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For Immediate Release

28 November 2000

Eidos plc
2000 Interim Results

Eidos plc (“Eidos”), one of the world’s leading independent publishers and developers of entertainment software, announces results for the six months ended 30 September 2000.

Financial Overview

• Turnover pre exceptional items:	£54.3m	(1999: £44.1m)
• EBITDA pre exceptional items:	£(18.8m)	(1999: £(29.3m))
• Loss per share pre exceptional items:	(20.5p)	(1999: (29.2p))
• Exceptional items:	£(54.1m)	(1999: £0)
• Loss before tax post exceptional items:	£(82.3m)	(1999: £(37.9m))
• Loss per share post exceptional items:	(72.7p)	(1999: (29.2p))

Business Highlights

- Mike McGarvey appointed as Chief Executive Officer
- Four hit titles launched in the period
- Fixed selling and marketing costs down 14% to £8.9m
- “Who Wants To Be A Millionaire?” released in September makes UK chart history

Michael McGarvey, Chief Executive Officer, says:

“The pre-exceptional results show a significant improvement in like-for-like trading on the corresponding period of the previous year. This demonstrates the levels of success that high quality titles such as Deus Ex, Sydney 2000, Code Veronica and Who Wants To Be A Millionaire can still achieve despite a difficult market. The results also reflect the Group’s continuing commitment to reducing its cost base to a level consistent with the current market conditions.

The next generation of hardware platforms is now starting to be delivered to the retail trade. With our diversified portfolio of strongly branded original and franchise titles addressing multiple hardware platforms we are confident that we can successfully build on our existing strong market position. The financial outcome for the full year, before exceptional items, is anticipated to be in line with market expectations.”

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CHAIRMAN'S STATEMENT

Introduction and Overview

“Our sales performance in the six months to 30 September 2000, pre-exceptional items, was 23.1% above the corresponding period last year and was in line with our expectations. The benefits of the cost reduction plans we announced and started to implement earlier in the year are now beginning to come through into our reported results. We have a strong portfolio of titles over all platforms ready for our important selling period. We anticipate the financial outcome for the full year, before exceptional items, will be in line with current market expectations.

We have undertaken a thorough review of our financial position and have decided that it is appropriate to make provision for certain exceptional items, which are described below. These items are non-recurring in nature and have been disclosed separately to enable a better understanding of the financial statements of the Company.

Exceptional Items

Additional returns provisions for products released in prior financial year

During the six months to 30 September 2000, trading conditions continued to be difficult as the uncertainty persisted surrounding the release of new hardware platforms. Although sales of product launched in the half year were in line with expectations, the sell through during the period of titles released in the previous financial year was significantly lower than we had previously anticipated. Consequently the provisions made at the end of the last financial year against stock then in the retail channel have since proved to be inadequate and a further £16.9m exceptional charge to turnover and profit has been made.

Write down of investment in Express.com

On 11 November 1999 the Group acquired an interest of 12.6% in Express.com (“Express”) an internet company for \$55m. As mentioned in the 2001 First Quarter Results, Express operates in the business to consumer (“b2c”) sector, that has undergone a very difficult period during 2000. Express has experienced challenging trading conditions, which has meant that the high growth levels originally forecast did not materialise. This combined with a changed investor perception of b2c internet companies during 2000, has had an adverse impact on the value of this investment.

The directors have considered all the current circumstances relating to its investment in Express and have decided to make full provision against the carrying value of the investment in Eidos’ books. This prudent approach is considered appropriate and removes any further downside exposure to the Group’s profit and loss account in respect of this investment.

In accordance with FRS3 this provision has been shown below the operating loss from continuing activities.

Legal and professional fees in relation to aborted takeover talks

During the period £0.9m legal and professional fees were incurred in respect of the previously disclosed bid talks.

Review of Operations

Turnover increased 23.1% from £44.1 million to £54.3 million, before the exceptional charge incurred in respect of returns. Pre exceptional operating losses were reduced by 23.3% from £36.9m to £28.3m after goodwill amortisation of £7.8 million (1999: £6.0m). The pre exceptionals loss per share was 20.5p, or 12.9p excluding goodwill, compared to 29.2p and 22.8p respectively. This is based on a weighted average number of shares in issue during the period of 103,606,545 (1999: 92,317,480). Post-exceptional items, turnover was 15.1% down on the prior period, whilst operating losses increased by 25.0% to £46.1m. The loss before exceptionals and after tax was £21.3 million for the six months ended 30 September 2000 compared to a loss of £27.0m for the corresponding period last year.

Notwithstanding the requirement to make provision for exceptional items, the Board has been satisfied with the underlying performance in the period. The chart success of titles such as Deus Ex, Sydney 2000, Code Veronica and Who Wants To Be A Millionaire has demonstrated that premium quality titles backed with strong branding and franchises can still perform well in a difficult market. The success of Who Wants To Be A Millionaire has been particularly notable with the title making UK chart history by becoming the first ever title to top the All Format, PlayStation, PC and Dreamcast charts in the same week. October saw Eidos achieve its highest ever penetration of the UK market with a 14% share of sales value, giving it the No.1 market position for the first time.

There were eight (1999: five) new games released in the six months ended 30 September 2000. These were Code Veronica, Daikatana, Deus Ex, Formula One, The Misadventures of Tron Bonne, Sydney 2000, Who Wants To Be A Millionaire and Powerstone 2.

Before the exceptional charge to turnover, gross margin was 55.9% for the half year compared to 55.3% for the corresponding period last year. The increase in margin reflects the slightly higher proportion of sales of new titles compared to catalogue titles in the current period.

The Board is confident that the product pipeline is of sufficient quality and diversity to enable Eidos to capitalise on the opportunities offered by new and emerging hardware platforms. Indeed our strategy of platform independence gives us greater strength and flexibility to meet future market demands and developments. Also, as an independent publisher, we are able to offer our consumers branded and franchise titles that they are familiar with and which deliver the incremental improvements in game play and graphics that the new platforms demand.

We have also recently announced a deal with nGame to develop a WAP version of the title Gangsters. This is a further example of how our existing properties can be exploited on new platforms as they come to market. Moreover as the available methods of delivering game play increase, then so will our opportunities to exploit our portfolio of intellectual properties and content, bringing them to successively wider sections of the global mass market.

Selling and Marketing

Advertising costs in the half year were £9.0 million (16.6% of pre exceptionals turnover) compared to £7.9 million (17.9% of turnover) in the corresponding period of 1999. This includes expenditure of £0.5 million in respect of titles to be released in the second half of the year (1999: £1.6 million).

The fixed element of selling and marketing costs was down 14.6% to £8.9 million compared to £10.4 million in the prior year. The reduction in expenditure reflects tighter cost control and the lower amortisation cost of promotional licences.

Research and Development

Research and development represents the Company's investment in product development of £19.6 million (1999: £22.1 million) and pure research and development of £0.6 million (1999: £1.5 million). The reduction in product development expenditure reflects the increasing emphasis on internally developed titles and the leveraging of established franchises onto new

hardware platforms in the product pipeline. This pipeline includes £12.1 million (1999: £15.7 million) invested in more than 30 titles to be released over the next two years. The termination of certain non-core activities has led to the decrease in pure research and development expenditure.

General and Administrative

Pre exceptional charges, General and administrative costs for the period were £18.4 million (33.9% of turnover) compared to £18.4 million (41.7% of turnover) in 1999. General and administrative costs excluding goodwill of £5.4 million, were £13.0 million (24.0% of turnover), compared to £13.4 million in the corresponding period (30.4% of turnover).

Financing and Cashflow

At 30 September 2000 Eidos had cash balances of £5.4m (1999: £3.2m) and gross debt of £14m (1999: £23.9m). The Company has in place a £50m banking facility tailored to meet its working capital requirements.

The net cash outflow from operating activities was £14.2 million compared to £31.2 million in the corresponding period of 1999. This is after Eidos' investment in product development and pure research and development of £20.2 million (1999: £23.6 million).

Taxation

A tax credit of £7.0 million has been applied to the loss on ordinary activities of £82.3 million. This reflects the projected underlying tax rate for the year of 20.0%, which is a revised estimate based on the losses sustained in the period since 30 June 2000.

Board and Management

On 1 November Mike McGarvey was appointed Chief Executive Officer, having previously been Chief Operating Officer. He replaced former Chief Executive, Charles Cornwall who left the Company on that date. On 6 October 2000 Jeremy Lewis resigned as Finance Director and left the company to pursue other interests.

A search for a new Finance Director is currently underway. The Company is also seeking to appoint a further independent non-executive director.

Bid talks

An indicative offer was received from a third party on 19 June 2000, which, following a share price rise on 20 June, necessitated an announcement in the markets in which Eidos' shares are traded. On 9 October 2000 the Group's Board announced that it did not believe that the terms discussed represented fair value for shareholders, and the discussions were terminated accordingly. The Board firmly believes in the potential for Eidos to continue as a stand-alone company and is pursuing a strategy that is in the best interests of shareholders.

Outlook

The Group is continuing to focus on achieving further lasting cost reductions and improvements in efficiencies within its core business, whilst retaining the capability to execute on its development and publishing strategies.

The pre-exceptional results show an improvement in like-for-like trading on the previous period. This demonstrates the levels of success that high quality titles such as Deus Ex, Sydney

2000, Code Veronica and Who Wants To Be A Millionaire can still achieve despite a difficult market. In this respect, the Group anticipates that its new and imminent releases which include Championship Manager 00/01, Timesplitters, Hit Man and Tomb Raider Chronicles will also be successful.

The next generation of hardware platforms is now starting to be delivered to the retail trade. With our diversified portfolio of strongly branded original and franchise titles appearing on multiple hardware platforms we are confident that we can successfully build on our existing market position. The financial outcome for the full year, before exceptional items, is anticipated to be in line with market expectations.”

Ian Livingstone
Chairman
28 November 2000
EIDOS plc

Unaudited Consolidated Profit and Loss Account

	Before Exceptional items	Exceptional items	Total	Total
	Six months to 30 September 2000 £000	Six months to 30 September 2000 £000	Six months to 30 September 2000 £000	Six months to 30 September 1999 £000
<i>Turnover: group and share of joint venture</i>	57,615	(16,900)	40,715	44,060
<i>Less: share of joint ventures' turnover</i>	(3,301)	-	(3,301)	-
Group turnover – continuing operations	<u>54,314</u>	<u>(16,900)</u>	<u>37,414</u>	44,060
Cost of sales	<u>(23,950)</u>	-	<u>(23,950)</u>	(19,692)
Gross profit	30,364	(16,900)	13,464	24,368
Sales and marketing	(17,877)	-	(17,877)	(18,330)
Research and development	(20,236)	-	(20,236)	(23,558)
General and administrative				
Amortisation of goodwill	(5,365)	-	(5,365)	(4,981)
Other	(13,040)	(938)	(13,978)	(13,415)
Total general and administrative	<u>(18,405)</u>	<u>(938)</u>	<u>(19,343)</u>	(18,396)
Operating expenses	<u>(56,518)</u>	<u>(938)</u>	<u>(57,456)</u>	(60,284)
Group operating loss	<u>(26,154)</u>	<u>(17,838)</u>	<u>(43,992)</u>	(35,916)
Share of operating profit of joint venture	305	-	305	-
Joint venture goodwill amortisation	(2,460)	-	(2,460)	(1,009)
Total operating loss profit continuing operations	<u>(28,309)</u>	<u>(17,838)</u>	<u>(46,147)</u>	(36,925)
Write down of Express Investment	-	(36,249)	(36,249)	-
Interest receivable	589	-	589	551
Interest payable and similar charges	(541)	-	(541)	(1,533)
Loss on ordinary activities before tax	<u>(28,261)</u>	<u>(54,087)</u>	<u>(82,348)</u>	(37,907)
Tax on loss on ordinary activities	7,006	-	7,006	10,913
Net loss after tax	<u>(21,255)</u>	<u>(54,087)</u>	<u>(75,342)</u>	(26,994)
Loss per share	(20.5)p	(52.2)p	(72.7)p	(29.2)p
Loss per share before goodwill	<u>(12.9)p</u>	<u>(52.2)p</u>	<u>(65.1)p</u>	(22.8)p

Notes:

- The loss per share is based on a weighted average number of ordinary shares in issue of 103,606,545 for the six months ended 30 September 2000 (1999: 92,317,480).

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EIDOS plc
Unaudited Consolidated Balance Sheet

	30 September 2000	30 September 1999
	£000	£000
Fixed assets		
Intangible assets	11,909	20,234
Tangible assets	5,521	5,021
Investments		
Joint ventures – share of net assets	1,907	2,000
Joint ventures – goodwill	8,677	14,809
Other investments	2,505	12,164
	-----	-----
Total fixed assets	30,519	54,228
	-----	-----
Current assets		
Stocks	11,523	5,762
Debtors	43,584	54,488
Cash at bank and in hand	5,423	3,165
	-----	-----
Total current assets	60,530	63,415
Creditors: amounts falling due within one year	(39,450)	(49,090)
	-----	-----
Net current assets	21,080	14,325
	-----	-----
Total assets less current liabilities	51,599	68,553
Creditors due after more than one year	(386)	(133)
	-----	-----
Net assets	51,213	68,420
	-----	-----
Capital and reserves		
Called up share capital	2,074	2,000
Share premium account	85,479	77,769
Other reserves	719	707
Profit and loss account	(37,059)	(12,056)
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Equity shareholders' funds	51,213	68,420
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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 2000 £000	Six months to 30 September 1999 £000
Net cash outflow from operating activities	(14,205)	(31,229)
Returns on investments and servicing of finance		
Interest received	592	528
Interest paid on bond	-	(652)
Interest paid on finance leases	(15)	(26)
Other interest paid	(1,767)	(587)
	(1,190)	(737)
Taxation		
Overseas tax paid	(675)	(6,229)
UK tax paid	(12,653)	4
	(13,328)	(6,225)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(966)	(1,053)
Sale of tangible fixed assets	78	3
	(888)	(1,050)
Acquisitions and disposals		
Purchase of subsidiary undertakings	-	(14,327)
Purchase of associated undertakings	-	(17,728)
	-	(32,055)
Net cash outflow before financing	(29,611)	(71,296)
Financing		
Issue of ordinary share capital	448	2,317
Repayment of principal under finance leases	132	(182)
	580	2,135
Decrease in cash in the period	(29,031)	(69,161)

Notes:

- Net cash outflow from operating activities is derived from an operating loss of £46,147,000 (1999: £36,925,000) adjusted for depreciation of £1,666,000 (1999: £1,590,000), loss on disposal of fixed assets of £0 (1999: loss £5,000), goodwill amortisation and write offs of £7,825,000 (1999: £6,387,000) and a decrease in working capital of £22,451,000 (1999: increase £2,286,000).
- Eidos prepares financial statements in accordance with applicable UK accounting standards (UK GAAP). The reconciliation to US GAAP is available from Eidos on request.

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