

PRESS ANNOUNCEMENT



For immediate release

30 January 2001

**INTERIM RESULTS &
LORD OF THE RINGS WARGAMING LICENCE AGREEMENT**

Games Workshop Group PLC (“Games Workshop” or the “Group”) announces its interim results for the six months ended 26 November 2000.

Key points:

- Turnover up 9% to £42.7 million
- Operating profit up 9% to £4.2 million
- Sales in the Americas up 23% - now largest single market
- Ten new stores opened - all outside the UK
- Restructuring programme on track and on budget to deliver:
 - more effective control of logistics and support functions
 - sales businesses firmly focused on marketing the Hobby
- Exclusive worldwide wargaming licence secured for Lord of the Rings films

Tom Kirby, Chairman and Chief Executive of Games Workshop, said: “I am delighted to report a further period of growth with our sales in the key American market now outgrowing the UK. Our continuing success in the Americas with their huge potential customer base demonstrates the sustainability of our sales growth into the future.

/More...

“In addition, we have signed a worldwide exclusive agreement with New Line Productions, Inc to design and market the definitive table top wargames based on the forthcoming Lord of the Rings film trilogy. A complete range of games, models and other associated hobby products will be created by our design studio.

“With improving supply efficiencies, the refocusing of our UK business and the ongoing success in the Americas, the directors firmly believe the prospects for the business are very good.”

...Ends...

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FIRST HALF HIGHLIGHTS

	Six months to 26 November 2000	Six months to 28 November 1999	
Turnover	£42.7m	£39.1m	+9%
Operating profit	£4.2m	£3.9m	+9%
Pre-exceptional operating profit	£4.9m	£5.7m	-14%
Profit before tax	£4.1m	£3.8m	+8%
Basic earnings per share	8.0p	7.1p	+13%
Pre-exceptional earnings per share	9.7p	11.5p	-16%
Interim dividend per share	3.77p	3.77p	

CHAIRMAN'S STATEMENT

Overview

I am delighted to report a further period of growth with our sales in the key American market now outgrowing the UK. Our continuing success in the Americas with their huge potential customer base demonstrates the sustainability of our sales growth into the future.

The development of the Hobby is, and always has been, the engine for the future success of the Company. I am confident that we are now working positively to develop our existing market opportunities with a great armoury of product and a unique army of people.

In addition, we have signed a worldwide exclusive agreement with New Line Productions, Inc to design and market the definitive table top wargames based on the forthcoming Lord of the Rings film trilogy. A complete range of games, models and other associated hobby products will be created by our design studio.

We are exploring new market opportunities such as online gaming through the exciting Warhammer Online project.

I am also pleased to report that the important restructuring programme introduced last year is well on course and within our estimates of cost. As a result, our business is now beginning to operate more effectively with many of the manufacturing and supply problems consigned to the past.

Results

As I indicated in August, the pre-exceptional operating profit for the first six months of this year is below last year due to the difficult trading conditions in the UK and our Continental European markets. I am pleased to report, however, that the UK conditions began to ease in the second quarter. The release of our new Warhammer Fantasy Battle game in October also helped the Continental European businesses to regain ground. We enjoyed single digit growth in our sales to independent retailers and through our own stores, but our direct sales (through traditional mail order and the Internet) grew by 30%.

The weakening of sterling against the dollar flattered our results in the Americas, however this was offset by the strengthening of sterling against the Euro leaving a neutral net effect on our results. The constant currency sales figures are set out in the table below to allow a like-for-like comparison to be made.

Dividend

The interim dividend will be held at 3.77 pence per share. This will be paid on 27 April 2001 to shareholders on the register at 30 March 2001.

Operations

Core activities

Our UK business focused its efforts, during the period under review, on hobby development activities in our retail stores. This marketing activity includes a renewed emphasis on strengthening the appeal of the Hobby to existing and older gamers both through store events and links with gaming clubs. The lessons learnt by the UK business are being used in our other markets, spreading best practice through the international operational management meetings.

Our American business grew significantly with the opening of three new stores and strong sales to the independent retailers. We also opened five new stores in Continental Europe and a further two in Australia.

Lord of the Rings

We are announcing today an exciting new initiative that sees Games Workshop become the exclusive designer, manufacturer and retailer of table top wargames based on the eagerly awaited Lord of the Rings film trilogy. We believe there is great potential to create premium products that will not only appeal to existing gamers everywhere but will also introduce wargaming to a new, broader audience worldwide.

Restructuring

The restructuring programme to simplify our manufacturing and supply chain and to refocus the sales operations on marketing the Hobby, continues in line with our plans. The benefits of the programme were apparent during the period with on-time supply from our factories showing a significant improvement on the previous year.

Prospects

With improving supply efficiencies, the refocusing of our UK business and the ongoing success in the Americas, the directors firmly believe the prospects for the business are very good.

T H F Kirby

Chairman

30 January 2001

TURNOVER BY GEOGRAPHICAL AREA OF SALES OPERATION IN LOCAL CURRENCY

United Kingdom	£15.0m	-2%
Continental Europe	□ 15.9m	+6%
The Americas	US\$23.0m	+23%
Asia Pacific	Aus\$6.6m	+2%

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months to 26 November 2000 £000	Restated Six months to 28 November 1999 £000	Year to 28 May 2000 £000
Turnover	2	42,748	39,145	77,993
Cost of sales	3	<u>(14,761)</u>	<u>(13,655)</u>	<u>(27,261)</u>
Gross profit		27,987	25,490	50,732
Net operating expenses	3	<u>(23,807)</u>	<u>(21,638)</u>	<u>(44,069)</u>
Operating profit		4,180	3,852	6,663
Continuing operations - pre-exceptional	3	4,884	5,712	10,037
Continuing operations - exceptional items	3	(704)	(1,860)	(3,374)
Interest receivable		140	52	390
Interest payable and similar charges		<u>(232)</u>	<u>(105)</u>	<u>(508)</u>
Profit on ordinary activities before taxation		4,088	3,799	6,545
Taxation on profit on ordinary activities	4	<u>(1,574)</u>	<u>(1,581)</u>	<u>(2,983)</u>
Profit for the period		2,514	2,218	3,562
Dividends	5	<u>(1,179)</u>	<u>(1,173)</u>	<u>(3,100)</u>
Profit retained for the period		<u>1,335</u>	<u>1,045</u>	<u>462</u>
Pre-exceptional earnings per ordinary share	6	9.7p	11.5p	20.2p
Basic earnings per ordinary share	6	8.0p	7.1p	11.4p
Diluted earnings per ordinary share	6	8.0p	7.0p	11.2p
Dividend per ordinary share	5	3.77p	3.77p	9.9p

All items dealt with in arriving at the profit on ordinary activities before taxation relate to continuing activities.

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS
AND LOSSES**

	Six months to 26 November 2000 £000	Six months to 28 November 1999 £000	Year to 28 May 2000 £000
Profit for the period	2,514	2,218	3,562
Currency translation differences on foreign currency net investments	365	(175)	448
Total recognised gains and losses relating to the period	2,879	2,043	4,010

CONSOLIDATED BALANCE SHEET

	Notes	As at 26 November 2000 £000	As at 28 November 1999 £000	As at 28 May 2000 £000
Fixed assets				
Goodwill		1,838	1,943	1,891
Tangible assets		15,211	15,181	15,365
Own shares		122	122	122
		<u>17,171</u>	<u>17,246</u>	<u>17,378</u>
Current assets				
Stocks		10,743	10,583	9,022
Debtors		10,589	9,649	6,538
Cash at bank and in hand		4,519	3,599	5,865
		<u>25,851</u>	<u>23,831</u>	<u>21,425</u>
Creditors: amounts falling due within one year		<u>(15,046)</u>	<u>(15,719)</u>	<u>(12,491)</u>
Net current assets		<u>10,805</u>	<u>8,112</u>	<u>8,934</u>
Total assets less current liabilities		27,976	25,358	26,312
Creditors: amounts falling due after more than one year		(3,109)	(3,182)	(3,145)
Provisions for liabilities and charges		(500)	-	(500)
Net assets		<u><u>24,367</u></u>	<u><u>22,176</u></u>	<u><u>22,667</u></u>
Capital and reserves				
Called up share capital		1,565	1,558	1,565
Other reserve		(495)	(939)	(495)
Profit and loss account		23,297	21,557	21,597
Equity shareholders' funds	7	<u><u>24,367</u></u>	<u><u>22,176</u></u>	<u><u>22,667</u></u>

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Six months to 26 November 2000 £000	Six months to 28 November 1999 £000	Year to 28 May 2000 £000
Net cash inflow from operating activities	8	3,343	3,236	12,606
Returns on investments and servicing of finance				
Interest received		144	49	411
Interest paid		(227)	(78)	(493)
Interest paid on hire purchase contracts		(4)	(9)	(17)
Net cash outflow from returns on investments and servicing of finance		(87)	(38)	(99)
Taxation paid		(368)	(176)	(4,621)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(1,850)	(2,644)	(4,822)
Sale of tangible fixed assets		18	21	54
Purchase of own shares		-	-	(122)
Net cash outflow from capital expenditure and financial investment		(1,832)	(2,623)	(4,890)
Equity dividends paid		(1,920)	(1,914)	(3,094)
Net cash outflow before financing		(864)	(1,515)	(98)
Financing				
Issue of ordinary share capital		-	3	454
Repayment of principal under hire purchase contracts		(36)	(36)	(73)
Net cash (outflow)/inflow from financing		(36)	(33)	381
(Decrease)/increase in cash in the period	9	(900)	(1,548)	283

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Interim financial statements

The interim financial statements have been prepared on the basis of the accounting policies set out in the Group's statutory financial statements for the year ended 28 May 2000.

Copies of the interim financial statements will be sent to shareholders and are available to members of the public at the Company's registered office.

The financial statements for the year to 28 May 2000 are not full financial statements within the meaning of section 240 of the Companies Act 1985. Full financial statements for that year, incorporating an unqualified audit report, have been delivered to the Registrar of Companies. The interim financial statements for 1999 and 2000 are unaudited.

2. Turnover by geographical area of sales operation

	Six months to 26 November 2000 £000	Six months to 28 November 1999 £000	Year to 28 May 2000 £000
United Kingdom	14,961	15,350	28,937
Continental Europe	9,627	9,685	18,963
The Americas	15,674	11,521	24,763
Asia Pacific	2,486	2,589	5,330
	<u>42,748</u>	<u>39,145</u>	<u>77,993</u>

3. Cost of sales, gross profit and net operating expenses

	Six months to 26 November 2000 £000	Restated Six months to 28 November 1999 £000	Year to 28 May 2000 £000
Cost of sales – continuing pre-exceptional	14,334	12,980	26,061
Continuing exceptional items	427	675	1,200
Cost of sales	<u>14,761</u>	<u>13,655</u>	<u>27,261</u>
Net operating expenses – continuing pre-exceptional	23,530	20,453	41,895
Continuing exceptional items	277	1,185	2,174
Net operating expenses	<u>23,807</u>	<u>21,638</u>	<u>44,069</u>
Operating profit – continuing pre-exceptional	4,884	5,712	10,037
Continuing exceptional items	(704)	(1,860)	(3,374)
Operating profit	<u>4,180</u>	<u>3,852</u>	<u>6,663</u>

Net operating expenses include royalty income of £45,000 (November 1999: £98,000; May 2000: £170,000). The results for the six months to 28 November 1999 have been restated to show a consistent presentation of cost of sales and net operating expenses with the full year accounts.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

4. Taxation on profit on ordinary activities

	Six months to 26 November 2000 £000	Six months to 28 November 1999 £000	Year to 28 May 2000 £000
UK corporation tax	867	633	1,641
Overseas taxation	707	948	1,342
	<u>1,574</u>	<u>1,581</u>	<u>2,983</u>
Taxation credits on exceptional items included above: Restructuring costs	<u>(200)</u>	<u>(485)</u>	<u>(644)</u>

5. Dividends

	Six months to 26 November 2000 £000	Six months to 28 November 1999 £000	Year to 28 May 2000 £000
Interim ordinary dividend	1,179	1,173	1,180
Final ordinary dividend	-	-	1,920
	<u>1,179</u>	<u>1,173</u>	<u>3,100</u>

6. Earnings per ordinary share

The calculation of pre-exceptional earnings per ordinary share has been based on the profit for the period before the effect of the exceptional restructuring costs. This calculation has been included to enable a like for like comparison with other periods where no exceptional costs are charged.

The calculation of basic earnings per ordinary share is based on the profit for the period and the weighted average number of ordinary shares. The calculation of diluted earnings per ordinary share has been based on the profit for the period and the weighted average number of shares in issue during the relevant period, adjusted for the effect of share options outstanding at the end of the period.

	Six months to 26 November 2000	Six months to 28 November 1999	Year to 28 May 2000
Weighted average number of shares:			
For basic earnings per ordinary share	31,272,287	31,122,465	31,177,439
Share options outstanding	223,052	694,342	547,776
For diluted earnings per ordinary share	<u>31,495,339</u>	<u>31,816,807</u>	<u>31,725,215</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

7. Reconciliation of movements in shareholders' funds

	Six months to 26 November 2000 £000	Six months to 28 November 1999 £000	Year to 28 May 2000 £000
Profit for the period	2,514	2,218	3,562
Dividends	(1,179)	(1,173)	(3,100)
	<u>1,335</u>	<u>1,045</u>	<u>462</u>
Issue of new share capital	-	3	454
Other recognised gains and losses	365	(175)	448
Opening shareholders' funds	22,667	21,303	21,303
Closing shareholders' funds	<u><u>24,367</u></u>	<u><u>22,176</u></u>	<u><u>22,667</u></u>

8. Reconciliation of operating profit to operating cash flow

	Six months to 26 November 2000 £000	Six months to 28 November 1999 £000	Year to 28 May 2000 £000
Operating profit	4,180	3,852	6,663
(Profit)/loss on disposal of tangible fixed assets	(9)	18	42
Depreciation of tangible fixed assets	2,024	1,916	4,041
Amortisation of goodwill	53	52	105
Exchange movements	358	(144)	363
(Increase)/decrease in stocks	(1,721)	(1,322)	239
Increase in debtors	(4,073)	(3,075)	(17)
Increase in creditors	2,531	1,939	670
Increase in provisions	-	-	500
Net cash inflow from operating activities	<u><u>3,343</u></u>	<u><u>3,236</u></u>	<u><u>12,606</u></u>

The cash flow resulting from exceptional items amounts to £0.6m (November 1999: £nil; May 2000: £1.1m).

9. Analysis of net funds

	As at 28 May 2000 £000	Cash flow £000	As at 26 November 2000 £000
Cash at bank and in hand	5,865	(1,346)	4,519
Bank overdrafts	(446)	446	-
Net cash	<u>5,419</u>	<u>(900)</u>	<u>4,519</u>
Debt due after one year	(3,000)	-	(3,000)
Hire purchase contracts	(218)	36	(182)
Net funds	<u><u>2,201</u></u>	<u><u>(864)</u></u>	<u><u>1,337</u></u>