

Eidos plc
1999 Interim Results

Eidos plc ("Eidos"), one of the world's leading publishers and developers of entertainment software, announces results for the six months ended 30 September 1999.

Mr Charles Cornwall, Chief Executive Officer, says:

"Following on from the quiet first quarter, Eidos' interim results reflect the relatively fewer new releases in the period coupled with increased levels of development and corporate activity. This has resulted in turnover of £44.1 million compared to £47.6 million in the same period last year and operating losses of £36.9 million compared to losses of £13.6 million last time. Five new titles were released during the first half compared to seven last year. Legacy of Kain: Soul Reaver from Crystal Dynamics has been particularly successful having already sold in excess of one million units since its launch and is developing into one of our key franchises.

We enter the Christmas selling season with a substantial, high quality product line-up representing Eidos' most impressive winter release schedule ever. To date Power Stone, The Nomad Soul, Revenant and Abomination have already been released. Tomb Raider: The Last Revelation is released today in North America and due on 3 December in Europe, with Fighting Force 2, Urban Chaos, Daikatana, F1 World Grand Prix, Championship Manager Season 99/00 and Gex III on Game Boy Color still to come. Furthermore, the integrity of our fourth quarter release schedule is unprecedented with much anticipated titles such as Resident Evil 3, UEFA Champions League 2000, Thief 2, Fear Affect, Deus Ex and Tomb Raider on Game Boy Color amongst others, due for launch in this period".

Highlights of the Chairman's Statement

- Launched five new titles in the half year (1998: seven)
- Increased losses reflect heavy investment in new titles
- Content based publishing model strengthened by strategic investment

- Internet strategy substantially advanced by Maximum Holdings investment
- Abomination, Revenant, The Nomad Soul and Power Stone released in current third quarter to date
- Strong release schedule for key selling season
- New Disney licence deal
- Stock split to be proposed to improve marketability

Results Highlights (for the six months to 30 September 1999)

• Turnover:	£44.1m	(1998: £47.6m)
• EBITDA:	£(29.3m)	(1998: £(12.1m))
• Loss before tax and goodwill:	£(31.9m)	(1998: £(18.9m))
• Loss before tax	£(37.9m)	(1998: £(18.9m))
• Loss per share before goodwill:	(113.8p)	(1998: (80.6p))
• Loss per share:	(146.2p)	(1998: (80.6p))

Notes:

1. Eidos prepares financial statements in accordance with applicable UK accounting standards (UK GAAP). The reconciliation to US GAAP is available from Eidos on request.

Regarding current trading and prospects Mr Ian Livingstone, Chairman, says:

“The year to date has been dominated by a number of strategic investments for Eidos, including equity stakes in Pyro Studios, Proein, Elixir Studios and Timeline Studios. In October we increased our holding in Top Cow Productions to 26% and took a 51% holding in the Dallas based developer, Ion Storm. In November, we announced the acquisition of a 19.96% holding in the US based Internet company, Maximum Holdings, as a key step in the unfolding of our internet strategy for the Group. In addition, we recently signed an agreement with the Disney Corporation to utilise three of their characters in games for release next spring and beyond.

Eidos’ core business remains strong despite only releasing five titles in the first six months compared to seven last year. Gross margins have improved although following increased development commitments, selling and administrative costs and goodwill amortisation, Eidos reported an operating loss of £36.9 million.

In order to bring the share price more in line with the market and to improve the marketability of our shares, we intend to seek the approval of shareholders to split each existing 10 pence share into five 2 pence shares. An extraordinary general meeting is to be called on 25 January 2000 and the split will take effect from 26 January 2000. A circular will be sent to shareholders outlining this proposal in more detail in due course”.

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CHAIRMAN'S STATEMENT

Results and Trading Review

Eidos reports a loss after tax of £27.0 million for the six months ended 30 September 1999 compared to a loss of £13.8m for the corresponding period last year. This loss is after a goodwill amortisation charge of £6.0 million. Turnover decreased from £47.6 million to £44.1 million. The loss per share was 146.2p or 113.8p excluding goodwill, compared to 80.6p. This is based on a weighted average number of shares outstanding in the period of 18,463,496 (1998:17,110,856).

The net cash outflow from operating activities was £31.2 million compared to £6.6 million in the corresponding period of 1998. This is after Eidos' investment in product development and pure research and development of £23.6 million (1998: £16.1 million).

On 22 October 1999 Eidos gave notice of its intent to redeem the remaining 18% (\$9.0 million) of the US \$ convertible bond. Since that date the whole amount has been converted.

There were five (1998: seven) new games released in the six months ended 30 September 1999. These were Legacy of Kain: Soul Reaver on PC CD and PSX, FA Manager on PSX and Official Formula One Racing, Braveheart and Cutthroats on PC CD. In addition, Warzone 2100 was launched on PSX (following the release on PC CD in March) and Tomb Raider 2 was released on the Premier and Platinum labels. Legacy of Kain: Soul Reaver, developed by Eidos' subsidiary, Crystal Dynamics, has shipped in excess of one million units to date and is developing into a strong franchise.

Gross margin was 55.3% for the half year compared to 52.7% for the corresponding period last year. The increase in margin is largely due to lower royalty costs. Royalty costs in the period were £4.8 million compared to £6.1 million last year. The main releases this half year were internally developed and had lower royalties payable.

Selling and Marketing

Advertising costs in the half year were £7.9 million (17.9% of revenue) compared to £6.4 million (13.4% of revenue) in the corresponding period of 1998. This includes expenditure of £1.6 million in respect of titles to be released in the second half of the year (1998: £1.9 million).

The fixed element of selling and marketing costs was £10.4 million compared to £6.1 million in the prior year. This reflects the amortisation cost of promotional licences and the world-wide departmental headcount increase of 20%.

Research and Development

Research and development represents the Company's investment in product development of £22.1 million (1998: £15.0 million) and pure research and development of £1.5 million (1998: £1.1 million). Product development includes £15.7 million (1998: £12.3 million) invested in a pipeline of over 35 titles to be released over the next two years. The increase partly reflects the additional internal development resource now available to Eidos following the acquisition of Crystal Dynamics in November 1998.

General and Administrative

General and administrative costs for the period were £19.4 million (44.0% of revenue) compared to £10.1 million (21.3% of revenue) in 1998. The total, excluding goodwill of £6.0 million, was £13.4 million (30.4% of revenue), reflecting the increased administrative infrastructure required to run the expanded operations of the Group.

Taxation

A tax credit of £10.9 million has been applied to the loss on ordinary activities of £37.9 million.

This reflects the projected underlying tax rate for the year to 31 March 2000 of 34%.

Acquisitions/Investments

On 29 July 1999, Eidos acquired 25% of the share capital of the Spanish developer, Pyro Studios SL creator of the Commandos franchise. In addition, 75% of the related Spanish distributor, Proein SA was also acquired securing our position in the fast growing Spanish software market. The acquisitions are being accounted for as joint ventures. This has not had a material impact on the results to 30 September 1999.

In October, Eidos acquired a further stake in Top Cow Productions for \$1.8 million bringing the total investment in the company to 26%. Also in October, Eidos acquired 51% of the Dallas based developer, Ion Storm, for a nominal consideration effecting our managerial control over that entity.

On 15 November, Eidos announced the acquisition for \$55 million of a 19.96% stake in Maximum Holdings. Maximum is a Los Angeles based internet company that is building a specific entertainment portal encompassing interactive games, music and entertainment. Eidos and Maximum intend to co-operate to further Maximum's goal of creating the largest online community for interactive entertainment. It is intended that Maximum will complete a merger with DVD Express Inc ("DVD") shortly, giving Eidos approximately 10.2% of the combined entity. DVD is a leading web based retailer of movies and videos in the rapidly emerging digital format of Digital Video Disks.

Current Trading and Prospects

The year to date has been dominated by a number of strategic investments for Eidos, these have included equity stakes in Pyro Studios, Proein, Elixir Studios and Timeline Studios. In October we increased our holding in Top Cow Productions to 26% and took a 51% holding in the Dallas based developer, Ion Storm. In November, we announced the acquisition of a 19.96% holding in the US based Internet company, Maximum Holdings, as a key step in the unfolding of our internet strategy for the Group. In addition, we recently signed an agreement with the Disney Corporation to utilise three of their characters in games for release next spring and beyond.

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In order to bring the share price more in line with the market and to improve the marketability of our shares, we intend to seek the approval of shareholders to split each existing 10 pence share into five 2 pence shares. An extraordinary general meeting is to be called on 25 January 2000 and the split will take effect from 26 January 2000. A circular will be sent to shareholders outlining this proposal in more detail in due course.

Ian Livingstone
Chairman
24 November 1999
EIDOS plc

Unaudited Consolidated Profit and Loss Account

	Six months to 30 September 1999 £000	Six months to 30 September 1998 £000
Group turnover – continuing operations	44,060	47,586
Costs of goods sold	(19,692)	(22,503)
	-----	-----
Gross profit	24,368	25,083
	-----	-----
Selling and marketing	(18,330)	(12,451)
Research and development	(23,558)	(16,129)
General and administrative		
Goodwill amortisation	(5,990)	-
Other	(13,415)	(10,123)
	-----	-----
Operating expenses	(61,293)	(38,703)
	-----	-----
Operating loss – continuing operations	(36,925)	(13,620)
Amounts written off investments	-	(5,250)
Net interest and similar charges	(982)	(58)
	-----	-----
Loss on ordinary activities before tax	(37,907)	(18,928)
Taxation	10,913	5,132
	-----	-----
Net loss after tax	(26,994)	(13,796)
	-----	-----
Loss per share	(146.2)p	(80.6)p
Loss per share before goodwill	(113.8)p	(80.6)p

Notes:

1. The loss per share is based on a weighted average number of ordinary shares in issue of 18,463,496 for the six months ended 30 September 1999 (1998: 17,110,856).

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EIDOS plc
Unaudited Consolidated Balance Sheet

	30 September 1999	30 September 1998
	£000	£000
Fixed assets		
Intangible assets	35,041	-
Tangible assets	5,021	6,467
Investments	14,166	6,909
	-----	-----
Total fixed assets	54,228	13,376
	-----	-----
Current assets		
Stocks	5,762	4,404
Debtors	54,488	33,617
Cash at bank and in hand	3,165	26,115
	-----	-----
Total current assets	63,415	64,136
	-----	-----
Creditors: amounts falling due within one year	(49,090)	(21,144)
	-----	-----
Net current assets	14,325	42,992
	-----	-----
Total assets less current liabilities	68,553	56,368
	-----	-----
Creditors due after more than one year	(133)	(28,892)
	-----	-----
Net assets	68,420	27,476
	-----	-----
	-----	-----
Capital and reserves		
Called up share capital	2,000	1,711
Share premium account	77,769	49,352
Other reserves	707	167
Profit and loss account	(12,056)	(23,754)
	-----	-----
Equity shareholders' funds	68,420	27,476
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Notes:

1. Eidos plc is registered in England and Wales (number 2501949) and its registered office is Wimbledon Bridge House, 1 Hartfield Road, Wimbledon, London SW19 3RU.

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EIDOS plc
Unaudited Consolidated Statements of Cash Flow

	Six months to 30 September 1999 £000	Six months to 30 September 1998 £000
Net cash outflow from operating activities	(31,229)	(6,554)
Returns on investments and servicing of finance		
Interest received	528	1,304
Interest paid on bond	(652)	(951)
Interest paid on finance leases	(26)	(82)
Other interest paid	(587)	(208)
	-----	-----
	(737)	63
	-----	-----
Taxation		
Overseas tax paid	(6,225)	(6,316)
	-----	-----
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,053)	(1,387)
Sale of tangible fixed assets	3	70
Purchase of other investments	-	(1,498)
	-----	-----
	(1,050)	(2,815)
	-----	-----
Acquisitions and disposals		
Purchase of subsidiary undertakings	(14,327)	-
Purchase of associated undertakings	(17,728)	-
	-----	-----
	(32,055)	-
	-----	-----
Net cash outflow before financing	(71,296)	(15,622)
Financing		
Issue of ordinary share capital	2,317	3
Repayment of principal under finance leases	(182)	(420)
	-----	-----
	2,135	(417)
	-----	-----
Decrease in cash in the period	(69,161)	(16,039)
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Notes:

- Net cash outflow from operating activities is derived from an operating loss of £36,925,000 (1998: £13,620,000) adjusted for depreciation of £1,590,000 (1998: £1,564,000), loss on disposal of fixed assets of £5,000 (1998: profit £6,000), goodwill amortisation and write offs of £6,387,000 (1998: £325,000) and an increase in working capital of £2,286,000 (1998: decrease £5,183,000).

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