regulation, issuers are deemed to have disseminated information fully and effectively if they transmit information to a primary information provider that follows the dissemination procedures defined by the AMF and that is registered on a list published by the AMF.

Issuers shall also make a financial disclosure through the print media, at a frequency and in a presentation format that they consider appropriate given the type of financial securities issued, their size and shareholder base. This disclosure must not be misleading and must be consistent with the regulated information disseminated in full.

Companies are also required to publish regulated information on their website, which should be disseminated as soon as it is published. The French Directorate of Legal and Administrative Information stores this regulated information centrally on a dedicated website.

A company listed on First North will be subject to the rules on disclosure of the Nasdaq First North Nordic - Rulebook and the Regulation (EU) no 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC ("**MAR**"). The Company will be required to handle inside information in accordance with MAR and disclose inside information as soon as possible, but, if certain conditions are met, the disclosure may be delayed. If the Company delays the disclosure of inside information, the Company must document when the inside information arose and when the decision to delay the disclosure was taken. The reasons for the delay must also be documented and the Company must keep an insider list. When the inside information is later made public, the Company must inform the Swedish Financial Supervisory Authority (the "**SFSA**") of the decision to delay the disclosure and, upon request by the SFSA, provide an explanation of the reasons for the delay.

### Insider reporting rules

#### France

A person discharging managerial responsibilities in a French SA listed on a regulated market is required to report their transactions to the AMF. Such reporting shall be made in accordance with MAR. These reports are publicly available on the AMF's website [www.amf-france.org](http://www.amf-france.org). In addition, the same regulation stipulates a trading ban for persons discharging managerial responsibilities within an issuer to conduct any transactions on its own or for the account of a third party, directly or indirectly, relating to the shares or debt instruments of the issuer or to derivative or other financial instruments linked to them during a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report which the issuer is obliged to make public according to the rules of the trading venue where the issuer's shares are admitted to trading or national law.

#### Sweden

A person discharging managerial responsibilities in a company listed on a MTF is required to report their transactions to the SFSA. Such reporting shall be made in accordance with MAR. These reports



are publicly available on the SFSA's website [www.fi.se](http://www.fi.se). In addition, the same regulation stipulates a trading ban for persons discharging managerial responsibilities within an issuer to conduct any transactions on its own or for the account of a third party, directly or indirectly, relating to the shares or debt instruments of the issuer or to derivate or other financial instruments linked to them during a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report which the issuer is obliged to make public according to the rules of the trading venue where the issuer's shares are admitted to trading or national law.



# GENERAL TERMS AND CONDITIONS OF THE SWEDISH DEPOSITORY RECEIPTS

## GENERAL TERMS AND CONDITIONS OF SWEDISH DEPOSITORY RECEIPTS IN ATARI SA 2019 representing shares in ATARI SA, France, deposited with Mangold Fondkommission AB (publ)

*This "General Terms and Conditions of Swedish Depository Receipts in Atari SA" is, in all essential respects, a translation of the Swedish General Terms and Conditions of Swedish Depository Receipts representing shares in Atari SA, deposited with Mangold Fondkommission AB (publ) (Allmänna villkor för depåbevis i Atari SA). In the event of any difference between this translation and the Swedish original, the Swedish version shall govern.*

ATARI SA (hereinafter referred to as the "**Company**") has commissioned Mangold Fondkommission AB (publ) (hereinafter referred to as "**Mangold**") to hold shares in the Company (hereinafter referred to as the "**Shares**") in a custody account for the benefit of Depository Receipt Holders and to issue one Swedish Depository Receipt (hereinafter referred to as the "**SDR**") for each deposited Share in accordance with these General Terms and Conditions. The SDRs shall be registered at Euroclear Sweden AB (hereinafter referred to as "**Euroclear**") and listed on the Nasdaq Stockholm First North (hereinafter referred to as "**Nasdaq First North**").

### 1. Deposit of Shares and registration, etc.

- 1.1 The shares, represented by share certificates or by registering in the Company's share register, may be deposited with depository receipts holders (hereinafter "**Depository Receipt Holders**") on behalf of Mangold or with a sub-custodian appointed by Mangold on behalf of Mangold (hereinafter referred to as "**Sub-Custodian**"), in which case Mangold or the nominee appointed by Mangold shall be registered as owner of the Shares in the Company's share register held in France. These General Terms and Conditions apply to the deposit of Shares and the issuance of SDRs.
- 1.2 For each deposited Share, Mangold shall issue one SDR. Mangold will not accept deposits of fractions of Shares or an uneven number of any other fractional rights.
- 1.3 Mangold and the Sub-Custodian may refuse to accept Shares for deposit under these General Terms and Conditions if and when the Company, under French, Swedish or any other applicable law, has notified that the Company has restricted the possibility to transfer such Shares for the purpose to comply with any restrictions in the ownership or transfer under any applicable law.
- 1.4 The SDRs shall be registered in a Swedish CSD register maintained by Euroclear (hereinafter referred to as the "**Euroclear Register**") in accordance with the Central Securities Depositories and Financial Instruments Accounts Act (SFS 1998:1479). Thus, physical securities representing the SDRs will not be issued.

### 2. Deposit and Withdrawal of Shares

- 2.1 Provided that there are no restrictions pursuant to Swedish, French or any other applicable legislation or authority decisions and provided that all taxes and fees that may be payable in connection with the deposit of Shares have been paid, Shares may be transferred for deposit to Mangold in accordance with these General Terms and Conditions together with required instructions to Mangold by delivering the name, address, Euroclear account number (hereinafter "**VPC Account**") on which SDRs are to be registered, details of bank (name, telephone and e-mail) and other information and documentation required according to Swedish, French or other applicable legislation.
- 2.2 Provided that there are no restrictions pursuant to Swedish, French or other applicable legislation or authority decisions, Mangold shall without delay, at the request of the Depository Receipt Holder, ensure that the Depository Receipt Holder is registered (Sw. *direktregistrerad*) as the owner in the Company's share register, in accordance with Section 1.1 above, for the



number of Shares corresponding to the Depository Receipt Holder's holding of SDRs. Such registration must take place as soon as the relevant SDRs have been deregistered in the Euroclear Register.

**2.3** Deposit and withdrawal of Shares pursuant to this Section 2 may only be made via Mangold.

**2.4** Mangold is entitled to compensation in advance from a Depository Receipt Holder for all fees and costs in connection with deposit and withdrawal pursuant to Section 2.1 and Section 2.2 above, in accordance with the price list applied by Mangold from time to time.

**2.5** Deposit and withdrawal of Shares pursuant to Section 2, may not be allowed during a period, decided by Mangold and the Company and that the Depository Receipt Holder has been informed.

### **3. Transfer and pledging, etc.**

**3.1** Shares that are deposited cannot be transferred or pledged in any other way than by transferring or pledging the SDRs. The transfer and pledge of SDRs shall be in accordance with applicable Swedish law. The authority to transfer or pledge SDRs, as well as verifying the legal owner or pledgee to the SDRs, shall be made in accordance with the provisions in the Financial Instruments Accounts Act (1998:1479) (Sw. *Kontoföring av finansiella instrument*).

### **4. Listing of SDRs**

**4.1** The SDRs plans to be listed on the Nasdaq First North. In case the SDRs are de-listed from the Nasdaq First North, the Company shall as soon as possible inform Mangold and the Depository Receipt Holders. The Depository Receipt Holders shall be informed in accordance with Section 10 below.

### **5. The Depository Receipt Holders rights**

Mangold and the Company shall act in the case it deems appropriate and practically possible, and in accordance with applicable legislation, to assure that the Depository Receipt Holder have the opportunity to exercise rights in relation to the Company in the same way as would normally accrue to shareholders in the Company.

### **6. Record Date**

**6.1** Mangold shall, in consultation with the Company and Euroclear and in accordance with applicable legislation, decide upon the date (hereinafter "**The Record Date**") which shall be applied for the determination of which Depository Receipt Holders, who in relation to Mangold, are authorized to:

- i. receive dividends in cash, rights or other property;
- ii. attend and vote at general meetings in accordance with applicable French law;
- iii. receive Shares in connection with dividend in form of shares;
- iv. subscribe for shares, warrants, loans or other securities in connection with new issues; and
- v. otherwise exercise the rights that normally accrue to shareholders in the Company.

**6.2** It is the Company's and Mangold's intention that the Record Date, to the extent appropriate, practically possible and in accordance with applicable legislation, shall be the same date as the record date in France.

### **7. Dividends and taxes, etc.**

**7.1** The dividend that Mangold receives as issuer of the SDRs shall be distributed by Mangold in accordance with this Section 7.

**7.2** The payment of dividends shall take place to those persons who, on the Record Date, are registered in the Euroclear Register as Depository Receipt Holders or rights holders in respect of Dividends. The payment of dividends shall take place in Swedish kronor (hereinafter "**SEK**").

**7.3** In conjunction with every distribution, Mangold shall, in consultation with the Company, determine the date of the payment of Dividends ("**Payment Date**"). If Mangold receives dividend from the Company in another currency than SEK, Mangold shall, prior to payment of



dividend taking place, convert such dividends into SEK in accordance with the exchange rates from time to time, which shall be set in accordance with public market rates, prior to payment taking place. The conversion of foreign currency into SEK shall take place at the earliest seven (7) and no later than three (3) banking days before the Payment Date. The dividend amount distributed per SDR will be rounded down to the nearest whole öre.

- 7.4** Payment of dividends to Depository Receipt Holders and holders of other securities according to the Euroclear Register shall be made on the Payment Date through Euroclear and in accordance with the rules and regulations applied by Euroclear from time to time.
- 7.5** If dividend is paid to a receiver who is not the authorised recipient of dividends, Mangold and the Company shall nevertheless be deemed to have fulfilled their respective obligations, with exception if Mangold or the Company was aware that the dividend was paid to a person who was not authorised to receive the dividend, or if Mangold failed to exercise normal or reasonable care which, in consideration of the circumstances, should have been exercised, or if the payment cannot be claimed due to the recipient being a minor or because a nominee has been appointed for the recipient and such nominee assignment includes the receipt of the dividend.
- 7.6** Mangold shall, on request from a Depository Receipt Holder, provide any information that Mangold has in its possession in order for the Depository Receipt Holder to enjoy such benefits as are granted pursuant to the applicable double taxation treaty.
- 7.7** The payment of dividends to Depository Receipt Holders shall be made without any deduction of any costs, fees, or equivalents thereto which are related to the Company, Mangold, the Sub-Custodian or Euroclear. However, deductions shall be made for Swedish preliminary income tax, or other taxes which are to be withheld pursuant to Swedish law or agreements with foreign tax authorities as well as for any taxes which may be imposed pursuant to Swedish, French or applicable law.
- 7.8** In conjunction with payment of dividends to Depository Receipt Holders, the Company, Mangold, the Sub-Custodian or any other party shall withhold and pay to the tax authorities in France any required tax amount, should there be any such taxes imposed. In the event the Company, Mangold or the Sub-Custodian or representatives or agents of the foregoing determine that dividends in cash, shares, rights, or other property are subject to taxation or other public fees which must be withheld, the Company, Mangold, the Sub-Custodian or representatives or agents of any of the foregoing shall be entitled to withhold cash amounts or sell all or part of the property as is financially and practically necessary to sell in order to be able to pay those taxes and fees. The remaining proceeds, following deduction of taxes and fees, shall be paid by Mangold to the Depository Receipt Holders who are entitled thereto. Depository Receipt Holders shall be liable for deficiencies which may arise in conjunction with sale pursuant to the above.
- 7.9** If Mangold receives dividends in another form than in cash, Mangold - after consultation with the Company - shall decide on how such dividends shall be transferred to eligible Depository Receipt Holders. This may result in the property being sold and that the sales proceeds after deduction for sales costs and taxes are paid to the Depository Receipt Holders.
- 7.10** If the Shareholder have the right to choose dividends in cash or in any other form, and it is not practically possible to give the Depository Receipt Holder such opportunity, Mangold shall have the right to decide, for the account of the Depository Receipts Holder that such dividend shall be paid in cash.

## **8. Bonus issues, splits, reversed split, new share issues**

- 8.1** Mangold, or the Sub-Custodian appointed by Mangold pursuant to Section 1.1 above, shall as soon as possible, accept receipt of Shares in the event of a bonus issue, split or reverse split, and be registered in the Company's share register and issue the corresponding number of SDRs to Depository Receipt Holders so entitled and shall carry out any adjustments to the SDRs to reflect any such adjustments and take the necessary registration measures on the VPC Account belonging to the Depository Receipt Holder entitled to such Shares. If the





distribution of Shares is not practicable, Section 7.9 above shall apply. Corresponding registration measures shall be taken in connection with a merger of Shares.

- 8.2** Persons who, on the Record Date, has been registered in the Euroclear Register as a Depository Receipt Holder or rights holder regarding the current measure shall be entitled to receive SDRs representing new Shares which have been issued as a result of the dividend in the form of Shares, a bonus issue with the issue of Shares or a split. If the recipient of the SDR has not been authorised to receive new SDRs, the provisions set forth in Section 7.5 above shall apply in a corresponding manner.
- 8.3** If the Company decides on a new issue of Shares, convertible loans, warrants, or other shareholders' rights associated with the Share, Mangold shall inform the Depository Receipt Holders thereof and the essential conditions for the new share issue, the convertible loans, the warrants or other rights. Such information shall be attached to the application form in which Depository Receipt Holders may instruct Mangold to subscribe for Shares, convertible loans, warrants or otherwise utilize other rights. Where Mangold, in accordance with the Depository Receipt Holder's instructions, subscribes for and allocates Shares, convertible loans, warrants or other rights, Mangold shall, to the extent feasible, ensure that the equivalent registrations are carried out on the respective Depository Receipt Holder's VPC Account. If such registrations cannot be carried out on the respective Depository Receipt Holder's VPC Account, meaning that such financial instruments or rights would not be dematerialised form, Mangold shall ensure that the Depository Receipt Holder is in other ways ensured the ownership of the relevant instruments or rights or is compensated in cash.
- 8.4** If a Depository Receipt Holder does not instruct Mangold to exercise any of the rights set forth under section 8.3 above, Mangold shall be entitled to dispose such rights on behalf of the Depository Receipt Holders and to pay the proceeds to the Depository Receipt Holder following deduction for costs and any fees and taxes.
- 8.5** If the Depository Receipt Holder is entitled to, or receives, a number of fractional rights or other fractional rights that do not entitle the holder to receive a whole number of Shares, participation in a new issue of Shares, subscription of convertible loans, warrants, or other rights, Mangold shall have the right to dispose such excess of fractional rights, preferential rights, etc. and pay the proceeds of such disposal to the Depository Receipt Holder or the rights holder following deduction of costs and any fees and taxes.
- 9. Participation at shareholders' meetings, etc.**
- 9.1** Mangold and the Company shall take actions to enable Depository Receipt Holders to attend at the Company's general meetings in accordance with applicable French law.
- 9.2** The Company shall, in consultation with Mangold and in accordance with the time frames that apply in accordance with the applicable French law, notify the Depository Receipt Holders of the general meeting. The notice shall, according to Section 14 below, be sent by regular mail to the person entitled to participate in the general meeting in accordance with French law. The notice shall include (i) time and location for the general meeting and the agenda for the general meeting, (ii) a reference to the Company's website for the instructions regarding any measures to be taken by the Depository Receipt Holders in order to be able to vote at the general meeting, and (iii) reference to the Company's website for the information on the convening notice in full and other applicable material.
- 9.3** Prior to the general meeting, Mangold shall ensure that proxies, with the right to authorise a person to attend and vote for a Depository Receipt Holder, are issued for the benefit of the Depository Receipt Holders who have notified their intention to attend the general meeting, to enable such proxy holder to represent Mangold (as registered owner of the Shares on behalf of the Depository Receipt Holder) at the general meeting for the number of Shares represented by the SDRs held by such Depository Receipt Holder. Furthermore, Mangold and the Company shall ensure that proxy forms are available to those Depository Receipt Holders who have notified their intention to attend the general meeting in order to enable them to authorise a third party to represent them at the general meeting. Such authorisations received by Mangold shall be sent to the Company together with a list of the Depository Receipt Holders for whom a proxy has been issued.
- 9.4** According to the Company's articles of association and French law, shares can carry double voting rights under certain circumstances. Mangold takes no responsibility for the Depository





Receipt Holder's possibility to request for such double voting rights as it is the responsibility of the Depository Receipt Holder to submit such request to the Company for each SDR held.

- 9.5** Mangold undertakes not to represent Shares for which Depository Receipt Holders have not notified their intention to participate at the general meeting neither in person nor by proxy.

#### **10. Information to Depository Receipt Holders**

- 10.1** Mangold shall, on the instructions of the Company and in the manner set forth in Section 14, send the information, which Mangold receives from the Company as the registered shareholder, to the Depository Receipt Holders. Upon request from a Depository Receipt Holder, Mangold shall always send such information to such Depository Receipt Holder by regular mail to the address registered in the Euroclear Register. The Company's intention is to provide all information in French and English.
- 10.2** The Company shall, on request from a Depository Receipt Holder, ensure that the Company's annual report is sent to the Depository Receipt Holder. The Company shall also publish stock market information the rules applicable to companies traded on Euronext and Nasdaq First North.

#### **11. Mangold's fees**

Mangold's costs and fees for its assignment and for Euroclear's services shall be borne by the Company unless otherwise set forth in these General Terms and Conditions.

#### **12. Replacement of custodian bank**

- 12.1** In the event that the Company decides to retain another securities institution as a custodian instead of Mangold, Mangold shall transfer all of Mangold's rights and obligations vis-à-vis to Depository Receipt Holders pursuant to these General Terms and Conditions and deliver the Shares to the new custodian bank. The replacement of the custodian bank must be submitted to Euroclear for approval and shall commence not earlier than three (3) months after which notification (regarding change of custodian bank) has been sent by regular post to the Depository Receipt Holders, or an announcement to that effect was published in a Swedish daily newspaper with nationwide coverage according to Section 14 below. When the change of custodian bank is made pursuant to this Section 12, Depository Receipt Holders shall be deemed to have agreed to a transfer of the rights and obligations between the Depository Receipt Holders and Mangold to the Depository Receipt Holders and the new custodian bank.
- 12.2** If Mangold has applied for, or is otherwise subject to a reorganisation, bankruptcy, liquidation or other similar procedure, the Company may, in consultation with Mangold, accelerate the process of changing the custodian bank, if that is in all of the Depository Receipt Holders' interest.

#### **13. Conversion of SDR to directly owned shares in Euroclear Register etc.**

If the Company decides that there are conditions to, instead of SDRs, list shares in the Company at Nasdaq First North and if there are also conditions for registering the shares in the Company directly in the Euroclear Register, Mangold owns in accordance with the Swedish Central Depositories and Financial Instruments Accounts Act (1998: 1479) to register the respective Depository Receipt Holder's holdings that correspond to its holding of SDRs and to simultaneously cancel these SDRs. Mangold shall, in good time prior to such registration with cancellation, send out information to the Depository Receipt Holders regarding direct registration of the shares in the Company.

#### **14. Notifications**

Mangold shall ensure that notices to Depository Receipt Holders pursuant to these General Terms and Conditions, directly or indirectly, are provided to Depository Receipt Holders and holders of other rights who are registered in the Euroclear Register notices in accordance with the routines applied by Euroclear from time to time. Mangold has, as an alternative to sending the notice by regular post, the right to publish the notice in at least one Swedish daily newspaper with nationwide coverage, provided the Company has given its written consent to such procedure. The information must also be submitted to Euronext and Nasdaq First North.

#### **15. Amendments to these General Terms and Conditions**

Mangold shall be entitled to amend these General Terms and Conditions where such amendments is necessary in order for the General Terms and Conditions to comply with Swedish, French or other applicable law, decisions by governmental authorities or



amendments to Euroclear's or Nasdaq First North's rules and regulations. Mangold, in consultation with the Company, are entitled to amend these General Terms and Conditions if it is deemed appropriate or necessary for other reasons, provided in all cases that the Depository Receipt Holders' rights are in no way materially prejudiced. Mangold shall notify the Depository Receipt Holders regarding any potential amendments to these General Terms and Conditions in the manner set forth in Section 14 above.

#### **16. Information regarding Depository Receipt Holders**

- 16.1** Mangold retains the right to request information from Euroclear regarding the Depository Receipt Holders from the Euroclear Register and to forward such information to the Company regarding the Depository Receipt Holders and their holdings.
- 16.2** According to the Company's articles of association and French law, the Company has the right to request certain information that Euroclear cannot provide regarding Depository Receipt Holders and the underlying Depository Receipt Holders. The Company is aware and acknowledge the limitations to receive such additional information regarding Depository Receipt Holders and the underlying Depository Receipt Holder in the Euroclear Register and waive such right to request any additional information that is not registered in Euroclear.
- 16.3** Furthermore, Mangold is entitled to provide information regarding the Depository Receipt Holders to the person who fulfils the registration information regarding Shares and governmental authorities, provided that the obligation to provide such information is prescribed by Swedish or foreign law, statute or a decision by a governmental authority. Depository Receipt Holders are obliged, upon request from Mangold, to provide such information to Mangold.
- 16.4** Mangold and the Company shall be entitled to provide information regarding the Depository Receipt Holders and their holdings to governmental authorities in connection with repayment or refunding of paid taxes or when subject to any tax audit to the extent such is necessary.
- 16.5** Mangold and the Company are entitled to provide and publish information regarding the Depository Receipt Holders to the extent required by the Nasdaq First North or pursuant to applicable rules and regulations in Sweden or any other country.

#### **17. Limitation of liability**

- 17.1** Unless, as set forth in Section 17.2 below, Mangold is responsible for the damages caused to a Depository Receipt Holder due to Mangold's, the Sub-Custodian's or the Company's lack of normal care or reasonable action in the performance of its assignment according to these General Terms and Conditions. Mangold is however not responsible for indirect damages or consequential loss or damage.
- 17.2** Mangold is not liable for any loss or damage which is due to of Swedish or foreign legislation, measures adopted by a Swedish or foreign governmental authority, acts of war, strikes, blockades, boycotts, lockouts, or other similar circumstances. The reservation with respect to strikes, blockades, boycotts, and lockouts shall apply notwithstanding that Mangold, the Sub-Custodian or the Company itself adopts, or is an object of, such measures.
- 17.3** If Mangold, the Sub-Custodian or the Company is prevented from effecting payment or other measures due to circumstances outside of Mangold's or the Company's control, such measure may be postponed until the impediment ceases.
- 17.4** Neither Mangold, the Company nor Euroclear shall be liable for any loss or damage incurred by the Depository Receipt Holders by reason that dividend, rights, notices or other right, that the shareholders in the Company are entitled to, by technical, legal or other reasons beyond the above-mentioned parties' control, cannot be distributed or transferred to the Depository Receipt Holders registered in the Euroclear Register.
- 17.5** In the case of the responsibilities of Euroclear according to this General Terms and Conditions, Euroclear is not liable for indirect damage or consequential damages. Furthermore, Euroclear is not liable for loss or damages due to of Swedish or foreign legislation, measures adopted by a Swedish or foreign governmental authority, acts of war, strikes, blockades, boycotts, lockouts, or other similar circumstances. The reservations regarding strike, blockade, boycott or lockout apply even if Euroclear itself takes or is subject to such measures.



**17.6** Provided that the Company has acted with normal care, the Company shall not be liable for any damages that may arise due to Mangold acting or failed to take any action, with negligence.

### **18. Termination, etc.**

**18.1** Mangold is entitled to terminate the deposit of Shares according to these General Terms and Condition by notice of termination to a Depository Receipt Holder pursuant to Section 14 above, where:

- i) the Company resolves that the SDRs shall be delisted from Nasdaq First North or corresponding market place;
- ii) the Company resolves that the Shares in the Company no longer shall be represented by SDRs governed by these General Terms and Conditions;
- iii) Euroclear terminates the Agreement regarding registration of SDRs;
- iv) the Company or a third party applies for reorganisation, bankruptcy, liquidation, or other similar procedure;
- v) the Company has failed to fulfil payment of expenses and fees according to Section 11 above, for more than 30 days after the expiry date;
- vi) the Company materially breaches its obligations vis-à-vis Mangold; or
- vii) the custodian agreement between the Company and Mangold is terminated and a new custodian bank has not been retained in the manner stated in Section 12 within six (6) months after termination.

**18.2** If case of notice of termination pursuant to Section 18.1, these General Terms and Conditions shall continue to apply for a period of notice of six (6) months from the date the notice was sent or published in a Swedish daily newspaper with nationwide coverage, in accordance with Section 14 above, unless the SDRs have been delisted by Nasdaq First North. In the notice of termination to the Depository Receipt Holders, Mangold shall set forth the record date upon which Mangold will de-register all the SDRs in the Euroclear Register. Mangold shall transfer the Shares as instructed by the Depository Receipt Holder or as otherwise agreed with the Depository Receipt Holder. In the event where (i) the Depository Receipt Holder have not provided a transfer instruction with a designated custodian account, (ii) it is not practically possible to transfer the Shares in accordance with the transfer instruction by the Depository Receipt Holder, or (iii) an agreement has otherwise not been reached, Mangold is entitled to sell the underlying Shares. The Depository Receipt Holders shall be entitled to the proceeds of the sale following deduction for reasonable costs, fees and taxes. The amount shall be paid to the cash account linked to the respective Depository Receipt Holder's VPC Account, or in the absence of such a cash account, in the form of a payment notice. No interest shall accrue on the amount.

### **19. Applicable law**

**19.1** These General Terms and Condition as well as those of Mangold issued SDRs shall be regulated by Swedish law.

### **20. Disputes**

**20.1** Disputes concerning these General Terms and Conditions or related to the legal relationships shall be adjudicated by a court of general jurisdiction and the action shall be brought before the Stockholm District Court (Stockholms tingsrätt), Sweden.

## TAX CONSIDERATIONS

### General

The following summary outlines certain Swedish tax consequences that may arise as a result of the acquisition, ownership and disposal of SDRs in the Company. The summary is based on the laws of Sweden in effect as of the date of this Company Description and is intended to provide general information only. The summary is not exhaustive and does not address all potential aspects of Swedish taxation that may be relevant for a potential investor in the SDRs and is neither intended to be nor should be construed as legal or tax advice. Specific tax consequences may be applicable to certain categories of corporations, e.g. investment companies, investment funds and insurance companies. Certain rules regarding tax exemption due to so called business-related shares is not described below. Investors should consult their professional tax advisers regarding the Swedish and foreign tax consequences (including the applicability and effect of double taxation treaties) of acquiring, owning and disposing of SDRs in their particular circumstances.

### Resident holders of SDRs in the Company

As used herein, a resident holder means a holder of SDRs who is (a) an individual who is a resident in Sweden for tax purposes and thereby liable to pay taxes on an unlimited basis, i.e. on all income regardless of source, or (b) an entity organized under the laws of Sweden.

From a Swedish perspective, income stemming from the disposal or ownership of SDRs is considered as capital income. As a main rule, all income derived from capital income assets, e.g. capital gains from SDRs or dividends, will be taxable for Swedish corporations and private individuals. Capital losses may in turn be deductible.

Generally, private individuals are taxed at a flat tax rate of 30 percent on capital gains.

Generally, Swedish corporations are, as of January 1st 2019, taxed at a flat tax rate of 21,4 percent on all income, including capital gains.

Capital gains or losses are calculated as the difference between the sales proceeds less sales expenditure and the acquisition cost (costs related to acquisition and improvements) for the SDRs sold. The acquisition cost is calculated according to the so called average method, meaning that the acquisition cost is calculated as the average acquisition cost for all SDRs of the same type. The result of that calculation shall be taxed as income from capital. An alternative method to calculate the acquisition cost is in accordance with the standardized method, according to which the acquisition cost shall be 20 percent of the sales proceeds after deduction for sales expenditure.

### Non-resident holders of SDRs in the Company

As used herein, a non-resident holder means a holder of SDRs who is (a) an individual who is not a resident of Sweden for tax purposes and who has no and has not had any connection to Sweden other than his/her investment in the SDRs, or (b) an entity not organized under the laws of Sweden and which does not conduct any business activities from a permanent establishment in Sweden.

Capital gains and dividends stemming from SDRs to a non-resident holder should not be subject to Swedish income tax provided that such holder does not conduct business activities from a permanent establishment in Sweden to which the SDRs are attributable.

Because the Company is not a Swedish company, no withholding tax should be imposed on payments stemming from SDRs to a non-resident holder.

Notwithstanding the above, a private individual may be liable to pay taxes in Sweden on a limited basis even if he/she is not resident in Sweden, providing that he/she has been resident in Sweden or has lived permanently in Sweden at any time during the calendar year of, or the ten calendar years preceding, a disposal or redemption of certain financial instruments, depending on the classification of the particular financial instrument for Swedish income tax purposes. This liability may however, be limited by tax treaties between Sweden and other countries.



## ARTICLES OF INCORPORATION AND BY-LAWS

The English language version of this report is a free translation from the original, which was prepared in French and is available on the company's corporate website (<https://www.atari-investisseurs.fr/wp-content/uploads/2018/09/Statuts-ATARI-SA-2018-04-20.pdf>). In the event of any inconsistencies between the original language version of the document in French and the English translation, the French version will take precedence.

### SECTION I

#### **FORM - PURPOSE - NAME - PRINCIPAL OFFICE - LIFE - FISCAL YEAR**

##### ARTICLE 1 - FORM

A French corporation (*société anonyme*) is hereby formed between the owners of the shares created below and those which may be created hereafter, governed by the French Commercial Code, the Decree of March 23, 1967, all other statutory and regulatory provisions in force, and by these articles of incorporation and bylaws.

The company satisfies the conditions of Article L 224-2 of the French Commercial Code.

##### ARTICLE 2 - PURPOSE

The corporate purpose of ATARI in France or abroad, directly or indirectly, is:

- the design, production, publishing and distribution of 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;
- the purchase, sale, supply and more generally distribution of all products and services related to the foregoing;
- the creation, acquisition, use and management of intellectual and industrial property rights or other *in rem* and *in personam* rights, including by means of assignment, licensing, patents, trademarks and other copyrights;
- the acquisition, the search of partnerships and the acquisition of interests in other firms, 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, more generally, any transactions with a purpose similar or related to the foregoing, or otherwise likely to benefit the company.

##### ARTICLE 3 - NAME

The name of the company is:



## "ATARI"

On all instruments, invoices, announcements, publications and other documents originating with the company, the name of the company must always be preceded or followed by the words "*société anonyme*" or the initials "SA", in legible print, and the amount of the company's stated capital.

### ARTICLE 4 - PRINCIPAL OFFICE

The principal office of the company is at 78 Rue Taitbout, 75009 PARIS France.

It may be moved to any other place in the same department (*département*) or in neighboring departments by a decision of the board of directors, subject to ratification by the next annual shareholders' meeting, and anywhere else by a resolution of a special shareholders' meeting.

### ARTICLE 5 - LIFE

The life of the company is set at 99 years, commencing with its registration in the Trade and Companies Register, absent early dissolution or extension as provided for in these articles of incorporation and bylaws.

### ARTICLE 6 - FISCAL YEAR

The fiscal year of the company commences on April 1<sup>st</sup> and ends on March 31<sup>st</sup> of each year.

## **SECTION II** **CAPITAL – SHARES**

### ARTICLE 7 – CAPITAL STOCK

Capital stock shall amount to 2,551,053.60 Euros.

It shall be divided into 255,105,360 shares with a nominal value of 0.01 euro each, fully issued and paid up.

### ARTICLE 8 - CHANGES IN CAPITAL

The capital of the company may be increased either by the issuance of new shares or by increasing the par value of outstanding shares.



New shares are paid up either in cash, by setting off due, liquid and payable claims on the company, by the capitalization of reserves, profits or share premiums, or by contributions in kind or the conversion of bonds.

The special shareholders' meeting has exclusive authority to decide that a capital increase will be carried out. It may delegate to the board of directors the powers required to complete the capital increase within the legally prescribed time period at one or more times, to set the terms thereof, to record completion thereof and to amend the articles of incorporation and bylaws accordingly.

A decision may be made to limit a capital increase to be subscribed for in cash to the amount of the subscriptions received, on the terms provided for by law.

In the event of a cash increase by the issuance of shares, a preemptive right in said shares is reserved to the owners of outstanding shares, on the terms provided for by law. However, the shareholders may individually waive their preemptive rights and the special shareholders' meeting which decides to increase the capital of the company may eliminate said preemptive right provided that it complies with the applicable legal requirements.

A special shareholders' meeting may also decide or authorize the board of directors to carry out a reduction of the capital of the company.

## ARTICLE 9 - OWNERSHIP AND FORM OF SHARES

Shares are either in registered or bearer form.

Ownership of shares is evidenced by their registration in an account in the name of the holder or holders.

In order to identify the holders of bearer shares, the company may at any time at its expense request the institution responsible for clearing transactions in shares to provide it with the individual or entity name, nationality, year of birth or formation, address and the number of shares granting a present or future right to vote at shareholders' meetings held by each shareholder, and any restrictions to which such shares may be subject, in accordance with the laws and regulations in force.

Based on the list submitted by the institution responsible for clearing transactions in shares, the company may request the information regarding shareholders set forth in the preceding paragraph from either the institution responsible for clearing transactions in shares or directly from the individual or entity included on said list whom the company feels may be acting as an intermediary on behalf of third-party shareholders.

With respect to registered shares, the company may also request any intermediary registered on behalf of third-party shareholders to disclose the identity of said shareholders.

For so long as the company feels that certain shareholders, whether bearer or registered, the identity of which has been disclosed to it, are acting on behalf of third-party shareholders, it shall have the





right to request the listed shareholders to disclose the identity of the actual shareholders as provided for above.

Upon receipt of the information set forth above, the company shall have the right to request from any legal entity which owns shares in the company which represents more than one fortieth of the company's capital or voting rights to disclose to the company all persons who directly or indirectly own more than one third of the stated capital or voting rights (which may be exercised at shareholders' meetings thereof) of said legal entity.

If a person who is the subject of a request in accordance with the provisions of this Article 10 fails to provide the information requested of him within the legally-specified period or provides incomplete or incorrect information regarding its capacity or the ownership of securities, shares or securities granting a present or future interest in the company's stated capital for which said person has been registered in an account shall have their voting rights suspended for any shareholders' meeting held prior to complete and correct information being provided. Payment of dividends shall also be suspended until such time.

Further, in the event that the listed person deliberately misconstrues the above provisions, the court with territorial jurisdiction over the location of the company's principal office may, at the request of the company or of one or more shareholders holding at least 5% of the company's share capital, order the voting rights and dividend payments of the shares for which said information has been requested to be suspended in whole or in part for a period which may not exceed five years.

In addition to the disclosures required by law, any natural person or legal entity, acting alone or with another, which should come to directly or indirectly hold or cease to hold at least 2% of the capital stock or voting rights of the company, or any multiple of that percentage, is required to notify the company thereof by certified letter, return receipt requested mailed to the principal office of the company within five trading days of the date on which any of these thresholds is exceeded, and to specify, in addition, the number of shares held by it which grant it a future claim on the capital of the company, and the number of voting rights attached thereto. Mutual fund management companies are required to provide this information for all of the shares of the company held by the funds which they manage.

At the request, set down in the minutes of the shareholders' meeting, of one or more shareholders who own at least 5% of the capital stock or voting rights of the company, failure to comply with this requirement shall be punishable by a prohibition on the exercise of the voting rights attached to the shares in excess of the percentage which should have been reported, effective the date of said meeting, and at any other shareholders' meeting convened within two years of the date on which breach of said reporting requirement is remedied.

#### ARTICLE 10 - RIGHTS ATTACHED TO SHARES

In addition to the voting right granted by law, each share has a right to a ratable portion of the profits and assets of the company.

Pursuant to Article L 225-123 of the French Commercial Code, a voting right which is double that attached to the other shares on the basis of the fraction of capital which they represent, is granted to all paid-up shares which can be shown to have been registered in the same shareholder's name for at least two years and all shares deriving from those shares.



In the case of a capital increase by means of the capitalization of reserves, profits or share premiums, a double voting right will be granted, at the time of issuance, to registered shares gratuitously allotted to a shareholder for those outstanding shares for which he possessed that right.

Any share converted into a bearer share or transferred to another owner loses its double voting right. However, transfer by way of inheritance, liquidation of community property or inter vivos gift to spouses or relatives who would take under the intestacy statutes shall not result in loss of said vested right and shall not toll the time period provided for in Article L 225-123 of the French Commercial Code.

Merger of the company with another company shall have no effect on the double voting right, which may be exercised within the acquiring company if its articles of incorporation and bylaws so provide.

All shares, which compose or shall compose the share capital of the company shall receive equal tax treatment.

Whenever more than one outstanding share must be held in order to exercise some right in the case of an exchange or allotment granting the right to new shares in exchange for delivery of more than one outstanding share, isolated shares or shares fewer in number than is required shall not grant the holder thereof any rights against the company, and the shareholders shall be personally responsible for consolidating the necessary number of shares.

Each member of the shareholders' meeting shall be entitled to a number of votes corresponding to the number of shares they own or represent. For a period of two years from the date of the reverse stock split decided by the board of directors on February 11, 2008, acting pursuant to authority granted to it by the special shareholders' meeting of November 15, 2006, all old shares before the reverse stock split shall entitle their holder to one vote and all new shares after the reverse stock split shall entitle their holder to 100 votes, so that the number of votes attached to the shares shall be consistent with the portion of capital which they represent.

## ARTICLE 11 - TRANSFER OR TRANSMISSION OF SHARES

### A - Form of transfer

Transfers or transmissions of shares are carried out with respect to the company and third parties by account-to-account transfer. The transfer is effected by production of a transfer order signed by the transferor and, where applicable, by an acceptance of said order signed by the transferee, particularly if the shares are not fully paid up.

Unless otherwise provided by law, certification by a broker or a notary and proof that the proxies are authentic may be required.

Gratuitous transmissions of shares or transmissions causa mortis are also effected by account-to-account transfer: change of ownership shall be documented as provided for by law.



## B - Divestitures and transmissions

Shares are freely negotiable unless otherwise provided by the applicable laws or regulations.

Shares for which due and payable calls have not been settled may not be transferred.

## C - Transmission causa mortis or as a result of liquidation of community property

- Transmission *causa mortis*

The transfer or transmission of inherited shares is not subject to any restrictions.

- Transmission as a result of liquidation of community property

In the event of a liquidation of community property as a result of divorce, legal separation or a change in the spouses' matrimonial regime, the award of community shares to a spouse or former spouse who was not a shareholder shall not be subject to any restrictions.

## ARTICLE 12 - INDIVISIBILITY - BENEFICIAL OWNERSHIP - LEGAL OWNERSHIP

Each share is indivisible with respect to the company.

Co-owners of indivisible shares are required to choose one of their number or a single legal representative to represent them. In the event of disagreement, the legal representative is appointed upon application by the first co-owner to apply, by order of the chief judge of the commercial court sitting in emergent proceedings. The voting right attached to the share belongs to the beneficial owner at annual shareholders' meetings and to the legal owner at special shareholders' meetings.

## **SECTION III**

### **BOARD OF DIRECTORS - MANAGEMENT**

## ARTICLE 13 - BOARD OF DIRECTORS

1 - The company is governed by a board of directors composed of at least three and no more than eighteen members, subject to the exceptions provided for by the French Commercial Code in the event of a merger.

2 - A legal entity may be appointed as a director. Upon appointment, it is required to designate a permanent representative who is subject to the same terms, conditions and obligations, and the same liabilities, as if he were a director in his own name, without prejudice to the liability of the legal entity whom he represents.



In the event that a legal entity removes its permanent representative, as in the case of the death or resignation of a representative, the legal entity is required to promptly notify the company and specify the identity of the new permanent representative.

3 - An employee of the company may be appointed a director in accordance with applicable laws and regulations.

4 - Directors are appointed or reappointed by the annual shareholders' meeting to three-year terms.

However, in the event of a vacancy as a result of the death or resignation of one or more directors, the board of directors may make temporary appointments between two annual shareholders' meetings. Those appointments are subject to ratification at the next annual shareholders' meeting.

Even if the shareholders' meeting fails to ratify the appointment of a director, the actions taken by that director and the resolutions passed by the board shall still be valid.

If the number of directors falls to less than three, an annual shareholders' meeting must immediately be called to fill the vacancies on the board.

A director appointed to replace another director shall only remain in office for the balance of his predecessor's term of office.

Only a shareholders' meeting may appoint a new member to the board as an addition to the members in office.

5 - No person who is older than seventy years of age may be appointed as a director if the effect of his appointment is to increase the number of members of the board of directors who are more than seventy years of age to more than one-third of the members of the board. If this fraction is exceeded as a result of a director in office reaching seventy years of age, the oldest director shall automatically be deemed to have resigned at the close of the next annual shareholders' meeting.

#### ARTICLE 14 - CHAIRMAN AND DELIBERATIONS OF THE BOARD OF DIRECTORS

1 - The board of directors appoints a chairman chosen from among its members who are natural persons. The chairman represents the board of directors and presides over its meetings. He organizes and directs the board's activities and reports thereon to shareholders' meetings. The chairman is responsible for the successful performance of the company's governing bodies and, in particular, is responsible for ensuring that the directors are able to perform their duties.

The chairman is appointed for his entire term as a director. He may be removed at any time by the board of directors.

If it deems useful, the board of directors may elect one or more vice-chairmen from among its members who are natural persons.



In addition, the board appoints a secretary who need not be a director or a shareholder.

In the event that the chairman is absent and, where applicable, the director temporarily appointed as acting chairman and the vice-chairman or vice-chairmen are also absent, the board shall appoint one of its members who is present to preside over the meeting. If the secretary is absent, the board of directors appoints one of its members or a third party to replace him.

The chairman, the vice-chairman or vice-chairmen and the secretary are always eligible for re-appointment.

No person who is more than 65 years of age may be appointed as chairman of the board of directors. Furthermore, if the current chairman reaches the age of 65, he shall automatically be deemed to have resigned at the close of the next meeting of the board of directors.

2 - The board of directors convenes, upon notice from the chairman, as often as the interests of the company require. At least one-third of the members of the board may request the chairman to call a meeting of the board if it has not met within more than two months, and shall draft the agenda for the meeting. If necessary, the chief executive officer may request the chairman to call a meeting of the board of directors to address a specific agenda.

3 - Any director may attend, participate in and vote at meetings of the board of directors by videoconference or other means of telecommunications, as provided for by the regulations applicable at that time. In order to guarantee, as required by article L. 225-37 of the French Commercial Code, the effective identification and participation in board meetings of those directors who participate by videoconference or other means of telecommunications, the systems used shall transmit at least the participants' voices and shall have the technical ability to provide for the uninterrupted and simultaneously transmission of the proceedings.

4 - Board proceedings shall be recorded in minutes entered in a special register and signed by the chairman of the meeting and at least one director.

Copies or extracts of said minutes are certified by the chairman of the board of directors, the chief executive officer, a deputy chief executive officer, the director temporarily appointed as acting chairman, the secretary, or an attorney-in-fact authorized for that purpose.

5 - Based on a nomination by its chairman, the board of directors may appoint one or more non-voting members ("*censeurs*") to ensure compliance with the articles of incorporation and by-laws and to submit recommendations to the board of directors. The non-voting member(s) shall attend meetings of the board of directors in a consultative capacity and shall not be entitled to compensation.

## ARTICLE 15 - POWERS OF THE BOARD OF DIRECTORS - MANAGEMENT

The board of directors shall determine the focus of the company's strategy and ensure the implementation thereof. Subject to the powers expressly reserved by law to shareholders' meetings and within the scope of the company's purpose, the board is responsible for all matters related to the successful operation of the company and governs the company's affairs. The board of directors shall conduct the inspections and verifications that it deems appropriate.



Based on a decision of a majority of the members of the board of directors present or represented, the company shall be managed by the chairman or by another natural person, who shall hold the position of chief executive officer, appointed by the board of directors. The board of directors shall determine how the company shall be managed; the type of management selected by the board shall be used for a period of not less than one year.

The chairman or the chief executive officer, as appropriate, shall represent the company in its dealings with third parties.

Subject to the powers expressly reserved by law to shareholders' meetings and specially reserved for meetings of the board of directors, and within the scope of the company's purpose, the chairman or chief executive officer, as appropriate, shall enjoy the broadest powers to act in all circumstances in the company's name.

The company shall also be bound by the actions of the chairman or chief executive officer, as appropriate, which do not fall within the scope of the company's purpose unless he can demonstrate that the third party involved knew that the action fell outside said scope or that it must have known in light of the circumstances. The simple publication of the articles of incorporation and by-laws shall not constitute sufficient proof thereof.

The provisions of the articles of incorporation and by-laws and the decisions of the board of directors, which limit the powers of the chairman or chief executive officer, as appropriate, shall not be binding on third parties.

If the chief executive officer is not also a director, he may attend board meetings in a consultative capacity.

If the chief executive officer is a director, his term as chief executive officer may not exceed his term as director.

If the chairman or chief executive officer, as appropriate, is temporarily unable to perform his duties, the board of directors may appoint a director to act as chief executive officer.

Based upon a proposal by the chairman or chief executive officer, as appropriate, the board of directors may appoint one or more deputy chief executive officers to assist him. Said individuals may be board members. The board may not appoint more than five deputy chief executive officers.

No person older than 65 years of age may be appointed as deputy chief executive officer. If a deputy chief executive officer reaches this age limit, he shall automatically be deemed to have resigned at the close of the next meeting of the board of directors.

The board of directors shall determine the scope and duration of the authority of the deputy chief executive officers, with the consent of its chairman or the chief executive officer, as appropriate. Deputy chief executive officers must report on their activities to the chairman or to the chief executive officer, as appropriate.



The deputy chief executive officers have the same power as the chairman or chief executive officer, as appropriate, with respect to third parties and the general management of the company.

If a deputy chief executive officer is not also a director, he may attend board meetings in a consultative capacity.

The term of office of the deputy chief executive officers may not exceed the term of the chairman or chief executive officer, as appropriate. However, the terms of the deputy chief executive officers may be renewed. In the event of the death, resignation or dismissal of the chairman or chief executive officer, as appropriate, the deputy chief executive officers shall continue in office until the appointment of a new chairman or chief executive officer, as appropriate, unless the board decides otherwise.

If a deputy chief executive officer is also a director, his term as deputy chief executive officer may not exceed his term as director.

The board of directors sets the amount of the fixed or proportional compensation of the chairman, the chief executive officer, and the deputy chief executive officer(s).

The chairman or chief executive officer, as appropriate, and any of the deputy chief executive officers are permitted, under their own authority, to delegate their powers or appoint others to replace them with respect to one or more specific transactions or categories of transactions.

The purpose of the board of directors' internal rules is to establish, in addition to the company's articles of incorporation and bylaws and in accordance with applicable laws and regulations, how the board of directors is to be organized and operate. The rules set forth the eligibility and independence criteria applicable to the directors and specify the rights and duties of the directors in the performance of their duties.

#### ARTICLE 16 - COMPENSATION OF MEMBERS OF THE BOARD

The directors are entitled to directors' fees, the annual, comprehensive amount of which is fixed by the shareholders' meeting and remains in effect until changed by the shareholders.

The board allocates said compensation among its members in such manner as it deems convenient.





## ARTICLE 17 - REGULATED AGREEMENTS AND UNDERTAKINGS

All agreements and undertakings, whether concluded directly or through an intermediary, between the company and the chief executive officer, a director, a deputy chief executive officer, a shareholder owning more than 10% of the voting rights, or in the case of a legal entity shareholder, the company which controls such a shareholder within the meaning of Article L 233-3 of the French Commercial Code, are subject to prior approval by the board of directors. The company's auditors shall be informed of any such decisions.

The same rules shall apply to agreements and undertakings in which any of the persons listed in the preceding paragraph have an indirect interest.

Agreements and undertakings between the company and another company are also subject to prior approval if a director, the chief executive officer, or a deputy chief executive officer of the company is an owner, partner, manager, director, member of the supervisory board ("*conseil de surveillance*") or, in general, a manager of said company. An interested party in any of the aforementioned categories must so inform the board of directors. The company's auditors shall also be informed.

The preceding provisions shall not apply to agreements related to the company's day-to-day activities that are concluded at arm's-length conditions. A list of such agreements and the purposes thereof shall be provided by the chairman to the members of the board of directors and to the auditors. A shareholder shall also have the right to receive a copy of said list and the purpose of such agreements in accordance with applicable law.

## **SECTION IV**

### **SHAREHOLDERS' MEETINGS - AUDITORS**

## ARTICLE 18 - GENERAL RULES

### 1 - Notices

All shareholders are entitled to participate in shareholders' meetings and shall be notified of such meetings in accordance with the law.

The shareholders convene each year in an annual shareholders' meeting at the time, place and on the day specified in the notice of the meeting, within the first six months following the end of the fiscal year, subject to extension of said time period by an order made by the chief judge of the commercial court upon application.

Annual shareholders' meetings called on a special basis and special shareholders' meetings may be called at any time of the year.

Except as provided for by law, shareholders' meetings are called by the board of directors.



Shareholders' meeting shall be held either at the company's principal office, or in the Rhone department or Paris.

The first notice is sent out at least fifteen, and the second at least six days in advance of the meeting by means of a notice in a gazette authorized to publish legal announcements in the department in which the principal office of the company is located, or by letter sent by regular mail to the last known address of each shareholder.

Any shareholders' meeting, which is irregularly called, may be invalidated. However, an action seeking invalidation shall not be admissible if all of the shareholders were present or represented.

## 2 - Agenda

The agenda is drawn up by the person who prepared the notice of the meeting. Where applicable, it contains proposals by one or more shareholders on the terms set by law.

When a meeting could not validly transact business for lack of a quorum, a second meeting is called using the same procedures as the first and the notice of the meeting shall include a reference to the date of the first shareholders' meeting.

## 3 - Composition of shareholders' meetings

Shareholders' meetings are composed of all of the shareholders, regardless of the number of shares they own.

A shareholders' meeting which has been duly called and convened represents all of the shareholders. Its decisions are binding on all of them, including dissenting shareholders, those under a legal disability and absentees.

Any shareholder satisfying the conditions required to participate in a meeting may be represented by a third party as provided for by law.

The right to participate in shareholders' meetings shall be contingent on the completion of all of the formalities required by applicable regulations.

## 4 - Conduct of shareholders' meetings

Shareholders' meetings are presided over by the chairman of the board of directors or by a director designated for that purpose by the board, failing which, by a person designated by the shareholders' meeting. In the event that a shareholders' meeting is called by the auditor, a court-appointed representative or a liquidator, the meeting is presided over by the person who called it.

The two members of the meeting with the largest number of votes shall act as tellers, provided that they agree. The officers of the meeting appoint a secretary, who need not be a shareholder.



An attendance sheet is kept, duly initialed by the shareholders present and the proxies of the shareholders represented by proxy, or certified by the officers of the meeting.

Each shareholder has as many votes as the shares he owns or is authorized to vote as a proxy, with no restriction other than those provided for by law.

For any proxy given by a shareholder which does not specify the name of the proxy, the chairman of the meeting shall cast a vote in favor of the proposed resolutions submitted or approved by the board of directors and a vote against all other proposed resolutions. A shareholder who wishes to cast his vote differently must choose a proxy who agrees to cast his vote in accordance with his wishes.

Shareholders have the right to cast their vote by mail at any and all shareholders' meetings.

Mail ballot and proxy forms, as well as attendance certificates may, if the board of directors so decides, be in electronic form, duly signed in accordance with applicable law and regulation.

For this purpose, the form may be completed and electronically signed on the Internet site provided by the registrar for the shareholders' meeting. The form may be signed electronically (i) by entering an identification code and a password, in a manner consistent with the provisions of the first sentence of the second paragraph of article 1316-4 of the Civil Code, or (ii) by any other means consistent with the provisions of the first sentence of the second paragraph of article 1316-4 of the Civil Code. Proxies submitted or votes cast by such electronic means at the shareholders' meeting, and, where applicable, receipts therefor, shall be considered irrevocable written documents that are enforceable against all persons, with the exception of transfers of shares, notice of which shall be given in accordance with article R.225-85 (IV) of the Commercial Code.

The board of directors may arrange, in accordance with applicable law and regulation, for shareholders to participate in and vote at meetings by videoconference or other telecommunications technology making it possible to identify them as prescribed by law and regulations. The board of directors shall ensure that the identification methods used are effective.

For the purpose of calculating the quorum and majority at a shareholders' meeting, shareholders participating in the meeting by means of videoconference or other telecommunications technology making it possible to identify them as prescribed by law and regulation shall be deemed present.

Deliberations are set down in minutes signed by the officers of the meeting and drawn up in accordance with the provisions of the law.

Copies of or extracts from said minutes are valid if certified by the chairman of the board of directors, the secretary of the shareholders' meeting, a chief executive officer who is also a director, or a liquidator.

## ARTICLE 19 - ANNUAL SHAREHOLDERS' MEETINGS

Annual shareholders' meetings vote on matters which do not fall under the authority of special shareholders' meetings.

Annual shareholders' meetings are duly convened and may validly transact business when at least one-fifth of the voting shares are represented. If a quorum is not reached, a new shareholders' meeting is called no fewer than six days after the first meeting. Resolutions adopted at the second meeting are valid regardless of the percentage of the capital stock present or represented, but the meeting may only consider some or all of the agenda for the first meeting.



To carry, resolutions require a majority of the votes of the shareholders present, voting by mail or by proxy at annual shareholders' meetings.

#### ARTICLE 20 - SPECIAL SHAREHOLDERS' MEETINGS

Special shareholders' meetings are empowered to make all amendments permitted by law to the articles of incorporation and bylaws. They may not, however, increase the shareholders' liability or change the nationality of the company other than by a unanimous decision of the shareholders.

Special shareholders' meetings are duly convened and may validly transact business if the shareholders present or represented by proxy at the meeting following the first notice own at least one-fourth and, at the meeting following the second notice, one-fifth of the voting shares; if this last quorum is not reached, the second meeting may be postponed to a date no more than two months after the date on which it was convened, subject to the exceptions provided for by law.

To carry, resolutions require a two-thirds majority of the votes of the shareholders present, voting by mail or represented by proxy at special shareholders' meetings.

#### ARTICLE 21 - AUDITORS

Annual shareholders' meetings appoint one or more auditors in accordance with the terms and conditions and with the assignment provided for by law, whose term of office expires at the close of the shareholders' meeting voting on the financial statements for the sixth fiscal year.

One or more alternate auditors, called upon to replace the auditors in the event of their death, resignation, refusal or unavailability, are appointed for the same term of office by the annual shareholders' meeting.

### **SECTION V**

#### **ANNUAL FINANCIAL STATEMENTS - PROFITS - RESERVES**

#### ARTICLE 22 - ANNUAL FINANCIAL STATEMENTS - MANAGEMENT REPORT

At the end of each fiscal year, the board of directors prepares a record of assets and liabilities, the annual financial statements and the consolidated financial statements in accordance with the applicable legal provisions.

Each year, the board of directors draws up a report on its management during the past fiscal year.



The annual financial statements, the consolidated financial statements, and the management report are provided to the auditors and approved by the annual shareholders' meeting in accordance with the applicable legal requirements.

#### ARTICLE 23 - APPROPRIATION OF PROFITS - RESERVES

The following are first appropriated from the profits for the year, less any losses from prior years:

- at least five percent of the profits, to form the legal reserve. This appropriation shall no longer be mandatory once the legal reserve reaches one-tenth of stated capital, but said appropriation shall resume if that fraction is no longer reached, for any reason whatever.
- all sums to be posted to reserves pursuant to the law.

The balance, plus retained earnings, constitutes the distributable profits, which the shareholders' meeting may allocate to the shares in the form of a dividend, appropriate to any reserve accounts or post to retained earnings.

Shareholders' meetings may in addition decide to distribute sums paid out of the reserves under their control. In that case, the decision shall expressly identify the reserve items out of which the appropriations are paid.

#### ARTICLE 24 - PAYMENT AND PREPAYMENT OF DIVIDENDS

Dividends are paid on such dates and at such places as may be determined by the shareholders' meeting, failing which, by the board of directors, within no more than nine months following the end of the fiscal year.

Prior to approval of the financial statements for the year, the board of directors may prepay one or more dividends.

Annual shareholders' meetings voting on the financial statements for the year may grant each shareholder an option between receiving payment in cash or in shares for some or all of the dividends or prepaid dividends set aside for distribution.

Any dividend that is not collected within five years of the date on which it is set aside for payment shall be forfeited in accordance with the law.



## **SECTION VI**

### **DISSOLUTION - LIQUIDATION - DISPUTES**

#### **ARTICLE 25 - DISSOLUTION**

##### **1 - Shareholders' equity less than one-half of stated capital**

If, as a result of losses recorded in the financial statements, the shareholders' equity in the company falls below one-half of stated capital, the board of directors is required within four months following approval of the financial statements reflecting said losses to call a special shareholders' meeting to vote on the early dissolution of the company.

If a decision is not made to dissolve the company, the company is required no later than the end of the second fiscal year following the year in which the losses were recorded, to reduce its stated capital by an amount no less than the amount of those losses which could not be set off by reserves if, within that time period, shareholders' equity has not been built back up to at least one-half of stated capital.

In all cases, the decision of the meeting is published in accordance with the regulations in force.

##### **2 - End of the life of the company as provided for by the articles of incorporation and bylaws**

At least one year before the end of the life of the company, the board of directors shall call a special meeting of the shareholders of the company in order to decide whether the life of the company should be extended. If the board fails to call said meeting, any shareholder, after having given formal notice which went unheeded, may apply to the chief judge of the commercial court to appoint a representative to call the meeting.

##### **3 - Early dissolution**

A special shareholders' meeting may dissolve the company in advance at any time.

#### **ARTICLE 26 - LIQUIDATION**

Special shareholders' meetings determine the method of liquidation, appoint the liquidator or liquidators, and fix their duties and compensation. Said appointment terminates the appointments of the directors and auditors.

Subject to the applicable legal restrictions, the liquidators have the broadest powers to dispose of all of the assets of the company and discharge its liabilities, including by private agreement. By virtue of a resolution of the special shareholders' meeting, they may transfer or agree to the sale of all of the property, rights and obligations of the dissolved company.



Following discharge of the company's liabilities, the net proceeds of liquidation are used to reimburse the unredeemed, paid up principal amount of the shares; the balance is distributed among the shareholders, in cash or in securities.

In addition, the instrument appointing the liquidators is published in the BALO. The same applies to the notice of the close of liquidation and any decision to distribute funds.

#### ARTICLE 27 - DISPUTES - ELECTION OF DOMICILE

Any dispute that may arise during the life of the company or its liquidation, either between the shareholders and the company or between the shareholders themselves, and which relates to or arises by reason of the affairs of the company, shall be referred to the courts of competent jurisdiction in accordance with the provisions of ordinary law.





## DOCUMENTS INCORPORATED BY REFERENCE

Atari's annual reports for the financial years 2016/17 and 2017/18 and the interim report for the period 1 April – 30 September 2018, form part of this Company Description and should be read as such. The financial reports can be found on Atari's investor relations webpage ([www.atari-investisseurs.fr/en/](http://www.atari-investisseurs.fr/en/)). The consolidated financial statements and annual financial statements for the financial years 2016/17 and 2017/18 have been audited by the Company's auditors and these financial statements together with the related audit reports are attached to the annual reports. The interim consolidated financial statements for the period 1 April – 30 September 2018 have been reviewed by the Company's auditors and these financial statements together with the related review report is attached to the interim report. In addition to Atari's audited consolidated financial statements and annual financial statements for the financial years 2016/17 and 2017/18 and the unaudited interim consolidated financial statements for the period 1 April – 30 September 2018, none of the information in this Company Description have been audited or reviewed by the Company's auditors.



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