Atari Corporation

ANNUAL REPORT

1993

JAGUAR™

TO OUR SHAREHOLDERS:

As discussed in last year's President's message, we were developing a new multi-media entertainment system called Jaguar. I am happy to report that in the fourth quarter of 1993, we successfully launched the Atari Jaguar, our 64-bit multi-media entertainment system in New York and San Francisco. The Atari Jaguar was recently named the industry's "Best New Game System" (*VideoGames Magazine*), "Best New Hardware System" (*Game Informer*), and "1993 Technical Achievement of the Year" (*DieHard GameFan*). In April 1994, the Jaguar was given the European Computer Trade Show Award for "Best Hardware of the Year." Jaguar is the only 64-bit multi-media entertainment system in the market today. I'm proud of the fact that the Atari Jaguar is the only video game machine built in the U.S.A.

Having developed the hardware, our emphasis is now the development of advanced interactive software. We are currently developing over twenty-five software titles, such as Alien vs. Predator, Kasumi Ninja and Star Raiders 2000. In March of 1994, we released Tempest 2000, made exclusively for the Jaguar. This game won "Game of the Month" awards from leading magazines and showcases the Jaguar's capabilities. To insure that the Jaguar will have a supply of good software, we are licensing to third party publishers and developers. We now have over 125 such licensees and the first third-party software will be on the market in the third quarter of 1994. The following is a short list of some of our software partners: Time Warner Interactive, Twentieth Century Fox Interactive, Virgin Games, Ocean, U.S. Gold, Williams Interactive, Activision, JVC Music Industries, Id Software, and Accolade. Our management team is committed to making Jaguar a success, not only in its hardware technological superiority, but also in its entertainment value, advertising campaigns, and the operations necessary to achieve our goals.

In the fourth quarter of 1994, we will introduce a CD-ROM peripheral for the Atari Jaguar. The CD-ROM peripheral will play Jaguar software on CD and regular audio CD's. Also in development now is a full motion video cartridge which will enable the CD-ROM to play movies.

In May of 1994, we licensed the Jaguar technology to Sigma Designs. This will allow for the incoporation of the Jaguar 64-bit technology with Sigma's Reel-Magic full-motion video PC card. The Jaguar's market potential will expand by over 10 million users who will be able to play Jaguar software titles on their IBM compatibles. This PC card should be available by year's end.

Turning to our operations for a moment, we have completed our restructuring and consolidation around the world. As the business grows, we will reap the benefits of our streamlined central distribution in Europe and consolidation of U.S. operations.

In order to insure the long term success of Jaguar, we need to raise capital. As part of this process, we sold an additional 1.5 million shares to Time Warner Inc. for a total of $12.8 million. Including this transaction, Time Warner Inc. now has approximately 27% ownership of the Company. We will also continue to study additional financing opportunities.

As we did last year, our annual report is comprised of the President's Message and a reproduction of the 10K. I suggest you read the 10K for a more detailed description of Jaguar and the results of operation for 1993.

For their continued support, I thank our shareholders, suppliers, developers, licensees, employees and customers.

Sincerely,

Sam Tramiel
President

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 1, 1994

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________________ to ____________________

Commission File Number 1-9281

ATARI CORPORATION

(Registrant)

NEVADA (State or other jurisdiction of incorporation or organization)	**77-0034553** (I.R.S. Employer Identification No.)
1196 Borregas Ave. **Sunnyvale, CA** (Address of principal executive offices)	**94089** (Zip Code)

Telephone: **(408) 745-2000**

Securities registered pursuant to Section 12(b) of the Act: **NONE**

Securities registered pursuant to Section 12(g) of the Act:

Title of each class	Name of each exchange on which both are registered
Common Stock (par value $.01) 5¼% Convertible Subordinated Debentures	American Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ___X___ No ________

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing sale price of its Common Stock on March 24, 1994 on the American Stock Exchange was $94,630,828. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded and such persons may under certain circumstances be deemed to be affiliates. This determination of officer or affiliate status is not necessarily a conclusive determination for other purposes.

Common Stock (par value $.01) of Registrant outstanding at March 24, 1994 - 57,223,862 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Annual Meeting of Shareholders to be held June 17, 1994 are incorporated by reference into Part III hereof.

PART I

Item 1. BUSINESS

General

Atari Corporation ("Atari" or the "Company") was incorporated under the laws of Nevada in May 1984. Atari designs and markets interactive multimedia entertainment systems and related software and peripheral products. In July 1984, Atari acquired certain video game and microcomputer assets from the Atari, Inc. subsidiary of Warner Communications, Inc. ("WCI") (now Time Warner, Inc.), in exchange for, among other considerations, 14,200,000 shares of the Company's Common Stock. Time Warner, Inc. holdings represent approximately 25% of the Company's outstanding Common Stock. As more fully described in Note 15 to the Consolidated Financial Statements, the Company entered into an agreement on March 24, 1994 to sell an additional 1,500,000 shares of Common Stock to Time Warner, Inc. After the completion of this transaction, Time Warner will hold approximately 27% of the Company's outstanding shares of Common Stock.

The Company operates in one industry segment — the design, sale and servicing of consumer electronic products.

Principal Products

The Company's principal products are Jaguar, a 64-bit interactive multimedia entertainment system, along with related game software and peripheral products; Lynx, a 16-bit portable color hand-held video game, related game software and accessory products, and the Falcon030 series of personal computers.

Jaguar

The Company introduced, in late November 1993, the Atari 64-bit Jaguar Interactive Multimedia System into the New York and San Francisco markets. The retail price is $249.95, which includes a Jaguar, a controller and a software title named "CyberMorph." This limited rollout was necessitated because of restricted supply during the production startup. The introduction of Jaguar was supported with marketing in both metropolitan areas and was seen in an advertising campaign on television by its target audience. Retail sale reports for the November through December period were encouraging.

The Jaguar is a 64-bit interactive multimedia system that incorporates two proprietary chips that the Company developed in its own facilities. The chips are named "TOM" and "JERRY." The Jaguar incorporates five processors:

1. Graphics Processing Unit (GPU)
2. Digital Signal Processor (DSP)
3. Object Processor
4. BLITTER
5. 68000

The first four processors above are located in proprietary chips and the 68000 is a standard Motorola microprocessor. The computational speed of the system is approximately 55 MIPS and the bus bandwidth is 106.4 megabytes per second. The video features include 24-bit graphics with up to 16 million colors and a 3-D engine which can render 3-D shaded or texture map polygons in real time. The system also supports real time texture mapping which allows for realistic surfaces to be applied over the 3-D polygons. The Company believes the graphics of the Jaguar video are equal to or superior to any other system currently available.

The sound system is based on a high-speed custom DSP dedicated to audio. The audio is 16-bit CD quality, from cartridge based software, and can be processed from simultaneous sources of audio data. This allows for very realistic sounds in the software and includes human voices.

Through the use of a compression technology customized by the Company, code named "JAGPEG." software developers can compress data to the point that a 100-megabit game can fit into a 16-megabit ROM cartridge. This allows for more exciting experiences both visually and in game play due to the vast amount of data available.

The Company has developed a CD-ROM peripheral for the Jaguar and software is now being developed to take advantage of the benefits that CD-ROM brings to the user, such as full motion video and even more data than is available on cartridges. Publishers can take advantage of lower media cost and quicker turnaround on orders with CD-ROM as compared to ROM cartridge. The CD peripheral is a double speed player and can also play back regular audio CD's and CD + G (graphics). The Company is also developing a VCR quality Full Motion Video plug-in cartridge utilizing an MPEG chip which will allow for the playback of any software compatible to "White Book" specifications, such as many CD videos. The Company expects to ship the CD-ROM peripheral in the second half of 1994. The suggested retail price will be $199.95.

The Jaguar also has a high-speed serial port which will allow for future connection into telephone networks and will allow for modem-based, two-player games over telephone lines. The Company is also investigating a multiplayer network over telephone lines which will allow, for example, multiple spacecraft flying around in a 3-D world interacting with each other and being seen on your home television set.

The Company is developing or has developed around 30 software titles where it is the developer and/or the publisher. In addition to the efforts by the Company to develop software there are approximately 100 third-party licensees that have signed license agreements to develop and publish Jaguar software. These companies are very important to the success of the Jaguar and are being supported by an internal team to aid their development work. The Company expects to see the first third-party software on the market in the third quarter of 1994. The Company will receive royalty payments from the third parties when they publish software on the Jaguar system. The Company, as of the end of March 1994, has five titles being sold and the Company expects that by the end of the second quarter to have six more available. The most recently introduced title is "Tempest 2000" and it was named "Game of the Month" by two leading video game magazines, *Electronics Gaming Monthly* and *Die-Hard Game Fan*. The Company plans to continue to invest in research and development in the software area to improve the quality of the experiences available on the Jaguar platform. These efforts will be shared with the third-party licensees so that the overall software experience will be improved. These efforts will be seen in even more realistic gaming experiences with texture mapped 3-D polygons and fast-moving adventure.

The Company is further developing the Jaguar hardware and is now working on the second generation of this powerful hardware base. The second generation will be software compatible with the present software and will also be able to play even more advanced software. The Company also plans to have the Jaguar chip set incorporated onto a PC compatible add-on card, so that users of PC's that have double speed CD-ROMs can also use Jaguar CD software. This product will likely be licensed to a third-party hardware company but nothing has been finalized to date.

The Jaguar is currently being assembled by IBM(R) in the U.S.A. The Company will start up a second assembler during the second half of 1994. The proprietary chips, "TOM" and "JERRY," are manufactured by a major semiconductor supplier in Japan and a major U.S. supplier is commencing production in the second quarter of 1994.

As of the end of March 1994, the Company is currently focusing its marketing in the Major metropolitan areas of New York, San Francisco and Los Angeles. The Company plans to continue the rollout of product across the U.S. as software and hardware become more available. The Company expects that by the end of 1994 there will be approximately 50 software titles available through both the Company and third-party publishers.

Atari Lynx

The Company offers a color portable hand-held video game system called the Atari Lynx. The Atari Lynx provides 16-bit color graphics, stereo sound, fast action and depth of game play, and comes complete with a built-in eight-directional joypad and a 3½ inch full color LCD offering up to 16 colors at one time from a palette of over 4,000 colors. With the use of the Comlynx cable, it is possible with certain games for up to eight players to network in multi-player competition. Over 65 different games are currently available.

Atari Falcon030 Series of Personal Computers

The Company offers a Falcon030 series of personal computers based on the 32-bit Motorola 68030 microprocessor and which include a Motorola 56001 Digital Signal Processor. The Company designed four custom semiconductor chips for the Atari Falcon030. The Ajax chip is used as the floppy disc controller. The Combel chip functions as the memory controller and graphics processor. The high quality video is performed by the Videl chip and the direct memory access is handled by the SDMA chip. These computers are capable of recording and playback of sound in 16-bit stereo at 50 MHz which is above CD quality specifications. The Atari Falcon030 computers operate at an internal clock speed of 16 million cycles per second. The computer can display high quality video in 16-bit true color displaying 65,536 on-screen colors in a resolution of 768x480. For video, the Atari Falcon030 computer can use standard VGA and Super VGA monitors, televisions and Atari color and monochrome monitors, thereby giving the user greater video flexibility. The Atari Falcon030 can be configured with different RAM (random access memory) sizes of 1 meg, 4 meg and 14 meg and various hard disk drive sizes. The Atari Falcon030 uses an enhanced version of the Company's TOS operating system which includes multitasking (MultiTOS) and is compatible with most of the application software developed for the Company's ST series of computers. The Atari Falcon030, through its array of interfaces, can link to audio visual equipment such as televisions, monitors, hi-fi stereo systems, musical synthesizers, modems, telephones, printers and digital audio tape (DAT) players. The Company has a license from Kodak so that the Atari Falcon030 can play back, manipulate and edit Photo-CD (a photo-CD player is needed). This combination of features positions the Atari Falcon030 well for the personal multimedia market. Since introduction in the first quarter of 1993, the Company has shipped small quantities of this product. The Company does not expect sales of this product to be material in the future.

Other Products

The Company also has some inventory of its older 16-bit computer products and 8-bit game products, namely ST and TT series of computers, 2600 and 7800 video games systems and XE computer and Portfolio products. As a result of these inventories being technologically obsolete and noncompetitive, the Company has written off these inventories. The Company is expecting minimal sales from these products in the future.

The percentage breakdown of the Company's sales for the last three fiscal years is as follows:

	Computers	Video Games
1993	67 %	33 %
1992	66 %	34 %
1991	66 %	34 %

Marketing and Distribution

The Company distributes its products domestically through various independent channels. Interactive media entertainment systems are sold primarily through national retailers, consumer electronic specialty stores and distributors of electronic products. The Company's computer products are sold through independent computer specialty dealers, either directly or through distributors. Generally, these dealers also provide product support, offer peripheral equipment and software, and provide warranty and post-warranty repair services. European distribution is conducted from the Netherlands. The European markets are served through substantially the same channels of distributors as those in the United States market.

Net sales outside North America for fiscal years 1993, 1992 and 1991 constituted approximately 75%, 85% and 86%, respectively, of total net sales.

The Company's sales are subject, in varying degrees, to some seasonality which is characteristic of the consumer electronics market. This seasonality has historically been characterized by increased sales in the fourth quarter. Because there were no significant new product introductions in 1992 and limited Jaguar shipments in 1993, such seasonality was not evident. The Company cannot make any assurances that its sales will resume the typical seasonality of the market.

No single customer accounted for 10% or more of total net sales for the years ended December 31, 1993, 1992 or 1991.

Backlog

The Company purchases products and components according to its forecast of near-term demand, and not primarily to specific customer orders. Warehoused inventories of finished products are maintained in advance of receipt of orders. Orders are usually placed by purchasers on an as-needed basis, are cancelable before shipment, and are usually filled from inventory shortly after receipt. Accordingly, in line with industry practice, the backlog of orders at any time is generally not indicative of actual sales in any future period.

Research and Development

The Company's ability to compete, within its industries, depends, in large measure, on its ability to adapt to the rapid technological changes, including hardware systems, related software, and peripheral products. In this regard, the Company is committed to an ongoing program of research and development, focused primarily on the Jaguar product line. Most of the Company's products, including Jaguar, have been developed by its internal engineering group. The Company's research and development expenditures totaled $4.9 million, $9.2 million and $15.3 million, in 1993, 1992 and 1991, respectively.

The Company is engaged in an on-going program to develop software for Jaguar. As part of this development process, the Company enters into agreements with third parties to develop and/or license properties. Under these agreements, the Company will make payments to these parties as either development fees and/or advance royalties, and will possibly contractually obligate itself to minimum royalty guarantees on future sales. Payments for development and advance royalties are capitalized as software development costs and are amortized to cost of sales as the developed products are sold.

The Company periodically assesses, by reference to current and estimated sales, the recoverability of these costs and charges to current operations costs that are determined to no longer be recoverable. In this regard, there can be no assurance that all payments for development fees and/or advance royalties will be recoverable through future sales of products.

Manufacturing

Until the second quarter of 1991, the Company's principal products were manufactured at the Company's 180,000 square foot facility in Tam Shiu, Taiwan. During the second quarter of 1991, the Company sold this facility. Subsequent to the sale of its facility, the Company entered into various arrangements with independent subcontractors for the assembly of its principal products. The Company is completely dependent on these subcontractors for the production of its products and at different times has experienced start-up problems which have delayed production.

The Jaguar console unit is assembled in the United States by a third-party subcontractor under an agreement covering various terms of this manufacturing arrangement. The agreement may be canceled by either party with a 90-day notice period. Cancellation of the agreement could have a material adverse impact on the Company's ability to achieve its near-term plans, although the Company believes it has found an alternative manufacturing source. The Company intends to secure an alternative manufacturing source for Jaguar in 1994.

The Jaguar console unit is assembled from component parts purchased from various supplies. The Company's custom 64-bit RISC processor chip set is currently purchased from a single-source supplier. The Company's business would be adversely impacted by added costs or delays in delivery from this supplier. The Company has secured a second source for the supply of this component part and expects this supply source to be available in the second quarter of 1994. Other component parts are acquired from multiple sources and have been readily available.

Jaguar software products and accessories are manufactured by several suppliers and are assembled by subcontractors. The Company believes that, in comparison to the Jaguar console unit, it is less dependent on these manufacturers and subcontractors and that it could replace these sources of supply and assembly more readily.

Exports

Export information is contained in Note 13 of the Notes to Consolidated Financial Statements. Gross margins on sales of products internationally and on sales of products that include components from foreign suppliers may be adversely affected by foreign currency exchange rate fluctuations and by current and proposed international trade regulations, including tariffs and anti-dumping penalties.

Intangible Property Rights

The Company's most significant trademarks are its "Atari" name and "Fuji" logo, both of which were acquired from WCI for the Company's exclusive use in all areas other than coin-operated arcade video game use. The Company also acquired from WCI a portfolio of intellectual properties including patents, trademarks and copyrights in conjunction with its video game and computer businesses. The Company believes the ownership of its patents, trademarks and other intellectual property to be important assets and it considers such rights to be important in the marketing of its products along with technological innovation and expertise, efficient production, and marketing strength.

The Company's rights to make, use and sell certain computer and video game software are held through licenses from third parties. A significant license grants the Company an exclusive right to the TOS operating system and non-exclusive right to certain development tools developed by Digital Research, Inc. for the ST, TT and Falcon030 series of computers. The operating system license is fully paid and includes the right to produce unlimited copies in perpetuity.

As the Jaguar entertainment console has been internally developed, the Company does not have any license arrangements with third parties.

The Company has, from time to time, been notified of claims that it may be infringing patents owned by others. The Company assesses such claims on a case by case basis and seeks licenses under such patents where appropriate. Based upon industry practice, the Company believes that if it is found to have infringed such patents, it will be able to implement the necessary modifications to avoid infringement or obtain licenses on terms which will not have a material effect on its operations, although no assurance can be given that the terms of any offered license will be acceptable to the Company.

Employees

As of December 31, 1993, the Company had approximately 133 employees worldwide, including 43 in engineering and product development, 38 in marketing, sales and distribution, 7 in purchasing and production, and 45 in general administration and management.

None of the employees are represented by a labor union. The Company considers its employee relations to be good.

Many of the Company's employees are highly skilled. The Company's business depends, to a great extent, on its ability to attract and retain highly skilled employees. The Company competes for its employees with many other high technology companies, many of which have greater resources.

Competition

The video game industry is highly competitive in both hardware and software. The software for the video game business is a very important aspect and certain game titles are also very important, such as ones that have their origins in the coin operated industry or the entertainment industry. The Company licenses such titles from holders of these properties and has the title programmed for use on an Atari platform. The potential for licensing titles has increased since Nintendo(R), as of January 1991, ceased to require its software developers to license titles exclusively to Nintendo(R). The Company has recently consummated contracts for major titles that will appear on Atari formats, including Jaguar. In the video game market, the Company's main competitors are Nintendo(R) and Sega(R). Other potential competitors are Sony(R) and 3DO(R). Management believes the Company has an advantage over its competitors as it relates to price/performance ratio.

The personal computer industry is highly competitive and has been characterized by rapid technological advances in both hardware and software as well as constant introduction of new products offering more features at lower cost. The principal elements of competition among personal computer manufacturers are quality and reliability, availability of software, peripherals and accessories, ease of use, price/performance ratios, service and support, marketing and distribution capability, reputation and capacity to deliver in high volume.

Over 100 United States and international manufacturers of computer products compete for sales and distribution channels, customers and software development resources. The Company's principal computer industry competitors are IBM(R), Apple(R), Commodore(R), Tandy(R) and many additional manufacturers of IBM(R) compatible computers.

Several of these competitors have longer operating histories, greater financial and technical resources, broader product lines and larger market share than the Company. No assurance can be given that the Company will have the financial and other resources or the ability to maintain the technological knowledge and innovation necessary to continue successful competition in these markets.

Although the Company's newer products have received favorable recognition from the trade press and the older products are well established, no assurance can be given that the Company will successfully develop and introduce products which receive widespread commercial acceptance.

Environmental Laws

To date, the Company's compliance with federal, state and local laws enacted for the protection of the environment have not had a material adverse effect upon the Company's operations or financial condition.

Item 2. PROPERTIES

The Company leases its 46,000 square foot headquarters facility and 86,000 square feet of warehousing space in Sunnyvale, California. The Company leases international sales facilities in or near Slough, England and Amsterdam, the Netherlands. The Company believes that its properties are well maintained and in good operating condition.

The Company holds certain properties for sale and/or lease. These properties are reported as real estate held for sale in the accompanying consolidated financial statements. The Company has entered into agreements for the sale of its buildings in France and Germany. These sales are expected to close in the second quarter of 1994. In 1991, the Company sold its manufacturing facility in Taiwan.

All leases are with third parties otherwise unaffiliated with the Company.

Item 3. LEGAL PROCEEDINGS

The Company and three other parties are defendants in a civil action brought in the United States District Court for the Northern District of California by Light Impressions, Inc. and Stephen P. McGrew in September 1986 seeking unspecified damages for activities in restraint of trade (an antitrust claim for which damages, if awarded, could be trebled) relating to holography patents rights sold by the Company in 1986. The Company believes this action will have no material adverse effect on the Company's consolidated financial condition or results of operations.

The Company is a defendant and cross-complainant in a civil action brought in the Superior Court of the State of California in and for the County of Santa Clara, case number 730756, by Winning Style Development, Ltd., a former manufacturing subcontractor, in April 1993 seeking damages in the amount of $0.5 million for alleged breach of contract and fraud. The Company believes this action will have no material adverse effect on the Company's consolidated financial condition or results of operations.

The Company is a defendant and cross-complainant in a civil action brought in the Superior Court of the State of California in and for the County of Santa Clara, case number 732334, by Magnetics Electronic, Ltd., a subsidiary of Termbray Industries International (Holding) Ltd., a former manufacturing subcontractor, in June 1993 seeking damages in the amount of $3.4 million, together with interest at the rate of 10% per year from May 1992, for alleged breach of contract. The Company believes this action will have no material adverse effect on the Company's consolidated financial condition or results of operations. While the Company believes it will have available funds to make payment if it is required to pay damages in 1994 in the amount claimed, such payment could impede the rate of investment in Jaguar products.

The Company is a defendant in a civil action brought in the Superior Court of the State of California in and for the County of Santa Clara, case number 738368, by Citizen America Corporation, a former supplier, in February 1994 seeking damages in the amount of $0.9 million for alleged breach of contract, open book account, goods furnished and account stated. The Company believes this action will have no material adverse effect on the Company's consolidated financial condition or results of operations.

The Company has brought suit in a civil action in the United States District Court for the Northern District of California, case number C93-3781, against Sega of America, Inc., in October 1993 seeking damages for patent infringement.

The Company is not aware of any other pending legal proceedings against the Company and its consolidated subsidiaries other than routine litigation incidental to their normal business.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock has publicly traded on the American Stock Exchange since November 7, 1986 under the symbol ATC.

The following table sets forth the high and low sale prices for the Company's stock for the respective periods shown, as reported on the consolidated transaction system:

Calendar Period	High	Low
1992:		
1st Quarter	$3	$1 1/2
2nd Quarter	2 3/4	1 1/2
3rd Quarter	1 11/16	1 1/4
4th Quarter	1 5/8	1 1/16
1993:		
1st Quarter	$1 7/16	$1
2nd Quarter	4 1/2	1/2
3rd Quarter	5 1/2	3 1/4
4th Quarter	12 3/4	4 3/8

As of March 24, 1994, the Company had 2,807 shareholders of record of common stock. The Company has no other shares outstanding. The Company has not paid cash dividends on shares of its common stock since its inception and the Company currently intends to reinvest earnings in the business. Accordingly, it is anticipated that no cash dividends will be paid in the foreseeable future.

Item 6. SELECTED FINANCIAL DATA

The selected financial data have been derived from the Company's Consolidated Financial Statements. The information set forth below should be read in conjunction with the Company's Consolidated Financial Statements and related notes and with Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Year Ended December 31,				
	1993	1992	1991	1990	1989
	(In thousands, except per share data)				
Statement of operations data:					
Net sales	$ 28,805	$127,340	$257,992	$411,471	$423,606
Operating income (loss)	(47,499)	(79,008)	(18,683)	(25,220)	3,678
Income (loss) from continuing operations	(48,866)	(82,719)	23,659	(20,847)	4,017
Income (loss) before extraordinary credit	(48,866)	(73,719)	23,659	(6,213)	4,017
Net income (loss)	(48,866)	(73,615)	25,619	14,874	4,017
Per share data:					
Primary and fully diluted:					
Income (loss) from continuing operations	($0.85)	($1.44)	$0.41	($0.36)	$0.07
Income (loss) before extraordinary credit	($0.85)	($1.29)	$0.41	($0.11)	$0.07
Net income (loss)	($0.85)	($1.28)	$0.44	$0.26	$0.07

	December 31,				
	1993	1992	1991	1990	1989
	(in thousands)				
Balance sheet data:					
Working capital	$33,896	$ 75,563	$159,831	$131,901	$139,562
Total assets	74,833	138,508	253,486	272,638	332,976
Long-term obligations (including current portion)	52,987	53,937	48,805	49,016	77,402
Shareholders' equity	4,354	50,583	125,529	101,260	85,999

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Over the past two years, the Company has undergone significant business changes. The Company recognized, in the fall of 1991, that the products it was currently marketing in the computer and video game business were rapidly becoming technologically obsolete. Competition in both the computer and the video game markets continued to introduce products which were more powerful and more fully featured than some of the Company's products. As a result of these rapid technological changes, the Company, as well as the entire computer and video game industries, experienced intense pricing pressure.

Due to intense competition from larger competitors and shrinking margins in computer products, the Company decided to exit this line of products and to refocus itself as an interactive media entertainment company. In an effort to ensure its competitive advantage, the Company developed a 64-bit system called Jaguar. The Jaguar was launched in the fourth quarter of 1993 and is the only 64-bit interactive media entertainment system in the market today.

Recognizing its competitive position and the resultant potential of reduction in sales, the Company began to reduce its overhead and focus its marketing efforts on certain products. The Company implemented cost control programs and took steps to simplify its business operations. Concurrently, while the Company was reducing overhead, changes in EEC regulations occurred which allowed for the free flow of goods between countries within the EEC. Taking advantage of these changes, the Company centered its European operations into the Netherlands and closed the German, French and other European locations of the Company. In addition, in order to improve its operating efficiency, the Company sold its main manufacturing facility in Taiwan and currently has all of its products manufactured/assembled by third-party subcontractors. Accordingly, the Company closed its operations in Taiwan, Japan and Hong Kong. Further, the Company centered its North American operations into its headquarters in California and closed the Canadian and Mexican operations and other offices in the U.S. The Company plans to distribute its product in Australia and other Pacific Rim and Far East markets through distributors and, accordingly, closed its Australian operations.

In the meantime, the Company also reduced its overall level of inventory and lowered the value of certain existing inventories throughout the period. These actions resulted in several write-downs of inventory carrying values.

As of December 31, 1991, the Company employed 570 people. As of December 31, 1993, the Company has 133 people.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1993

Net sales in 1993 were $28.8 million as compared to $127.3 million in 1992, a decline of 77%. As discussed under "General" above, sales declined significantly as the Company downsized, closed operations and changed its product focus. Sales of the Jaguar product line began in the fourth quarter of 1993 with approximately 17,000 console units shipped which, along with software sales, resulted in $3.8 million of Jaguar product sales in the quarter.

For the reasons discussed under "General" above, there was a steady decline in unit sales and in sales prices of older technology video games and computer products. The sales mix in 1993 was 13% Jaguar sales, 20% other video game sales and 67% computer product sales.

Gross margin for 1993 was negative $13.7 million. Because of reduced sales and the conditions discussed under "General" above, the Company recorded writedowns in inventories of $18.1 million and in software development costs of $2.0 million, and charged these writedowns to cost of sales. Without these writedowns, gross margin would have been 22%, compared to a similarly-adjusted margin of 26% for 1992. The decline in this adjusted gross margin resulted primarily from lower unit sales prices in 1993 than in 1992.

Research and development, marketing and distribution and general and administrative expenses were all significantly lower in 1993 than in 1992 due to the factors discussed under "General" above. As a percentage of sales, however, each of these groups of expenses increased, due in part to the significant decline in sales, to some level of costs being relatively fixed and to selected expenditures made for development and introduction of the Jaguar product line.

In 1993, substantially all research and development expenses related to the Jaguar product line. At December 31, 1993, $0.8 million of Jaguar software development costs were capitalized and will be amortized in 1994. Market and distribution costs included approximately $3.0 million incurred in the second half of 1993 for promotion of the Jaguar product line.

The restructuring charges recorded in 1993 are discussed in Note 1 to the consolidated financial statements. These charges were for closure of operations in a number of foreign locations, and included approximately $6.9 million of noncash charges, primarily for elimination of accumulated translation adjustments with the closure of those entities and losses on the anticipated sales of real estate in Europe. Cash charges of $5.5 million included the costs of closure and employee termination and severance costs. Cash outflows (in excess of cash inflows) in 1994, with respect to these closed operations, are not expected to be material.

Loss on exchange was lower than in 1992 due to the reduction in foreign operations. Interest income was lower than in 1992 due to the lower level of invested funds due to losses in 1992 and 1993 and, to a lesser extent, due to lower interest rates on invested funds.

The Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which requires that deferred income taxes be computed using an asset and liability approach. Due to operating losses in recent years, the Company had no income tax provision and only a modest tax recovery for loss carryback. Operating loss and tax credit carryforwards are described in Note 11 to the consolidated financial statements.

For the reasons discussed above, the Company incurred a net loss of $48.9 million in 1993.

FUTURE OPERATING RESULTS

The Company has refocused its business on the interactive media entertainment industry. Sales of the Jaguar and related software products constituted approximately 46% of the Company's net sales in the fourth quarter of 1993. The Company believes that in 1994 its net sales and operating results will largely depend on the success of the Jaguar system and related software. The Company intends to substantially increase production and distribution of Jaguar products in 1994. However, there can be no assurance that Jaguar will be commercially successful. Until such time as Jaguar achieves broad market acceptance and hardware and related software products are sold in substantial volume, the Company will not achieve profitability.

Factors affecting the commercial success of Jaguar include the development of an array of quality software titles by the Company and by third-party developers, financing the increase in the production and marketing of Jaguar products and transition to mass production. As many of these factors are out of the control of the Company, no assurances can be made that the Jaguar will achieve broad market acceptance or that the Company will be successful.

In any event, margins on Jaguar hardware are expected to be relatively low. The Company's future profitability will depend largely on the Company's success in creating and selling software titles which have significantly higher margin than hardware.

As a result of the restructuring discussed under "General" above, the Company has reduced operating expenses, exclusive of significant promotional expenses attributable to Jaguar products, to a current level of approximately $4 million per quarter. Interest expense will continue at approximately $0.6 million per quarter and interest and other income combined are expected to approximate $0.2 million per quarter.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1992

Net sales in 1992 were $127.3 million as compared to $258.0 million in 1991, or a decline of 51%. As discussed under "General" above, sales fell as a result of rapid technological changes, coupled with intense price competition in the computer industry and intense competition in the video game industry. These two situations were further exacerbated by general economic slowdowns in Europe and North America. As a result of these factors, there was a steady decline in unit sales in all Company products. In addition to the unit reduction, the Company realized lower selling prices for its products as a result of competitive pressure within the industries and due to the effects of foreign exchange.

The sales mix for 1992 was 66% for computers and 34% for video games which was comparable to the sales mix in 1991.

Gross margin for 1992 was negative $5.1 million. In 1992, the Company took $37.6 million of inventory write-downs. Without the impact of the write-downs, the gross margin would have been 26% in 1992 as compared to 27% in 1991. In 1992, the Company had lower selling prices for its products than in 1991.

As discussed above under "General," the Company instituted cost reduction programs in 1992. The Company incurred expenses and made provisions for restructuring totaling $17.1 million. These charges related to the closing of the Company's operations in a number of locations in Europe, North America and Far East, include severance payments, cancellation of leases, write-downs of assets other than inventories and other location closing costs.

Other overhead expenses for research and development, marketing and distribution, and general and administrative were $56.8 million as compared to $87.1 million in 1991, a 35% reduction.

Research and development expenses were $9.2 million in 1992 versus $15.3 million in 1991. The Company consolidated its efforts in new technologies in the personal computer and video game business, resulting in reduced costs.

Marketing and distribution expenses were $31.1 million in 1992 as compared to $48.2 million in 1991, a decrease of $17.1 million including a reduction of advertising expenses of $8.8 million and other reductions in selling costs commensurate with the decrease in sales.

General and administrative expenses were $16.5 million in 1992 versus $23.5 million in 1991, a $7.0 million decrease. This reduction was partially due to the Company consolidating certain of its foreign locations and a reduction in legal expenses. In 1991, the Company incurred significant legal expenses associated with an antitrust lawsuit.

The Company derived most of its sales from Europe and, as a result, was subject to exchange gains and losses. For 1992, exchange losses were $5.6 million as compared to $1.4 million of exchange gains in 1991.

Interest expense for 1992 was $3.5 million as compared to $4.3 million in 1991. Interest expense for both years was primarily a result of the Company's 5¼% subordinated debentures and mortgage interest on the Company's properties in France and Germany. The reduction in interest expense in 1992 was primarily a result of the Company's repurchase of a portion of its 5¼% subordinated debentures in 1991.

Interest income for 1992 and 1991 was $4.0 million. Interest income is derived from the Company's short-term investments of cash and marketable securities.

The Company had an income tax credit in 1992 of $0.4 million which resulted from the utilization of tax loss carrybacks.

In 1992, the Company favorably settled and/or disposed of outstanding matters associated with its discontinued operations and accordingly determined it no longer required reserves of $9.0 million which the Company had previously accrued.

In 1992, the Company purchased a portion of its 5¼% convertible subordinated debentures which resulted in a $0.1 million gain.

For the reasons stated above, the Company incurred a net loss of $73.6 million in 1992.

INTERNATIONAL SALES

Net sales outside North America for 1993, 1992 and 1991 were $21.7 million, $108.0 million and $222.1 million (75%, 85% and 86% of total sales), respectively.

LIQUIDITY AND CAPITAL RESOURCES

Cash and marketable securities were $30.7 million at December 31, 1993 compared to $49.2 million at December 31, 1992. The decrease in cash and marketable securities in 1993 resulted primarily from the net loss of $48.9 million (reduced by noncash charges for inventory writedowns and the noncash portion of restructuring totaling $25 million). Reductions in receivables of $18.3 million were partially offset by a reduction in payables and accrued liabilities of $16.5 million.

At December 31, 1993, the Company was obligated under outstanding letters of credit of $19 million, which were collateralized by cash balances.

On March 24, 1994, the Company entered into an agreement to sell 1.5 million shares of its Common Stock to Time Warner, Inc. at a price of $8.50 per share for an aggregate investment of $12.8 million, as discussed in Note 15 to the consolidated financial statements.

Management believes that existing cash balances, with the additional funds to be received discussed in the preceding paragraph, are sufficient to meet its cash requirements at its current and near-term levels of production through 1994. To increase to mass production, marketing and sale of Jaguar products, the Company is planning to seek additional capital in an equity or debt offering during the remainder of 1994. At this time, however, no assurances can be given that any such funding can be established at terms acceptable to the Company, or at all.

ITEMS 8 AND 14(a)
ATARI CORPORATION AND SUBSIDIARIES
Index to Consolidated Financial Statements
and Financial Statement Schedules

Pages in
this Report

Consolidated Financial Statements:

Financial Statement Schedules:

All other schedules are omitted because they are not required or the required information is shown in the financial statements or the notes thereto.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors
of Atari Corporation:

We have audited the accompanying consolidated balance sheets of Atari Corporation and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1993. Our audits also included the financial statement schedules listed in the Index at Items 8 and 14(a). These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Atari Corporation and subsidiaries at December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE

San Jose, California
March 31, 1994

ATARI CORPORATION

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1993 AND 1992
(Amounts in Thousands, Except Share and Per Share Amounts)

ASSETS	1993	1992
CURRENT ASSETS:		
Cash and equivalents (including $18,965 and $7,231 held as restricted balances in 1993 and 1992 - Note 8)	$ 23,059	$ 39,290
Marketable securities	7,680	9,880
Accounts receivable (less allowances for returns and doubtful accounts: 1993, $1,048; 1992, $6,833)	5,929	24,199
Inventories (Note 4)	12,548	31,599
Other current assets	2,172	4,583
Total current assets	51,388	109,551
EQUIPMENT AND TOOLING - Net (Note 5)	1,020	2,512
REAL ESTATE HELD FOR SALE (Note 6)	20,924	24,308
OTHER ASSETS	1,501	2,137
TOTAL	$ 74,833	$138,508

LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 11,621	$ 16,657
Accrued liabilities (Note 7)	5,871	17,331
Total current liabilities	17,492	33,988
LONG-TERM OBLIGATIONS (Note 9)	52,987	53,937
COMMITMENTS (Note 10) AND CONTINGENT LIABILITIES (Note 14)		
SHAREHOLDERS' EQUITY (Note 12):		
Preferred stock, $.01 par value - authorized, 10,000,000 shares; none outstanding	-	-
Common stock, $.01 par value - authorized, 100,000,000 shares; outstanding: 1993, 57,214,587 shares; 1992, 57,137,192 shares	572	571
Additional paid-in capital	142,497	142,315
Notes receivable from sale of common stock	(3)	(19)
Accumulated deficit	(137,916)	(89,050)
Accumulated translation adjustments	(796)	(3,234)
Total shareholders' equity	4,354	50,583
TOTAL	$ 74,833	$138,508

See notes to consolidated financial statements.

ATARI CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991
(Amounts in Thousands, Except Per Share Amounts)

	1993	1992	1991
NET SALES	$ 28,805	$127,340	$257,992
COST AND EXPENSES:			
Cost of sales	42,550	132,455	189,598
Research and development	4,876	9,171	15,333
Marketing and distribution	8,895	31,125	48,249
General and administrative	7,558	16,544	23,495
Restructuring charges	12,425	17,053	-
Total operating expenses	76,304	206,348	276,675
OPERATING LOSS	(47,499)	(79,008)	(18,683)
Gain on sale of Taiwan manufacturing facility	-	-	40,920
Exchange gain (loss)	(2,234)	(5,589)	1,375
Other income	854	927	280
Interest income	2,039	4,039	3,986
Interest expense	(2,290)	(3,522)	(4,273)
Income (loss) before income taxes	(49,130)	(83,153)	23,605
Income tax credit (Note 11)	(264)	(434)	(54)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE EXTRAORDINARY CREDIT	(48,866)	(82,719)	23,659
Discontinued operations (Note 3)	-	9,000	-
INCOME (LOSS) BEFORE EXTRAORDINARY CREDIT	(48,866)	(73,719)	23,659
Extraordinary credit - gain on extinguishment of 5¼% convertible subordinated debentures, no tax effect due to utilization of loss carryforwards	-	104	1,960
NET INCOME (LOSS)	$(48,866)	$ (73,615)	$ 25,619
EARNINGS (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE:			
Income (loss) from continuing operations	$ (0.85)	$ (1.44)	$ 0.41
Income (loss) before extraordinary credit	$ (0.85)	$ (1.29)	$ 0.41
Net income (loss)	$ (0.85)	$ (1.28)	$ 0.44
Number of shares used in computations	57,148	57,365	57,691

See notes to consolidated financial statements.

ATARI CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991
(Amounts in Thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Notes Receivable from Sale of Common Stock	Accumulated Deficit	Accumulated Translation Adjustments	Total
BALANCES, JANUARY 1, 1991	57,743	$577	$143,529	$(614)	$ (41,054)	$(1,178)	$101,260
Stock options exercised	1		7				7
Common stock repurchased	(160)	(1)	(420)				(421)
Payments on notes receivable				415			415
Translation adjustments						(1,351)	(1,351)
Net income					25,619		25,619
BALANCES, DECEMBER 31, 1991	57,584	576	143,116	(199)	(15,435)	(2,529)	125,529
Common stock repurchased	(447)	(5)	(801)				(806)
Payments on notes receivable				180			180
Translation adjustments						(705)	(705)
Net loss					(73,615)		(73,615)
BALANCES, DECEMBER 31, 1992	57,137	571	142,315	(19)	(89,050)	(3,234)	50,583
Stock options exercised	89	1	191				192
Common stock repurchased	(11)		(9)	9			-
Payments on notes receivable				7			7
Translation adjustments						2,438	2,438
Net loss					(48,866)		(48,866)
BALANCES, DECEMBER 31, 1993	57,215	$572	$142,497	$ (3)	$(137,916)	$ (796)	$ 4,354

See notes to consolidated financial statements.

ATARI CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991
(Amounts in Thousands)

	1993	1992	1991
OPERATING ACTIVITIES:			
Net cash provided (used) by continuing operations	$(18,218)	$ (7,318)	$ 4,250
Net cash provided (used) by discontinued operations	-	-	-
Net cash provided (used) by operating activities	(18,218)	(7,318)	4,250
INVESTING ACTIVITIES:			
Sale of marketable securities	2,525	-	-
Purchase of marketable securities	-	(10,180)	-
Property purchases	(663)	(3,243)	(2,053)
Sale of property	-	187	48,362
Other assets	541	(90)	227
Net cash provided (used) by investing activities	2,403	(13,326)	46,536
FINANCING ACTIVITIES:			
5¼% convertible subordinated debentures extinguished	-	(92)	(458)
Borrowings	-	-	11,751
Repayments of borrowings	(259)	(12,733)	(26,764)
Issuance of common stock - net	199	(626)	1
Net cash (used) by financing activities	(60)	(13,451)	(15,470)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	(356)	3,668	(2,518)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(16,231)	(30,427)	32,798
CASH AND EQUIVALENTS:			
Beginning of year	39,290	69,717	36,919
End of year	$ 23,059	$ 39,290	$ 69,717
OTHER CASH FLOW INFORMATION (FROM CONTINUING OPERATIONS):			
Interest paid	$ 3,023	$ 6,994	$ 4,395
Income taxes paid (refunded)	$ (225)	$ (786)	$ (401)
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Issuance of debt in exchange for land and building	$ -	$ 6,387	$ 1,721

(Continued on next page)

ATARI CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991
(Amounts in Thousands)

	1993	1992	1991
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY CONTINUING OPERATIONS:			
Net income (loss)	$(48,866)	$(73,615)	$ 25,619
Gain from sale of manufacturing facility	-	-	(40,920)
Discontinued operations	-	(9,000)	-
Gain from extinguishment of 5¼% convertible subordinated debentures	-	(104)	(1,960)
Depreciation and amortization	361	2,776	2,517
Provision for doubtful accounts	232	986	2,366
Provision for sales returns and allowances	457	3,560	3,699
Provision for restructuring	12,425	17,053	-
Gain on sale of marketable securities	(324)	-	-
Provision for excess and obsolete inventory	18,100	36,900	-
Provision for valuation of marketable securities	-	300	-
Changes in operating assets and liabilities:			
Accounts receivable	16,863	46,190	6,910
Inventories	951	12,827	33,005
Other assets	2,389	2,940	(547)
Accounts payable	(4,925)	(31,220)	(24,932)
Accrued liabilities	(15,881)	(16,911)	(1,507)
Net cash provided (used) by continuing operations	$(18,218)	$ (7,318)	$ 4,250

See notes to consolidated financial statements.

(Concluded)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

1. COMPANY

Company - The Company designs and markets interactive multimedia entertainment systems and related software and peripheral products. Manufacture of these products is performed by third parties. The principal methods of distribution are through mass market retailers, consumer electronic specialty stores and distributors of electronic products.

Product Focus - Over the last two years, the Company has focused most of its research and development effort on its 64-bit interactive multimedia entertainment system, Jaguar. This product was introduced into the market in the fall of 1993. The 1994 sales, as well as marketing and distribution costs, are anticipated to be largely attributable to the Jaguar product line. The Company also maintains some inventory of older 16-bit and below personal computers and 8-bit video game products, which are fully reserved.

As a result of rapid technological change and intense competition, the Company's computer and video game products became less and less competitive over the last two years, resulting in inventory writedowns during that period. In the second and fourth quarters of 1992, the Company wrote down inventories by $22.8 million and $14.1 million, respectively. These write-downs resulted from the Company's reassessment of anticipated near-term business levels. In the third and fourth quarters of 1993, the Company wrote down inventories by $7.5 million and $10.6 million, respectively. These were write-offs of older 16-bit and below personal computers and 8-bit video game products and write-downs of Lynx and Falcon products to estimated realizable value, and were made concurrently with the introduction and change in marketing focus to the Company's new Jaguar product line. All of these write-offs and write-downs have been included in cost of sales in the statements of operations.

Restructuring - Over the last two years, the Company has significantly restructured and downsized its operations around the world. The Company manufactures and assembles its principal products in the U.S. and as a result closed its international purchasing operations in Taiwan, Japan and Hong Kong. Taking advantage of recent EEC changes, the Company ceased operations in France, Germany, Spain, Italy, Sweden and Switzerland and centered its European warehousing, distribution and administrative functions into Holland. In addition, the Company closed operations in Canada and Mexico, closed some U.S. offices and centered its North American sales offices into its headquarters in Sunnyvale, California. The Company closed its Australian operations and will distribute its products in the Pacific Rim and Australia through a network of distributors. Throughout 1992 and 1993, the Company reduced its staff in Sunnyvale to be consistent with its reduced activity and future operations.

These operational closures may result in the voluntary or involuntary liquidation or bankruptcy of some subsidiary companies. At December 31, 1993, the Company maintained active operations in the United States, the Netherlands and the United Kingdom.

During this period of restructuring and downsizing, the Company has incurred substantial losses, including charges for restructuring. In the process, the Company has also significantly reduced headcount and operating expense levels.

In the second quarter of 1992, the Company provided a $9.7 million charge to restructure operations in Europe and in the Far East and, in the fourth quarter, provided an additional $7.4 million for these operations. The provisions, aggregating $17.1 million, included severance payments, write-downs of assets other than inventory to estimated net realizable values, facilities closure costs and related expenses.

In the third quarter of 1993, the Company recorded a provision of $4.2 million for the estimated costs of ceasing operations in Australia and a provision of $2.2 million to reduce the carrying value of real estate in Europe.

In the fourth quarter of 1993, the Company decided to liquidate subsidiaries in several European countries and in Australia and recorded a provision of $6.0 million. This charge consisted of $2.8 million for additional liquidation costs, $0.8 million for a further reduction, based on sales offers, in the carrying value of real estate held for sale in Europe and a charge of $2.4 million to recognize accumulated translation adjustments, previously reported as a component of shareholders' equity.

Future Financing Plans - In 1994, the Company plans to increase the level of production and marketing of Jaguar products and to incur expenses for Jaguar game development and marketing. This will require additional capital resources. On March 24, 1994, the Company announced an agreement that will add $12.8 million of capital resources (see Note 15). Beyond that, the Company is planning to seek capital in an equity or debt offering during the remainder of 1994.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include the Company and its subsidiaries. All transactions and balances between the companies are eliminated. The liabilities, consisting of severance and other accruals (and net of tax receivables, which are not material), of closed operations are included in accrued liabilities.

Cash and Equivalents - Cash equivalents are stated at cost, which approximates market value, have maturities not exceeding ninety days upon acquisition and generally consist of certificates of deposit, time deposits, treasury notes and commercial paper.

Marketable Securities - Marketable securities consist of common stock in a publicly-traded U.K. Company and are stated at cost of $7.7 million, which was lower than the December 31, 1993 market value of $11.7 million.

Inventories - Inventories are stated at the lower of cost or market. Cost is computed using standard costs which approximate actual cost on a first-in, first-out basis. Market is determined by reference to expected sales prices less direct selling expenses.

Equipment and Tooling - Equipment and tooling are stated at cost. Depreciation on equipment is computed using the straight-line method based on estimated useful lives of the assets of three to five years. Tooling is depreciated on a units of production basis. Leasehold improvements are amortized over the estimated useful life or lease term, as appropriate. Fully depreciated assets, and related depreciation, are removed from the consolidated financial statements.

Real Estate Held for Sale - Real property associated with closed operations in Europe and the U.S. is stated at estimated market value as determined by recent valuations, appraisals or pending sales offers.

Software Development Costs - The Company has an on-going program to develop software internally and externally. Internal development costs for new game software products are expensed as incurred. Amounts paid to external developers are capitalized and amortized over the estimated lives of the products. Amortization of these capitalized costs begins when the products are available for release to customers. The Company assesses the recoverability of capitalized software development costs in light of many factors, including, but not limited to, anticipated future revenues, estimated economic useful lives and changes in software and hardware technologies. During 1993, the Company expensed, and charged to cost of sales, $2.0 million as a reduction in the net realizable value of various capitalized software costs principally associated with the Lynx and Falcon030. At December 31, 1993, other current assets included $0.8 million of capitalized software development costs, associated with the Jaguar product line and which is expected to be substantially amortized in 1994.

Revenue Recognition - Sale of consoles, game cartridges and related products are recorded as revenue at the time of shipment to customers. Concurrently, the Company establishes reserves for estimated returns, which are recorded as a reduction of sales, and for cooperative advertising allowances, which are recorded as marketing and distribution expense.

Concentration of Credit Risk - The Company sells to mass market retailers, consumer electronic specialty stores and to distributors of electronic products throughout the United States and Europe. The Company makes ongoing credit evaluations of customers and, at times, requires letters of credit from some foreign customers. Sales to foreign customers are generally stated in the currency of the customer. To date, the Company has not entered into hedges of these foreign currency exposures.

Income Taxes - The Company adopted Statement of Financial Accounting Standards No. 109 (SFAS 109) "Accounting for Income Taxes" in the first quarter of 1993. SFAS 109 requires an asset and liability method for financial accounting and reporting of income taxes. Prior to 1993, the Company accounted for income taxes in accordance with SFAS 96. The impact of the adoption of SFAS 109 was not material.

Foreign Currency Translation - Assets and liabilities of operations outside the United States, except for operations that are highly integrated with operations of the Company, are translated into United States dollars using current exchange rates, and the effects of foreign currency translation adjustments are deferred and included as a component of shareholders' equity. For operations that are highly integrated, foreign currency translation adjustments are included in operations.

In 1993, the Company decided to liquidate its investment in several subsidiary companies. The accumulated translation adjustment, $2.4 million for these subsidiaries, has been removed from the component of shareholders' equity and included in restructuring charges.

Income (Loss) per Common and Common Equivalent Share - Per share amounts are computed based on the weighted average number of common and, when dilutive, common equivalent shares (stock options) outstanding during each period.

Fully diluted income (loss) per share includes, when dilutive, the effect of the assumed conversion of the 5¼% convertible subordinated debentures and the additional dilutive effect of stock options. These impacts were antidilutive in 1993, 1992 and 1991.

Fiscal Year - The Company has a 52/53 week fiscal year which ends on the Saturday closest to December 31. For simplicity of presentation, the date December 31 is used to represent the fiscal year end.

Reclassifications - Certain items have been reclassified in the 1992 and 1991 financial statements to conform to the 1993 presentation.

3. DISCONTINUED OPERATIONS

In 1988, the Company decided to discontinue its consumer electronics and home entertainment products retail stores operation, which was acquired in 1987, and provided a reserve for discontinued operations. In 1992, $9.0 million of the previously estimated loss was determined not to be required (no tax effect due to utilization of loss carryforwards). This reversal was reported as a credit in "discontinued operations" in 1992.

Net sales of the discontinued operation for 1993, 1992 and 1991 were nil. Remaining net assets of the discontinued operation are included in real estate held for sale (see Note 6).

4. INVENTORIES

Inventories at December 31 consist of the following (in thousands):

	1993	1992
Finished goods	$10,354	$29,110
Raw materials and work-in-process	2,194	2,489
Total	$12,548	$31,599

5. EQUIPMENT AND TOOLING

Equipment and tooling at December 31 consists of the following (in thousands):

	1993	1992
Equipment and tooling	$ 2,601	$ 4,203
Furniture and fixtures	718	1,991
Leasehold improvements	73	1,465
Total	3,392	7,659
Accumulated depreciation and amortization	(2,372)	(5,147)
Equipment and tooling - net	$ 1,020	$ 2,512

6. REAL ESTATE HELD FOR SALE

Property held for sale consists of nine properties in California and Texas, from the discontinued consumer electronics and home entertainment products operation and the Company's building in Germany and land and building in France. Certain of the properties in the United States and Germany have rental tenants, although all properties are available for sale. Rental income is included in other income (expense).

7. ACCRUED LIABILITIES

Accrued liabilities at December 31 consist of the following (in thousands):

	1993	1992
Accrued interest	$1,521	$ 1,521
Net liabilities of closed operations	1,229	-
Accrued royalties	811	3,545
Accrued restructuring charge	959	5,145
Other	1,351	7,120
Total	$5,871	$17,331

8. LETTERS OF CREDIT AND RESTRICTED CASH

The Company's Jaguar console is assembled by a third-party subcontractor. At the time the Company places an order for Jaguar units, it provides the subcontractor with a commercial letter of credit. At December 31, cash balances of $19.0 million were collateral for outstanding commercial letters of credit. At December 31, 1992, cash balances of $7.2 million were collateral for other outstanding letters of credit.

9. LONG-TERM DEBT OBLIGATIONS

Long-Term Obligations - Long-term obligations consist of the following (in thousands):

	1993	1992
5-1/4 Convertible subordinated debentures	$43,454	$43,454
Term loans on real estate held for sale in Europe	9,533	10,483
Total	$52,987	$53,937

Convertible Subordinated Debentures - The Company has $43.5 million of 5¼% convertible subordinated debentures due April 29, 2002. The market value of these debentures at December 31, 1993 was $29 million. The debentures may be redeemed at the Company's option, upon payment of a premium. The debentures, at the option of the holders, are convertible into common stock at $16.31 per share. At December 31, 1993, 2,664,255 shares of common stock were reserved for conversion. Default with respect to other indebtedness of Atari Corporation in an aggregate amount exceeding $5 million would result in an event of default whereby the outstanding debentures would be due and payable immediately.

The Company reacquired in the open market and extinguished $.2 million and $2.5 million face value of these debentures for $0.1 million and $0.5 million, net of purchased interest, in 1992 and 1991, respectively. The extinguishment resulted in an extraordinary credit of $.01 million ($.00 per share) in 1992 and $2.0 million ($.03 per share) in 1991. These gains are net of deferred issuance costs and have no tax effect due to the utilization of loss carryforwards.

Term Loans on Real Estate in Europe - At December 31, 1993, the Company has two secured term loans outstanding totaling $7.5 million for its building in Germany. Monthly payments on the loans began in July 1992. The first loan bears interest at 9.16% and is due through 2001. The second loan bears interest at 9.37% and is due through 1996. The loans are secured by the related building.

At December 31, 1993, the Company has a term loan outstanding of $2.0 million for its land and building in France. The loan is due in 52 quarterly installments through 2004. Approximately half of the amount bears interest at a fixed rate of 9.6%, the remainder bears interest at the French prime rate (8.15% at December 31, 1993) plus 1.2%. The loan is secured by the related land and building. These term loans have been classified as long-term obligations at December 31, 1993 because terms of pending sales offers for real estate held for sale are anticipated to provide funds to pay off the loans.

10. LEASE COMMITMENTS

The Company leases various facilities and equipment under noncancellable operating lease arrangements. These leases generally provide renewal options of five additional years. Minimum future lease payments under all noncancellable operating leases as of December 31, 1993 are as follows (in thousands):

1994	$ 1,194
1995	1,076
1996	456
1997	222
Total minimum lease payments	$ 2,948

Rent expense for all operating leases was $1,251,000, $2,227,000 and $3,571,000 for the years 1993, 1992 and 1991, respectively.

11. INCOME TAXES

In 1993, the Company adopted Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes." The impact of adopting SFAS 109 was not material.

The credit for income taxes consists of the following (in thousands):

	1993	1992	1991
Current:			
Federal	$ -	$ -	$ -
Foreign	(264)	(434)	(54)
State	-	-	-
Income tax credit	$ (264)	$ (434)	$ (54)

The current portion of the credit for foreign income taxes is net of benefits from loss carryforwards of $0, $912,000 and $500,000 in 1993, 1992 and 1991, respectively. Income (loss) before income taxes for the years 1993, 1992 and 1991 include income (loss) of $(33,482,000), $(26,983,000) and $28,942,000, respectively, from the Company's foreign subsidiaries.

At December 31, 1993, the Company has a U.S. income tax net operating loss carryforward of $73.8 million which expires beginning in 2006, a research and development tax credit carryforward of $1.2 million which expires beginning in 2003, and a California income tax loss carryforward of $23.3 million which expires beginning in 1996.

The effective income tax rates for 1993, 1992 and 1991 were (1)%, (1)% and 0%, respectively, and differ from the federal statutory rate of 35% in 1993 and 34% in 1992 and 1991 as follows (in thousands):

	1993	1992	1991
Computed at federal statutory rates	$(17,103)	$(25,177)	$ 8,026
Foreign income not subject to income tax	-	(7,942)	(15,899)
Effect of losses providing no current tax benefit	16,821	34,655	8,011
Tax benefit of foreign loss carryforwards	-	(3,041)	(912)
Effect of foreign tax rates different than statutory rates and utilization of foreign loss carrybacks	16	1,033	394
Other	2	38	326
Income tax credit	$ (264)	$ (434)	$ (54)

The components of the net deferred tax asset consist of:

	December 31, 1993	December 31 1992
Deferred tax assets:		
Effect of U.S. operating loss carryforwards	$ 25,846	$ 3,196
Effect of state operating loss carryforwards	2,164	1,302
Effect of foreign tax credit carryforwards	-	4,000
Effect of capital loss carryforwards	2,062	1,423
Research and development tax credit carryforwards	1,210	1,210
Unrealized exchange losses	575	1,582
Inventory reserves	10,222	13,880
Restructuring charges	4,360	1,395
Other items	4,644	1,689
Subtotal	51,083	29,677
Valuation allowance	(51,083)	(29,677)
Net deferred tax asset	$ -	$ -

Due to the uncertainty surrounding the timing and realization of the benefits of its favorable tax attributes in future years, the Company has established a valuation allowance to offset its otherwise recognizable deferred tax assets.

12. STOCK OPTIONS

The Company's stock option plan and restricted stock plan provide for the issuance of up to 3,000,000 shares of common stock through the issuance of incentive stock options to employees and nonqualified stock options and restricted stock to employees, directors and consultants. Under the plans, stock options or restricted stock may be granted at not less than fair market value as determined by the Board of Directors. Stock options become exercisable as established by the Board (generally ratably over five years) and expire up to ten years from date of grant. The Company's right to repurchase restricted stock lapses over a maximum period of five years. At December 31, 1993 options for 408,643 shares were exercisable and options for 1,476,710 shares were available for future grant. At December 31, 1993, no restricted stock under the restricted stock plan had been issued.

The following tables present a summary of operations by geographic region:

	1993	1992	1991
Revenues from unaffiliated customers:			
North America	$ 7,087	$ 19,359	$ 35,843
Export sales from North America	-	2,745	5,720
Europe	18,548	98,439	209,504
Other	3,170	6,797	6,925
Total	$ 28,805	$127,340	$257,992
Transfer from geographic areas (eliminated in consolidation):			
North America	$ 17,781	$102,622	$256,958
Europe	25,284	17,055	20,334
Other	102	12,968	105,556
Total	$ 43,167	$132,645	$382,848
Operating income (loss):			
North America	$ (14,025)	$ (50,051)	$ (8,567)
Europe	(19,741)	(24,660)	(7,841)
Other	(13,733)	(4,297)	(2,275)
Total	$ (47,499)	$ (79,008)	$ (18,683)
Identifiable assets at December 31:			
North America	$ 17,369	$ 14,450	$ 42,772
Europe	5,801	53,727	116,774
Other	-	21,161	24,223
Corporate assets	51,663	49,170	69,717
Total	$ 74,833	$138,508	$253,486

14. CONTINGENT LIABILITIES

Certain claims and suits arising in the ordinary course of business have been filed or are pending against the Company. In the opinion of management, all such matters have been adequately provided for, are without merit, or are such that if settled unfavorably would not have a material adverse effect on the Company's consolidated financial position and results of operations.

15. SUBSEQUENT EVENTS

On March 24, 1994, the Company entered into agreements which, among other things, call for:

- The sale of 1,500,000 shares of the Company's Common Stock to Time Warner Inc. (TWI) for $8.50 per share, for an aggregate of $12,750,000. In addition, TWI has the right to receive up to 150,000 additional shares of the Company's Common Stock if, during the period ending October 1, 1994, the Company issues shares (as defined in the Agreement, as a qualified issuance) at a price below $7.50. The number of such additional shares issued is determined by an agreed-upon formula considering the $7.50 price and the price of any qualified issuance. Further, TWI has the right to purchase an additional 1,500,000 shares of the Company's Common Stock at the qualified issuance price during the period ending October 1, 1994.

- The settlement of litigation respecting Nintendo regarding patent infringements in which, as part of a comprehensive settlement among the Company, Nintendo, Atari Games Corporation (AGC) and TWI, the Company granted a license to certain patents and received a cash payment.

- The issuance of 70,000 shares of the Company's common stock to AGC in return for forgiveness by AGC of past royalty payments due from the Company under certain software licensee agreements.

Closing of these transactions is subject, among other things, to a Hart-Scott-Rodino Act waiting period and American Stock Exchange listing approval.

16. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for 1993 and 1992 are as follows (in thousands except per share data):

YEAR ENDED DECEMBER 31, 1993	First Quarter	Second Quarter	Third Quarter (A)	Fourth Quarter (A)
Net sales	$ 10,150	$ 5,719	$ 4,411	$ 8,525
Gross margin	2,871	1,137	(8,480)	(9,273)
Loss from continuing operations	(2,018)	(6,643)	(17,633)	(22,572)
Loss before extraordinary credit	(2,018)	(6,643)	(17,633)	(22,572)
Net loss	(2,018)	(6,643)	(17,633)	(22,572)
Net loss per common and common equivalent share	$ (0.03)	$ (0.12)	$ (0.31)	$ (0.39)

YEAR ENDED DECEMBER 31, 1992	First Quarter	Second Quarter (A)	Third Quarter	Fourth Quarter (A)
Net sales	$ 44,079	$ 23,265	$ 34,529	$ 25,467
Gross margin	13,742	(24,234)	10,686	(5,309)
Income (loss) from continuing operations	(13,848)	(39,748)	1,882	(31,005)
Income (loss) before extraordinary credit	(13,848)	(39,748)	1,882	(22,005)
Net income (loss)	(13,848)	(39,748)	1,882	(21,901)
Earnings (loss) per common and common equivalent share (B):				
Income (loss) from continuing operations	$ (0.24)	$ (0.69)	$ 0.03	$ (0.54)
Income (loss) before extraordinary credit	(0.24)	(0.69)	0.03	(0.38)
Net income (loss)	(0.24)	(0.69)	0.03	(0.38)

(A) See Note 1 for description of restructuring charges and inventory write-downs recorded in 1992 and 1993.

(B) The sum of per share amounts for the four quarters does not equal the annual amount as reported on the consolidated statements of operations due to rounding.

* * * * *

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this Item is incorporated herein by reference to the Company's definitive Proxy Statement for the 1994 annual meeting of shareholders.

Item 11. EXECUTIVE COMPENSATION

Information required by this Item is incorporated herein by reference to the Company's definitive Proxy Statement for the 1994 annual meeting of shareholders.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by this Item is incorporated herein by reference to the Company's definitive Proxy Statement for the 1994 annual meeting of shareholders.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by this Item is incorporated herein by reference to the Company's definitive Proxy Statement for the 1994 annual meeting of shareholders.

Trademarks Used in This Form 10-K

ATARI, the Fuji symbol, Jaguar, ST, TT, LYNX, Falcon030, COMLYNX, 2600, and 7800 Prosystem, Portfolio and XE computers are trademarks or registered trademarks of Atari Corporation. The Motorola 68000, 68030 and 56001 are trademarks or registered trademarks of Motorola, Inc. IBM is a registered trademark of IBM Corporation. Nintendo and Sega are trademarks or registered trademarks of Nintendo Company, Ltd. and Sega Corporation. Sony and 3DO are trademarks or registered trademarks of Sony Corporation and 3DO Company.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Documents filed as part of this Report:

1. Financial Statements.

The financial statements required to be filed hereunder are listed in the accompanying Index to Consolidated Financial Statements and Financial Statement Schedules on Page 15 hereof.

2. Financial Statement Schedules

The financial statement schedules required to be filed hereunder are listed in the accompanying Index to Consolidated Financial Statements and Financial Statement Schedules on Page 15 hereof.

3. Exhibits

The exhibits listed under Item 14(c) are filed as part of this annual Report on Form 10-K.

(b) Reports on Form 8-K: None.

(c) Exhibits

Exhibit	Notes	Description
3.1	(1)	Articles of Incorporation of Registrant, as filed May 17, 1984.
3.2	(1)	Certificate of Amendment of Articles of Incorporation as filed July 11, 1984.
3.3	(1)	Certificate of Amendment of Articles of Incorporation, as filed September 12, 1986.
3.4	(1)	Amended and Restated Bylaws of Registrant.
4.1	(1)	Form of Indenture.
10.1	(1)	OEM Software License Agreement with Digital Research (California) Inc., dated August 22, 1984.
10.2	(1)	License Funding and Sale Agreement with Epyx Inc. dated January 5, 1990.
10.3	(2)	Hardware Technology Assignment and License Agreement with Epyx Inc. dated June 3, 1989.
10.4	(2)	Software Production and Distribution License Agreement with Epyx Inc. dated June 3, 1989.
10.5	(2)	Manufacturing Services Agreement with Epyx Inc. dated June 21, 1989.

Exhibit	Notes	Description
10.6	(2)	OEM Purchase and Distribution Agreement with Epyx Inc. dated June 12, 1989.
10.7	(1)	Lease Agreement for 1196 Borregas Avenue, Sunnyvale, California, dated July 1980, with Assignment to Registrant.
10.8	(1)	Industrial Lease Agreement for Warehouse at 360 Caribbean Drive, Sunnyvale, California, Dated May 10, 1986.
10.9	(1)	Industrial Lease Agreement for Warehouse at 390 Caribbean Drive, Sunnyvale, California, Dated December 17, 1986.
10.10	(3)	Agreement and Plan of Merger with The Federated Group, Inc. dated August 28, 1987.
10.11	(2)	Agreement for Sale of Assets dated November 8, 1989 among Silo California Inc., The Federated Group, Inc. and Atari Corporation.
10.12	(1)	Amended 1986 Stock Option Plan.
10.13	(1)	Amended form of Incentive Stock Option Agreement.
10.14	(4)	Amended Stock Option Plan.
10.15	(1)	Memorandum of Agreement among Registrant, Jack Tramiel, Atari Holdings, Inc., Productions et Editions Cinematographiques Francais S.A.R.L., Atari International (UK) Inc., Warner Communications Inc. and certain subsidiaries of Atari Holdings, Inc., dated August 29, 1986.
10.16	(1)	Assets Purchase Agreement with Atari, Inc. and certain subsidiaries and affiliates of Atari, Inc., dated July 1, 1984.
10.17	(1)	Agreement with Atari, Inc. and Jack Tramiel, dated July 1, 1984.
10.18	(1)	Intellectual Property Rights Heads of Agreement with Atari, Inc., dated July 1, 1984.
10.19	(6)	Agreement for Purchase and Sale of Real Estate-Taiwan.
10.20	(6)	General Agreement of Sale - Irish Facility.
10.21	(7)	Stock Purchase Agreement with Time Warner, Inc. dated March 24, 1994.
22.0	(5)	Subsidiaries of the Company.

(1) Incorporated by reference to the Company's Form S-1 Registration Statement, Registration No. 33-12753, filed with the Commission on July 2, 1987.

(2) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1989.

(3) Incorporated by reference to the Company's Form 14D-1 and 13D Statement, filed with the Commission on August 28, 1987.

(4) Incorporated by reference to the Company's Proxy Statement relating to its Annual Meeting of Shareholders held on May 16, 1989.

(5) Subsidiaries of the Company (see Page 42 hereof).

(6) Incorporated by reference to the Company's Annual Report on Form-10K for the fiscal year ended December 31, 1991.

(7) Filed herewith.

ATARI CORPORATION

MARKETABLE SECURITIES - OTHER SECURITY INVESTMENTS
(Amounts in Thousands, Except Number of Shares)

Issue	Number of Shares	Cost	Market Value	Carrying Value
December 31, 1993:				
Dixon Common Stock	2,777,778	$7,680	$11,713	$7,680
December 31, 1992:				
General Motors Series D Preferred stock	100,000	$2,500	$ 2,200	$2,200
Dixon Common Stock	2,777,778	$7,680	$10,896	$7,680

ATARI CORPORATION

AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS AND EMPLOYEES OTHER THAN RELATED PARTIES
(Amounts in Thousands)

	Balance at Beginning of Period	Additions	Amounts Collected and Written Off	Balance at End of Period Current	Balance at End of Period Non-Current
Year ended December 31, 1991:					
Samuel W.L. Chin	$130 (2)	$ -	$ 42	$ 88	$ -
Robert Gleadow	300 (2)	-	300 (7)	-	-
Steven M. Kawalick	290 (1)	-	10	280	-
August Liguori	85 (3)	26 (3)	-	111	-
Richard Miller	145 (4)	-	-	145	-
Gregory A. Pratt	135 (5)	-	25	110	-
Alwin Stumpf	795 (6)	-	-	795	-
Paul Welch	115 (2)	-	115 (7)	-	-
Year ended December 31, 1992:					
Samuel W.L. Chin	88	-	88	-	-
Steven M. Kawalick	280	17 (9)	297 (8)	-	-
August Liguori	111	-	35	76	-
Richard Miller	145	-	-	145	-
Gregory A. Pratt	110	-	110 (7)	-	-
Alwin Stumpf	795	-	387 (7)	408	-
Year ended December 31, 1993:					
August Liguori	76	-	-	76	-
Richard Miller	145	-	-	145	-
Alwin Stumpf	408	-	48	217	143

(1) The unsecured notes, which were payable upon demand, were issued August 1990 and bore interest at 10%.

(2) The secured notes, which were payable upon demand, were issued October 1986 and bore interest at 12%.

(3) The secured note, which was payable upon demand, was issued May 1986 and bears interest at 12%. The unsecured note, which was payable upon demand, was issued in August 1990 and bears interest at 10%. The unsecured note, which is payable upon demand, was issued October 1991 and bears interest at 7%.

(4) Two unsecured notes, which are payable upon demand, were issued during 1989 and bear interest at 10%.

(5) The secured note, which was payable upon demand, was issued October 1987 and bore interest at 10%. The unsecured note, which was payable upon demand, was issued in August 1990 and bore interest at 10%.

(6) Two unsecured notes, which were payable upon demand, were issued March 1985 and June 1987 and bore interest at 12% and 10%, respectively. In addition, a receivable, which was payable upon demand, was recorded at various dates throughout 1988 and bore interest at 10%.

(7) The notes were cancelled and related stock reacquired by the Company.

(8) Cash payment of $235. The balance was cancelled and the related stock required by the Company.

(9) The unsecured note, which was payable upon demand, was issued in March 1992.

ATARI CORPORATION

VALUATION AND QUALIFYING ACCOUNTS
(Amounts in Thousands)

	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
December 31, 1991:				
Allowance for doubtful accounts	$4,824	$2,366	$3,215 (1)	$3,975
Accrued sales returns and allowances	4,914	3,699	5,986 (2)	2,627
December 31, 1992:				
Allowance for doubtful accounts	$3,975	$ 986	$2,428 (1)	$2,533
Accrued sales returns and allowances	2,627	3,560	1,887 (2)	4,300
December 31, 1993:				
Allowance for doubtful accounts	$2,533	$ 232	$2,293 (1)	$ 472
Accrued sales returns and allowances	4,300	457	4,181 (2)	576

(1) Amounts written off, net
(2) Customer returns allowed

ATARI CORPORATION

SHORT-TERM BORROWINGS
(Amounts in Thousands)

	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Out-standing During the Period	Average Amount Out-standing During the Period	Weighted Average Interest Rate During the Period
December 31, 1991:					
Amounts payable to banks	$12,500	4.90 %	$27,042	$15,324	9.77 %
December 31, 1992:					
Amounts payable to banks	$ -	- %	$15,000	$ 4,932	5.844 %
December 31, 1993:					
Amounts payable to banks	$ -	- %	$ -	$ -	- %

The average amounts outstanding were determined based on an average of the balances for each month with a balance outstanding divided by the total number of months with a balance outstanding.

The weighted average interest rates during the periods were computed by dividing the total of the weighted average interest rate for each month with a balance outstanding by the total number of months with a balance outstanding.

ATARI CORPORATION

SUPPLEMENTARY INCOME STATEMENT INFORMATION
(Amounts in Thousands)

Item	Charged to Costs and Expenses Year Ended December 31, 1991	1992	1993
Advertising expense (included in marketing and distribution expense)	$20,129	$11,325	$ 3,282
Royalty expense	$ 5,222	$ 2,307	$ 812

EXHIBIT 22

SUBSIDIARIES OF THE COMPANY

Name	Jurisdiction
Atari (Benelux) B.V.	Holland
Atari (Canada) Corp.	Canada
Atari Computers Pty. Ltd.	Australia
Atari France S.A.	France
Atari Computers GmbH	Germany
Tambercombe Ltd.	Hong Kong
Atari Italia S.P.A.	Italy
Atari Israel Ltd.	Israel
Atari (Japan) Corp.	Japan
Atari (Mexico) S.A. de C.V.	Mexico
Atari (Mexico) Fabricante S.A. de C.V.	Mexico
Atari (Schweiz) AG	Switzerland
Atari Taiwan Manufacturing Corp.	Taiwan
Atari Corp. (U.K.) Ltd.	England
Liquid Crystal Technology Corp.	Nevada
Atari Computer Corporation	Nevada
Atari Explorer Publications Corp.	New Jersey
Ordenadores Atari S.A.	Spain
Atari Microsystems Corporation	Nevada
The Federated Group, Inc.	Delaware
The Federated Group (Southcentral), Inc.	Texas
Tramel Trading Ltd.	Nevada

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized in the City of Sunnyvale, State of California on the 31st day of March, 1994.

ATARI CORPORATION
(Registrant)

By: /S/ JACK TRAMIEL
Jack Tramiel
Chairman of the Board

/S/ SAM TRAMIEL
Sam Tramiel
President, Chief Executive Officer and Director

/S/ MICHAEL ROSENBERG
Michael Rosenberg
Director

/S/ LEONARD I. SCHREIBER
Leonard I. Schreiber
Director

/S/ AUGUST J. LIGUORI
August J. Liguori
Vice President, Treasurer, Director and
Chief Accounting Officer

CORPORATE DIRECTORY

DIRECTORS

JACK TRAMIEL
Chairman of the Board

SAM TRAMIEL
President
Chief Executive Officer

MICHAEL ROSENBERG
Chairman & Chief Executive
Officer-Ross & Roberts, Inc.

LEONARD I. SCHREIBER
Partner-Schreiber & McBride

AUGUST J. LIGUORI
Vice President - Finance, Treasurer
Chief Financial Officer

OFFICERS

JACK TRAMIEL
Chairman of the Board

SAM TRAMIEL
President
Chief Executive Officer

AUGUST J. LIGUORI
Vice President - Finance, Treasurer
Chief Financial Officer

RICHARD MILLER
Vice President - Technology

LEONARD TRAMIEL
Vice President - Advanced
Software Development

ADAM BEANE
Vice President - Legal
Secretary

CORPORATE INFORMATION

TRANSFER AGENT
Registrar and Transfer Company
10 Commerce Drive
Cranford, NJ 07016

AUDITORS
Deloitte & Touche
60 South Market Street, Ste. 800
San Jose, CA 95113

ANNUAL MEETING
The Annual Meeting of Shareholders will be held on Friday, June 17, 1994 at 2:00p.m. at the Atari Corporate Offices:
1196 Borregas Avenue
Sunnyvale, CA 94089

FORM 10-K ANNUAL REPORT
A copy of the Company's Annual Report on Form 10-K (exclusive of exhibits) as filed with the Securities and Exchange Commission is included in this report.

Atari Corporation
Sunnyvale, CA 94089-1302