



## Activision Announces Third Quarter 2003 Financial Results

### Company Delivers Record Net Revenues and Net Income for Q3 and First Nine Months

SANTA MONICA, Calif., Jan. 22 /PRNewswire-FirstCall/ -- Activision, Inc. (Nasdaq: ATVI) today announced results for the third fiscal quarter ended December 31, 2002.

Net revenues were \$378.7 million, compared to net revenues of \$371.3 million reported for the third quarter last fiscal year. Net income for the third fiscal quarter increased 13.3% to \$44.3 million, compared to net income of \$39.1 million for the prior year and earnings per diluted share were \$0.63 compared to \$0.66, reported for the same period last year.

For the nine-month period ended December 31, 2002 the company announced record results. Net revenues were \$739.1 million, an increase of 18.9% over net revenues of \$621.5 million reported for the nine-month period last fiscal year. Net income for the nine-month period increased 79% to \$74.1 million, or \$1.06 per diluted share, compared to net income of \$41.4 million, or \$0.73 per diluted share, reported for the same period last year.

The company provided its outlook for its fourth quarter 2003. It expects revenues of \$100 million and a loss per share of \$0.15. For fiscal year 2003, Activision is increasing its expected net revenues from \$823 million to \$839 million and earnings per share from \$0.88 to \$0.91.

Robert A. Kotick, Chairman and CEO of Activision, said, "Activision has a solid financial base and one of the strongest balance sheets in our industry. We are a disciplined company with exceptional talent. We will continue to make investments in our future through high profile intellectual property rights acquisitions and developer acquisitions and alliances. Our strong portfolio of properties coupled with our development capabilities should enable us to deliver games that can take full advantage of the mass-market penetration rates of the console platforms that we expect in the future."

Activision also issued its revised outlook for fiscal year 2004. The company expects revenues of \$750 million and earnings per share of \$0.70. For the first quarter of fiscal year 2004, the company expects revenues of \$130 million and a loss per share of \$0.07.

### Business Highlights

- According to NPD, for calendar year 2002, Activision had two of the top 5 selling video game franchises for the U.S. console and hand-held markets -- Spider-Man and Tony Hawk's Pro Skater.
- During the quarter, Activision announced three significant partnerships:
  - The company acquired console software developer Luxoflux Corporation, which is currently in development with True Crime: Streets of L.A. and the sequel to DreamWorks Pictures' blockbuster Academy Award(R) winning feature film "Shrek" which is being co-developed and co-published by TDK Mediactive, Inc. and Activision.
  - The company was named master videogame licensee for Lemony Snicket's A Series of Unfortunate Events, the best-selling children's book series that is in development for a feature film by Paramount Pictures and Nickelodeon Movies. The license grants Activision the exclusive right to develop and publish products for all video game consoles, hand-held platforms and the PC based on the franchise, A Series of Unfortunate Events.
  - The company signed an exclusive multi-title, multi-year agreement to publish real-time PC strategy games developed by Stainless Steel Studios, creators of the critically acclaimed, best-selling PC strategy title Empire Earth, which has sold more than a million units worldwide since its initial release.
- On January 8, 2003, Activision announced that it had expanded its long-term, broad-based strategic alliance with Marvel Enterprises and

signed a multi-year extension for their current video game licensing agreements. The expanded agreements grant Activision the exclusive rights to develop and publish video game products based on Marvel's comic book franchises Spider-Man(TM), X-MEN(TM), Fantastic Four(TM) and Iron Man(TM) through 2009.

- On January 20, 2003, Activision announced a strategic multi-year, multi-property publishing agreement with DreamWorks SKG that grants Activision the exclusive interactive rights to publish games based on DreamWorks' three upcoming computer-animated feature films -- "Sharkslayer," "Madagascar," and "Over the Hedge" -- and their sequels. Under the terms of the agreement, Activision has acquired the rights to develop and publish games for the console, hand-held and PC platforms.

During the quarter, Activision released 20 new games, including Tony Hawk's Pro Skater 4, X-Men: Next Dimension, Minority Report, Star Trek: Star Fleet Command III and Disney's Tarzan. Looking ahead, the company has several upcoming titles including Tenchu: Wrath of Heaven, X2: Wolverine's Revenge, DOOM III, Pitfall Harry, a new Tony Hawk title, True Crime: Streets of L.A. and id Software's Return to Castle Wolfenstein for the consoles.

As previously announced, on October 4, 2002, Activision's Board of Directors authorized the company to repurchase up to \$150 million of shares of its common stock in the open market or in privately negotiated transactions, including privately negotiated structured call option transactions, and through transactions in the options markets. As a result of this program, during the third quarter of fiscal 2003, Activision repurchased approximately 1,815,000 shares of its common stock at an average price of \$13.15 per share.

Headquartered in Santa Monica, California, Activision, Inc. is a leading worldwide developer, publisher and distributor of interactive entertainment and leisure products. Founded in 1979, Activision posted revenues of \$786 million for the fiscal year ended March 31, 2002.

Activision maintains operations in the U.S., Canada, the United Kingdom, France, Germany, Japan, Australia, Scandinavia and the Netherlands. More information about Activision and its products can be found on the company's World Wide Web site, which is located at <http://www.activision.com>.

Note: The statements made in this press release that are not historical facts are forward-looking statements. Although the company believes that its plans, intentions and expectations reflected in such forward-looking statements are reasonable, a number of important factors could cause our actual future results to differ materially from those expressed in any such forward-looking statements.

Such factors include, without limitation, product delays, retail acceptance of our products, industry competition, rapid changes in technology and industry standards, protection of proprietary rights, maintenance of relationships with key personnel, vendors and third party developers, international economic and political conditions, integration of recently acquired subsidiaries and identification of suitable future acquisition opportunities.

These important factors and other factors that potentially could affect the company's financial results are described in our filings with the Securities and Exchange Commission, including the company's most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

ACTIVISION, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(In thousands, except earnings per share data)

	Quarter ended		Nine months ended	
	December 31,		December 31,	
	2002	2001	2002	2001
Net revenues	\$378,685	\$371,341	\$739,115	\$621,523
Costs and expenses:				
Cost of sales -				
product costs	204,881	195,560	369,004	347,840

Cost of sales - software royalties and amortization	33,503	34,997	67,396	47,699
Cost of sales - intellectual property licenses	14,918	23,087	32,704	33,546
Product development	13,758	10,848	38,768	29,059
Sales and marketing	33,875	31,883	84,644	67,064
General and administrative	10,989	13,165	37,308	32,603
Total operating expenses	311,924	309,540	629,824	557,811
Operating income	66,761	61,801	109,291	63,712
Investment income, net	2,533	271	6,554	1,923
Income before provision for income taxes	69,294	62,072	115,845	65,635
Provision for income taxes	24,947	22,962	41,708	24,281
Net income	\$44,347	\$39,110	\$74,137	\$41,354
Basic earnings per share	\$0.66	\$0.75	\$1.15	\$0.84
Weighted average common shares outstanding	66,806	52,359	64,559	49,254
Diluted earnings per share	\$0.63	\$0.66	\$1.06	\$0.73
Weighted average common shares outstanding assuming dilution	70,821	59,293	69,885	56,635

ACTIVISION, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands)

	December 31, 2002	March 31, 2002
ASSETS		
Current assets:		
Cash, cash equivalents and short-term investments	\$528,858	\$279,007
Accounts receivable, net	158,393	76,733
Inventories	37,284	20,736
Software development	43,657	36,263
Intellectual property licenses	10,612	6,326
Deferred income taxes	27,345	22,608
Other current assets	11,553	15,200
Total current assets	817,702	456,873
Software development	7,818	3,254
Intellectual property licenses	42,221	10,899
Property and equipment, net	19,741	17,832
Deferred income taxes	11,806	28,795
Other assets	3,729	3,242
Goodwill	68,100	35,992
Total assets	\$971,117	\$556,887

LIABILITIES AND STOCKHOLDERS' EQUITY  
Current liabilities:

Current portion of long-term debt	\$145	\$168
Accounts payable	106,658	64,410
Accrued expenses	93,815	59,096
Total current liabilities	200,618	123,674
Long-term debt, less current portion	2,676	3,122
Total liabilities	203,294	126,796
Stockholders' equity:		
Common stock	--	--
Additional paid-in capital	678,697	397,528
Retained earnings	138,521	64,384
Treasury stock	(44,182)	(20,323)
Accumulated other comprehensive loss and other equity	(5,213)	(11,498)
Total stockholders' equity	767,823	430,091
Total liabilities and stockholders' equity	\$971,117	\$556,887

ACTIVISION, INC. AND SUBSIDIARIES  
FINANCIAL INFORMATION

For the Quarter and Nine Months Ended December 31, 2002 and 2001  
(Amounts in thousands)

	Quarter Ended				Percent Increase (Decrease)
	December 31, 2002		December 31, 2001		
	Amount	% of Total	Amount	% of Total	
Geographic Revenue Mix					
United States	\$179,643	47%	\$194,497	52%	-8%
International	199,042	53%	176,844	48%	13%
Total net revenues	\$378,685	100%	\$371,341	100%	2%

Activity/Platform Mix

Publishing:

Console	\$211,993	83%	\$176,081	68%	20%
Hand-held	19,574	7%	31,879	12%	-39%
PC	25,162	10%	52,777	20%	-52%
Total publishing	\$256,729	68%	\$260,737	70%	-2%

Distribution:

Console	\$108,535	89%	\$78,272	71%	39%
Hand-held	6,058	5%	18,559	17%	-67%
PC	7,363	6%	13,773	12%	-47%
Total distribution	\$121,956	32%	\$110,604	30%	10%
Total net revenues	\$378,685	100%	\$371,341	100%	2%

	Nine Months Ended				Percent Increase (Decrease)
	December 31, 2002		December 31, 2001		
	Amount	% of Total	Amount	% of Total	
Geographic Revenue Mix					
United States	\$380,045	51%	\$332,441	53%	14%
International	359,070	49%	289,082	47%	24%

Total net revenues	\$739,115	100%	\$621,523	100%	19%
Activity/Platform Mix					
Publishing:					
Console	\$409,919	77%	\$255,181	58%	61%
Hand-held	45,061	8%	101,479	23%	-56%
PC	81,992	15%	84,535	19%	-3%
Total publishing	\$536,972	73%	\$441,195	71%	22%
Distribution:					
Console	\$172,241	85%	\$121,315	67%	42%
Hand-held	11,798	6%	35,593	20%	-67%
PC	18,104	9%	23,420	13%	-23%
Total distribution	\$202,143	27%	\$180,328	29%	12%
Total net revenues	\$739,115	100%	\$621,523	100%	19%

ACTIVISION, INC. AND SUBSIDIARIES  
FINANCIAL INFORMATION

For the Quarter and Nine Months Ended December 31, 2002 and 2001

	Quarter Ended December 31, 2002	Quarter Ended December 31, 2001	Nine Months Ended December 31, 2002	Nine Months Ended December 31, 2001
Publishing				
Net Revenues				
PC	10%	20%	15%	19%
Console	83%	68%	77%	58%
PlayStation 2	48%	33%	42%	21%
Microsoft Xbox	13%	4%	13%	2%
Nintendo GameCube	12%	6%	13%	4%
PlayStation	10%	20%	8%	23%
Nintendo 64	0%	4%	1%	7%
Sega Dreamcast	0%	1%	0%	1%
Hand-held	7%	12%	8%	23%
Game Boy Advance	6%	7%	7%	15%
Game Boy Color	1%	5%	1%	8%
Total publishing net revenues	100%	100%	100%	100%

SOURCE Activision, Inc.