23rd September 2003

THE GAME GROUP PLC

Interim Results for the six months ended 31 July 2003

Highlights

Interim Results for the six months ended 31 July 2003

- Turnover up 8% to £231m (£215m) with like for like sales down 0.3%
- Gross Margin percentage maintained in competitive market
- Half year profit, before goodwill amortisation, of £2.1m (£3.1m) – only the 4th time in the Group's history a profit has been achieved in the first half
- 23%* year to date growth in UK installed base of key hardware formats together with imminent release of strong titles augurs well for Christmas trade
- Interim dividend increased by 11% to 0.5p reflecting your Board's confidence in the prospects of the Group

Peter Lewis, Chairman said:-

> "These are solid and reassuring results coming on top of last years' 50% sales increase. The stage is set for an exciting Christmas."

For further information please contact:

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* source: ChartTrack (includes PS2/ Xbox/ Gamecube/ GBA/ SP)

Chairman's account to the owners for the six months to 31 July 2003

Dear Owner

For the second successive year, your seasonal business has achieved a first half profit, with operating profit before goodwill amortisation of £1.8m (£2.7m) and pre-tax profit before goodwill amortisation of £2.1m (£3.1m). The difference from the previous year is almost wholly attributable to increased seasonal losses in Europe of £1.5m (loss £0.6m) in line with expectations given the significant increase in the store base. We continue to increase our activities in France, Spain and Sweden by organic growth and fully expect to see the rewards of our investment in future years.

Group turnover increased by 8% to £231m (£215m), with like for like sales down 0.3% compared with a year ago when a 29% increase was recorded. Gross margins were marginally improved at 28.7% (28.5%).

The industry background has been relatively calm compared to the frenzy of activity in the market in the first half of 2002, when we had the launch of the Microsoft Xbox and Nintendo Gamecube. As such these results are very satisfactory and the Board is proposing to increase the interim dividend by 11% to 0.5p (0.45p), reaffirming its confidence in the future prospects for your business.

Your business in the period

In a comparatively quiet period for new products, the only notable hardware launch was that of Gameboy SP at the end of March which made a useful contribution to volume growth. We have seen some creditable performances from software titles, but as a general rule there has been a shortage of major software titles to take advantage of the ever increasing installed console base. However, a whole host of blockbuster titles is now scheduled for the latter part of the year.

As I reported to you in the 2003 Annual Accounts, your management team has focussed attention on developing GAME's competitive advantages which are proving effective in an increasingly challenging market place. The improved preowned programme, promotional product offers, the widest available product range, emphasis on in-store service and local price competitiveness have all helped increase our UK market share whilst securing a modest rise in the gross margin percentage. The continuing success of the GAME loyalty card is a reflection of our customer appeal. Current membership is 4.2m (3.3m) with the weekly sign-up rate averaging 15,000 new customers.

At the end of July we traded from 518 stores, concessions and franchises compared with 465 a year earlier:-

Stores trading at 31 July Company Owned and concessions	2003	2002
UK	340	326
Europe	123	78
Franchises		
Europe	55	61
Total Outlets	518	465

During the period there were 14 net new stores and with planned openings in all territories in the second half of the year we expect to trade from over 540 outlets for Christmas, up from 507 outlets last year.

We have made headway in Europe during the year in enhancing the infrastructure of our fledgling business. In France in particular, a great deal of progress has been made, with the store remodelling programme now well under way. The new IT systems rollout is now complete and key new management appointments have been made. In both Spain and Sweden our store opening programme has continued.

We reported on 28 February that last November's decision by the High Court to maintain the Services Agreement between GAME and Electronics Boutique Inc ("EBI"), had been upheld by the Court of Appeal. Therefore, the agreement, which essentially requires GAME to pay EBI 1% of its UK turnover, remains in effect. It is due to expire in January 2006 with a current annual cost of circa. £5m.

Your Board continues to take a carefully measured approach to the operation of GAME Digital where losses reduced to £0.5m (£0.8m). In the light of the slow development of the online PC gaming market in the UK, the Board is undertaking a review of its activities in this area with the intention of improving Group profitability. The cost implications of this review are not material. It is anticipated that the conclusion of this review will be announced at the time of the Christmas trading statement in early January.

Treasury

Capital expenditure of £13.2m (£8.7m) was dominated by the acquisition of freehold land in Basingstoke for the new Distribution and Head Office facility which is on schedule to be operational in the first half of next year. Some £9.0m of capital expenditure in the period was in respect of Basingstoke and adequate bank finance has been put in place to facilitate construction.

During the period, £8.2m was spent on the purchase of 17.7m of our own shares for cancellation at an average price of 46p. Net cash outflow from operating activities was

£8.9m (£7.4m) and, as is seasonally customary, we expect to generate strong positive cash flow in the second half of the year.

Staff & Management

Your staff and management at all levels have worked incredibly hard to hone and deliver to customers our distinctive differences which have enabled GAME to perform well in the face of new competitive challenges. We thank them all.

Your Board

Mr Albert Scardino, non-executive director, has resigned to return to journalism as a senior editor at a national news organisation. His resignation is effective 30 September. We are grateful for his contribution to your Group's affairs and wish him every success. A new appointment will be made in due course. Christopher Bell has been appointed Chairman of the Remuneration Committee.

Current & Future Trading

In the 7 weeks to 20 September like for like sales were down 4% which is to be expected given the shortage of major new releases this year, and last year's price reduction of both Xbox and PlayStation 2 in August. In the circumstances this is a strong performance for the year to date and we continue to perform in line with our expectations, but it is the Christmas season which matters.

The principle drivers for growth are the increase in the installed base of machines (which prompts demand for software) and the quality of new software titles (which spurs further consumer demand).

So far this year, strong new titles have been few and far between, but that will change this Autumn with an impressive line-up of releases including:- Medal of Honor: Rising Sun, Lord of the Rings: The Return of the King, FIFA football 2004 (all from Electronic Arts), True Crime: Streets of LA (Activision), Prince of Persia: The Sands of Time and Rainbow six 3 (Ubisoft), Max Payne 2 (Take Two) and Mario Kart Double Dash (Nintendo).

In contrast to the quiet period for software, in the first half hardware unit sales have continued to grow. The installed base for key hardware formats in the UK has increased by 23% since last December to a current total of 7.9m*.

This source of expanded demand coupled with strong new software releases makes your Board confident of strong software sales this Christmas. In addition we expect, as traditionally experienced, to see consumer demand heightened by further much welcomed price moves from console manufacturers.

Set against our optimism about the fundamentals of the strength of both the industry as a whole and our business model, there needs to be an element of caution about the potential impact on software margins of yet more competitive pricing in the coming months. Your Board has taken steps to ensure that your Group is best prepared for the Christmas season and is cautiously confident of making further satisfactory progress this year.

Peter Lewis
Chairman

* source: ChartTrack (includes PS2/ Xbox/ Gamecube/ GBA/ SP)

Unaudited consolidated profit and loss account
for the six months ended 31 July 2003

	Notes	Six months ended 31 July 2003 Unaudited	Six months ended 31 July 2002 Unaudited	Year ended 31 January 2003 Audited
		£'000	**£'000**	**£'000**
Turnover		**231,015**	214,664	560,065
Cost of sales		**164,710**	153,388	402,910
Gross profit		**66,305**	61,276	157,155
Other operating expenses	1	**67,358**	61,779	130,786
Operating profit before goodwill amortisation and re-branding costs		**1,800**	2,693	32,395
Goodwill amortisation		**(2,853)**	(3,196)	(5,923)
Re-branding costs		**-**	-	(103)
Operating (loss)/profit		**(1,053)**	(503)	26,369
Net interest receivable		**259**	423	796
(Loss)/profit on ordinary activities before taxation		**(794)**	(80)	27,165
Taxation on (loss)/profit on ordinary activities	2	**675**	1,013	10,608
(Loss)/profit on ordinary activities after taxation		**(1,469)**	(1,093)	16,557
Dividends	3	**1,790**	1,667	3,758
(Loss)/profit for the period		**(3,259)**	(2,760)	12,799
(Loss)/earnings per share - basic	4	**(0.40p)**	(0.30p)	4.40p
- diluted	4	**(0.40p)**	(0.30p)	4.36p
Earnings per share before goodwill amortisation				
- basic	4	**0.38p**	0.57p	5.98p
- diluted	4	**0.38p**	0.56p	5.91p
Number of stores trading (including concessions)				
At beginning of period		**449**	389	389
At end of period		**463**	404	449

Unaudited consolidated balance sheet
as at 31 July 2003

	Notes	As at 31 July 2003 Unaudited	As at 31 July 2002 Unaudited	As at 31 January 2003 Audited
		£'000	£'000	£'000
Fixed assets				
Intangible	5	**89,553**	110,068	92,160
Tangible	6	**42,350**	30,346	41,742
Assets under construction	7	**8,984**	-	-
		140,887	140,414	133,902
Current assets				
Stocks		**43,610**	39,249	38,205
Debtors	8	**21,875**	21,976	17,523
Cash at bank and in hand		**8,862**	15,652	37,972
		74,347	76,877	93,700
Creditors: amounts falling due within one year	9	**62,554**	63,563	71,923
Net current assets		**11,793**	13,314	21,777
Total assets less current liabilities		**152,680**	153,728	155,679
Creditors: amounts falling due after more than one year	10	**7,925**	4,466	1,361
Accruals and deferred income				
Leasehold property incentives		**1,592**	1,457	1,733
Net assets		**143,163**	147,805	152,585
Capital and reserves				
Called up share capital		**17,899**	18,820	18,772
Share premium account		**38,625**	37,680	38,513
Capital redemption reserve		**935**	-	50
Shares to be issued		**-**	11,232	-
Other reserves		**76,907**	76,907	76,907
Profit and loss account	11	**8,797**	3,166	18,343
Equity shareholders' funds		**143,163**	147,805	152,585

Approved by the Board on 23 September 2003.

M Long
Director

Unaudited consolidated cash flow statement
for the six months ended 31 July 2003

	Notes	Six months ended 31 July 2003 Unaudited	Six months ended 31 July 2002 Unaudited	Year ended 31 January 2003 Audited
		£'000	**£'000**	**£'000**
Net cash (outflow)/inflow from operating activities	12	**(8,868)**	(7,384)	37,366
Returns on investments and servicing of finance		**259**	423	796
Taxation		**(4,965)**	(4,429)	(10,648)
Capital expenditure and financial investment				
- assets under construction		**(8,984)**	-	-
- other		**(3,984)**	(8,863)	(22,263)
Acquisitions		**(278)**	(268)	(569)
Equity dividends paid		**(2,065)**	(1,482)	(3,175)
Cash (outflow)/inflow before financing		**(28,885)**	(22,003)	1,507
Financing - share buyback		**(8,218)**	-	(310)
- other		**8,025**	803	303
(Decrease)/increase in cash in the period	13	**(29,078)**	(21,200)	1,500

Notes to the interim results

1 Other operating expenses

	Six months ended 31 July 2003 Unaudited	Six months ended 31 July 2002 Unaudited	Year ended 31 January 2003 Audited
	£'000	**£'000**	**£'000**
Selling and distribution	**52,997**	47,932	100,974
Administrative expenses	**11,508**	10,651	23,889
Goodwill amortisation	**2,853**	3,196	5,923
	67,358	61,779	130,786

2 Taxation

	Six months ended 31 July 2003 Unaudited	Six months ended 31 July 2002 Unaudited	Year ended 31 January 2003 Audited
	£'000	**£'000**	**£'000**
Current year			
UK corporation tax	**1,208**	1,013	10,278
Adjustments in respect of prior periods	**-**	-	(23)
Overseas tax payable	**6**	-	26
Total current tax	**1,214**	1,013	10,281
Deferred tax:			
Origination and reversal of timing differences	**(539)**	-	327
	675	1,013	10,608

The UK corporation tax charge has been included at a corporation tax rate in line with the previous year.

Notes to the interim results

3 Dividends

	Six months ended 31 July 2003 Unaudited	Six months ended 31 July 2002 Unaudited	Year ended 31 January 2003 Audited
	£'000	**£'000**	**£'000**
Ordinary dividends			
Interim 0.50p per ordinary share (2002: 0.45p)	**1,790**	1,667	1,693
Final 0.55p per ordinary share	**-**	-	2,065
	1,790	1,667	3,758

The interim dividend is payable on 28 November 2003 to shareholders on the register on 7 November 2003.

4 (Loss)/earnings per share

The calculation of loss per share for the six months ended 31 July 2003 is based on the loss after taxation of £1,469,000 (2002 interim: loss after taxation of £1,093,000; full year: profit after taxation of £16,557,000) The calculation of the earnings per share before goodwill amortisation is based on a profit of £1,384,000 (2002 interim: profit of £2,103,000; full year: profit of £22,480,000) The calculation of basic loss per share is based on a weighted average number of shares in issue during the period of 363,823,016 (2002 interim: 370,399,899; full year: 376,009,811). The calculation of diluted loss per share is based on a weighted average number of shares in issue during the period of 364,621,789 (2002 interim: 375,144,225; full year 380,174,783).

Reconciliation of denominators used for basic and diluted loss per share calculations:

	Basic	Effect of Share options	Diluted
	Number	**Number**	**Number**
31 July 2003	**363,823,016**	**798,773**	**364,621,789**
31 July 2002	370,399,899	4,744,326	375,144,225
31 January 2003	376,009,811	4,164,972	380,174,783

5 Goodwill

	As at 31 July 2003 Unaudited	As at 31 July 2002 Unaudited	As at 31 January 2003 Audited
	£'000	**£'000**	**£'000**
Net book value at beginning of period	**92,160**	112,720	112,720
Amortisation for period	**(2,853)**	(3,196)	(5,923)
Other movements	**246**	544	(14,637)
Net book value at end of period	**89,553**	110,068	92,160

Goodwill arising on acquisitions of subsidiary undertakings is capitalised as an intangible fixed asset and either amortised over the useful life, when this can be identified, or amortised over a period of 20 years or less.

Notes to the interim results

6 Tangible fixed assets

	As at 31 July 2003 Unaudited	As at 31 July 2002 Unaudited	As at 31 January 2003 Audited
	£'000	**£'000**	**£'000**
Cost			
At beginning of period	**73,787**	61,593	61,593
Acquisitions	**25**	35	60
Additions	**4,187**	8,683	22,794
Fair value adjustment	**-**	-	817
Foreign exchange adjustment	**1,292**	170	480
Disposals	**(1,018)**	(6,375)	(11,957)
At end of period	**78,273**	64,106	73,787
Depreciation			
At beginning of period	**32,045**	35,618	35,618
Acquisitions	**-**	-	-
Charge for the period	**4,545**	4,152	7,862
Foreign exchange adjustment	**276**	51	146
Disposals	**(943)**	(6,061)	(11,581)
At end of period	**35,923**	33,760	32,045
Net book value	**42,350**	30,346	41,742

7 Assets under construction

Assets under construction comprises the purchase of land at Basingstoke, and construction costs to date, in relation to the new Distribution facility and Head Office, which is expected to be completed in early 2004.

8 Debtors

	As at 31 July 2003 Unaudited	As at 31 July 2002 Unaudited	As at 31 January 2003 Audited
	£'000	**£'000**	**£'000**
Amounts falling due within one year:			
Trade debtors	**2,541**	4,912	4,224
Other debtors	**1,676**	536	2,211
VAT	**896**	541	672
Corporation tax	**134**	157	137
Deferred tax asset	**1,694**	1,152	1,155
Prepayments and accrued income (principally rent & rates)	**14,934**	14,678	9,124
	21,875	21,976	17,523

Notes to the interim results

9 Creditors: amounts falling due within one year

	As at 31 July 2003 Unaudited	As at 31 July 2002 Unaudited	As at 31 January 2003 Audited
	£'000	**£'000**	**£'000**
Bank overdraft	**555**	967	587
Bank loans	**2,045**	1,070	936
Other loans	**496**	-	-
Trade creditors	**34,138**	33,239	32,396
Other creditors	**1,291**	850	746
Taxation and social security costs	**1,906**	1,330	1,905
VAT payable	**3,664**	4,914	13,963
Dividends payable	**1,790**	1,667	2,065
Corporation tax	**1,331**	2,094	5,085
Obligations under finance leases and hire purchase contracts	**533**	536	533
Accruals and deferred income	**14,805**	16,646	13,707
Deferred consideration	**-**	250	-
	62,554	63,563	71,923

10 Creditors: amounts falling due after more than one year

	As at 31 July 2003 Unaudited	As at 31 July 2002 Unaudited	As at 31 January 2003 Audited
	£'000	**£'000**	**£'000**
Deferred consideration	**-**	3,022	-
Bank loans	**7,168**	-	-
Other loans	**495**	1,020	991
Obligations under finance leases and hire purchase contracts	**262**	424	370
	7,925	4,466	1,361

11 Profit and loss account

The reduction in the profit and loss account, from the 31 January 2003 to the 31 July 2003, is explained by the loss for the period of £3,259,000, the share buyback of £8,218,000 and foreign exchange movements of £1,931,000.

Notes to the interim results

12 Reconciliation of operating (loss)/ profit to net cash (outflow)/ inflow from operating activities

	Six months ended 31 July 2003 Unaudited	Six months ended 31 July 2002 Unaudited	Year ended 31 January 2003 Audited
	£'000	**£'000**	**£'000**
Operating (loss)/profit	**(1,053)**	(503)	26,369
Amortisation of intangible assets	**2,853**	3,196	5,923
Loss on disposal of tangible fixed assets	**71**	308	184
Depreciation	**4,545**	4,152	7,862
Foreign exchange loss on non-monetary assets	**-**	91	-
Increase in stocks	**(5,275)**	(1,419)	(806)
Increase in debtors	**(3,816)**	(6,566)	(1,995)
Decrease in creditors	**(6,052)**	(6,951)	(755)
(Decrease)/ increase in leasehold property incentives	**(141)**	308	584
Net cash (outflow)/inflow from operating activities	**(8,868)**	(7,384)	37,366

13 Reconciliation of net cash flow to movement in net (debt)/ funds

	Six months Ended 31 July 2003 Unaudited	Six months ended 31 July 2002 Unaudited	Year Ended 31 January 2003 Audited
	£'000	**£'000**	**£'000**
(Decrease)/increase in cash in the period	**(29,078)**	(21,200)	1,500
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	**(7,901)**	714	1,239
Change in net funds resulting from cash flows	**(36,979)**	(20,486)	2,739
New finance leases	**(199)**	(45)	(339)
Deferred consideration on acquisitions	**-**	-	3,500
Translation differences	**(69)**	(64)	(75)
Movement in net funds in the period	**(37,247)**	(20,595)	5,825
Net funds at start of period	**34,783**	28,958	28,958
Net (debt)/ funds at end of period	**(2,464)**	8,363	34,783

This interim report was approved by the Board of Directors on 23 September 2003.

The interim financial information has been prepared on the basis of the accounting policies set out in the Annual Report for the year ended 31 January 2003.

The interim financial information does not comprise statutory accounts as defined in Section 240 of the Companies Act 1985.

The financial information for the year ended 31 January 2003 is an extract from the latest group accounts. The accounts received an unqualified auditor's report and have been filed with the Registrar of Companies.

Copies of this Interim Report are being posted to shareholders and are available from the Company's office at Link House, Ellesfield Avenue, Bracknell, Berkshire RG12 8TB.