

GAMES WORKSHOP GROUP PLC

Interim results
Six months ended 28 November 2004

FIRST HALF HIGHLIGHTS

- Turnover ahead in constant currency (+£1m)
- Operating profit up £0.5m to £7.9m
- 9 new Hobby stores opened – bringing the total to 319
- Interim dividend up 0.225p to 4.95p

	Six months to 28 November 2004	Six months to 30 November 2003
Turnover	£71.0m	£72.0m
Operating profit	£7.9m	£7.4m
Profit before tax	£7.7m	£7.3m
Basic earnings per share	15.8p	14.8p
Interim dividend per share	4.950p	4.725p

CHAIRMAN'S STATEMENT

Results

In the first half of this financial year several chickens have come home to roost for Games Workshop, some welcome, some not so welcome.

The net impact is that we have continued to grow our profits and earnings per share in spite of a sales performance which was not what we have been used to over recent years.

In our UK business there has been, as predicted, a slowdown in sales growth. For some time we have been enjoying a period of very strong growth in this market, and we have described this as a "bubble effect, which may not be sustainable in the future"*. Well, sure enough, the bubble has begun to deflate and our UK sales business has seen a small decline in sales during the first half of this year. We had predicted and planned for this; nevertheless fighting against a background of very strong prior year sales has required a lot of hard work of our UK management team.

Our American business has been investing in new stores and in our new Memphis factory for the last two years. Meanwhile, the small independent retailers, whom we have been relying on to get products to our Hobbyists in the Americas, have been struggling. In the first half of this year we have begun to see some early evidence that our strategy of focusing our Hobby development efforts around our own stores in key metropolitan areas is beginning to bear fruit. The evidence can be seen in Games Workshop's improving profitability in the Americas.

Continental Europe continues to enjoy healthy growth. We are investing in new stores to develop our opportunities here. Germany, France and Italy continue to perform well while Spain is still catching its breath after several years of very strong growth.

In Asia Pacific we refocused our activities back onto Australia and New Zealand last year. The effects of this have been very positive as demonstrated by the turnaround in profits we have seen.

We opened nine new stores in the period, taking our total to 319.

Compared to November 2003, sterling has strengthened against both the dollar (+9%) and the euro (+2%). We have shown below our sales progression in constant currency terms so that readers can better understand the underlying trends.

I would encourage shareholders to take heart, because none of these events surprised our management team; our profitability and cash flow remain robust and the health of the Games Workshop Hobby is as strong as ever.

*Extract from Games Workshop Group PLC annual report 2003 (page 6).

CHAIRMAN'S STATEMENT CONTINUED

Dividend

We have increased our interim dividend in line with our profit growth, to 4.95 pence per share. This will be paid on 22 April 2005 to shareholders on the register at 29 March 2005.

Prospects

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

T H F Kirby

Chairman and Chief Executive

25 January 2005

TURNOVER BY GEOGRAPHICAL AREA OF SALES OPERATION IN LOCAL CURRENCY

	Six months to 28 November 2004	Six months to 30 November 2003
Continental Europe	€45.4m	€41.0m
United Kingdom	£21.0m	£22.3m
The Americas	US\$27.1m	US\$28.6m
Asia Pacific	Aus\$10.5m	Aus\$9.8m

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months to 28 November 2004 £000	Six months to 30 November 2003 £000	Year to 30 May 2004 £000
Turnover	2	70,972	71,977	151,775
Cost of sales		(20,871)	(24,248)	(50,099)
Gross profit		50,101	47,729	101,676
Net operating expenses		(42,237)	(40,343)	(81,821)
Operating profit	2	7,864	7,386	19,855
Interest receivable		71	52	145
Interest payable and similar charges		(266)	(160)	(427)
Profit on ordinary activities before taxation		7,669	7,278	19,573
Taxation on profit on ordinary activities	3	(2,837)	(2,814)	(7,245)
Profit on ordinary activities after taxation		4,832	4,464	12,328
Equity minority interests		-	-	1
Profit for the period		4,832	4,464	12,329
Dividends	4	(1,528)	(1,473)	(5,749)
Profit retained for the period		3,304	2,991	6,580
Basic earnings per ordinary share	5	15.8p	14.8p	40.8p
Diluted earnings per ordinary share	5	15.5p	14.6p	40.1p
Dividend per ordinary share	4	4.950p	4.725p	18.750p

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

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Six months to 28 November 2004 £000	Six months to 30 November 2003 £000	Year to 30 May 2004 £000
Profit for the period	4,832	4,464	12,329
Currency translation differences on foreign currency net investments	465	(514)	(2,012)
Other recognised gains and losses	215	-	-
Total recognised gains and losses relating to the period	5,512	3,950	10,317

CONSOLIDATED BALANCE SHEET

	Notes	As at 28 November 2004 £000	As at 30 November 2003 £000	As at 30 May 2004 £000
Fixed assets				
Goodwill		2,245	2,961	2,463
Tangible assets		28,131	20,534	25,627
		30,376	23,495	28,090
Current assets				
Stocks		14,965	14,442	12,102
Debtors		18,985	20,654	13,612
Cash at bank and in hand		8,799	8,408	8,570
		42,749	43,504	34,284
Creditors: amounts falling due within one year		(24,460)	(24,224)	(26,558)
Net current assets		18,289	19,280	7,726
Total assets less current liabilities		48,665	42,775	35,816
Creditors: amounts falling due after more than one year		(9,532)	(10,215)	(788)
Provisions for liabilities and charges		(458)	(708)	(924)
Net assets		38,675	31,852	34,104
Capital and reserves				
Called up share capital	7	1,550	1,537	1,542
Capital redemption reserve	7	101	101	101
Share premium	7	6,272	4,792	5,251
Profit and loss account	7	30,752	25,421	27,210
Equity shareholders' funds	6	38,675	31,851	34,104
Equity minority interests	7	-	1	-
Total capital employed – all equity		38,675	31,852	34,104

CONSOLIDATED CASH FLOW STATEMENT

Notes	Six months to 28 November 2004 £000	Six months to 30 November 2003 £000	Year to 30 May 2004 £000
Net cash inflow/(outflow) from operating activities	3,665	(1,931)	23,490
Returns on investments and servicing of finance			
Interest received	70	56	147
Interest paid	(205)	(137)	(408)
Interest paid on finance leases and hire purchase contracts	(7)	(1)	(9)
Net cash outflow from returns on investments and servicing of finance	(142)	(82)	(270)
Taxation paid	(2,884)	(4,230)	(8,178)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(5,865)	(6,022)	(13,968)
Sale of tangible fixed assets	3	76	117
Net cash outflow from capital expenditure and financial investment	(5,862)	(5,946)	(13,851)
Equity dividends paid	(4,295)	(3,778)	(5,218)
Net cash outflow before financing	(9,518)	(15,967)	(4,027)
Financing			
Issue of ordinary share capital	587	1,202	1,363
Repayment of principal under finance leases/hire purchase contracts	(81)	(7)	(124)
Draw-down of medium-term revolving credit facility	9,000	10,000	-
Net cash inflow from financing	9,506	11,195	1,239
Decrease in cash in the period	8	(4,772)	(2,788)

Reconciliation of operating profit to operating cash flow

	Six months to 28 November 2004 £000	Six months to 30 November 2003 £000	Year to 30 May 2004 £000
Operating profit	7,864	7,386	19,855
Loss/(profit) on disposal of tangible fixed assets	33	(42)	(35)
Depreciation of tangible fixed assets	3,483	2,864	6,080
Amortisation of goodwill	192	229	366
(Increase)/decrease in stocks	(2,879)	(1,945)	263
Increase in debtors	(4,837)	(8,200)	(1,754)
Increase/(decrease) in creditors	60	(1,206)	(484)
Decrease in provisions	(251)	(1,017)	(801)
Net cash inflow/(outflow) from operating activities	3,665	(1,931)	23,490

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 30 May 2004 with the exception of the provision for the long-term incentive plan which has been reclassified in accordance with UITF 38. The impact of this is not material.

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 30 May 2004 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 2003 and 2004 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 28 November 2004 £000	Six months to 30 November 2003 £000	Year to 30 May 2004 £000
Continental Europe	30,918	28,518	61,290
United Kingdom	21,006	22,291	48,241
The Americas	14,853	17,138	33,110
Asia Pacific	4,195	4,030	9,134
Turnover	70,972	71,977	151,775

Operating profit by geographical area of sales operation

	Six months to 28 November 2004 £000	Restated Six months to 30 November 2003 £000	Year to 30 May 2004 £000
Continental Europe	8,717	9,119	19,948
United Kingdom	4,188	5,144	11,370
The Americas	110	(614)	(829)
Asia Pacific	433	(274)	756
	13,448	13,375	31,245
Design and development costs	(2,668)	(3,304)	(6,634)
Central costs	(3,072)	(2,760)	(4,942)
Operating profit before royalties	7,708	7,311	19,669
Royalty income	156	75	186
Operating profit	7,864	7,386	19,855

The prior period allocation of operating profit by geographical area has been restated to better reflect the allocation of manufacturing costs between the UK and US based production activities.

3. Taxation on profit on ordinary activities

	Six months to 28 November 2004 £000	Six months to 30 November 2003 £000	Year to 30 May 2004 £000
UK corporation tax	1,967	1,251	4,410
Overseas taxation	1,104	695	2,193
Origination and reversal of timing differences	(234)	868	642
	2,837	2,814	7,245

4. Dividends

	Six months to 28 November 2004 £000	Six months to 30 November 2003 £000	Year to 30 May 2004 £000
Interim ordinary dividend	1,522	1,454	1,444
Final ordinary dividend	-	-	4,290
Under provision in respect of prior years	6	19	15
	1,528	1,473	5,749

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 28 November 2004	Six months to 30 November 2003	Year to 30 May 2004
Weighted average number of shares:			
For basic earnings per ordinary share	30,620,058	30,069,247	30,223,087
Dilution effect of share options	467,107	571,011	495,036
For diluted earnings per ordinary share	31,087,165	30,640,258	30,718,123

6. Reconciliation of movements in equity shareholders' funds

	Six months to 28 November 2004 £000	Six months to 30 November 2003 £000	Year to 30 May 2004 £000
Profit for the period	4,832	4,464	12,329
Dividends	(1,528)	(1,473)	(5,749)
	3,304	2,991	6,580
Issue of new share capital	587	1,202	1,364
Other recognised gains and losses	680	(514)	(2,012)
Opening equity shareholders' funds	34,104	28,172	28,172
Closing equity shareholders' funds	38,675	31,851	34,104

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 1 June 2004	1,542	101	5,251	27,210	34,104	-
Exchange adjustments	-	-	-	465	465	-
Profit retained for the period	-	-	-	3,304	3,304	-
Share of minority loss for the period	-	-	-	-	-	(147)
Provision against minority loss	-	-	-	-	-	147
Other recognised gains and losses	-	-	-	215	215	-
Issue of ordinary share capital	8	-	1,021	(442)	587	-
As at 28 November 2004	1,550	101	6,272	30,752	38,675	-

8. Analysis of net funds/(debt)

	As at 30 May 2004 £000	Cash flow £000	Other non-cash changes £000	Exchange movement £000	As at 28 November 2004 £000
Cash at bank and in hand	8,570	(12)	-	241	8,799
Debt due after one year	-	(9,000)	-	-	(9,000)
Finance leases	(364)	81	(10)	1	(292)
Net funds/(debt)	8,206	(8,931)	(10)	242	(493)

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