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For Immediate Release

28 February 2000

**Eidos plc
Third Quarter and Year-to-date Results**

***Third Quarter revenues decrease 19% to £98.5 million
Third Quarter profit before tax and goodwill decreases 45% to £29.0 million***

Eidos plc (“Eidos”), one of the world’s leading publishers and developers of entertainment software, announces results for the three and nine months ended 31 December 1999.

Mr Charles Cornwall, Chief Executive Officer, says:

“As announced on 18 January 2000, the third quarter results are below original expectations with turnover for the nine month period decreasing from £169.1 million to £142.6 million resulting in a year to date operating loss of £11.0 million compared to a profit of £36.2 million last year. This has mainly been due to delayed product releases and some under performance in key markets, particularly in France and Germany.

We remain confident that the quality and depth of the release schedule will enable Eidos to meet the challenges facing all market participants in the next twelve months as the existing platforms begin to be replaced by the next generation of technology”.

Highlights of the Chairman’s Statement

- Three months turnover down 19% to £98.5 million from £121.5 million
- Three months operating profit down 48% to £25.9 million from £49.8 million
- Nine months turnover down 16% to £142.6 million from £169.1 million
- Nine months operating loss of £11.0 million compared to profit of £36.2 million last year
- Fifteen titles launched so far compared to thirteen last year, including Dreamcast and Game Boy Color titles
- Tomb Raider: The Last Revelation, the fourth instalment in the franchise, launched on PSX and PC CD. Tomb Raider franchise sales now in excess of 20 million units

- Tomb Raider to appear soon on Sega Dreamcast and Game Boy Color
- Strong product line up for fourth quarter and beyond of sequels for key franchises including Resident Evil 3, Thief 2, Final Fantasy VIII and UEFA Champions League
- Five for one share split approved by shareholders in January 2000
- Jeremy Heath-Smith recently appointed Global Head of Development

Results Highlights (for the nine months to 31 December 1999)

Turnover:	£142.6m	(1998:	£169.1m)
EBITDA:	£1.7m	(1998:	£40.3m)
(Loss)/profit before tax and goodwill:	£(2.9m)	(1998:	£33.9m)
(Loss)/profit before tax	£(12.6m)	(1998:	£32.4m)
(Loss)/earnings per share before goodwill:	(2.0p)	(1998:	24.2p)
(Loss)/earnings per share:	(12.1p)	(1998:	22.5p)
Diluted (loss)/earnings per share:	(12.1p)	(1998:	20.0p)

The above losses and earnings per share are stated after the five for one share split approved by shareholders on 25 January 2000.

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:

“On 18 January 2000, we issued a trading update in which we reported that the third quarter and full year results would be significantly below original expectations due to generally disappointing Christmas sales and product delays. These results are in line with the revised expectations. The Board continues to believe in its business model and the positive prospects for the entertainment software market in spite of anticipated retail price pressure on the maturing platforms. Steps have been taken to strengthen Eidos’ development and forecasting processes. As part of this process, Jeremy Heath-Smith has taken on the new, additional role of Global Head of Development (whilst remaining as Managing Director of Core Design) and will be responsible for both internal and external teams with an aggressive plan to set out new relationships for the development of next generation software.

Although the overall market is in a period of transition as new platforms are introduced, Eidos currently has a strong product line up for release over the fourth quarter of the current year and next year. The publishing schedule includes sequels to some of the industry’s largest franchises led by Tomb Raider for which sales are now in excess of 20 million units (including over 3.5 million units for the latest version). Tomb Raider III will shortly be released on the budget labels for PSX and PC CD. The spring will see the release of Tomb Raider on Dreamcast and Game Boy Color for the first time. A further iteration of the franchise is expected for release on PSX and PC CD in time for the coming Christmas selling season.

Other major planned sequel releases include Final Fantasy VIII, Resident Evil 3, UEFA Champions League, Thief 2 and later in the year Commandos 2, Soul Reaver 2, Gangsters 2 and a further instalment of Championship Manager. Eidos is also supporting new platforms with major titles for Dreamcast, Game Boy Color and PlayStation 2.

In addition to supporting existing franchises, Eidos is continuing to invest in new titles and new development talent. The next few months will see the release of Daikatana, the first major title from Ion Storm, together with the eagerly anticipated Fear Effect from Kronos. There are currently over thirty-five titles in development, a number of which will be supported by major licences such as Walt Disney World Quest, 102 Dalmatians, Formula One, the Olympics and the UEFA Champions League.”

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CHAIRMAN'S STATEMENT

Results and Trading Review

Eidos reports a loss after tax before goodwill of £1.9 million for the nine months ended 31 December 1999 compared to a profit of £20.7m for the corresponding period last year. This loss is before a goodwill amortisation charge of £9.7 million (1998: £1.5 million). Turnover decreased from £169.1 million to £142.6 million. The loss per share was 12.1p or 2.0p excluding goodwill, compared to an earnings per share of 22.5p (24.2p excluding goodwill) last year. This is based on a weighted average number of shares outstanding in the period of 95,265,820 (1998: 85,578,905). These share numbers are stated after the five for one share split which took place following approval by shareholders on 25 January 2000.

Results for the nine months to 31 December 1999 reflect Eidos' investment in Proein SA and Pyro Studios SL which were acquired in July 1999 and have been accounted for as joint ventures. They contributed a pre-tax profit of £0.6 million (£0.4 million after tax or 0.4p per share).

The net cash outflow from operating activities was £41.6 million compared to £17.5 million in the corresponding period of 1998. This is after Eidos' investment in product development and pure research and development of £35.7 million (1998: £29.9 million). The other material outflows were the investment in Maximum Holdings in November 1999 of £35.5 million, the second and last instalment of £14.3 million for Crystal Dynamics paid in April 1999 and the investment of £17.9 million in Proein and Pyro Studios.

There were fifteen (1998: thirteen) new games released in the nine months ended 31 December 1999. These included Legacy of Kain: Soul Reaver on PC CD and PSX, Tomb Raider: The Last Revelation on PC and PSX, Fighting Force 2 on PSX and Dreamcast, Championship Manager Season 99/00 on PC, and two Formula One games.

Gross margin was 62.2% for the period compared to 64.7% for the corresponding period last year. The decrease in margin is a result of the lower average selling price this year offset in part by lower royalty costs (the most successful titles this year being internally developed and having lower royalty rates).

Selling and Marketing

Advertising costs in the year to date were £18.0 million (12.7% of revenue) compared to £15.0 million (8.9% of revenue) in the corresponding period of 1998. This reflects the higher number of titles released in the period, the increasing costs involved in launching a new brand and maintaining existing franchises and the increased use of TV advertising.

The fixed element of selling and marketing costs was £16.0 million compared to £10.9 million in the prior year. This reflects the amortisation cost of promotional licences and the world-wide departmental headcount increases.

Research and Development

Research and development represents the Group's investment in product development of £33.7 million (1998: £27.8 million) and pure research and development of £2.0 million (1998: £2.1 million). Product development includes £18.7 million (1998: £20.3 million) invested in a pipeline of over thirty-five titles to be released over the next two years. The year to date increase partly reflects the additional development resource now available to Eidos following the investments in Crystal Dynamics and Pyro Studios.

General and Administrative

General and administrative costs for the period were £30.0 million compared to £17.4 million in 1998. Goodwill amortisation was £9.7 million compared to £1.5 million in 1998 reflecting nine months' charge for Crystal Dynamics and five months' charge for Proein and Pyro Studios this year compared to two months' charge for Crystal Dynamics last year. The total excluding goodwill was £20.3 million or 14.3% of revenue (1998: £15.9 million or 9.4%), reflecting the increased administrative infrastructure required to run the expanded operations of the Group including the acquisition of Crystal Dynamics and the opening of offices in Tokyo and Singapore.

Taxation

A tax credit of £1.0 million has been applied to the loss on ordinary activities of £12.6 million. This reflects the projected underlying tax rate for the year to 31 March 2000 of 35%.

Balance Sheet

The investments in the balance sheet reflect the acquisition of the interests in Proein and Pyro Studios as well as the acquisition of the stake in Maximum Holdings.

Creditors falling due within one year includes £86.8 million of bank overdrafts and loans. The fall in creditors due after one year and the increase in share capital and share premium reflect the full conversion of the bond in the period.

Current Trading and Prospects

On 18 January 2000, we issued a trading update in which we reported that the third quarter and full year results would be significantly below original expectations due to generally disappointing Christmas sales and product delays. These results are in line with the revised expectations. The Board continues to believe in its business model and the positive prospects for the entertainment software market in spite of anticipated retail price pressure on the maturing platforms. Steps have been taken to strengthen Eidos' development and forecasting processes. As part of this process, Jeremy Heath-Smith has taken on the new, additional role of Global Head of Development (whilst remaining as Managing Director of Core Design) and will be responsible for both internal and external teams with an aggressive plan to set out new relationships for the development of next generation software.

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Ian Livingstone
Chairman
28 February 2000

EIDOS plc
Unaudited Consolidated Profit and Loss Account

	Nine months to 31 December 1999	Nine months to 31 December 1998
	£000	£000
<i>Turnover: Group and share of joint ventures</i>	148,633	169,111
<i>Less: share of joint ventures' turnover</i>	(6,041)	-
	-----	-----
Group turnover – continuing operations	142,592	169,111
Costs of goods sold	(53,884)	(59,763)
	-----	-----
Gross profit	88,708	109,348
	-----	-----
Selling and marketing	(33,999)	(25,902)
Research and development	(35,688)	(29,941)
General and administrative		
Goodwill amortisation	(9,683)	(1,513)
Other	(20,336)	(15,837)
	-----	-----
Operating expenses	(99,706)	(73,193)
	-----	-----
Group operating (loss)/profit	(10,998)	36,155
Share of operating profit of joint ventures	568	-
	-----	-----
	(10,430)	36,155
Amounts written off investments	-	(3,000)
Net interest and similar charges		
Group	(2,144)	(771)
Joint ventures	(19)	-
	-----	-----
(Loss)/profit on ordinary activities before tax	(12,593)	32,384
	-----	-----
Taxation		
Group	1,211	(13,159)
Joint ventures	(192)	-
	-----	-----
Net (loss)/profit after tax	(11,574)	19,225
	-----	-----
(Loss)/earnings per share	(12.1p)	22.5p
(Loss)/earnings per share before goodwill	(2.0p)	24.2p
Diluted (loss)/earnings per share	(12.1p)	20.0p

Notes:

- The (loss)/earnings per share is based on a weighted average number of ordinary shares in issue of 95,265,820 for the nine months ended 31 December 1999 (1998: 85,578,905).

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EIDOS plc
Unaudited Consolidated Balance Sheet

	31 December 1999	31 December 1998
	£000	£000
Fixed assets		
Intangible assets	31,737	28,403
Tangible assets	5,552	6,331
Investments		
Joint ventures	2,413	-
Other investments	48,722	9,164
	-----	-----
	51,135	9,164
	-----	-----
Total fixed assets	88,424	43,898
	-----	-----
Current assets		
Stocks	8,411	6,477
Debtors	119,964	119,058
Cash at bank and in hand	14,950	2,369
	-----	-----
Total current assets	143,325	127,904
Creditors: amounts falling due within one year	(142,770)	(76,910)
	-----	-----
Net current assets	555	50,994
	-----	-----
Total assets less current liabilities	88,979	94,892
Creditors due after more than one year	(129)	(33,652)
	-----	-----
Net assets	88,850	61,240
	-----	-----
Capital and reserves		
Called up share capital	2,056	1,717
Share premium account	83,645	49,552
Other reserves	707	707
Profit and loss account	2,442	9,264
	-----	-----
Equity shareholders' funds	88,850	61,240
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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.
2. The investment in joint ventures comprises share of gross assets of £6,763,000 less share of gross liabilities of £4,350,000.

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EIDOS plc
Unaudited Consolidated Statements of Cash Flow

	Nine months to 31 December 1999 £000	Nine months to 31 December 1998 £000
Net cash outflow from operating activities	(41,628)	(17,472)
Returns on investments and servicing of finance		
Interest received	671	1,558
Dividend income received	-	124
Interest paid on bond	(897)	(951)
Interest paid on finance leases	(34)	(100)
Other interest paid	(881)	(629)
	(1,141)	2
Taxation		
UK tax paid	(1,640)	(1,866)
Overseas tax paid	(6,807)	(3,769)
	(8,447)	(5,635)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(2,366)	(1,824)
Sale of tangible fixed assets	3	75
Purchase of other investments	(36,555)	(570)
	(38,918)	(2,319)
Acquisitions and disposals		
Purchase of subsidiary undertakings	(14,327)	(15,200)
Net cash acquired with subsidiary undertakings	-	459
Purchase of joint ventures	(17,874)	-
	(32,201)	(14,741)
Net cash outflow before financing	(122,335)	(40,165)
Financing		
Issue of ordinary share capital	2,560	209
Repayment of principal under finance leases	(275)	(625)
	2,285	(416)
Decrease in cash in the period	(120,050)	(40,581)

Notes:

- Net cash outflow from operating activities is derived from an operating loss of £10,998,000 (1998: profit £36,155,000), adjusted for depreciation of £2,397,000 (1998: £2,481,000), loss on disposal of fixed assets of £55,000 (1998: profit £6,000), goodwill amortisation and write offs of £10,080,000 (1998: £1,680,000) and an increase in working capital of £43,162,000 (1998: £57,782,000).

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