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For Immediate Release

27 May 1999

Eidos plc
Fourth Quarter and Full Year Results

Fourth quarter revenues increase 67% to £57.2 million
Fourth quarter profit before tax and goodwill increases 130% to £8.1 million

Full year revenues increase 65% to £226.3 million
Full year profit before tax and goodwill increases 154% to £42.0 million

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 1999.

Mr Charles Cornwall, Chief Executive Officer, says:

“A strong fourth quarter rounds off our best full year results to date, with revenues for the year up from £137.2m to £226.3m and operating profits up from £19.5m to £39.2m. We believe the strength of the results reflect our disciplined approach to publishing coupled with a broad portfolio of high quality releases. We set ourselves the highest standards of publishing excellence and content acquisition in the firm belief that this will translate into continued long-term growth and profitability for the Group.”

Highlights of the Chairman’s Statement

- Fourth quarter turnover up 67% to £57.2 million from £34.2 million
- Full year turnover up 65% to £226.3 million from £137.2 million
- Nineteen new titles launched in the year
- Eight titles including catalogue achieved sales in excess of 350,000 units
- Championship Manager 3 launched on 26 March to become the UK’s fastest ever selling PC CD title
- Fourth quarter profit before tax and goodwill up 130% to £8.1 million from £3.5 million
- Full year profit before tax and goodwill up 154% to £42.0 million from £16.5 million
- Publishing deals signed with Free Radical Design and Michael Crichton’s Timeline Studios
- Sequel rights to Thief: The Dark Project signed with Looking Glass Studios
- Long term publishing deal signed with Capcom for European and Australian rights to the Resident Evil series of games

Results Highlights (for the year to 31 March 1999)

• Turnover:	£226.3m	(1998: £137.2m)
• EBITDA:	£46.8m	(1998: £22.3m)
• Profit before tax and goodwill:	£42.0m	(1998: £16.5m)
• Profit before tax:	£37.9m	(1998: £16.5m)
• Earnings per share:	141.5p	(1998: 64.1p)
• Earnings per share before goodwill:	165.2p	(1998: 64.1p)
• Diluted earnings per share:	125.2p	(1998: 61.2p)
• Diluted earnings per share before goodwill:	145.1p	(1998: 61.2p)

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

“Closing the year we are delighted with the publishing achievements that have enabled us to post our most impressive trading results to date. The past year has seen the continued successful development of existing franchise properties such as Tomb Raider, Gex and Championship Manager. Launched on 26 March, Championship Manager 3 became the UK’s fastest ever selling PC CD title. We have also been very pleased with the performance of other new titles such as Thief: The Dark Project, Gangsters and Commandos, all of which we believe have the strong potential to develop as valuable franchises into the future.

We enter what are traditionally the quieter trading months of the year with a robust release schedule and a heavy, but carefully targeted, program of investment. Releases for the current quarter include the PSX version of Warzone 2100, Official Formula 1 Racing, FA Manager, Legacy of Kain: Soul Reaver from Crystal Dynamics and Braveheart, based on the award winning film starring Mel Gibson. Future releases for this year include Daikatana, Omikron, Urban Chaos, Deus Ex, Commandos 2, Resident Evil III, UEFA 2000, Championship Manager 2000 and a new episode in the Tomb Raider series.

Building on the exceptional progress of recent years, we continue to pursue aggressively the best new content deals. We are delighted to have signed recently publishing agreements with Free Radical Design and TimeLine Studios; the latter will develop titles based on original material by the company’s co-founder Michael Crichton.

We also extended our agreement with Looking Glass Studios concerning the Thief franchise. In addition, a long term publishing deal with Capcom secured the European and Australian rights for the Resident Evil series of games.

Our unwavering commitment to product investment is the cornerstone of our future plans and the means by which we will continue to bring titles with outstanding gameplay and lasting appeal to the mass market and so drive our growth.”

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CHAIRMAN'S STATEMENT

Results and Trading Review

Eidos made a profit after tax of £5.0 million for the three months ended 31 March 1999 compared to £2.4 million in the corresponding period last year. Turnover increased 67% from £34.2 million to £57.2 million. This gives an earnings per share of 29.2p compared to 13.9p in the same period last year based on a weighted average number of shares outstanding in the period of 17,205,200 (1998:16,962,187). The diluted earnings per share was 25.7p (1998: 13.3p).

Eidos reported a profit after tax of £24.3 million for the year ended 31 March 1999 compared to £10.9 million for the corresponding period last year. Turnover increased 65% from £137.2 million to £226.3 million. The earnings per share was 141.5p compared to 64.1p last year. The diluted earnings per share was 125.2p compared to 61.2p for the corresponding period last year (this number has been restated in accordance with Financial Reporting Standard No.14).

Net cash inflow from operating activities was £30.1 million (1998: £15.9 million) for the year ended 31 March 1999. The second and final instalment of the consideration payable for Crystal Dynamics of £14.3m was paid on 1 April 1999 and consequently is not reflected in the cash flow for the year ended 31 March 1999.

Six new titles were launched in the final quarter, being *Akuji: The Heartless*, *Championship Manager 3*, *Commandos: Beyond the Call of Duty*, *Gex III: Deep Cover Gecko*, *UEFA Champions League* and *Warzone 2100* on PC CD. There were nineteen (1998: nineteen) new games released in the year ended 31 March 1999.

Gross margin for the fourth quarter was 61.8% compared to 69.4% last year. The decrease is mainly due to a higher proportion of catalogue and budget sales in the quarter compared to last year. Gross margin for the full year was 63.9% compared to 65.6% last year. Cost of sales includes royalties paid to developers in excess of development advances paid. A successful game can earn considerable excess royalties. Royalty costs in the year were £15.7 million compared to £6.2 million last year, reflecting the increasing success of titles from associate and external studios.

Selling and Marketing

Advertising costs for the three months ended 31 March 1999 were £5.7 million (10.0% of revenues) compared to £3.2 million (9.4% of revenues) in the corresponding period. Advertising costs for the year were £20.7 million (9.2% of revenues) compared to £13.8 million (10.1% of revenues) in 1998. The increase in expenditure reflects the growing use of TV, print and on-line advertising to promote Eidos' existing and emerging franchises.

The fixed element of selling and marketing costs was £5.5 million (1998: £3.0 million) and £16.4 million (1998: £9.9 million) for the three months and year ended 31 March 1999 respectively. The increase is a result of both the increased costs of licensing and additional headcount in new and existing offices.

Research and Development

Research and development spend represents the Company's investment in product development of £9.0 million for the three months ended 31 March 1999 (1998: £6.0 million) and £36.8 million for the full year (1998: £28.1 million). Also included in the category is pure

research and development of £0.7 million (1998: £0.8 million) and £2.8 million (1998: £1.8 million) for the three months and year to 31 March 1999 respectively. The product development charge for the year includes £20.7 million invested in a pipeline of 38 titles which have yet to be released.

General and Administrative

General and administrative costs were £11.4 million or 20% of revenues (1998: £4.4 million or 12.9%) and £28.8 million or 12.7% of revenues (1998: £16.9 million or 12.3%) for the three months and year ended 31 March 1999 respectively. The total excluding goodwill was £8.9 million (15.5%) and £24.7 million (10.9%) for the quarter and full year respectively. The full year's charge includes £3.8m attributable to abortive acquisitions with related funding costs. Excluding this one off charge and goodwill, general and administrative costs represented 9.2% of revenue compared to 12.3% last year.

Taxation

The effective tax rate for the full year is 36% which is marginally lower than the rate used in the period to 31 December 1998. The principal cause of the rate being in excess of the UK standard rate is the overseas profits being taxed at higher rates. These overseas profits represented a higher proportion of total Group profit this year and hence the effective tax rate is higher than the 34% reported last year. Significant tax losses (£6.7 million) have been utilised during the year, leaving tax losses of up to £17.5 million available in the future.

Investments

Eidos holds approximately 15% of the share capital of Opticom ASA, a Norwegian listed company and a leader in the research and development of polymer based storage and processing devices and internet technologies. Following the recovery of the share price of Opticom, the market value of Eidos' holding in the company at 31 March 1999 was £24.2 million, which was significantly above cost. Consequently the £3.0 million non operating charge taken at 31 December 1998 in respect of this holding has been reversed in the three months ended 31 March 1999, and the investment is shown at cost at the year end.

Current Trading and Future Prospects

Closing the year we are delighted with the publishing achievements that have enabled us to post our most impressive trading results to date. The past year has seen the continued successful development of existing franchise properties such as Tomb Raider, Gex and Championship Manager. Launched on 26 March, Championship Manager 3 became the UK's fastest ever selling PC CD title. We have also been very pleased with the performance of other new titles such as Thief: The Dark Project, Gangsters and Commandos, all of which we believe have the strong potential to develop as valuable franchises into the future.

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Ian Livingstone
Chairman
27 May 1999

EIDOS plc
Consolidated Profit and Loss Account

	Year ended 31 March 1999 £000	Year ended 31 March 1998 £000
Turnover -		
continuing operations	226,284	137,234
Cost of goods sold	<u>(81,628)</u>	<u>(47,263)</u>
Gross profit	144,656	89,971
Selling and marketing	(37,096)	(23,697)
Research and development	(39,619)	(29,898)
General and administrative		
Goodwill amortisation	(4,070)	-
Other	(24,701)	(16,923)
Operating expenses	<u>(105,486)</u>	<u>(70,518)</u>
Operating profit	39,170	19,453
Loss from sale of operations	-	(1,852)
Net interest and similar charges	<u>(1,250)</u>	<u>(1,094)</u>
Profit on ordinary activities before tax	37,920	16,507
Taxation	<u>(13,670)</u>	<u>(5,642)</u>
Net profit after tax	24,250	10,865
Earnings per share	141.5p	64.1p
Earnings per share before goodwill	165.2p	64.1p
Diluted earnings per share	125.2p	61.2p
Diluted earnings per share before goodwill	<u>145.1p</u>	<u>61.2p</u>

Notes:

1. The earnings per share is based on a weighted average number of ordinary shares in issue of 17,137,829 (1998: 16,943,461) for the year ended 31 March 1999. The fully diluted earnings per share is based on a weighted average number of ordinary shares in issue of 20,435,056 (1998: 19,810,741) for the year ended 31 March 1999.
2. The fully diluted earnings per share for the year ended 31 March 1998 has been restated in accordance with Financial Reporting Standard No.14.

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EIDOS plc
Consolidated Balance Sheet

	31 March 1999	31 March 1998 (restated)
	£000	£000
Fixed assets		
Intangible assets	25,939	-
Tangible assets	5,668	6,734
Investments	12,164	11,582
Total fixed assets	<u>43,771</u>	<u>18,316</u>
Current assets		
Stocks	5,666	5,118
Debtors	57,737	30,770
Cash at bank and in hand	48,220	42,513
Total current assets	<u>111,623</u>	<u>78,401</u>
Creditors: amount falling due within one year	<u>(58,049)</u>	<u>(26,327)</u>
Net current assets	<u>53,574</u>	<u>52,074</u>
Total assets less current liabilities	<u>97,345</u>	<u>70,390</u>
Creditors due after more than one year:		
US \$50 million convertible bonds	(30,333)	(28,995)
Other creditors	(480)	(459)
	<u>(30,813)</u>	<u>(29,454)</u>
Net assets	<u>66,532</u>	<u>40,936</u>
Capital and reserves		
Called up share capital	1,728	1,711
Share premium account	50,165	49,349
Other reserves	707	167
Profit and Loss account	13,932	(10,291)
Equity shareholders' funds	<u>66,532</u>	<u>40,936</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. The balance sheet at 31 March 1998 has been restated to reflect the reclassification of the goodwill reserve required by Financial Reporting Standard No. 10.

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EIDOS plc
Consolidated Statements of Cash Flow

	Year ended 31 March 1999 £000	Year ended 31 March 1998 £000
Net cash inflow from operating activities	30,068	15,864
Returns on investments and servicing of finance		
Interest received	1,773	1,275
Expenses paid in connection with bond issue	-	(1,026)
Bond interest paid	(1,897)	(1,527)
Other interest paid	(420)	(171)
Interest paid on finance leases	(211)	(154)
	(755)	(1,603)
Taxation		
UK tax paid	(1,867)	(111)
Overseas tax paid	(8,299)	(509)
Overseas tax repaid	3,681	-
	(6,485)	(620)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(2,175)	(4,229)
Sale of tangible fixed assets	75	16
Purchase of other investments	(570)	(11,746)
	(2,670)	(15,959)
Acquisitions and disposals		
Purchase of subsidiary undertakings	(15,378)	-
Investments in associated undertakings	-	(3,208)
Cash acquired with subsidiary undertakings	459	-
Sale of businesses	-	500
	(14,919)	(2,708)
Net cash inflow/(outflow) before financing	5,239	(5,026)
Financing		
Issue of ordinary share capital	833	330
Expenses paid in connection with share issue	-	(218)
Proceeds from bond issue	-	30,864
Repayment of principal under finance leases	(761)	(810)
	72	30,166
Increase in cash in the year	5,311	25,140

Notes:

1. Net cash inflow from operating activities is derived from operating profit of £39,170,000 (1998: £19,453,000) adjusted for depreciation of £3,539,000 (1998: £2,830,000), loss on disposal of fixed assets of £16,000 (1998: £47,000), goodwill amortisation and write offs of £4,632,000 (1998: £nil) and an increase in working capital of £17,287,000 (1998: £6,466,000).

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