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FORM 8-K

MIDWAY GAMES INC - MWYGQ

Filed: August 05, 2005 (period: August 04, 2005)

Report of unscheduled material events or corporate changes.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): August 4, 2005

MIDWAY GAMES INC.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

1-12367
(Commission File Number)

22-2906244
(I.R.S. Employer Identification
Number)

2704 West Roscoe Street, Chicago, Illinois 60618
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: **(773) 961-2222**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

On July 28, 2005 Midway Games Inc. (the "Company") entered into a separation agreement and general release (the "Separation Agreement") with Mark S. Beaumont, the Company's Senior Vice President – Entertainment, attached hereto as Exhibit 10.1, which becomes effective August 19, 2005. By its terms, the Separation Agreement provides that Mr. Beaumont may revoke the agreement at any time during the seven days following his execution of the Separation Agreement. The revocation period lapsed on August 5, 2005. Pursuant to the Separation Agreement, Mr. Beaumont is entitled to receive 15 months of his base annual salary in normal payroll intervals. Until the earlier of November 30, 2006 or such time as Mr. Beaumont is hired elsewhere by an employer that offers a health plan, and provided he properly elects health insurance coverage under and pursuant to COBRA, the Company will pay the premium on Mr. Beaumont's behalf for standard employee medical insurance, as well as provide Mr. Beaumont with continued participation in the Company's Exec-U-Care supplemental health insurance program. In partial consideration for these benefits, Mr. Beaumont has released and waived certain claims he may have against the Company. Exhibit 10.1 is incorporated herein by reference.

Item 1.02 Termination of a Material Definitive Agreement.

The Separation Agreement terminates the Letter Agreement regarding Mr. Beaumont's employment by the Company, dated as of February 10, 2003 (filed as Exhibit 10.34 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed with the SEC on March 28, 2003), between the Company and Mr. Beaumont. The Letter Agreement provided for additional compensation to Mr. Beaumont in the event his relationship with the Company was terminated due to a change in control, as defined in the Letter Agreement.

Item 2.02 Results of Operations and Financial Condition.

On August 4, 2005, Midway Games Inc. issued a press release discussing financial results for the second quarter of 2005 and financial guidance. A copy of the press release is attached to this report as Exhibit 99.1. Exhibit 99.1 is incorporated herein by this reference.

Item 3.02 Unregistered Sales of Equity Securities.

On August 4, 2005, we issued an aggregate of 377,453 shares of our common stock to the GP Siegele Trust (183,065 shares), the R.M. Harrison Trust (164,192 shares) and Martin Cooper (30,196 shares) as consideration for all of the shares of capital stock of Ratbag Holdings Pty Ltd ("Ratbag") and its subsidiary companies. 56,272 of these shares will be held in escrow for up to three years to cover potential indemnification obligations of the GP Siegele Trust, the R.M. Harrison Trust and Martin Cooper to Midway. Up to 38,052 of the shares issued to the GP Siegele Trust may be forfeited in accordance with the following schedule if Gregory Peter Siegele, Studio Head, voluntarily terminates his employment or his employment is terminated by us for cause prior to the expiration of three years from the acquisition date (an "Employment Termination Event"): 38,052 shares will be forfeited if there is an Employment Termination Event prior to August 4, 2006; 25,368 shares will be forfeited if there is an Employment Termination Event prior to August 4, 2007; and 12,684 shares will be forfeited if there is an Employment Termination Event prior to August 4, 2008. We also issued an aggregate of 41,117 shares of our common stock, on August 4, 2005, as consideration to five persons for the extinguishment of all rights to acquire shares of capital stock of Ratbag, including Martin Cooper who received 1,055 of these shares. See Item 8.01 below.

The GP Siegele Trust, the R.M. Harrison Trust and Martin Cooper agreed not to sell 92,276, 82,763 and 15,221 of their respective Midway shares, except in accordance with the following vesting schedule: 36,910; 33,105 and 6,088 shares issued to the GP Siegele Trust, the R.M. Harrison Trust and Martin Cooper, respectively, may be sold as of August 4, 2006; an additional 27,683; 24,829 and 4,566 shares issued to the GP Siegele Trust, the R.M. Harrison Trust and Martin Cooper, respectively, may be sold as of August 4, 2007 and the balance of 27,683; 24,829 and 4,567 shares issued to the GP Siegele Trust, the R.M. Harrison Trust and Martin Cooper, respectively, may be sold as of August 4, 2008.

The issuance of the shares of common stock in this transaction was exempt from registration by reason of the safe harbor provided by Regulation S promulgated under the Securities Act of 1933, as each of the persons acquiring the shares was located outside of the U.S. and was not a U.S. person at the time of the issuance, the offer and sale of the shares occurred outside of the U.S., and appropriate agreements and representations under Regulation S were made. We agreed to register all of the shares described above for resale.

In addition, on August 4, 2005, we issued rights to acquire an aggregate of 38,050 shares of our common stock to 10 employees of Ratbag, as retention incentives. These rights are exercisable, at the election of the holder, to acquire a total of 12,683 shares as of August 4, 2006; a total of 12,683 shares as of August 4, 2007; and the balance of 12,684 shares as of August 4, 2008. The rights are exercisable without consideration. The issuance of the securities is exempt from registration as it was not within the purview of the Securities Act of 1933, because the issuance is without consideration and therefore is not a "sale" under Section 2(a)(3) thereof. We agreed to register the shares underlying the rights for sale by the holders.

Item 8.01 Other Events.

On August 4, 2005, we issued a press release announcing our acquisition on August 4, 2005 of Ratbag Holdings Pty Ltd and its subsidiary companies. A copy of the press release is attached to this report as Exhibit 99.2. Exhibit 99.2 is incorporated herein by this reference. Other details of the transaction are described under Item 3.02 above.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	Separation Agreement by and between Midway Games Inc. and Mark S. Beaumont, dated July 28, 2005 and effective as of August 19, 2005.
99.1	Press Release of Midway Games Inc. dated August 4, 2005.
99.2	Press Release of Midway Games Inc. dated August 4, 2005.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MIDWAY GAMES INC.

August 5, 2005

By: /s/ THOMAS E. POWELL
Thomas E. Powell
Executive Vice President — Finance,
Treasurer and Chief Financial Officer

EXHIBIT INDEX

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CONFIDENTIAL SETTLEMENT AGREEMENT AND GENERAL RELEASE

This Confidential Settlement Agreement and General Release (“Agreement”) is entered into by and between **MARK S. BEAUMONT** (“Employee”) and **MIDWAY GAMES INC.** (with its subsidiaries, the “Company”).

WHEREAS, the Company informed Employee that his employment was being terminated;

WHEREAS, Employee wishes to receive a severance payment as full satisfaction and release of any and all claims Employee has relating to or associated with his employment with the Company;

WHEREAS, the Company and Employee, each denying any wrongdoing or liability whatsoever, desire to sever their employment relationship in an amicable fashion and to settle all actual and potential disputes.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged:

1. Termination. Employee’s employment with the Company shall terminate effective August 19, 2005 (the “Termination Date”).

2. Payment to Employee. For settlement purposes only and provided this Agreement is final and irrevocable under paragraph 9 hereof, the Company agrees to continue to pay Employee his base annual salary in effect as of the Termination Date through November 19, 2006, less usual payroll deductions (consistent with paragraph 3 below, such deductions shall not include premiums for health plans), payable in normal payroll intervals. Employee acknowledges that the amount hereunder is above and beyond anything which is owed to Employee under company policy or by law. Payments will be sent to Employee by U.S. Mail to his home address commencing with the first pay period after this Agreement is final and irrevocable under paragraph 9 hereof. Employee will not accrue any vacation, credited service under any benefit plan or other benefits during the period of payments hereunder. Employee and the Company acknowledge that (i) Employee has submitted and/or intends to submit expense reports to the Company for expenses incurred in connection with his employment with the Company and that Employee shall be entitled to reimbursement of such expenses to the extent provided by Company policy or Exec-U-Care (“Reimbursements”) and (ii) Employee shall be entitled to payment for accrued vacation through the Termination Date (the “Vacation Pay”) as required by law. Employee and the Company agree that Employee’s accrued vacation as of July 8, 2005 is 145.76 hours and that Employee accrues vacation at a rate of 5.23 hours per pay period (with the first such accrual after July 8, 2005 scheduled to occur July 22, 2005).

3. Continuation of Health Benefits. Employee is advised that provided he properly elects continuation of health insurance coverage under and pursuant to COBRA, 29 U.S.C. § 1161 et seq., he shall be solely responsible for any premiums, except that the Company will pay the premium on Employee’s behalf for standard employee medical (including dental and

vision plans in which Employee is enrolled) coverage until November 30, 2006 or until Employee is re-employed (as opposed to being engaged as a contractor) elsewhere with an employer that offers a health plan, whichever is earlier. The Company will also continue Employee's Exec-U-Care coverage until November 30, 2006, or until Employee is re-employed elsewhere with an employer that offers a health plan, whichever is earlier. Coverage provided during this period will count toward the maximum of 18 months of coverage provided under COBRA and toward any coverage provided under similar state laws. Employee will receive information on his opportunity to elect "COBRA" coverage under separate cover.

4. General Release and Covenant Not To Sue. In consideration of the promises contained herein, the adequacy of which is hereby acknowledged, and other good and valuable consideration, Employee (on behalf of himself and his heirs, executors, administrators, successors and assigns) irrevocably and unconditionally releases and forever discharges and acquits the Company (and all its agents, officers, employees, directors, shareholders, attorneys and any affiliated or related companies, including parent companies, subsidiaries, divisions, successors and assigns) (collectively "Releasees"), from any and all claims, charges, liabilities, debts, demands, grievances and causes of action of whatsoever kind, at law or in equity, whether accrued, contingent, inchoate, known or unknown, suspected or unsuspected, or otherwise, including but not limited to claims relating to or arising out of Employee's employment and termination of employment, claims for breach of employment contract, claims for attorneys' fees, claims under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964 and 1991, as amended, The Fair Labor Standards Act, The Family and Medical Leave Act, the Americans with Disabilities Act, the Equal Pay Act, the Employee Retirement Income Security Act ("ERISA"), the Worker Adjustment and Retraining Notification Act ("WARN"), the Illinois Wage Payment and Collection Act, the Illinois Human Rights Act, the California Fair Employment and Housing Act, the Unruh Civil Rights Act, the Ralph Civil Rights Act, Cal. Labor Code §200 et seq., claims of retaliation, claims for pain and suffering and mental and emotional distress, wrongful discharge claims, severance pay claims other than those contemplated by this Agreement, accrued vacation, bonuses, salary and benefits, or other claims under any federal, state or local constitution, statute, or common law, which Employee has, had or may have against the Releasees arising from or relating to acts or omissions through the date hereof, or involving the continuing effects of any acts or omissions which occurred through the date hereof. Notwithstanding anything to the contrary herein, Employee reserves the right to apply for unemployment compensation relating to his termination of employment by the Company and the right to receive the Reimbursements and Vacation Pay.

Employee acknowledges and agrees that the nature, materiality, extent and results of the claims compromised and released by this Agreement may not now all be known or anticipated by him. However, it is the intention of the parties hereto that this Agreement shall be effective as a bar to each and every claim, charge, liability, offset, demand, grievance, debt and cause of action that Employee may have against the Company. Employee further acknowledges and agrees that he may hereafter discover facts different from or in addition to those now known, suspected or believed to be true with respect to such claims, demands or causes of action and agrees that this release will be and remain effective in all respects notwithstanding any such differences or additional facts.

Employee covenants and agrees not to sue, to file a charge, to make a claim or demand, to commence or maintain, or assist or otherwise participate (except, as required by law, to give testimony), in any action or proceeding of any kind in any court, before any government agency or in any other forum, or to accept any money, benefit, or other relief from any proceeding which would be precluded by this release, whether brought directly by Employee or brought by any other person, agency or entity, and agrees to indemnify the Company against all liability, costs and expenses and attorney's fees in the event he breaches this release and covenant not to sue.

5. Waiver of Section 1542. In granting the general release as set forth in paragraph 4 above, Employee expressly waives all rights under Section 1542 of the California Civil Code, which he has read and fully understands. It reads as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”

Employee understands that by waiving rights under California Civil Code §1542 he is forever relinquishing the right to seek redress from the Company for any injury or damages which are unknown to him at the present time.

6. Non-Interference With Other Employees. Until November 20, 2006, Employee agrees that he will not induce or attempt to induce any employees, consultants, or other personnel of the Company to terminate their relationship with the Company.

7. Full Compensation Received. Employee acknowledges that he has previously received all accrued but unused vacation pay, all of the salary and any other compensation and benefits to which he was entitled to and including the date of his termination, and any other sums to which he is entitled by virtue of his employment with the Company, other than the Reimbursements, Vacation Pay and his compensation for the period July 24, 2005 through the Termination Date, and that the payments and insurance continuation set forth in paragraphs 2 and 3 hereof are above and beyond anything to which Employee is entitled by Company policy or applicable law.

8. Return of Company Property. Employee will on or prior to the Termination Date return all keys, key cards, identification badges, records, papers, files, blueprints, documents, computers, computer disks, software, data stored on any computer or other storage device, and other materials or property belonging to the Company or its employees to the Company, other than the Company laptop computer presently in Employee's possession (from which all information relating to the Company or its business shall be irretrievably deleted on or before the Termination Date), which shall become the Employee's personal property on the Termination Date. The Company acknowledges that Employee shall continue after the Termination Date to use the cellular telephone number presently assigned to his Company cellular telephone (although such telephone will be returned to the Company). Notwithstanding anything set forth herein to the contrary, no severance or other payments will be paid to Employee by the Company until all such items have been returned.

9. Notice of Employee Rights; Effective Date. Employee has been advised (a) that he has up to twenty-one (21) days to consider this Agreement; (b) that the Agreement does not

take effect until seven (7) days after signing and may be revoked by him during that time period; (c) to consult an attorney before signing this Agreement; and (d) that the Employee does not waive rights or claims that may arise after the date the waiver is executed. This Agreement will be effective eight (8) days after Employee signs it, provided he has not revoked his Agreement during the seven-day revocation period. If Employee does not sign or if he timely revokes his Agreement, this Agreement will be null and void.

10. Confidentiality. Each party agrees that the fact and terms of this Agreement are strictly confidential, and therefore, agrees that from the date of presentment to Employee of this Agreement forward until such information becomes publicly known through no fault of such party, it/he shall not disclose, permit or cause the disclosure of any information concerning this Agreement, except that (a) Employee may disclose such information to his attorney, tax preparer and immediate family members, provided they also agree to keep this Agreement and its terms confidential, and (b) the Company may disclose such information to its employees and as required by law or regulation or the rules of the New York Stock Exchange.

11. Entire Agreement. With respect to the matters set forth herein, this Agreement represents the entire agreement between Employee and the Company and supersedes all prior agreements or understandings, if any, between the parties, except for any Inventions, Intellectual Material and Confidentiality Agreement signed by Employee or any agreement relating to rights in intellectual property or proprietary rights and/or the confidential information and/or trade secrets of the Company or any agreement relating to competition with the Company or to the solicitation or hiring of the employees of the Company, the provisions of which Employee acknowledges are designed to survive the termination of his employment. Employee acknowledges that except for the explicit provisions of this Agreement, no promises or representations of any kind have been made to Employee by the Company, its attorneys or any of the Releasees, to induce him to enter into this Agreement. No modification of this Agreement can be made except in writing and signed by Employee and an authorized representative of the Company.

12. Choice of Law; Savings Provision. This Agreement shall be governed, interpreted and construed under the laws of the State of Illinois without regard to its conflict of law principles. The parties agree that any dispute or litigation arising in whole or in part hereunder shall, at the option of the Company, be litigated in any state or federal court of competent subject matter jurisdiction sitting in Illinois, to the jurisdiction of which and venue in which Employee irrevocably consents. If any provision of this Agreement shall be invalidated or refused enforcement by any court of competent jurisdiction, the provisions not invalidated or refused enforcement shall remain in full force and effect.

13. Attorney's Fees. Employee waives his right, if any, to attorney's fees. The Company will pay all expenses incurred by it, and Employee will bear all expenses incurred by him, in the negotiation and preparation of this Agreement. However, in the event of litigation or arbitration between the parties arising out of or relating to this Agreement, the prevailing party will be entitled to recover court or arbitration costs and reasonable fees of attorneys, accountants and expert witnesses incurred by such a party in connection with the action or arbitration.

14. Non-Disparagement Pledge. The parties agree that it would be counterproductive and undesirable for either to communicate in a derogatory manner to third parties about one

another, and each party pledges not to do so, unless required by law. The Company will refer all inquiries from prospective employers concerning Employee to the Company's Chief Executive Officer or Vice President – Human Resources. Employee will not allege or claim that he was discriminated against or otherwise mistreated by the Company in any manner.

15. For Settlement Only. This Agreement is entered into for settlement purposes only and represents the compromise of disputed claims, actual or potential, which Employee has or may believe he has. Neither this Agreement, the decision to enter into this Agreement, nor anything done pursuant to this Agreement shall be construed to be an admission or evidence of any wrongdoing or liability by the Company, such wrongdoing and liability being expressly denied. Nor will this Agreement, its existence or its terms be admissible in any proceeding other than a proceeding to enforce the terms of this Agreement or as an affirmative defense to any attempt to breach it. It is understood that the separation pay provided pursuant to this Agreement is for purposes of amicably severing the employment relationship and forever resolving any disputed claims, actual or potential, which Employee has or may believe he has.

16. Representations & Warranties By All Parties. Each of the parties represents and warrants, as to himself, herself or itself that (a) he, she or it has the capacity, full power and authority to enter into this Agreement, (b) the individual signing on behalf of the corporate party is authorized to do so, (c) he, she or it has not assigned, encumbered or in any manner transferred all or any portion of the claims covered by this Agreement, (d) there are no other charges, complaints, suits, arbitrations or other claims or proceedings pending between the parties in any court, before any agency, or in any forum, and (e) no other person, party or corporation has any right, title or interest in any of the claims covered by this Agreement.

17. Successors & Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective personal representatives, agents, attorneys, executors, administrators, heirs, successors and assigns.

18. Knowing and Voluntary Signing of Binding Contract. Employee represents and warrants that he has read this Agreement and understands all of its terms and executes this Agreement voluntarily and without duress or undue influence, and with full knowledge of its significance, intending to be legally bound. Employee acknowledges that by signing this Agreement, subject to the limited right to revoke in paragraph 9, he is **GIVING UP ALL CLAIMS AGAINST** the Company and Releasees.

19. Opportunity To Consult Advisors. Both Employee and the Company have had reasonable opportunity to consult with attorneys or other advisors of their own choosing before executing this Agreement.

20. Counterparts. This Agreement may be executed in counterparts, each of which may be signed separately and may be enforceable as an original, but all of which together shall constitute but one agreement.

21. Variation of Pronouns. All pronouns and variations thereof shall be deemed to refer to masculine, feminine or neuter, singular or plural, as the identity of persons may require.

22. Notices. Any notice to be given under this Agreement shall be in writing and deemed to have been duly given (i) by its delivery personally or by overnight courier or (ii) five days after its being mailed, registered or certified, addressed as follows:

to Employee: Mark S. Beaumont
1494 Via Campo Aureo
San Jose, California 9120

to the Company: General Counsel
Midway Games Inc.
2704 W. Roscoe Street
Chicago, Illinois 60618

or such other address as either party may designate by notice given as aforesaid.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by affixing their signatures and the date of execution where indicated below.

MIDWAY GAMES INC.

By: /s/ Deborah K. Fulton

Its: Senior Vice President, Secretary and General Counsel

Dated: July 28, 2005

EMPLOYEE

By: /s/ Mark S. Beaumont
MARK S. BEAUMONT

Dated: July 28, 2005



CONTACT:

Geoffrey Mogilner
Midway Games Inc.
(773) 961-2222
gmogilner@midway.com

Joseph N. Jaffoni, Carol Young
Jaffoni & Collins Incorporated
(212) 835-8500
mwy@jcir.com

MIDWAY REPORTS 2005 Q2 RESULTS

Chicago, Illinois, August 4, 2005 — Midway Games Inc. (NYSE: MWY) today announced results of operations for the three month period ended June 30, 2005. The Company also updated its guidance for the year ending December 31, 2005 and provided revenue and earnings guidance for the third quarter ending September 30, 2005.

SECOND QUARTER RESULTS

Net revenues for the 2005 second quarter were \$36.9 million, compared with 2004 second quarter net revenues of \$47.3 million. The 2005 second quarter loss applicable to common stock was \$29.9 million or a loss of \$0.35 per share, compared with a 2004 second quarter loss applicable to common stock of \$11.2 million or a loss of \$0.17 per share. The second quarter results were below previously provided expectations primarily due to lower-than-forecasted sales of *Unreal Championship 2*, as well as the writedown of capitalized product development costs for upcoming releases and the need for additional reserves for markdowns.

Other recent operating and financial highlights include:

- During the 2005 second quarter, Midway released *Area 51* for PlayStation 2, Xbox, and PC, and *Unreal Championship 2* for Xbox in North America and Europe. *Area 51* was a top 5-selling Xbox game and #6 overall game for the month of May in the U.S. according to NPD Funworld. In addition, in the United Kingdom, *Area 51* was in the top 10 for four weeks according to Chart Track;
- Several of Midway's upcoming games shown at this year's E3 industry trade event in Los Angeles received nominations for Game Critics Awards including Best Fighting Game for *Mortal Kombat: Shaolin Monks* and Best Sports Game for *Blitz: The League*;
- Also at E3, Midway announced its first next generation title, *Stranglehold*, which is being developed in collaboration with world-renowned action film director, John Woo, and starring Chow Yun-Fat. In addition, the Company announced *Unreal Tournament 2007* for PC, in development at Epic Games, Inc.;

- Midway announced on June 27, 2005, a strategic relationship with MTV, a division of Viacom, Inc., to jointly market three upcoming video game titles, beginning with the release of *L.A. RUSH*, expected to ship in the 2005 fourth quarter;
- Midway announced this morning an agreement with Warner Bros. Interactive Entertainment for the rights to publish interactive games based on the upcoming computer animated motion picture *The Ant Bully*. This is the second animated film in partnership with Warner Bros. Interactive Entertainment, along with the previously announced adaptation of *Happy Feet*; and
- Midway announced this morning that it had acquired development studio Ratbag Holdings Pty Ltd., based in Australia, expanding the Company's internal product development organization globally.

David F. Zucker, president and chief executive officer, commented, "Extending our reputation for producing high-quality frontline titles, Midway's second quarter product releases, *Area 51* and *Unreal Championship 2*, generated an enthusiastic response from critics and the gaming community. Importantly, our upcoming holiday lineup is garnering early positive feedback from reviewers."

Mr. Zucker continued, "Our efforts to expand our publishing business through strategic partnerships such as with MTV and Warner Bros. Interactive Entertainment, and to grow our internal product development capabilities through acquisitions and organic growth, demonstrate that Midway's turnaround strategy continues to gain momentum. We are committed to creating high-quality innovative content for this and the next console cycle, and we have assembled excellent internal development teams and global marketing resources to support this goal."

OUTLOOK

For the quarter ending September 30, 2005, the Company expects net revenues of approximately \$30 million, with a net loss of approximately \$19 million. During the quarter, Midway expects to release *Mortal Kombat: Shaolin Monks* for PlayStation 2 and Xbox, *Midway Arcade Treasures 3* for PlayStation 2, Xbox, and GameCube, and a compilation of *Midway Arcade Treasures 2 and 3* for the PC. Midway also expects to ship *The Suffering: Ties that Bind* for PlayStation 2, Xbox, and PC at the end of September, 2005, although due to the timing of its shipment at the end of the quarter, the Company expects to recognize the associated revenues in the fourth quarter.

During the fourth quarter of 2005, Midway expects to release *Gauntlet: Seven Sorrows* for PlayStation 2 and Xbox, *Blitz: The League* for PlayStation 2 and Xbox, *Ed, Edd n Eddy: The Mis-Adventures* for PlayStation 2, Xbox, GameCube, GameBoy Advance, and PC, and *L.A. RUSH* for PlayStation 2 and Xbox. In addition, the Company also expects to release its first two PlayStation Portable (PSP) titles: *Mortal Kombat: Deception Unchained* and *Midway Arcade Treasures: Extended Play* during the quarter.

"We are very excited about our product lineup for the next two quarters as we look to launch a diverse lineup of games that include several key Midway franchises, new family-friendly products and our first-ever PSP titles. We are committed to investing in our internal development resources and recruiting top industry talent, as evidenced by our acquisition of Ratbag, to establish the infrastructure necessary to build scale and succeed in the next generation. In addition, with the expectation of a crowded fourth quarter market for real-time strategy titles, we believe it is prudent to shift *Rise & Fall: Civilizations at War* to 2006 to benefit from a less competitive release window," added Mr. Zucker.

For the year ending December 31, 2005, Midway has revised its revenue expectations in part due to the rescheduling of the release date for *Rise & Fall: Civilizations at War* to the first quarter of 2006 from the fourth quarter of 2005. As such, for the year ending December 31, 2005, the Company now expects net revenues of approximately \$200 million, as compared to the Company's previous estimate of \$225 million. Additionally, the Company now expects a net loss of approximately \$60 million, an increase from the Company's prior expectation of a net loss of approximately \$47 million.

CONFERENCE CALL

Midway Games Inc. is hosting a conference call and simultaneous webcast open to the general public at 4:45 p.m. EDT today, Thursday, August 4, 2005. The conference call number is (706) 758-2388; please call five minutes in advance to ensure that you are connected prior to the presentation. Interested parties may also access the live call on the Internet at www.investor.midway.com or at www.fulldisclosure.com. Please log-on fifteen minutes in advance to ensure that you are connected prior to the call's initiation. Following its completion, a replay of the call can be accessed until August 6 at 6:45 p.m. EDT, by dialing 800/633-8284 or 402/977-9140 (international callers). The access code for the replay is 21251505. Additionally, a replay of the call will be available for twelve months on the Internet via www.investor.midway.com.

ABOUT MIDWAY

Headquartered in Chicago, IL with offices in San Diego, CA, Seattle, WA, Austin, TX, Los Angeles, CA, Munich, Germany, London, UK, and Adelaide, AUS, Midway Games Inc. (NYSE:MWY) is a leading developer and publisher of interactive entertainment software for major video game systems. More information about Midway can be obtained at www.midway.com.

This press release contains "forward-looking statements" within the meaning of the federal securities laws concerning future business conditions and the outlook for Midway Games Inc. (the "Company") based on currently available information that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in the forward-looking statements as a result of these risks and uncertainties, including, without limitation, the financial strength of the interactive entertainment industry, dependence on new product introductions and the ability to maintain the scheduling of such introductions, the upcoming console platform transition and other technological changes, dependence on major platform manufacturers, adequacy of capital resources and other risks more fully described under "Item 1. Business — Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and in the more recent filings made by the Company with the Securities and Exchange Commission.

– tables follow –

MIDWAY GAMES INC.
Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three-Months Ended June 30,		Six-Months Ended June 30,	
	2005	2004	2005	2004
Net revenues	\$ 36,926	\$ 47,286	\$ 50,741	\$ 67,417
Cost of sales:				
Product costs and distribution	13,904	17,395	18,970	26,570
Royalties and product development	21,165	13,295	24,695	19,620
Total cost of sales	35,069	30,690	43,665	46,190
Gross profit	1,857	16,596	7,076	21,227
Research and development expense	10,444	8,518	19,410	13,587
Selling and marketing expense	15,779	12,618	23,059	21,696
Administrative expense	4,469	4,425	8,649	8,734
Operating loss	(28,835)	(8,965)	(44,042)	(22,790)
Interest income	490	257	1,118	355
Interest expense	(371)	(394)	(724)	(572)
Other income and (expense), net	(806)	(64)	(1,439)	(2)
Loss before income taxes	(29,522)	(9,166)	(45,087)	(23,009)
Provision for income taxes	328	328	656	656
Net loss	(29,850)	(9,494)	(45,743)	(23,665)
Preferred stock dividends:				
Distributed	63	876	126	1,379
Imputed	1	833	3	1,143
Loss applicable to common stock	\$ (29,914)	\$ (11,203)	\$ (45,872)	\$ (26,187)
Basic and diluted loss per share of common stock	\$ (0.35)	\$ (0.17)	\$ (0.53)	\$ (0.43)
Average number of shares outstanding	85,941	67,177	85,792	61,503

– balance sheet follows –

MIDWAY GAMES INC.
Consolidated Balance Sheets
(In thousands)

	June 30, 2005 (Unaudited)	December 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 59,221	\$ 118,313
Receivables, net	13,169	15,724
Inventories	5,495	6,893
Capitalized product development costs	41,131	27,850
Prepaid expenses and other current assets	5,693	6,570
Total current assets	124,709	175,350
Capitalized product development costs	1,047	809
Property and equipment, net	19,279	15,470
Goodwill	39,577	39,533
Other assets	11,770	11,155
Total assets	<u>\$ 196,382</u>	<u>\$ 242,317</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 8,814	\$ 6,673
Accrued compensation and related benefits	2,947	5,183
Accrued royalties	2,186	3,493
Accrued selling and marketing	2,742	3,525
Current portion of long-term debt	3,333	3,333
Other accrued liabilities	11,006	11,249
Total current liabilities	31,028	33,456
Long-term debt	8,611	10,278
Deferred income taxes	7,429	6,773
Other noncurrent liabilities	681	340
Redeemable convertible preferred stock, Series D, redeemable at \$4,460	4,456	4,453
Stockholders' equity:		
Common stock	881	879
Additional paid-in capital	393,365	392,177
Accumulated deficit	(236,355)	(190,612)
Accumulated translation adjustment	(873)	(1,420)
Deferred compensation	(3,213)	(4,379)
Treasury stock	(9,628)	(9,628)
Total stockholders' equity	144,177	187,017
Total liabilities and stockholders' equity	<u>\$ 196,382</u>	<u>\$ 242,317</u>

– supplemental data follow –

MIDWAY GAMES INC.
Net Revenue by Platform
(in thousands)

Platform	Three-Months Ended June 30,			
	2005		2004	
Sony PlayStation 2	\$ 13,801	37.4%	\$ 28,822	61.0%
Microsoft Xbox	18,087	49.0%	16,527	34.9%
Nintendo Gamecube	210	0.6%	348	0.7%
Nintendo Game Boy Advance	174	0.5%	35	0.1%
Personal Computer	2,153	5.8%	0	0.0%
Royalties and Other	2,501	6.7%	1,554	3.3%
Total	\$ 36,926	100.0%	\$ 47,286	100.0%

MIDWAY GAMES INC.
Net Revenue by Geography
(in thousands)

Region	Three-Months Ended June 30,			
	2005		2004	
North America	\$ 24,798	67.2%	\$ 42,255	89.4%
International	12,128	32.8%	5,031	10.6%
Total	\$ 36,926	100.0%	\$ 47,286	100.0%

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CONTACT:

Geoffrey Mogilner
Midway (Investors)
(773) 961-2222
gmogilner@midway.com

Reilly Brennan
Midway (Media)
(773) 961-2557
rbrennan@midway.com

Joseph N. Jaffoni, Carol Young
Jaffoni & Collins Incorporated
(212) 835-8500
mwy@jcir.com

MIDWAY ACQUIRES AUSTRALIAN DEVELOPER RATBAG***- Developer of Upcoming Midway Title Brings Technology and Talent,
and Establishes Midway Presence in Australia -***

CHICAGO, Illinois, August 4, 2005 – Midway Games Inc. (NYSE:MWY), a leading interactive entertainment publisher and developer, announced today that it has acquired Ratbag Holdings Pty Ltd., a game development studio based in Adelaide, South Australia. Midway acquired the privately-held developer in a primarily stock transaction for 418,570 Midway shares. The studio is currently working on several unannounced Midway products for both current- and next-generation systems. The studio will be renamed Midway Studios – Australia.

Midway's President and Chief Executive Officer David F. Zucker commented, "This transaction is consistent with our strategy of adding depth to our internal product development organization and strengthening our ability to deliver high-quality, compelling and commercially successful content for current and future systems. Ratbag brings to Midway a rare combination of development expertise in driving and on-foot combat that they are incorporating into our games now in development."

Midway's Senior Vice President of Worldwide Studios Matt Booty said, "We are excited to add this proven studio with solid management and a strong development team to Midway, and establish a firm foothold in Australia, a great location for top entertainment industry talent. We plan to leverage their talent and technology across our internal development studios, which will support our goal of maintaining our leadership in high quality development."

Based in Adelaide, South Australia, Ratbag is an innovative developer of high-quality interactive entertainment products. Established in 1994, Ratbag's first title, *Powerslide*, was released in 1998 to critical and commercial success. The studio has grown into one of the world's premier racing game developers.

In addition to shares issued as consideration for the acquisition of Ratbag, rights to acquire a total of 38,050 shares of Midway common stock were issued to key Ratbag employees as retention incentives. The rights to acquire the stock will vest in stages over a period of three years, provided the employee

remains at the Company. Ratbag employees who received the rights were: Tony Albrecht, Karl Burdack, Cam Dunn, Kim Forrest, Franta Fulin, Adam Mackay-Smith, Robin Maddock, Andrew Medlin, Sadhana Pereira, and David Todd.

About Midway Games

Headquartered in Chicago, IL with offices in San Diego, CA, Seattle, WA, Austin, TX, Los Angeles, CA, Munich, Germany, London, UK, and Adelaide, AUS, Midway Games Inc. (NYSE:MWY) is a leading developer and publisher of interactive entertainment software for major video game systems. More information about Midway can be obtained at www.midway.com.

This press release contains “forward-looking statements” within the meaning of the federal securities laws concerning future business conditions and the outlook for Midway Games Inc. (the “Company”) based on currently available information that involve risks and uncertainties. The Company’s actual results could differ materially from those anticipated in the forward-looking statements as a result of these risks and uncertainties, including, without limitation, the financial strength of the interactive entertainment industry, dependence on new product introductions and the ability to maintain the scheduling of such introductions, the upcoming console platform transition and other technological changes, dependence on major platform manufacturers, adequacy of capital resources and other risks more fully described under “Item 1. Business — Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2004, and in the more recent filings made by the Company with the Securities and Exchange Commission.

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