

eGames Announces First Quarter Fiscal 2010 Financial Results

Langhorne, Pa., – November 23, 2009 – eGames, Inc. (Pink Sheets: EGAM), a developer and publisher of games for the PC, game consoles and the Internet, today released financial results for its fiscal first quarter ended September 30, 2009.

COMMENTS:

Jerry Klein, President and CEO of eGames commented on eGames' fiscal 2010 first quarter results, stating, "Our first fiscal quarter was one of the toughest we have experienced in some time, caused mainly by continued declines in distribution of our titles at major North American retailers compared to previous periods. Our revenue results continue to be negatively impacted by the very difficult economic conditions facing so many companies today, and specifically less retail store traffic, decreased consumer spending and declining revenues in the videogame sector overall. While we were able to minimize our net loss during the current quarter by reducing our product development expenses by \$293,000 compared to the year ago quarter and focusing our resources on our strongest product development projects, this strategy did not offset the difficulty we have experienced in gaining additional North American retail distribution for our titles or obtaining working capital financing to fund continued development and expansion of our proprietary product line. We are hoping that with the holiday selling season approaching, and the recent placement of some of our top titles at the largest North American retailers, we can look for the beginning of an improvement in our financial results."

"As we announced last week, we are optimistic about the prospects for our titles that have recently been placed in the top three North American retailers, including *Mystery Legends™: Sleepy Hollow*, which heads a strong lineup of eGames-branded hidden object and puzzle games available at retail for the holidays, including *4 Elements™*, *Adventures of Robinson Crusoe*, and *Liong: The Lost Amulets*" Klein said.

FINANCIAL DISCUSSION:

Fiscal First Quarter ended September 30, 2009 – Financial Summary:

Net revenues decreased by \$188,000, or 21.3%, to \$696,000 for the fiscal quarter ended September 30, 2009, compared to \$884,000 for the similar fiscal quarter a year ago. This \$188,000 decrease in net revenues resulted from a reduction in our traditional product revenues traceable to a decline in retail distribution of our titles at major North American retailers compared to the prior year's quarter and overall weak consumer demand at retail for discretionary items such as PC games during the current quarter.

Net loss was \$162,000, or \$0.01 per diluted share, for the fiscal quarter ended September 30, 2009 compared to a net loss of \$460,000, or \$0.04 per diluted share, for the fiscal quarter ended September 30, 2008. This \$298,000 reduction in our net loss for the quarter ended September 30, 2009 was due to a \$368,000 decrease in operating expenses, which was partially offset by a \$69,000 decline in gross profit, which resulted from lower net revenues and a 5.0% increase in the gross profit margin on those revenues.

The 5.0% gross profit margin improvement related to a decrease in royalty costs, as a percentage of net revenues, attributable to lower contractual and effective royalty rates on the game titles sold during the current quarter compared to the similar quarter a year earlier.

The \$368,000 decrease in operating expenses resulted from various cash conservation and cost cutting measures implemented by management in an effort to return eGames to profitability and a positive cash flow position in the near future. During the current quarter, these initiatives resulted in:

- A \$293,000 decline in product development expense due to reducing the number of proprietary titles under development to two titles during the current quarter compared to last year's similar quarter, when nine titles were in development; and
- A \$75,000 decrease in other operating expenses such as professional services, sales promotions and salary related costs.

The following table represents eGames' net revenues by distribution channel for the fiscal quarters ended September 30, 2009 and 2008, respectively:

Net Revenues by Distribution Channel
(rounded to the nearest thousand)

Distribution Channel	Quarters Ended September 30,				Increase (Decrease)	% Change
	2009	%	2008	%		
Traditional product revenues	\$ 286,000	41%	\$ 471,000	53%	(\$ 185,000)	(39%)
Licensing revenues	189,000	27%	154,000	18%	35,000	23%
Internet revenues	212,000	31%	224,000	25%	(12,000)	(5%)
Liquidation product revenues	9,000	1%	35,000	4%	(26,000)	(74%)
Totals	<u>\$ 696,000</u>	<u>100%</u>	<u>\$ 884,000</u>	<u>100%</u>	<u>(\$ 188,000)</u>	<u>(21%)</u>

Liquidity Condition:

At September 30, 2009, eGames had \$156,000 in cash compared to \$344,000 in cash at June 30, 2009. Considering our net losses for the most recent quarter and the last five fiscal years, and the fact that we do not currently have access to a credit facility, we are continuing to evaluate our options to fund future operations if eGames does not become cash flow positive from operations during the upcoming quarters.

eGames, Inc.
Balance Sheets

<u>ASSETS</u>	At September 30, 2009	At June 30, 2009
Current assets:		
Cash and cash equivalents	\$ 155,574	\$ 344,432
Accounts receivable, net	346,894	279,827
Inventory, net	527,640	551,552
Prepaid and other expenses	101,032	88,017
Total current assets	<u>1,131,140</u>	<u>1,263,828</u>
Furniture and equipment, net	15,849	18,478
Intangibles	24,089	24,089
Total assets	<u>\$ 1,171,078</u>	<u>\$ 1,306,395</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</u>		
Current liabilities:		
Accounts payable	\$ 592,761	\$ 557,449
Unearned revenues	628,689	630,542
Accrued expenses	312,840	359,993
Total current liabilities	<u>1,534,290</u>	<u>1,547,984</u>
Stockholders' equity (deficit):		
Convertible preferred stock	704,568	704,568
Common stock	9,179,827	9,179,827
Additional paid-in capital	2,613,108	2,562,142
Accumulated deficit	(12,307,778)	(12,135,189)
Treasury stock, as cost	(552,937)	(552,937)
Total stockholders' equity (deficit)	<u>(363,212)</u>	<u>(241,589)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 1,171,078</u>	<u>\$ 1,306,395</u>

eGames, Inc.
Statements of Operations

	Quarters Ended September 30,	
	2009	2008
Net revenues	\$ 696,306	\$ 883,732
Cost of revenues	<u>276,664</u>	<u>394,871</u>
Gross profit	419,642	488,861
Operating expenses:		
Product development	162,767	455,744
Selling, general and administrative	<u>418,539</u>	<u>493,783</u>
Total operating expenses	<u>581,306</u>	<u>949,527</u>
Operating loss	(161,664)	(460,666)
Interest income, net	<u>13</u>	<u>805</u>
Loss before income taxes	(161,651)	(459,861)
Income taxes	<u>- 0 -</u>	<u>- 0 -</u>
Net loss	<u>(\$ 161,651)</u>	<u>(\$ 459,861)</u>
Net loss per common share:		
- Basic	<u>(\$ 0.01)</u>	<u>(\$ 0.04)</u>
- Diluted	<u>(\$ 0.01)</u>	<u>(\$ 0.04)</u>
Weighted average common shares outstanding – Basic	12,119,499	11,957,193
Dilutive effect of common share equivalents	<u>- 0 -</u>	<u>- 0 -</u>
Weighted average common shares outstanding - Diluted	<u>12,119,499</u>	<u>11,957,193</u>

eGames, Inc.
Statements of Cash Flows

	Three Months Ended September 30,	
	2009	2008
<u>OPERATING ACTIVITIES:</u>		
Net loss	(\$ 161,651)	(\$ 459,861)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	27,101	34,086
Depreciation and amortization	3,211	5,246
Changes in operating assets and liabilities:		
Accounts receivable, net	(67,067)	67,075
Inventory, net	23,912	(13,139)
Prepaid and other expenses	(88)	53,644
Accounts payable	35,312	(4,637)
Unearned revenues	(1,853)	71,334
Accrued expenses	(47,153)	8,749
Net cash used in operating activities	(188,276)	(237,503)
<u>INVESTING ACTIVITIES:</u>		
Purchase of furniture and equipment	(582)	(14,639)
Net cash used in investing activities	(582)	(14,639)
<u>FINANCING ACTIVITIES:</u>		
Net disbursements from issuance of preferred stock	- 0 -	(20,769)
Dividend payments to preferred stockholders	- 0 -	(10,708)
Net cash used in financing activities	- 0 -	(31,477)
Net decrease in cash and cash equivalents	(188,858)	(283,619)
Cash and cash equivalents:		
Beginning of period	344,432	874,188
End of period	\$ 155,574	\$ 590,569

eGames, Inc.
Statements of Stockholders' Equity (Deficit)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			Shares	Amount	
Balances at June 30, 2008	<u>875,000</u>	<u>\$ 704,568</u>	<u>12,235,093</u>	<u>\$ 9,179,827</u>	<u>\$ 2,462,406</u>	<u>(\$ 10,384,708)</u>	<u>(277,900)</u>	<u>(\$ 552,937)</u>	<u>\$ 1,409,156</u>
Net loss						(1,706,730)			(1,706,730)
Vesting of Common stock options issued to employees and directors					88,798				88,798
Dividends declared on preferred stock			95,947		10,938	(43,752)			(32,814)
Rounding						1			1
Balances at June 30, 2009	<u>875,000</u>	<u>\$ 704,568</u>	<u>12,331,040</u>	<u>\$ 9,179,827</u>	<u>\$ 2,562,142</u>	<u>(\$ 12,135,189)</u>	<u>(277,900)</u>	<u>(\$ 552,937)</u>	<u>(\$ 241,589)</u>
Net loss						(161,651)			(161,651)
Vesting of Common stock options issued to employees and directors					20,637				20,637
Dividends declared on preferred stock			60,100		10,938	(10,938)			- 0 -
Shares issued to investor relations service provider			225,000		19,391				19,391
Balances at September 30, 2009	<u>875,000</u>	<u>\$ 704,568</u>	<u>12,616,140</u>	<u>\$ 9,179,827</u>	<u>\$ 2,613,108</u>	<u>(\$ 12,307,778)</u>	<u>(277,900)</u>	<u>(\$ 552,937)</u>	<u>(\$ 363,212)</u>

About eGames, Inc.

eGames, Inc., headquartered in Langhorne, Pennsylvania, develops and publishes casual games for the PC, Nintendo DS and Wii, iPhone, and the Internet including *The Dracula Files*, *Burger Island*®, *Burger Island 2: The Missing Ingredient*, *Defender of the Crown: Heroes Live Forever*®, *Purrfect Pet Shop*®, and more. Additional information regarding eGames, Inc. can be found at <http://www.egames.com>.

Accessing Our Financial Information

Shareholders have three ways to access our financial and other information: by going to the Investor Relations page of the eGames website at www.egames.com, where shareholders can access our annual reports for fiscal 2009 and 2008, as well as press releases containing quarterly financial information for fiscal 2010, 2009, 2008 and 2007; by going to the Pink Sheets website at www.pinksheets.com and typing in our symbol "EGAM"; or by requesting a paper copy of financial information by contacting us by mail at eGames, Inc., 2000 Cabot Boulevard West, Suite 110, Langhorne, Pennsylvania 19047 to the attention of the Chief Financial Officer. Shareholders can also be placed on a list to receive press releases, as they are issued, via email by going to the following link on the eGames investor relations webpage: <http://www.egamesonline.com/egames/investors/alert.asp>.

Forward-Looking Statement Safe Harbor

This press release contains certain forward-looking statements, including without limitation, statements regarding: the Company's expectation that the upcoming holiday selling season combined with the recent placement of some of its top titles at the largest North American retailers could improve the Company's financial results; and the Company's continuing evaluation of its options to fund future operations if the Company does not become cash flow positive from operations during the upcoming quarters. The Company cautions readers that the risks and uncertainties that may affect the Company's future results and performance include, but are not limited to: the inability to obtain working capital financing to fund future operations; delays in the development of future titles; inability to fund continued development of future titles; technical and other issues that may delay or halt development of future titles; the failure of new titles to sell well or achieve retail placement; our inability to enter into and maintain commercially successful publishing, licensing and distribution relationships; and an increase in competition; as well as the risks and uncertainties discussed under the heading "Factors Affecting Future Performance" in the Company's Annual Report for the fiscal year ended June 30, 2009 as posted on the Company's website and on www.pinksheets.com.

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