

GAMES WORKSHOP GROUP PLC

**Interim results
Six months ended 30 November 2003**

FIRST HALF HIGHLIGHTS

- Turnover up £13.9m to £72.0m
- Operating profit up £0.8m to £7.4m
- 25 new Hobby stores opened – 19 in the Americas, bringing the total to 303
- Interim dividend up 0.225p to 4.725p

	Six months to 30 November 2003	Six months to 1 December 2002
Turnover	£72.0m	£58.1m
Operating profit	£7.4m	£6.6m
Profit before tax	£7.3m	£6.6m
Basic earnings per share	14.8p	14.0p
Interim dividend per share	4.725p	4.500p

CHAIRMAN'S STATEMENT

Overview

I am pleased to report on another period of growth in sales and profits from Games Workshop. The consistent evidence of the strength and health of the Games Workshop Hobby in all of our geographical areas shows through our results.

We have continued to add depth and excitement to the world of Warhammer 40,000 with the Eye of Terror campaign which ran across all of our territories during the summer, and our Warhammer fans are eagerly awaiting the launch of our new Bretonian army. Our third game based upon The Lord of the Rings trilogy was also launched in November. Armed with these and many other great products, our sales teams around the world have continued to develop their markets and to build the Games Workshop Hobby in each territory.

Results

In July we reported on the strong growth which our UK business had experienced during the final quarter of last financial year. This growth has carried through into the first half of the current year.

Our progress has been satisfactory in Continental Europe where we continue to see growth in all of our sales businesses.

We have continued to pursue our strategy of investment in the Americas, where we believe the growth opportunities to be exciting. During the last six months in the Americas we have:

- Opened 19 new Games Workshop Hobby stores (total now 73)
- Restructured our sales infrastructure on a regional basis, with sales offices established in Los Angeles, Chicago, Baltimore and Memphis
- Established a new warehousing and distribution centre in Memphis

We believe that these investments will provide a strong base from which we can develop and grow the Games Workshop Hobby in the Americas.

The 19 new Hobby stores in the Americas, out of a total of 25 new stores around the world, takes our overall total to 303 stores dedicated solely to the development of the Games Workshop Hobby. During the six months to 30 November 2003 these stores made up 42% of total sales (sales to independent retailers 51%, direct sales 7%).

During the period sterling has strengthened against the dollar by 6% and weakened against the euro by 5%. We have shown below our sales progression by territory in constant currency terms so that readers can better understand the underlying trends.

Dividend

We have increased our interim dividend in line with our profit growth, to 4.725 pence per share. This will be paid on 23 April 2004 to shareholders on the register at 26 March 2004.

CHAIRMAN'S STATEMENT CONTINUED

Dividend re-investment plan

In 2002 we offered for the first time to our shareholders the opportunity to re-invest their dividends in shares in the Company. We intend to continue to operate this plan in the future.

Prospects

The directors firmly believe the prospects for the business are very good.

T H F Kirby

Chairman and Chief Executive

27 January 2004

TURNOVER BY GEOGRAPHICAL AREA OF SALES OPERATION IN LOCAL CURRENCY

	Six months to 30 November 2003	Six months to 1 December 2002
Continental Europe	€41.0m	€35.4m
United Kingdom	£22.4m	£16.4m
The Americas	US\$28.6m	US\$24.7m
Asia Pacific	Aus\$9.8m	Aus\$9.3m

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months to 30 November 2003 £000	Restated Six months to 1 December 2002 £000	Year to 1 June 2003 £000
Turnover	2	71,977	58,102	129,109
Cost of sales		(24,248)	(19,075)	(42,592)
Gross profit		47,729	39,027	86,517
Net operating expenses		(40,343)	(32,429)	(69,056)
Operating profit	2	7,386	6,598	17,461
Interest receivable		52	69	265
Interest payable and similar charges		(160)	(113)	(274)
Profit on ordinary activities before taxation		7,278	6,554	17,452
Taxation on profit on ordinary activities	3	(2,814)	(2,389)	(6,470)
Profit on ordinary activities after taxation		4,464	4,165	10,982
Equity minority interests		-	-	-
Profit for the period		4,464	4,165	10,982
Dividends	4	(1,473)	(1,334)	(5,086)
Profit retained for the period		2,991	2,831	5,896
Basic earnings per ordinary share	5	14.8p	14.0p	37.0p
Diluted earnings per ordinary share	5	14.6p	13.7p	36.3p
Dividend per ordinary share	4	4.725p	4.500p	17.000p

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

The numbers for the previous half year have been restated for a reclassification of direct sales despatch costs from overheads to cost of sales, to be consistent with the full year reported figures.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Six months to 30 November 2003 £000	Six months to 1 December 2002 £000	Year to 1 June 2003 £000
Profit for the period	4,464	4,165	10,982
Currency translation differences on foreign currency net investments	(514)	(503)	95
Total recognised gains and losses relating to the period	3,950	3,662	11,077

CONSOLIDATED BALANCE SHEET

	Notes	As at 30 November 2003 £000	As at 1 December 2002 £000	As at 1 June 2003 £000
Fixed assets				
Goodwill		2,961	3,419	3,190
Tangible assets		20,534	16,995	17,623
Investments		–	61	–
		23,495	20,475	20,813
Current assets				
Stocks		14,442	11,114	12,496
Debtors		20,654	16,688	13,212
Cash at bank and in hand		8,408	4,004	11,728
		43,504	31,806	37,436
Creditors: amounts falling due within one year		(24,224)	(23,207)	(28,335)
		19,280	8,599	9,101
Total assets less current liabilities		42,775	29,074	29,914
Creditors: amounts falling due after more than one year		(10,215)	(3,000)	(16)
Provisions for liabilities and charges		(708)	(1,946)	(1,725)
		31,852	24,128	28,173
Capital and reserves				
Called up share capital	7	1,537	1,495	1,503
Capital redemption reserve	7	101	101	101
Share premium	7	4,792	445	1,267
Profit and loss account	7	25,421	22,086	25,301
Equity shareholders' funds	6	31,851	24,127	28,172
Equity minority interests	7	1	1	1
Total capital employed – all equity		31,852	24,128	28,173

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Six months to 30 November 2003 £000	Six months to 1 December 2002 £000	Year to 1 June 2003 £000
Net cash (outflow)/inflow from operating activities		(2,247)	3,339	23,180
Returns on investments and servicing of finance				
Interest received		56	68	260
Interest paid		(137)	(90)	(269)
Interest element of finance lease rentals/hire purchase contracts		(1)	(4)	-
Net cash outflow from returns on investments and servicing of finance		(82)	(26)	(9)
Taxation paid		(4,230)	(1,511)	(5,873)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(6,022)	(4,363)	(8,202)
Sale of tangible fixed assets		76	2	22
Net cash outflow from capital expenditure and financial investment		(5,946)	(4,361)	(8,180)
Equity dividends paid		(3,778)	(2,623)	(3,958)
Net cash (outflow)/inflow before financing		(16,283)	(5,182)	5,160
Financing				
Issue of ordinary share capital		1,202	16	399
Capital element of finance lease rental payments/hire purchase contracts		(7)	(20)	(20)
Draw-down/(repayment) of medium-term revolving credit facility		10,000	500	(2,500)
Own shares purchased/cancelled		-	(442)	(443)
Net cash inflow/(outflow) from financing		11,195	54	(2,564)
(Decrease)/increase in cash in the period	8	(5,088)	(5,128)	2,596

Reconciliation of operating profit to operating cash flow

	Notes	Six months to 30 November 2003 £000	Six months to 1 December 2002 £000	Year to 1 June 2003 £000
Operating profit		7,386	6,598	17,461
(Profit)/loss on disposal of tangible fixed assets		(42)	38	130
Depreciation of tangible fixed assets		2,864	2,282	5,709
Amortisation of goodwill		229	228	457
Amortisation of own shares		-	60	121
Exchange movements		(316)	(313)	135
Increase in stocks		(1,945)	(1,854)	(3,236)
Increase in debtors		(8,200)	(6,552)	(2,414)
(Decrease)/increase in creditors		(1,206)	2,912	5,098
Decrease in provisions		(1,017)	(60)	(281)
Net cash (outflow)/inflow from operating activities		(2,247)	3,339	23,180

NOTES TO THE INTERIM RESULTS

1. Interim results

The interim results have been prepared on the basis of the accounting policies set out in the Group's statutory financial statements for the year ended 1 June 2003.

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

The information presented in respect of the year to 1 June 2003 does not reflect the 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 results for 2002 and 2003 are unaudited and have not been subject to a review by the Group's auditors.

2. Geographical analysis

Turnover by geographical area of sales operation

	Six months to 30 November 2003 £000	Six months to 1 December 2002 £000	Year to 1 June 2003 £000
Continental Europe	28,518	22,468	50,030
United Kingdom	22,291	16,441	39,353
The Americas	17,138	15,907	32,218
Asia Pacific	4,030	3,286	7,508
Turnover	71,977	58,102	129,109

Operating profit by geographical area of sales operation

	Six months to 30 November 2003 £000	Six months to 1 December 2002 £000	Year to 1 June 2003 £000
Continental Europe	8,839	6,149	13,550
United Kingdom	5,011	3,163	11,343
The Americas	(438)	1,425	2,430
Asia Pacific	(36)	762	1,098
	13,376	11,499	28,421
Design and development costs	(1,936)	(1,689)	(3,725)
New business development costs	(1,369)	(1,195)	(2,531)
Central costs	(2,760)	(2,178)	(4,901)
Operating profit before royalties	7,311	6,437	17,264
Royalty income	75	161	197
Operating profit	7,386	6,598	17,461

3. Taxation on profit on ordinary activities

	Six months to 30 November 2003 £000	Six months to 1 December 2002 £000	Year to 1 June 2003 £000
UK corporation tax	1,251	1,711	5,204
Overseas taxation	695	646	1,844
Origination and reversal of timing differences	868	32	(578)
	2,814	2,389	6,470

4. Dividends

	Six months to 30 November 2003 £000	Six months to 1 December 2002 £000	Year to 1 June 2003 £000
Interim ordinary dividend	1,454	1,334	1,335
Final ordinary dividend	-	-	3,759
Under/(over) provision in respect of prior years	19	-	(8)
	1,473	1,334	5,086

NOTES TO THE INTERIM RESULTS

5. Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the period and the weighted average number of ordinary shares in issue throughout the relevant period.

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 dilution effect of share options outstanding at the end of the period.

	Six months to 30 November 2003	Six months to 1 December 2002	Year to 1 June 2003
Weighted average number of shares: For basic earnings per ordinary share	30,069,247	29,698,626	29,689,168
Dilution effect of share options	571,011	686,880	600,302
For diluted earnings per ordinary share	30,640,258	30,385,506	30,289,470

6. Reconciliation of movements in equity shareholders' funds

	Six months to 30 November 2003 £000	Six months to 1 December 2002 £000	Year to 1 June 2003 £000
Profit for the period	4,464	4,165	10,982
Dividends	(1,473)	(1,334)	(5,086)
	2,991	2,831	5,896
Issue of new share capital	1,202	16	399
Own shares purchased/cancelled	-	(442)	(443)
Other recognised gains and losses	(514)	(503)	95
Opening equity shareholders' funds	28,172	22,225	22,225
Closing equity shareholders' funds	31,851	24,127	28,172

7. Capital, reserves and equity minority interests

	Called up share capital £000	Capital redemption reserve £000	Share premium £000	Profit and loss account £000	Equity shareholders' funds £000	Equity minority interests £000
As at 2 June 2003	1,503	101	1,267	25,301	28,172	1
Exchange adjustments	-	-	-	(514)	(514)	-
Profit retained for the period	-	-	-	2,991	2,991	-
Share of minority loss for the period	-	-	-	-	-	(360)
Provision against minority loss	-	-	-	-	-	360
Issue of ordinary share capital	34	-	3,525	(2,357)	1,202	-
As at 30 November 2003	1,537	101	4,792	25,421	31,851	1

8. Analysis of net funds/(debt)

	As at 1 June 2003 £000	Cash flow £000	Other non cash changes £000	Exchange movement £000	30 November 2003 £000	As at 30 November 2003 £000
Cash at bank and in hand	11,728	(3,320)	-	-		8,408
Overdrafts	-	(1,768)	-	-		(1,768)
	11,728	(5,088)	-	-		6,640
Debt due after one year	-	(10,000)	-	-		(10,000)
Finance leases	-	7	(55)	2		(46)
Net funds/(debt)	11,728	(15,081)	(55)	2		(3,406)

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