



This press release is not intended for and may not be distributed or released in or into the United States

31 May 2001

Eidos plc
Fourth Quarter and Full Year Results

Eidos plc (“Eidos”), one of the world’s leading publishers and developers of entertainment software, announces results for the quarter and year ended 31 March 2001.

Financial Overview (for the year ended 31 March 2001)

For the year ended 31 March:	2001	2000
Turnover pre exceptional items:	£160.4m	£194.8m
EBITDA pre exceptional items:	£(20.9m)	£(9.7m)
Loss per share pre amortisation of goodwill and exceptional items:	(26.2)p	(17.5)p
Exceptional items pre taxation:	£(54.1m)	£80.2m

Business Highlights

- 20 new titles launched in year, with 8 shipping in excess of 350,000 units
- “Who Wants To Be A Millionaire?” ships close to two million units in the UK and Germany, making it both the best and fastest selling game in UK history.
- Publishing deal for rights to both sequel and junior versions of “Who Wants To Be A Millionaire?” signed with Celador International.
- David Adams joins Board as Non Executive Director
- 1 for 3 rights issue announced

Commenting on these results Michael McGarvey, Chief Executive Officer, said:

“The Group’s financial results in the year to 31 March 2001 were adversely affected by a combination of the cyclical downturn in the market which has characterised the transition to the new generation platforms, margin pressure resulting from an over supplied retail channel and the write off of our investment in Express.com. In addition, we delayed the release of certain PlayStation 2 titles until the current financial year to allow the installed base of such consoles to increase. Notwithstanding these challenges, we achieved some notable successes with our publishing schedule, in particular with “Who Wants To Be A Millionaire?”, which has now become the best selling title in UK chart history.

During the year the Group embarked upon a far-reaching strategic review of the Group’s operations. As a result of this we have implemented a wide ranging cost reduction programme which we anticipate will lead to further fixed cost reductions in the current financial year. We have also taken the decision to shift an increasing proportion of our development resources to in-house development teams and focus our efforts on new titles which we believe will generate substantial potential sales and on our proven franchise properties.

The Group has announced today a rights issue to raise £51.7m of new capital, net of expenses. We believe that the Group, following the successful completion of the Rights Issue, will be correctly

positioned both in terms of its financial resources, origination and publishing profile to take advantage of the improved market conditions which we and many other industry participants expect now that the next generation consoles are becoming well established in the marketplace.”

Contact:

Mike McGarvey, CEO:

020 8636 3000

Jonathan Glass/Sara Musgrave, Brunswick:

020 7404 5959

Brad Edwards, Brainerd Communicators:

001 212 986 6667

CHAIRMAN'S STATEMENT

Review of Operations

The Group experienced a challenging period in the year ended 31 March 2001. The hiatus in demand for entertainment software by consumers awaiting deliveries of the next generation of consoles has led to a disappointing financial performance both for ourselves and many other leading publishers of interactive video games. This was exacerbated by price and margin erosion. We started the year with a significantly oversupplied retail channel having achieved lower than anticipated sales of our video games during the 1999 Christmas period and in the January to March 2000 quarter. Clearing this excess inventory position required us to make an exceptional provision to cover returns of video games not sold by the retail channel. We have also had to provide as an exceptional item for the write off of our investment in Express.com, Inc., which proved unable to sustain its business model in the face of the widely reported downturn experienced by business to consumer online companies. In addition the Company incurred costs in respect of the aborted bid talks. These 3 exceptional items require us to write off a total of £54.1 million during the year.

The underlying trading results of the company have also been disappointing. The combination of a depressed level of demand, retail channel-led margin pressure and the decision to defer certain key game launches until the current financial year resulted in a loss before taxation, goodwill amortisation and exceptional items, of £26.1m. The decision to defer the release of certain PlayStation 2 titles until the current financial year was taken to allow the installed base of such consoles to increase following manufacturing difficulties and delays initially encountered by Sony.

The disappointing financial results mask a year in which the group continued to achieve a good performance in its publishing activities. 20 new games, 4 less than in 2000, were released during the year. Two titles sold significantly in excess of 1 million units: “Who Wants To Be A Millionaire?” and Tomb Raider: Chronicles. “Who Wants To Be A Millionaire?” became the fastest selling title to reach 1 million units sold in the UK and is now the biggest selling title in UK chart history, ahead of Tomb Raider 2 and Tomb Raider. A German version of “Who Wants To Be A Millionaire?” was released in the January to March 2001 quarter. We have since shipped in excess of 200,000 units to that market, making it the biggest selling game on the PC and PSX formats in the 2001 year to date.

We have had further success with other titles during the year. Championship Manager and Sydney 2000 both shipped in excess of 350,000 units during the year. The performance of Deus Ex from Ion Storm Austin and our first PlayStation 2 title, TimeSplitters, has been encouraging, with both winning critical acclaim during the year. We believe both titles have the potential to develop into compelling franchises for the future.

Overall, turnover for the full year decreased by 17.7% from £194.8 million to £160.4 million, before the exceptional charge incurred in respect of returns. Pre exceptional operating losses were £39.5m after goodwill amortisation of £16.1 million compared to operating losses of £26.8m after goodwill of £13.4m in the previous year. The pre exceptional loss per share was 41.7p (2000: loss per share of 31.3p). Excluding goodwill and exceptionals, the loss per share was 26.2p for the year (2000: loss per share of 17.5p).

Before the exceptional charge to turnover, gross margin was 49.0% for the year compared to 54.9 % last year. The group undertook a comprehensive program in the fourth quarter to reduce its exposure to further write downs of retail channel and warehouse inventories in future periods. This has been at the cost of reducing margins for the quarter and this has also contributed to reducing margins for the year. Nevertheless the Board believes this was a prudent measure given the current climate and that ultimately it should help the Group return to more normal levels of margin in the future.

Selling and Marketing

Advertising costs for the year were £19.3 million (12.1% of pre exceptional turnover) compared to £25.2 million (12.9% of turnover) in 2000. The level of expenditure relative to turnover has fallen in the period partly as a result of reduced expenditure on TV advertising in anticipation of lower volumes. The Group has also been able to realise savings from certain key brands and franchises such as “Who Wants to be A Millionaire?”, which can deliver outstanding levels of success with lower levels of marketing support due to the strength of their brand awareness in the marketplace.

The fixed element of selling and marketing costs was down 9.4% to £19.2 million compared to £21.2 million in the prior year. The lower amortisation of promotional licences reported on earlier in the year was effectively reversed in the final quarter with a £2.0m charge arising from the accelerated amortisation of certain prepaid licence fees. Overall, however, this one off charge was offset by savings generated from the disposal or termination of non-core activities and by the imposition of tighter controls on expenditure in the remaining publishing businesses.

Research and Development

Research and development represents the Company’s investment in product development of £42.4 million (2000: £47.2 million). Included in this category is pure research and development of £0.4 million (2000: £2.2 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 £30.5 million (1999: £19.7 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 excluding goodwill of £10.9 million, were £22.0 million (13.7% of turnover), compared to £27.3 million in 2000 (14.0% of turnover). This reduction is largely the result of the greater control of staff costs and other corporate costs in the year. The continued drive to reduce general and administrative costs remains a priority for the Group.

Financing and Cashflow

At the year end Eidos had gross cash balances of £28.4m (2000: £103.4m) and gross debt of £18.9m (2000: £80.6m). £10.0m of the year-end cash balance was subsequently used to settle the final instalment of tax arising from the sale of Opticom shares which occurred in the year to 31 March 2000.

The net cash inflow from operating activities was £1.9 million compared to a net outflow of £28.5 million in 2000.

Taxation

The taxation charge of £1.0m comprises £0.6m in respect of current year's trading and £0.4m in respect of adjustments to prior year's provisions. The current year's charge arises entirely from the profitability of certain of the Group's overseas subsidiaries and joint ventures. Certain countries have incurred losses for which no credit has been given in the current year and which should be available in future years.

Board and Management

On 1 November 2000 we were delighted to announce that Mike McGarvey was appointed Chief Executive of the Group. We also had pleasure in announcing that David Adams was appointed a Non-executive Director on 9 May 2001. David is the Group Finance Director of House of Fraser Plc, a position he has held since 1997. In addition, the Company is currently in talks with an individual which may or may not result in his appointment as Finance Director in the near future.

Current trading, prospects

The period since the end of the Company's financial year is typically a quiet sales period for the Group. This year has been no exception and trading has been in line with our expectations. Looking forward to the remainder of the current financial year, the Group intends to release a portfolio of 20 titles, representing 33 SKUs, on the following platforms: 2 on Playstation, 11 on PlayStation 2, 7 on Xbox, 1 on Dreamcast and 12 on PC.

Within this portfolio of releases are 6 titles that we believe could develop into exciting franchises. In addition, 11 titles are sequels to previously successful games and include: Who Wants To Be A Millionaire 2, Championship Manager 01/02, Commandos 2, Soul Reaver 2, Kain Blood Omen 2 and Winter Olympics. We have made the decision not to release a Tomb Raider title in this financial year. Instead we are investing significant time and resources so that the next iteration of the Tomb Raider franchise will utilise the enhanced features of the next generation consoles and enhance the quality of the franchise. The Tomb Raider film is due for release by Paramount in June (US) and July (UK) and we expect this will build further awareness of the franchise in the mass market. As at 31 May 2001, we have more than 30 titles in development for release over the next 18 to 24 months.

The North American and European launch dates for the next generation consoles have now all been announced or indicated by the relevant manufacturers. The Directors believe this will lead to a return to the strong historic growth rates previously achieved by sales of consoles and the associated entertainment software. Given this background and the exciting line up of titles due for release, the Directors are confident of the Group's prospects for the year ahead.

Employees

We would like to thank all Eidos employees for their hard work, dedication and enthusiasm during a challenging year.

Ian Livingstone
Chairman
31 May 2001
EIDOS plc

EIDOS plc
Consolidated Profit and Loss Account

	Before Exceptional items	Exceptional items	Total	Total
	Year ended 31 March 2001 £000	Year ended 31 March 2001 £000	Year ended 31 March 2001 £000	Year ended 31 March 2000 £000
<i>Turnover: group and share of joint venture</i>	169,767	(16,900)	152,867	203,265
<i>Less: share of joint ventures' turnover</i>	(9,374)	-	(9,374)	(8,464)
Group turnover - continuing operations	160,393	(16,900)	143,493	194,801
Cost of sales	(81,722)	-	(81,722)	(87,908)
Gross profit	78,671	(16,900)	61,771	106,893
Sales and marketing	(38,497)	-	(38,497)	(46,380)
Research and development	(42,403)	-	(42,403)	(47,173)
General and administrative				
Amortisation of goodwill	(10,915)	-	(10,915)	(9,973)
Other	(21,991)	(938)	(22,929)	(27,255)
Total general and administrative	(32,906)	(938)	(33,844)	(37,228)
Operating expenses	(113,806)	(938)	(114,744)	(130,781)
Group operating loss	(35,135)	(17,838)	(52,973)	(23,888)
Share of operating profit of joint venture	876	-	876	532
Joint venture goodwill amortisation	(5,192)	-	(5,192)	(3,475)
Total operating loss - continuing operations	(39,451)	(17,838)	(57,289)	(26,831)
(Loss)/Profit on investments	-	(36,308)	(36,308)	80,236
	(39,451)	(54,146)	(93,597)	53,405
Income from investments	136	-	136	-
Interest receivable	835	-	835	1,110
Interest payable and similar charges	(3,732)	-	(3,732)	(5,240)
(Loss)/Profit on ordinary activities before tax	(42,212)	(54,146)	(96,358)	49,275
Tax on Profit/(loss) on ordinary activities	(971)	-	(971)	(24,072)
Net (loss)/profit after tax	(43,183)	(54,146)	(97,329)	25,203
(Loss)/Earnings per share	(41.7)p	(52.2)p	(93.9)p	25.9p
(Loss)/Earnings per share before goodwill	(26.2)p	(52.2)p	(78.4)p	39.8p

Notes:

- The earnings per share is based on a weighted average number of ordinary shares in issue of 103,647,327 (2000: 97,221,713) for the year ended 31 March 2001.

EIDOS plc
Consolidated Balance Sheet

	31 March	31 March
	2001	2000
	£000	£000
Fixed assets		
Intangible assets	6,759	16,035
Tangible assets	4,495	6,022
Investments		
Joint ventures		
Share of gross assets	4,178	4,684
Share of gross liabilities	(1,743)	(2,844)
	2,435	1,840
Joint ventures - goodwill	7,078	12,270
Other investments and associated undertakings	2,628	38,081
	12,141	52,191
Total fixed assets	23,395	74,248
Current assets		
Stocks	3,115	13,286
Debtors	31,389	77,665
Cash at bank and in hand	28,355	103,449
	62,859	194,400
Creditors: amounts falling due within one year	(53,319)	(139,976)
Net current assets	9,540	54,424
Total assets less current liabilities	32,935	128,672
Creditors due after more than one year:	(2,318)	(2,253)
Net assets	30,617	126,419
Capital and reserves		
Called up share capital	2,079	2,071
Share premium account	85,822	85,034
Other reserves	707	707
Profit and loss account	(57,991)	38,607
Equity shareholders' funds	30,617	126,419

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.

EIDOS plc
Consolidated Statements of Cash Flow

	Year ended 31 March 2001	Year ended 31 March 2000
	£000	£000
Net cash(outflow)/inflow from operating activities	1,888	(28,467)
Dividends from Joint Ventures and Associates	136	-
Returns on investments and servicing of finance		
Interest received	812	1,090
Bank interest paid	(3,554)	(2,630)
Bond interest paid	-	(652)
Interest paid on finance leases	(24)	(245)
Other interest paid	(2)	(44)
	(2,768)	(2,481)
Taxation		
UK tax paid	(12,864)	(10,830)
Overseas tax paid	292	(5,965)
	(12,572)	(16,795)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,835)	(3,602)
Sale of tangible fixed assets	1,126	87
Purchase of other investments	-	(36,555)
Sale of other investments	(122)	91,505
	(831)	51,435
Acquisitions and disposals		
Purchase of subsidiary undertakings	-	(14,327)
Purchase of joint undertakings	-	(17,945)
	-	(32,272)
Net cash outflow before financing	(14,147)	(28,580)
Financing		
Issue of ordinary share capital	796	3,964
Capital element of finance lease rental payments	(274)	(370)
	522	3,594
Decrease in cash in the year	(13,625)	(24,986)

Notes:

1. Net cash inflow from operating activities is derived from operating loss of £52,973,000 (2000: loss £23,888,000) adjusted for loss on disposal of fixed assets of £233,000 (2000: nil), depreciation of £2,428,000 (2000: £3,150,000), goodwill amortisation and write offs of £10,915,000 (2000: £10,479,000) and a decrease in working capital of £41,285,000 (2000: increase £18,208,000).

Notes:

2. Eidos prepares financial statements in accordance with applicable UK accounting standards (UK GAAP). The reconciliation to US GAAP is available from Eidos on request.
3. The consolidated financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2001 and 2000, but is derived from those accounts. Statutory accounts for 2000 have been delivered to the Registrar of Companies and those for 2001 will be delivered following the company's annual general meeting. The auditors have reported on these accounts; their reports were unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.
4. This announcement does not constitute an offer of securities for sale in the United States or any other jurisdiction where to do so would be illegal. The securities have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") and may not be offered or sold in the United States unless they are registered with the US Securities and Exchange Commission pursuant to an exemption from the registration requirements of the Securities Act. There will be no public offer of securities in the United States.

END