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12 December 2001

Eidos plc
2002 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 2001.

Financial Overview

For the six months ended:	30 September 2001	30 September 2000
Turnover	£31.0m	£54.3m*
Total operating loss before goodwill	£(19.6)m	£(20.5)m*
EBITDA	£(18.6)m	£(18.8)m*
Exceptionals	-	£(54.1)m
Loss per share before goodwill (<i>Note</i>)	(15.4)p	(11.7)p*
Loss per share (<i>Note</i>)	(21.8)p	(65.4)p

* Pre exceptional items

Note:

The 2000 comparatives for earnings per share have been restated for the Rights Issue that occurred during the current period, in accordance with FRS14 - Earnings per share.

Business Highlights

- Total operating losses pre goodwill and exceptional charges reduced by 4.5%
- Gross margin pre exceptional charges increased 4.6 % to 60.5% from 55.9%
- Operating expenses pre goodwill and exceptional charges reduced by 23.7%
- New titles released in the period include “Who Wants To Be A Millionaire ?” 2 on PC CD and PSONe in the UK and Commandos 2: Men of Courage on PC CD
- Improved cash position following receipt of £51.6m rights issue proceeds
- Championship Manager Season 01 / 02 became the UK’s best selling PC CD title of all time once it launched after the period end.

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

“Our results for the six months to 30 September show progress in the Group’s recovery with increased gross margins, reduced operating expenses and an improved cash position. We released fewer new titles in the period compared to the prior year and some of these performed below expectations, leading to a reduction in turnover compared to the same period last year. Since the period end we have released a number of new titles, including our first for the year on PS2 and Xbox. Following the recent launches of two new hardware systems in the US and the continuing inroads into the mass market being made by the PS2, we are seeing strong signs of a market recovery. With robust operating fundamentals and a solid portfolio of internally developed franchise properties, we believe we are well placed to benefit in the medium term from the growth potential that exists in the entertainment software market.”

Contact:

Mike McGarvey, Chief Executive Officer:
Jonathan Glass, Brunswick:
Brad Edwards, Brainerd Communicators:

020 8636 3000
020 7404 5959
001 212 986 6667

CHAIRMAN'S STATEMENT

Review of Operations

Turnover decreased 42.8% from £54.3 million (pre exceptional charges) to £31.0 million. Operating losses pre goodwill and exceptional charges were reduced by 4.5% from £20.5 million to £19.6 million. The loss per share was 21.8p, or 15.4p excluding goodwill and exceptional charges, compared to 65.4p and 11.7p respectively. This is based on a weighted average number of shares in issue during the period of 125,667,301 (2000: 115,182,342). The 2000 comparatives for earnings per share have been restated for the Rights Issue that occurred during the current period, in accordance with FRS14 - Earnings per share.

In the six months to 30 September 2001 we shipped six new titles (2000: eight), in addition to French and Junior versions of "Who Wants to be a Millionaire?" (WWTBAM). The new titles included Commandos 2: Men of Honour on PC CD and the UK version of "Who Wants to be a Millionaire?" 2 on PC CD and PSOne. Although more than 500,000 units of Commandos 2: Men of Honour were shipped on launch and the title entered the retail charts in the top five in all of our major markets, total sales of this title and the various new versions of WWTBAM failed to achieve the levels originally anticipated for them. All of our new releases in the period were on the PC CD and PSOne formats, with all of our major next generation titles for this year shipping after the period end.

The gross margin was 60.5% for the half-year compared to 55.9% for the corresponding period last year. The increase in the margin has resulted from reduced royalty costs and from the predominance of higher margin PC CD titles in the period. With the release of a significant number of next generation console titles scheduled after the period end, margins for the full year are expected to revert to a level closer to the 57.7% reported at 30 June 2001, which will nevertheless remain an improvement over the prior year.

The period was notable for the much improved control over total operating expenses before goodwill which have fallen by 23.7% to £39.0 million, compared to £51.2 million for the same period last year (pre exceptional charges). £2.5 million of this saving has come from the disposal of certain non-core activities that occurred during the prior year. However, the bulk of the decrease has been achieved through reductions in overall costs and notably in fixed selling, marketing and general and administrative costs across all areas of our core businesses.

Selling and Marketing

Advertising costs in the six months to 30 September 2001 were £5.1 million (16.5% of turnover) compared to £9.0 million (16.6% of pre exceptional turnover) in the comparable period last year. This includes costs of £1.4 million in respect of titles to be released in the second half of the year (2000: £0.5 million).

The fixed element of selling and marketing costs was down 53.9% to £4.1 million compared to £8.9 million in the prior year. The significant reduction in expenditure is due to permanent savings arising from reduced exhibition, salary and licence amortisation costs in our core publishing businesses.

Research and Development

Research and development represents the Company's investment in product development of £17.8 million (2000: £17.5 million). This includes £12.2 million (2000: £12.1 million) relating to more than 30 titles to be released over the next two years.

The fixed element of research and development for the period was £2.2 million (2000: £2.7 million).

General and Administrative

General and administrative costs before goodwill amortisation, were £9.9 million, compared to £13.0 million (pre exceptional charges) in the corresponding period. The reduction in like for like expenditure reflects permanent savings in salary, financing and other costs. Total general and administrative costs for the period were £15.5 million including goodwill amortisation of £5.6 million, compared to £18.4 million in 2000 (pre exceptional charges).

Financing and Cashflow

The 1 for 3 rights issue announced on 31 May 2001 was successfully completed in July, raising £51.6m net of costs. The Group's existing bank borrowings were repaid in full from the proceeds and at 30 September the Group had cash balances of £31.6m (2000: £5.4m). The Group retains a committed £15m banking facility which we do not anticipate drawing upon in the current year.

The net cash outflow from operating activities was £18.7 million compared to £14.2 million in the corresponding period. This is after Eidos' investment in research and development of £20.0 million (2000: £20.2 million).

Taxation

No tax credit has been provided on the loss on ordinary activities for the six months, based on the availability of losses accumulated in prior years. The Group has reviewed the provisions of FRS19, Deferred Tax, and believes that this treatment is consistent with the standard.

Change of year-end

The Group will change its year-end during the current financial year, to 30 June.

Historically, a significant proportion of sales has taken place in the fourth quarter of the Group's financial year. This has meant the Group's outcome for the year has been difficult to anticipate until a late stage in the financial year. Changing the year-end will reduce this uncertainty and as a result should increase the Group's ability to respond to changing circumstances and take corrective action where necessary. It will also contribute to the Board's drive to increase its control over the business, as evidenced by the on going initiatives to reduce fixed costs and to improve key business processes.

To ensure the fullest disclosure during the transition to the new year-end, the Group will report on the twelve months to 31 March 2002 in the normal time frame. We will then report separately on the fifteen months to 30 June 2002, before adopting a regular reporting cycle based on a 30 June year-end for future years.

Current Trading and Future Prospects

We have already released eight new titles since the period end, including four for the PS2 and Mad Dash Racing, our first title for the Xbox. We have been particularly pleased with the performance of Soul Reaver 2 from our Crystal Dynamics studio, which has to date shipped in excess of 450,000 units on PS2. In the UK, Championship Manager Season 01 / 02, became the best selling PC CD title of all time when it launched in October (a record previously held by Championship Manager 3). Based on this, and the early performance of Championship Manager Quiz which is currently shipping in the UK on PC CD and PSOne, it is clear that this is still a growing franchise and one that has excellent potential for successful multi format development in the future.

Releases for the remainder of our year include next generation hardware versions of other franchise titles such as Deus Ex, "Who Wants to be a Millionaire?" 2, Commandos 2: Men of Honour and Olympic Winter Games Salt Lake 2002. These will be complimented by innovative new titles, such as Herdy Gerdy on PS2 from Core Design.

We have already met many of the short-term objectives we set ourselves last year, by showing clear improvements in gross margins and operating expenses in our publishing business. We are also beginning to meet the objectives that we set for our development business. The impact of product delays has been greatly reduced compared to prior years but the potential for further slippage in our release schedule remains. The current financial year will be impacted by a reduction in our expectations for unit sales on certain titles, titles being deferred until the next financial year and titles being cancelled. Against this, the group continues to make progress in reducing its cost base in all areas and the Board continues to believe that our portfolio based approach will allow us to deliver a significant improvement in pre goodwill operating performance for the twelve months to 31 March 2002.

Longer term, we believe that by leveraging our established franchise titles onto new and emerging hardware platforms, we can mitigate the risk inherent in bringing new titles to market. Our industry is showing significant signs of recovery whilst global economic conditions remain at best uncertain. Eidos has come through a difficult period in its history. Management has been strengthened and much work has been directed towards reducing the cost base within the business and improving its responsiveness to changes in market conditions. The company was re-capitalised successfully during the period, with £51.6 million being realised by the Rights Issue. Since the period end we have also taken the opportunity to dispose of the remainder of our shareholding in Opticom raising gross proceeds of £11.1 million. With robust operating fundamentals and a solid portfolio of internally developed franchise properties, we believe we are well placed to benefit in the medium term from the growth potential that exists in the entertainment software market.

Ian Livingstone
Chairman
12 December 2001
EIDOS plc

Mike McGarvey
Chief Executive Officer
12 December 2001
EIDOS plc

EIDOS plc
Unaudited Consolidated Profit and Loss Account

	Total	Total	Exceptional items	Before Exceptional items
	Six months to 30 September 2001 £000	Six months to 30 September 2000 £000	Six months to 30 September 2000 £000	Six months to 30 September 2000 £000
<i>Turnover: group and share of joint venture</i>	34,004	40,715	(16,900)	57,615
<i>Less: share of joint ventures' turnover</i>	(2,958)	(3,301)	-	(3,301)
Group turnover - continuing operations	31,046	37,414	(16,900)	54,314
Cost of sales	(12,253)	(23,950)	-	(23,950)
Gross profit	18,793	13,464	(16,900)	30,364
Sales and marketing	(9,187)	(17,877)	-	(17,877)
Research and development	(19,976)	(20,236)	-	(20,236)
General and administrative				
Amortisation of goodwill	(5,596)	(5,365)	-	(5,365)
Other	(9,854)	(13,978)	(938)	(13,040)
Total general and administrative	(15,450)	(19,343)	(938)	(18,405)
Operating expenses	(44,613)	(57,456)	(938)	(56,518)
Group operating loss	(25,820)	(43,992)	(17,838)	(26,154)
Share of operating profit of joint venture	662	305	-	305
Joint venture goodwill amortisation	(2,433)	(2,460)	-	(2,460)
Total operating loss - continuing operations – before goodwill	(19,562)	(38,322)	(17,838)	(20,484)
Total amortisation of goodwill	(8,029)	(7,825)	-	(7,825)
Total operating loss - continuing operations	(27,591)	(46,147)	(17,838)	(28,309)
Loss on Investments	-	(36,249)	(36,249)	-
Interest receivable	794	589	-	589
Interest payable and similar charges	(638)	(541)	-	(541)
Loss on ordinary activities before tax	(27,435)	(82,348)	(54,087)	(28,261)
Tax on loss on ordinary activities	-	7,006	-	7,006
Net loss after tax	(27,435)	(75,342)	(54,087)	(21,255)
Loss per share before goodwill	(15.4)p	(58.6)p	(47.0)p	(11.7)p
Loss per share	(21.8)p	(65.4)p	(47.0)p	(18.5)p

Notes:

The earnings per share is based on a weighted average number of ordinary shares in issue of 125,667,301 (2000: 115,182,342) for the six months to 30 September 2001. The 2000 comparatives for earnings per share have been restated for the Rights Issue that occurred during the current period, in accordance with FRS14 - Earnings per share.

EIDOS plc
Unaudited Consolidated Balance Sheet

(Restated – see
Note 2)

	30 September	30 September
	2001	2000
	£000	£000
Fixed assets		
Intangible assets	1,068	11,909
Tangible assets	4,573	5,521
Investments		
Joint ventures		
Share of gross assets	4,023	3,295
Share of gross liabilities	<u>(1,407)</u>	<u>(1,388)</u>
	2,616	1,907
Joint ventures - goodwill	4,591	8,677
Other investments and associated undertakings	2,627	2,505
	<u>9,834</u>	<u>13,089</u>
Total fixed assets	<u>15,475</u>	<u>30,519</u>
Current assets		
Stocks	2,282	11,523
Debtors	25,847	43,584
Cash at bank and in hand	31,584	5,423
	<u>59,713</u>	<u>60,530</u>
Creditors: amounts falling due within one year	(17,943)	(36,199)
Net current assets	<u>41,770</u>	<u>24,331</u>
Total assets less current liabilities	57,245	54,850
Creditors: due after more than one year	(2,705)	(3,637)
Net assets	<u>54,540</u>	<u>51,213</u>
Capital and reserves		
Called up share capital	2,773	2,074
Share premium account	136,880	85,479
Other reserves	707	719
Profit and loss account	(85,820)	(37,059)
Equity shareholders' funds	<u>54,540</u>	<u>51,213</u>

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. Licence fees, which were previously included within creditors: amounts falling due within one year have now been reclassified and shown in creditors: amounts falling due after more than one year.

EIDOS plc
Unaudited Consolidated Statement of Cash Flow

	Six months ended 30 September 2001 £000	Six months ended 30 September 2000 £000
Net cash outflow from operating activities	(18,737)	(14,205)
Returns on investments and servicing of finance		
Dividends received	647	-
Interest received	556	592
Bank interest paid	(617)	(1,767)
Interest paid on finance leases	(20)	(15)
	566	(1,190)
Taxation		
UK tax paid	(9,898)	(12,653)
Overseas tax paid	(933)	(675)
	(10,831)	(13,328)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(869)	(966)
Sale of tangible fixed assets	10	78
	(859)	(888)
Net cash outflow before financing	(29,861)	(29,611)
Financing		
Issue of ordinary share capital	51,752	448
Capital element of finance lease rental payments	(108)	132
	51,644	580
Increase/(Decrease) in cash	21,783	(29,031)

Notes:

1. Net cashflow from operating activities is derived from the group operating loss of £25,820,000 (2000: loss £43,992,000) adjusted for depreciation of £938,000 (2000: £1,666,000) goodwill amortisation and write offs of £5,596,000 (2000: £5,365,000) and an decrease in working capital of £549,000 (2000: £22,756,000)
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.

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