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> Eidos plc

> Interim Results: First Half financial year 2005

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## Interim Results for the Six Month Period ended 31 December 2004 and Strategic Review update

Eidos plc ("Eidos"), one of the world's leading publishers and developers of entertainment software, today announces its interim results for the six month period ended 31 December 2004.

### Interim Results: Highlights

- Turnover significantly lower due to limited H1 release schedule
- Consequential operating loss before goodwill of £26.5 million\* (operating loss including goodwill £29.2 million)
- ShellShock: Nam '67 (new IP) achieved c. 900,000 unit sales
- Significant investment in R&D and next generation platforms
- Continued focus on management of cost base
- Additional short term working capital facility of up to £23 million agreed with RBS
- Strategic decision to reschedule certain titles originally planned for H2 release to FY06 including key franchise titles Hitman and Tomb Raider
- Revised release schedule expected to result in a significant negative impact on the results for current financial year
- Proposal received on 2 March 2005 of a possible cash offer at a price of 53 pence per share, subject to one principal condition. However there can be no assurance that this condition will be satisfied and no certainty that an offer will be made nor as to the terms on which any offer might be made. This disclosure has not been made with the consent of the other party

| <b>Interim Results: Summary</b>           | <b>6 months<br/>to 31 Dec. 2004</b> | <b>6 months<br/>to 31 Dec. 2003</b> |
|---|-------------------------------------|-------------------------------------|
| <b>£ Million</b>                          | <b>Unaudited</b>                    | <b>Unaudited</b>                    |
| Turnover                                  | <b>31.5</b>                         | <b>78.7</b>                         |
| Gross Margin                              | <b>50.6%</b>                        | <b>62.2%</b>                        |
| (Loss)/profit after tax                   | <b>(29.0)</b>                       | <b>6.2</b>                          |
| Operating (loss)/profit before goodwill*  | <b>(26.5)</b>                       | <b>7.1</b>                          |
| Cash and cash equivalents                 | <b>11.8</b>                         | <b>58.1</b>                         |
| Operating cash (outflow)/inflow           | <b>(25.2)</b>                       | <b>4.2</b>                          |
| (Loss)/earnings per share                 | <b>(20.7)p</b>                      | <b>4.5p</b>                         |
| (Loss)/earnings per share before goodwill | <b>(18.8)p</b>                      | <b>4.6p</b>                         |

Commenting on the results, John van Kuffeler, Chairman of Eidos, said:

“As these results show, the first half has been a very difficult period for Eidos. Although we had expected to report an operating loss in the first half given the release schedule, this has been exacerbated by the deferral of the PC version of Championship Manager 5 as anticipated, and the disappointing performance of some of the other titles released. On the positive side, we have been pleased with the performance of ShellShock: Nam ‘67 and with the good reviews received for Project: Snowblind which forms part of a strong residual release line up for the remainder of FY2005 including Championship Manager 5, LEGO Star Wars: The Video Game, Imperial Glory and Commandos Strike Force.

The management team has devoted considerable time and effort to the strategic review and today we announce that we received a proposal on 2 March 2005 in relation to a possible cash offer at a price of 53 pence per share subject to one principal condition. However there can be no assurance that this condition will be satisfied and no certainty that an offer will be made nor as to the terms on which any offer might be made. This disclosure has not been made with the consent of the other party concerned. Given the financial position and standalone prospects for the Company, it is the Board’s current intention to recommend this offer to shareholders if it is made.

In the absence of a successful conclusion to the strategic review, the outlook for Eidos as an independent company remains challenging and the strategic decision to defer the release of certain titles to FY06 will have a significant impact on the expected results for the current financial year as a whole.”

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\* Operating loss (before goodwill) of £26.5 million (2003: £7.1 million profit) is derived from a total operating loss from continuing operations of £29,187,000 (2003: £6,930,000 profit), adjusted for amortisation of goodwill of £2,658,000 (2003: £126,000).

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Eidos plc is listed on the London Stock Exchange (ticker: EID.L) and on the NASDAQ National Market (symbol: EIDSY). Further information on the Company can be found at [www.eidos.com](http://www.eidos.com)

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Statements made in this release with respect to the Group's plans, strategies and beliefs and other statements that are not historical facts are forward-looking statements (as that term is defined in the United States Private Securities Legislation Reform Act 1995) that involve risks and uncertainties because they relate to events and depend on circumstances that may occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including without limitation: general economic conditions in the Group's markets, particularly levels of consumer spending; exchange rates, particularly between the pound sterling and the U.S. dollar, in which the Group makes significant sales; the Group's ability to continue to win acceptance of its products, which are offered in highly competitive markets characterised by continuous new product introductions, rapid developments in technology, subjective and changing consumer preferences (particularly in the entertainment business) and other risks described in periodic reports and filings with the Security and Exchange Commission. The Company undertakes no obligation to update any forward-looking statements contained in this release, whether as a result of new information, future events or otherwise.

## **Interim Report for the Six Month Period ended 31 December 2004**

Consistent with the Board's guidance of 7 January 2005, Eidos is reporting substantial losses for the first half of the financial year 2005 reflecting the light release schedule, the disappointing performance of certain titles and the continued high level of investment in game development during the period. Turnover for the first half was £31.5 million (2003: £78.7 million) and the operating loss before goodwill was £26.5 million (2003: £7.1 million profit)\*. The operating loss including goodwill was £29.2 million (2003: £6.9 million profit).

### *Operating Performance*

During the six month period ended 31 December 2004, the Company released four new titles (10 sku's), namely ShellShock: Nam '67, Backyard Wrestling 2: There Goes The Neighborhood, Crash 'N' Burn and Get On Da Mic (2003: 10 new titles, 18 new sku's).

The commercial rationale behind management's decision to postpone the launch of its new franchise title, ShellShock: Nam '67, from June to September 2004 (which was made for the game to benefit from the expected improvement in market conditions) proved to be well founded. ShellShock has enjoyed a successful launch with shipments to date of approximately 900,000 units and strong sell through. As a result of this success, a sequel is already in development.

Sales of Get On Da Mic, Backyard Wrestling 2 and Crash 'N' Burn, which are not part of the Company's long term strategic focus, were below expected levels. However, the Company continued to enjoy a strong performance from back catalogue sales during the period.

As previously announced, the PC release of Championship Manager 5 was deferred from October 2004 in order to allow for further development and refinement of this key franchise. The PC game will now launch on 18 March with the PS2 and Xbox versions following later in the Spring. An online version of Championship Manager, our first extension of the franchise into the online arena, was successfully launched on 21 February. Management believes that expanding the Championship Manager franchise onto these new platforms will take the brand to a wider audience and unlock an additional consumer base.

Project: Snowblind, an exciting new franchise, was released in North America on 23 February and released in Europe on 4 March. This is Eidos' second multiplayer online console game and is one of the Company's most highly reviewed games released during the past three years. Management is confident in the game's quality and expects it to perform well.

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\* Operating loss (before goodwill) of £26.5 million (2003: £7.1 million profit) is derived from a total operating loss from continuing operations of £29,187,000 (2003: £6,930,000 profit), adjusted for amortisation of goodwill of £2,658,000 (2003: £126,000).

## *Intellectual Property (IP) and Technology*

The need to continually improve the development process, coupled with the ongoing investment required to effect the transition of our technology to next generation hardware systems, caused research and development costs in the first half to increase by 14% compared to the same period last year. The Group's transition to the next generation of console platforms is being led by a partnership of our Crystal Dynamics studio in the US and our IO Interactive studio in Europe.

Smart Bomb, developed by Core Design in the UK, will be the Company's first game for Sony's new PlayStation Portable ("PSP") hardware and is scheduled to release in parallel with Sony's US PSP launch, due shortly. Management is optimistic about the prospects for the PSP market and is already looking to bring a number of our key franchises onto this new platform, including the next iteration of Lara Croft Tomb Raider.

In the US we recently consolidated our North American internal development capabilities from two studios into one with the closure of our much smaller Ion Storm studio in Austin. This will result in the scaling up of Crystal Dynamics in San Francisco over the coming months from a two team to a three team studio. The recent positive reviews of Project: Snowblind illustrate the technological advancements and capabilities now established at that studio.

With ShellShock: Nam '67 and Project: Snowblind, Eidos expects to have created and successfully launched two new IP franchises over the course of financial year 2005 - a further demonstration of the underlying creative talent which exists in our business. We also continue to leverage value from our owned IP as illustrated by the film rights signed recently in the US based on our game, Whiplash.

## *Financial Review*

Turnover in the six month period to 31 December 2004 was £31.5 million. This was significantly lower than the £78.7 million reported in the same period last year, largely due to fewer products and sku's released during the period.

Gross margin for the six month period to 31 December 2004 decreased to 50.6% from 62.2% for the same period last year. This was due to the higher proportion of back catalogue sales in the current period as well as a lower proportion of PC based games released this year.

Total operating expenses were £47.2 million (2003: £44.2 million). Excluding goodwill, this figure was £44.5 million (2003: £44.1 million)<sup>♦</sup>. Sales and marketing costs in the period were £9.6 million (2003: £13.1 million), the decrease reflecting the lower level of new product releases. Research and development spend, representing the Group's investment in its product development pipeline, was £22.9 million (2003: £20.1 million). This has increased due to the current period including, for the first time, the full running costs of IO Interactive, the Denmark based development studio which was acquired in April 2004, and reflects the continuing investment in our technology capabilities in anticipation of the next generation of Sony and Microsoft hardware systems.

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<sup>♦</sup> Total operating expenses before goodwill of £44.5 million (2003: £44.1 million) are derived from operating expenses of £47,185,000 (2003: £44,201,000) adjusted for amortisation of goodwill of £2,658,000 (2003: £126,000).

General and administrative costs for the period were £12.0 million (2003: £10.9 million). The increase in costs includes £1.8 million of expenditure in connection with the strategic review undertaken by the Board, as well as transaction losses on foreign exchange of £0.1m (2003: £0.3 million). Management remains committed to maintaining a tight control over the Group's overhead cost base.

The goodwill amortisation charge of £2.7 million (2003: £0.1 million) related to the 2004 acquisition of IO Interactive.

The Group's share of profits arising from the distribution activities of its Spanish joint venture partners, Proein and Pyro, was £2.1 million during the period (2003: £2.1 million). The profits from these two joint venture companies have historically been significantly biased towards the first half of the financial year.

The loss per share was 20.7p (2003: 4.5p profit) and, excluding goodwill, was 18.8p (2003: 4.6p profit).

### *Financing and Cash Flow*

The Group had net cash funds of £11.8 million at 31 December 2004 (2003: £58.1 million). The cash outflow from operating activities for the period was £25.2 million (2003: £4.2 million inflow). The reduction in net cash funds reflects the significant investment in the ongoing product development pipeline and new technologies as well as the acquisition of IO Interactive in April 2004, for which the total cash consideration was £21.6 million, including acquisition costs. In the six month period ended 31 December 2004, the Company invested £15.6 million in titles planned for release during calendar year 2005, compared to £9.7 million for the same period last year in respect of titles planned for release during calendar year 2004.

As previously indicated, the currently anticipated title release schedule has given rise to a significant working capital requirement for the Company this year. The Company has received credit approval from RBS for a short term working capital facility of up to £23 million until 30 June 2005 for the purposes of the funding requirements of the Company until that date. If an offer for the Company has not been announced in accordance with Rule 2.5 of the Takeover Code or alternative funding has not been put in place by 25 March 2005, or if any such offer lapses, RBS has the right to require the Company to undertake an orderly disposal of assets, and/or intellectual property, of an amount equal to the facility plus associated fees. In that event, and if such disposal is not agreed by 22 April 2005, the adequacy of the Company's working capital facilities cannot be assured. The facility will be subject to documentation, including normal banking covenants in relation to working capital. In the event that the Company remains independent, the Board recognises that significant additional long-term funding may be required to finance its future research and development, particularly given the imminent transition to new hardware platforms and the Company's ongoing dependence on the performance of its key titles to generate cash.

### *Taxation*

The Group recorded a tax charge of £0.3 million for the period. This comprises a charge of £0.8 million in respect of the Group's share of profits from its Spanish joint venture

partners, Proein and Pyro, a credit of £0.3 million relating to the release of certain prior year provisions and the reduction of £0.2 million in the deferred tax liability.

### *Dividends*

No interim dividend has been paid or declared during the period (2003: £nil).

### *Strategic Review Update*

In June 2004, the Board announced that it was to undertake a strategic review of the Company and its business. During the course of the strategic review the Board concluded that the competitive outlook for Eidos as an independent entity was challenging due to the Company's lack of scale, its dependence on the performance of relatively few key titles, the ongoing high level of development expenditure required and the unpredictable performance of key title releases.

The Board continues to believe that the prospects of the Company operating independently are highly uncertain and that a sale of the business remains in the best interests of shareholders. The Board today confirms that it received a proposal on 2 March 2005 in relation to a possible cash offer at a price of 53 pence per share subject to one principal condition. However there can be no assurance that this condition will be satisfied and no certainty that an offer will be made nor as to the terms on which any offer might be made. This disclosure has not been made with the consent of the other party concerned. The Company has undertaken an extensive process of discussions over the last eight months involving, in certain cases, considerable due diligence access with other potential purchasers. Whilst none of these other discussions has resulted in a firm offer being received to date, it remains possible that an alternative offer or offers may be forthcoming in due course. However, there can be no certainty in that regard and, given the financial position and standalone prospects for the Company, it is the Board's current intention to recommend the possible cash offer of 53 pence per share if made.

### *Outlook*

The Board considers that it is in the best interests of the Company to ensure that sufficient development time is devoted to its key titles and, in order to maximise their sales performance, that they are released when the Board considers it commercially advantageous to do so.

The Board has undertaken a review of the planned release schedule and as a result has decided to defer a number of planned releases from Q4 FY05 to the following financial year. In addition to allowing for adequate development time, this decision has been based on three principal considerations: the need to work within the constraints of the new working capital facility agreed with RBS; the distraction to management, the business and the game development teams caused by the strategic review process; and the desire to optimise the timing of release of certain key franchises.

Consequently, the Board has decided to move the scheduled next iteration release of Lara Croft Tomb Raider (name to be shortly announced) and Hitman: Blood Money, together with 25 to Life and Just Cause (both new IP), out of the last quarter of this financial year and into the financial year to June 2006. This will enable further development work to be

undertaken on these titles (including additional versions of Lara Croft Tomb Raider for the next generation PSP and Xbox 2 platforms) and allow the Company to take advantage of more favourable release windows. The potential benefit of this approach is supported by the benefits derived from the rescheduled release of ShellShock: Nam'67 as referred to earlier.

The residual second half release line-up, in addition to Project: Snowblind and Championship Manager 5, will therefore now comprise: LEGO Star Wars: The Video Game which is on track for Q3 release as well as Imperial Glory and Commandos Strike Force which are scheduled for Q4 release.

The financial results of the current financial year as a whole will be dependent on the performance of the five titles now scheduled for release during the second half. The changes to the release schedule detailed above (in particular Tomb Raider and Hitman), will shift significant revenue and operating profit into the financial year ending 30 June 2006 and have a significant negative impact on the Company's expected results for the second half and the current financial year as a whole.



**EIDOS plc**

**Unaudited Consolidated Profit and Loss Account**

|   | Notes    | 6 months to<br>31 December<br>2004<br>£'000 | 6 months to<br>31 December<br>2003<br>£'000 |
|---|----------|---|---|
| Turnover: group and share of joint venture                      |          | 43,961                                      | 91,450                                      |
| Less: share of joint venture's turnover                         |          | (12,498)                                    | (12,703)                                    |
| <b>Group turnover – continuing operations</b>                   | <b>2</b> | <b>31,463</b>                               | <b>78,747</b>                               |
| Cost of sales   |          | (15,548)                                    | (29,744)                                    |
| <b>Gross profit</b>   |          | <b>15,915</b>                               | <b>49,003</b>                               |
| Sales and marketing   |          | (9,613)                                     | (13,081)                                    |
| Research and development  |          | (22,879)                                    | (20,068)                                    |
| Administrative expenses   |          |   |   |
| Amortisation of goodwill  |          | (2,658)                                     | (126)                                       |
| Other   |          | (12,035)                                    | (10,926)                                    |
| Total administrative expenses                                   |          | (14,693)                                    | (11,052)                                    |
| Operating expenses  |          | (47,185)                                    | (44,201)                                    |
| <b>Group operating (loss)/profit</b>                            |          | <b>(31,270)</b>                             | <b>4,802</b>                                |
| Share of operating profit of joint ventures                     |          | 2,083                                       | 2,128                                       |
| <b>Total operating (loss)/profit from continuing operations</b> | <b>2</b> | <b>(29,187)</b>                             | <b>6,930</b>                                |
| Profit on disposal of investment before goodwill                |          | --  | 488   |
| Less: related goodwill (previously written off to reserves)     |          | --  | (488)                                       |
| Profit on disposal of investment after goodwill                 |          | --  | --  |
| Interest receivable and similar income                          |          | 621   | 1,020                                       |
| Interest payable and similar charges                            |          | (171)                                       | (124)                                       |
| <b>(Loss)/profit on ordinary activities before taxation</b>     |          | <b>(28,737)</b>                             | <b>7,826</b>                                |
| Tax charge on (loss)/profit on ordinary activities              | <b>3</b> | <b>(254)</b>                                | <b>(1,577)</b>                              |
| <b>(Loss)/profit for the period</b>                             |          | <b>(28,991)</b>                             | <b>6,249</b>                                |
| (Loss)/earnings per share (basic)                               | <b>4</b> | <b>(20.7)p</b>                              | <b>4.5p</b>                                 |
| (Loss)/earnings per share before goodwill                       | <b>4</b> | <b>(18.8)p</b>                              | <b>4.6p</b>                                 |
| (Loss)/earnings per share (diluted)                             | <b>4</b> | <b>(20.7)p</b>                              | <b>4.4p</b>                                 |

# EIDOS plc

## Unaudited Consolidated Balance Sheet

|  | Notes | As at<br>31 December 2004 | As at<br>31 December 2003 |
|--|-------|---------------------------|---------------------------|
|  |       | £'000                     | £'000                     |
| <b>Fixed assets</b>  |       |                           |                           |
| Intangible assets  |       |                           | 115                       |
| Tangible assets  |       | 22,599                    |                           |
| Investments  |       | 6,038                     | 4,786                     |
| Joint ventures   |       |                           |                           |
| – Share of gross assets  |       | 9,510                     | 6,400                     |
| – Share of gross liabilities                                   |       | (4,654)                   | (2,306)                   |
|  |       | 4,856                     | 4,094                     |
| Total fixed assets   |       | 33,493                    | 8,995                     |
| <b>Current assets</b>  |       |                           |                           |
| Stocks   |       | 3,126                     | 3,476                     |
| Debtors  |       |                           |                           |
| – due within one year  | 5     | 12,771                    | 35,693                    |
| – due after one year   | 5     | 38                        | 45                        |
| Cash at bank and in hand                                       |       | 11,790                    | 58,057                    |
| <b>Total current assets</b>                                    |       | 27,725                    | 97,271                    |
| <b>Creditors: Amounts falling due within one year</b>          | 6     | (14,349)                  | (27,036)                  |
| <b>Net current assets</b>                                      |       | 13,376                    | 70,235                    |
| <b>Total assets less current liabilities</b>                   |       | 46,869                    | 79,230                    |
| <b>Creditors: Amounts falling due after more than one year</b> | 6     | (316)                     | --                        |
| <b>Provisions for liabilities and charges</b>                  | 7     | (3,511)                   | --                        |
| <b>Net assets</b>  |       | 43,042                    | 79,230                    |
| <b>Capital and reserves</b>                                    |       |                           |                           |
| Called up share capital  | 8     | 2,840                     | 2,806                     |
| Share premium account  | 8     | 78,594                    | 138,386                   |
| Other reserves   | 8     | 690                       | 690                       |
| Merger reserve   | 8     | 1,980                     | --                        |
| Profit and loss account  | 8     | (38,498)                  | (59,891)                  |
| Reserve for own shares   | 8     | (2,564)                   | (2,761)                   |
| <b>Equity shareholders' funds</b>                              | 8     | 43,042                    | 79,230                    |

# EIDOS plc

## Unaudited Consolidated Cash Flow Statement

|  | Notes     | 6 months to<br>31 December<br>2004 | 6 months to<br>31 December<br>2003 |
|--|-----------|------------------------------------|------------------------------------|
|  |           | £'000                              | £'000                              |
| <b>Net cash (outflow)/inflow from operating activities</b>                           | <b>9</b>  | <b>(25,232)</b>                    | <b>4,211</b>                       |
| <b>Dividends from joint ventures and associates</b>                                  |           | --                                 | 30                                 |
| <b>Returns on investments and servicing of finance</b>                               |           |                                    |                                    |
| Interest received  |           | 553                                | 812                                |
| Bank interest and finance charges paid   |           | (121)                              | (81)                               |
| Interest element of finance lease rentals  |           | (15)                               | (5)                                |
|  |           | <b>417</b>                         | <b>726</b>                         |
| <b>Taxation</b>  |           |                                    |                                    |
| U.K. tax repaid/(paid)   |           | 900                                | (1)                                |
| Overseas tax paid  |           | (550)                              | (1,652)                            |
|  |           | <b>350</b>                         | <b>(1,653)</b>                     |
| <b>Capital expenditure and financial investment</b>                                  |           |                                    |                                    |
| Purchase of tangible fixed assets  |           | (1,503)                            | (1,296)                            |
| Sale of tangible fixed assets  |           | --                                 | 2                                  |
|  |           | <b>(1,503)</b>                     | <b>(1,294)</b>                     |
| <b>Acquisitions and disposals</b>  |           |                                    |                                    |
| Sale of associate  |           | --                                 | 488                                |
| <b>Net cash (outflow)/inflow before management of liquid resources and financing</b> |           | <b>(25,968)</b>                    | <b>2,508</b>                       |
| <b>Management of liquid resources</b>  |           |                                    |                                    |
| Decrease /(increase) in short-term deposits  | <b>10</b> | <b>7,765</b>                       | <b>(2,057)</b>                     |
| <b>Financing</b>   |           |                                    |                                    |
| Issue of ordinary share capital  |           | --                                 | 61                                 |
| Capital element of finance lease payments  |           | (185)                              | (42)                               |
| Purchase of own shares   |           | --                                 | (2,485)                            |
|  |           | <b>(185)</b>                       | <b>(2,466)</b>                     |
| <b>Decrease in net cash in the period</b>  | <b>10</b> | <b>(18,388)</b>                    | <b>(2,015)</b>                     |
|  |           | =====                              | =====                              |

# EIDOS plc

## Notes to the Accounts

### 1. Accounting policies

#### Uncertainty arising from funding of working capital

The interim financial statements have been prepared on the basis of the accounting policies set out on pages 23 and 24 of the Eidos plc Report and Accounts for the year ended 30 June 2004, which have been applied consistently throughout the period. The Eidos plc Report and Accounts for the year ended 30 June 2004, on which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

The Company has received credit approval from RBS for a short term working capital facility of up to £23 million until 30 June 2005, for the purposes of the funding requirements of the Company until that date. If an offer for the Company has not been announced in accordance with Rule 2.5 of the Takeover Code or alternative funding has not been put in place by 25 March 2005, or if any such offer lapses, RBS has the right to require the Company to undertake an orderly disposal of assets, and/or intellectual property, of an amount equal to the facility plus associated fees. In that event and if such disposal is not agreed by 22 April 2005, the adequacy of the Company's working capital facility cannot be assured. The facility will be subject to documentation, including normal banking covenants in relation to working capital.

The Board has reviewed its working capital forecasts and has concluded that the arrangements put in place should meet the short term working capital needs of the Group. Whilst there remains uncertainty over the longer term working capital funding arrangements for the Group, the Board believes that the agreed facility will allow the opportunity to secure the longer term financial position of the Group.

The Board has therefore concluded it is appropriate to confirm the going concern basis of preparation for the financial information.

The interim financial information below does not constitute statutory accounts (as defined in Section 240 of The Companies Act 1985) and is unaudited. However, the information has been reviewed by the auditors.

The Interim Report for the six months to 31 December 2004 was approved by the Board of Directors on 10 March 2005.

### 2. Segmental analysis

#### *Segmental analysis by class of business*

Turnover, profit and net assets are derived from or belong to the entertainment software business.

#### *Segmental analysis by geographical area*

|   | By destination                              |   | By origin                                   |   |
|---|---|---|---|---|
|   | 6 months to<br>31 December<br>2004<br>£'000 | 6 months to<br>31 December<br>2003<br>£'000 | 6 months to<br>31 December<br>2004<br>£'000 | 6 months to<br>31 December<br>2003<br>£'000 |
| <b>Turnover – continuing activities</b> |   |   |   |   |
| United Kingdom                          | 4,164                                       | 16,731                                      | 6,368                                       | 23,714                                      |
| France                                  | 4,542                                       | 11,353                                      | 5,217                                       | 13,590                                      |
| Germany                                 | 2,205                                       | 7,958                                       | 2,378                                       | 8,806                                       |
| Rest of Europe                          | 2,639                                       | 11,130                                      | --  | --  |
| United States of America                | 14,946                                      | 25,636                                      | 16,113                                      | 29,426                                      |
| Rest of World                           | 2,967                                       | 5,939                                       | 1,387                                       | 3,211                                       |
|   | <b>31,463</b>                               | <b>78,747</b>                               | <b>31,463</b>                               | <b>78,747</b>                               |

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## Segmental analysis (continued)

|  | 6 months to<br>31 December<br>2004<br>£'000 | 6 months to<br>31 December<br>2003<br>£'000 |
|--|---|---|
| <b>(Loss)/profit on ordinary activities<br/>before interest and taxation</b> |   |   |
| United Kingdom   | (25,176)                                    | 1,662                                       |
| France   | (91)  | 1,519                                       |
| Germany  | (1,324)                                     | (102)                                       |
| Rest of Europe   | 1,515                                       | 1,904                                       |
| United States of America   | (3,853)                                     | 1,838                                       |
| Rest of World  | (258)                                       | 109   |
|  | <hr/> <b>(29,187)</b> <hr/>                 | <hr/> <b>6,930</b> <hr/>                    |

|                                 | As at<br>31 December<br>2004<br>£'000 | As at<br>31 December<br>2003<br>£'000 |
|---------------------------------|---------------------------------------|---------------------------------------|
| <b>Net assets/(liabilities)</b> |                                       |                                       |
| United Kingdom                  | 59,444                                | 95,500                                |
| France                          | 1,368                                 | 4,554                                 |
| Germany                         | 423                                   | (1,400)                               |
| Spain (joint ventures)          | 4,557                                 | 4,094                                 |
| United States of America        | (27,206)                              | (23,446)                              |
| Rest of World                   | 4,456                                 | (72)                                  |
|                                 | <hr/> <b>43,042</b> <hr/>             | <hr/> <b>79,230</b> <hr/>             |

## EIDOS plc

### 3. Taxation

|  | <b>6 months to<br/>31 December<br/>2004<br/>£'000</b> | 6 months to<br>31 December<br>2003<br>£'000 |
|--|---|---|
| <b>Current tax</b>   |   |   |
| UK Taxation  |   |   |
| UK corporation tax at 30% on (losses)/profits for the period             | <b>807</b>  | 1,166                                       |
| Less double tax relief   | <b>(807)</b>  | (150)                                       |
|  | <hr/>   | <hr/>                                       |
| Adjustment in respect of prior periods                                   | <b>(320)</b>  | 1,016<br>(148)                              |
|  | <hr/>   | <hr/>                                       |
| <b>Total current UK tax</b>  | <b>(320)</b>  | 868   |
| Foreign taxation   |   |   |
| Current tax on income for the period                                     | <b>812</b>  | 692   |
|  | <hr/>   | <hr/>                                       |
| <b>Total current tax</b>   | <b>492</b>  | 1,560                                       |
| Of which   |   |   |
| Group taxation   | <b>(320)</b>  | 1,184                                       |
| Joint venture taxation   | <b>812</b>  | 376   |
|  | <hr/>   | <hr/>                                       |
|  | <b>492</b>  | 1,560                                       |
|  | <hr/>   | <hr/>                                       |
| Deferred taxation  |   |   |
| Group  | <b>(101)</b>  | 50  |
| Joint venture  | <b>(137)</b>  | (33)  |
|  | <hr/>   | <hr/>                                       |
| <b>Tax charge on (loss)/profit on ordinary activities for the period</b> | <b>254</b>  | 1,577                                       |
|  | <hr/> <hr/>   | <hr/> <hr/>                                 |

## EIDOS plc

### 4. Earnings per share

The calculations of earnings per share are based on the following information:

|                                    |  |   |
|------------------------------------|--|---|
| Weighted average number of shares: | <b>6 months to<br/>31 December<br/>2004<br/>Number of<br/>shares</b> | 6 months to<br>31 December<br>2003<br>Number of<br>shares |
| For basic earnings per share       | <b>140,169,471</b>   | 139,745,533   |
| Dilutive effect of share options   | <b>198,392</b>   | 1,039,333   |
| For diluted earnings per share     | <b>140,367,863</b>   | 140,784,866   |

|  | <b>Basic<br/>6 months to<br/>31 December<br/>2004<br/>£'000</b> | Basic<br>6 months to<br>31 December<br>2003<br>£'000 | <b>Diluted<br/>6 months to<br/>31 December<br/>2004<br/>£'000</b> | Diluted<br>6 months to<br>31 December<br>2003<br>£'000 |
|--|---|--|---|--|
| (Loss)/profit for the financial period                 | <b>(28,991)</b>   | 6,249  | <b>(28,991)</b>   | 6,249  |
| Goodwill amortisation                                  | <b>2,658</b>  | 126  | <b>2,658</b>  | 126  |
| (Loss)/profit for the financial period before goodwill | <b>(26,333)</b>   | 6,375  | <b>(26,333)</b>   | 6,375  |
|  | <b>Pence per<br/>share</b>                                      | Pence per<br>share                                   | <b>Pence per<br/>share</b>  | Pence per<br>share                                     |
| (Loss)/earnings per share                              | <b>(20.7)</b>   | 4.5  | <b>(20.7)</b>   | 4.4  |
| Goodwill per share                                     | <b>1.9</b>  | 0.1  | <b>1.9</b>  | 0.1  |
| (Loss)/earnings per share before goodwill              | <b>(18.8)</b>   | 4.6  | <b>(18.8)</b>   | 4.5  |

### 5. Debtors

|               | <b>31 December 2004</b>                      |   | 31 December 2003                   |                                   |
|---------------|--|---|------------------------------------|-----------------------------------|
|               | <b>Due<br/>within<br/>one year<br/>£'000</b> | <b>Due<br/>after<br/>one year<br/>£'000</b> | Due<br>within<br>one year<br>£'000 | Due<br>after<br>one year<br>£'000 |
| Trade debtors | <b>6,479</b>                                 | --  | 26,518                             | --                                |
| Other debtors | <b>3,471</b>                                 | <b>38</b>                                   | 5,719                              | 45                                |
| Prepayments   | <b>2,821</b>                                 | --  | 3,456                              | --                                |
|               | <b>12,771</b>                                | <b>38</b>                                   | 35,693                             | 45                                |

## EIDOS plc

### 6. Creditors

|                                  | 31 December 2004                      |                                      | 31 December 2003                      |                                   |
|----------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|-----------------------------------|
|                                  | Due<br>within<br>one<br>year<br>£'000 | Due<br>after<br>one<br>year<br>£'000 | Due<br>within<br>one<br>year<br>£'000 | Due<br>after<br>one year<br>£'000 |
| <b>Borrowings</b>                |                                       |                                      |                                       |                                   |
| Obligations under finance leases | 350                                   | 254                                  | --                                    | --                                |
|                                  | <u>350</u>                            | <u>254</u>                           | <u>--</u>                             | <u>--</u>                         |
|                                  | =====                                 | =====                                | =====                                 | =====                             |
| <b>Other creditors</b>           |                                       |                                      |                                       |                                   |
| Bank loans and overdrafts        | --                                    | --                                   | 39                                    | --                                |
| Trade creditors                  | 4,549                                 | --                                   | 7,526                                 | --                                |
| Royalty creditors                | 846                                   | --                                   | 2,684                                 | --                                |
| Accruals and deferred income     | 6,152                                 | --                                   | 7,012                                 | --                                |
| Corporation tax payable          | 1,800                                 | --                                   | 6,310                                 | --                                |
| Other creditors                  | 652                                   | 62                                   | 3,465                                 | --                                |
|                                  | <u>13,999</u>                         | <u>62</u>                            | <u>27,036</u>                         | <u>--</u>                         |
|                                  | <u>14,349</u>                         | <u>316</u>                           | <u>27,036</u>                         | <u>--</u>                         |
|                                  | =====                                 | =====                                | =====                                 | =====                             |

### 7. Provisions for liabilities and charges

|   | Deferred<br>Consideration<br>£'000 | Deferred<br>tax<br>£'000 | Total<br>£'000 |
|---|------------------------------------|--------------------------|----------------|
| At 1 July 2004  | 2,068                              | 1,463                    | 3,531          |
| Foreign exchange difference on deferred tax liability | --                                 | 81                       | 81             |
| Release of deferred tax liability                     | --                                 | (101)                    | (101)          |
| <b>At 31 December 2004</b>                            | <u>2,068</u>                       | <u>1,443</u>             | <u>3,511</u>   |
|   | =====                              | =====                    | =====          |



# EIDOS plc

## 8. Movement in shareholders' funds

|   | Ordinary shares    |              | Own shares     | Share Premium | Other          | Merger        | Profit and loss | Total         |
|---|--------------------|--------------|----------------|---------------|----------------|---------------|-----------------|---------------|
|   | Number of shares   | Amount £'000 | Amount £'000   | account £'000 | reserves £'000 | reserve £'000 | Account £'000   | £'000         |
| Balance as at 1 July 2004                         | 142,002,471        | 2,840        | (2,564)        | 78,594        | 690            | 1,980         | (9,604)         | 71,936        |
| Loss for the period                               | --                 | --           | --             | --            | --             | --            | (28,991)        | (28,991)      |
| Translation adjustment                            | --                 | --           | --             | --            | --             | --            | 201             | 201           |
| Write back of cost of employee share options, net | --                 | --           | --             | --            | --             | --            | (104)           | (104)         |
| <b>Balance as at 31 December 2004</b>             | <b>142,002,471</b> | <b>2,840</b> | <b>(2,564)</b> | <b>78,594</b> | <b>690</b>     | <b>1,980</b>  | <b>(38,498)</b> | <b>43,042</b> |

## 9. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

|  | 6 months to<br>31 December 2004<br>£'000 | 6 months to<br>31 December 2003<br>£'000 |
|--|--|--|
| Group operating (loss)/profit                              | (31,270)                                 | 4,802                                    |
| Loss on disposal of fixed assets                           | --                                       | 81                                       |
| Depreciation of tangible fixed assets                      | 1,655                                    | 985                                      |
| Amortisation of goodwill                                   | 2,658                                    | 126                                      |
| (Write back)/charge for employee share options             | (104)                                    | 64                                       |
| Decrease/(increase) in working capital                     | 1,829                                    | (1,847)                                  |
| <b>Net cash (outflow)/inflow from operating activities</b> | <b>(25,232)</b>                          | <b>4,211</b>                             |

## 10. Analysis of net funds

|  | At<br>1 July<br>2004<br>£'000 | Cash flow<br>£'000 | Exchange and non-cash movements<br>£'000 | At<br>31 December<br>2004<br>£'000 |
|--|-------------------------------|--------------------|--|------------------------------------|
| Cash at bank and in hand                 | 24,839                        | (18,388)           | 290                                      | 6,741                              |
| Short-term deposits and liquid resources | 12,565                        | (7,765)            | 249                                      | 5,049                              |
| Finance leases                           | 37,404<br>(756)               | (26,153)<br>185    | 539<br>(33)                              | 11,790<br>(604)                    |
| <b>Net funds</b>                         | <b>36,648</b>                 | <b>(25,968)</b>    | <b>506</b>                               | <b>11,186</b>                      |

**EIDOS plc**

**Unaudited Consolidated Statements of Operations reconciled to U.S. GAAP**

**Six months  
ended  
December 31**

| <b>Reconciliation to U.S. GAAP</b>   | <b>2004</b>               | <b>2003</b>            |
|--|---------------------------|------------------------|
|  | <b>£000</b>               | <b>£000</b>            |
| Net (loss)/income after tax (reported under U.K. GAAP)                         | <b>(28,991)</b>           | 6,249                  |
| Amortisation of goodwill   | <b>2,658</b>              | 126                    |
| Revenue recognition  | <b>243</b>                | 976                    |
| Prepaid advertising  | --                        | (109)                  |
| Profit on disposal of investment   | --                        | 488                    |
| Vacation pay provision   | <b>186</b>                | --                     |
| Deferred taxation  | <b>20</b>                 | --                     |
|  | <b>-----</b>              | <b>-----</b>           |
| Net (loss)/income in accordance with U.S. GAAP                                 | <b><u>(25,884)</u></b>    | <b><u>7,730</u></b>    |
| <br>(Loss)/earnings per share in accordance with U.S. GAAP (basic and diluted) | <br><b><u>(18.5)p</u></b> | <br><b><u>5.5p</u></b> |

**Unaudited Consolidated Balance Sheets Reconciled to U.S. GAAP**

| <b>Reconciliation to U.S. GAAP</b>                                    | <b>December 31,<br/>2004<br/>£000</b> | <b>December 31,<br/>2003<br/>£000</b> |
|---|---------------------------------------|---------------------------------------|
| Equity Shareholders' funds (prepared under U.K. GAAP)                 | <b><u>43,042</u></b>                  | <b><u>79,230</u></b>                  |
| <br>Amortisation of goodwill  |                                       |                                       |
| Joint ventures goodwill amortisation                                  | <b>471</b>                            | 471                                   |
| Other goodwill amortisation   | <b>4,490</b>                          | 390                                   |
| Exchange differences on goodwill                                      | <b>49</b>                             | 45                                    |
| Goodwill differences arising on the acquisition of IO Interactive A/S | <b>(1,532)</b>                        | --                                    |
| Deferred consideration  | <b>2,068</b>                          | --                                    |
| Deferred tax liability  | <b>250</b>                            | --                                    |
| Revenue recognition   | <b>(243)</b>                          | (729)                                 |
| Prepaid advertising   | --                                    | (109)                                 |
| Vacation pay provision  | <b>(643)</b>                          | --                                    |
|   | <b>-----</b>                          | <b>-----</b>                          |
|   | <b><u>4,910</u></b>                   | <b><u>68</u></b>                      |
| <br><b>Shareholders' funds in accordance with U.S. GAAP</b>           | <br><b><u><u>47,952</u></u></b>       | <br><b><u><u>79,298</u></u></b>       |