



## **Activision Reports Record Fiscal 2004 Year End Results and Raises Fiscal 2005 Revenue and E.P.S. Outlook**

### **Fiscal 2004 Net Revenues Increase 10% and Diluted E.P.S. Grows 26% Q4 Net Revenues Rise 30% Year Over Year Company Increases Fiscal 2005 Net Revenues Outlook to \$1.05 Billion**

SANTA MONICA, Calif., May 6 /PRNewswire-FirstCall/ -- Activision, Inc. (Nasdaq: ATVI) today announced financial results for the fourth quarter and fiscal year ended March 31, 2004.

Net revenues for the fiscal year ended March 31, 2004 were \$947.7 million or 10% higher, as compared to \$864.1 million for the fiscal year ended March 31, 2003. Net income for the fiscal year was \$77.7 million, or a record \$0.54 per diluted share, compared with net income of \$66.2 million, or \$0.43 per diluted share reported for the last fiscal year.

Net revenues for the fourth quarter ended March 31, 2004 were \$162.9 million, an increase of 30%, as compared to \$125.0 million that the company reported for the fourth quarter of the last fiscal year. For this fiscal year's fourth quarter, the company reported net income of \$6.7 million or earnings per diluted share of \$0.04, as compared to net loss of \$8.0 million or a loss per share of \$0.06, for last fiscal year's fourth quarter.

Activision increased its outlook for the first quarter of fiscal 2005 to \$185 million in net revenues and earnings per diluted share of \$0.04 from its prior outlook of \$170 million in net revenues and earnings per diluted share of \$0.03. The company also increased its full year 2005 outlook and now expects \$1.05 billion in net revenues and earnings per diluted share of \$0.64.

The company's prior 2005 fiscal year outlook was \$1 billion in net revenues and earnings per diluted share of \$0.60. The company's revised outlook represents an 11% increase in net revenues and a 19% increase in earnings per diluted share year over year.

Robert Kotick, Chairman and CEO of Activision, Inc. commented, "Fiscal 2004 was another record year for Activision. Not only did we deliver the highest net revenues and earnings in the company's history, our results for the fiscal year represented a five-year compound annual revenue growth rate of 17% and compound annual earnings growth rate of 39%. We continued to strengthen our business, balance sheet and overall financial position, growing earnings per share by 26%, and finishing the year with \$588 million of cash and short-term investments, and low inventories and DSOs. We have one of the strongest balance sheets in the industry which gives us a clear competitive advantage as we enter the new fiscal year."

"We will enter fiscal 2005 with the largest installed base of video gaming platforms in the industry's history and our strongest product lineup ever. Our lineup, which is comprised of high-profile entertainment properties and titles created by some of the industry's premier development talent, includes Shrek 2™, Spider-Man 2™, Doom 3™, Lemony Snicket's A Series of Unfortunate Events™, DreamWork's Shark Tale™, Call of Duty™: Finest Hour™, Tony Hawk's Underground 2, Rome Total War™, X-Men Legends™ and Vampire®: The Masquerade Bloodlines™. As the installed base for the console systems continues to grow worldwide, we believe that our powerful product slate will enable us to deliver another year of margin expansion and record earnings."

#### **Business Highlights**

Activision's fiscal year end results were driven by strong sales of several titles across all platforms. The company maintained its market leadership position in both the skateboarding and super heroes genres with Tony Hawk's Underground and X2 Wolverine's Revenge™. Additionally, True Crime™: Streets of L.A.™, Call of Duty™, Return to Castle Wolfenstein™, Cabela's Deer Hunt 2004 Season™ and Cabela's Dangerous Hunts™ were solid performers.

During the fourth quarter, the company released three new titles, Pitfall®: The Lost Expedition™, MTX: Mototrax™ and Tenchu®: Return from Darkness™. Additionally, the company's catalogue titles continued to perform well including Tony Hawk's Underground, Call of Duty, True Crime: Streets of L.A and Spider-Man®.

Other business highlights are as follows:

\* On April 8, 2004, Activision announced that it had partnered with

Nielsen Entertainment to develop a new initiative that will allow video game companies to supply advertisers with audience measurement metrics to help them assess the impact of in-game ad exposure. The new initiative will provide tools for advertisers to effectively measure everything from ad exposure to demographics to audience recall when it comes to video game use.

- \* During the critical holiday period, Activision ranked as the #2 U.S. publisher overall on the console platforms, according to NPD Funworld, and had three top-five selling titles with Tony Hawk's Underground, True Crime: Streets of L.A. and Call of Duty.
- \* On December 19, 2003, Activision announced that the company will work directly with DreamWorks to develop and publish video games based on DreamWorks' upcoming animated theatrical "Shrek 2" feature film. Activision has a long-term relationship with DreamWorks to develop games based on the next three DreamWork's animated feature films, "Shark Tale," "Madagascar" and "Over the Hedge."
- \* On October 30, 2003, Activision announced that it had exercised its option to acquire the remaining 70% of outstanding common stock in Infinity Ward, the developer of the critically acclaimed best selling PC game, Call of Duty.
- \* On June 11, 2003, Activision Value Publishing, a division of Activision, Inc., extended its successful partnership with world-renowned outdoor hunting outfitter, Cabela's Inc. Through the end of fiscal year 2004, the Cabela's franchise has generated more than \$95 million in revenue, according to NPD Intellect.
- \* In May 2003, Activision expanded its publishing and distribution role for LucasArt's video game console and PC products in Europe.

During the fiscal year, the Board of Directors approved two three-for-two splits of its outstanding common shares. The first split was approved on April 29, 2003 and was paid on June 6, 2003 to shareholders of record as of May 16, 2003. On February 11, 2004, the Board of Directors approved a second split that was paid on March 15, 2004, to shareholders of record as of February 23, 2004.

Looking ahead to the first quarter of fiscal year 2005, Activision's slate is being driven by games based on two of the most anticipated movie releases of the year, "Shrek 2" and "Spider-Man 2", and a PC version of the hit console title True Crime: Streets of L.A.

Today at 4:30 p.m. EDT, Activision's management will host a conference call and Webcast to discuss its fiscal 2004 year-end results and outlook. The company welcomes all members of the financial and media communities to visit the "Investor Relations" area of <http://www.activision.com> to listen to the conference call via live Webcast or to listen to the call live by dialing into (913) 981-4910 in the U.S.

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 net revenues of \$948 million for the fiscal year ended March 31, 2004.

Activision maintains operations in the U.S., Canada, the United Kingdom, France, Germany, Italy, 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. These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties. The company cautions readers of this press release that a number of important factors could cause Activision's 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. Readers of this press release are referred to such filings. The company may change its intention, belief or expectation, at any time and without notice, based upon any changes in such factors, in the company's assumptions or otherwise. The company undertakes no obligation to release publicly any revisions to its forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

(Tables to Follow)

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

Quarter ended Year ended March 31, March 31, 2004 2003 2004 2003 Restated Restated

Net revenues \$162,897 \$125,001 \$947,656 \$864,116 Costs and expenses: Cost of sales - product costs 91,239 71,973 475,541 440,977 Cost of sales - software royalties and amortization 9,169 12,647 59,744 79,194 Cost of sales - intellectual property licenses 4,854 11,449 31,862 45,002 Product development 18,031 18,203 97,859 56,971 Sales and marketing 26,196 16,002 128,221 100,646 General and administrative 8,765 9,171 44,612 46,479 Total operating expenses 158,254 139,445 837,839 769,269 Operating income (loss) 4,643 (14,444) 109,817 94,847 Investment income, net 2,050 2,006 6,175 8,560 Income (loss) before provision (benefit) for income taxes 6,693 (12,438) 115,992 103,407 Provision (benefit) for income taxes 29 (4,481) 38,277 37,227 Net income (loss) \$6,664 \$(7,957) \$77,715 \$66,180

Basic earnings (loss) per share \$0.05 \$(0.06) \$0.58 \$0.46 Weighted average common shares outstanding 135,551 141,614 133,249 144,359

Diluted earnings (loss) per share \$0.04 \$(0.06) \$0.54 \$0.43 Weighted average common shares outstanding assuming dilution 150,230 141,614 144,893 155,483

Share and earnings per share data have been restated to reflect our three-for-two stock splits for shareholders of record as of May 16, 2003, paid June 6, 2003 and for shareholders of record as of February 23, 2004, paid March 15, 2004.

ACTIVISION, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands) March 31, March 31, 2004 2003 ASSETS Current assets: Cash, cash equivalents and short-term investments \$587,649 \$406,954 Accounts receivable, net 62,577 15,822 Inventories 26,427 19,577 Software development 58,320 26,791 Intellectual property licenses 32,115 8,906 Deferred income taxes 26,127 38,290 Other current assets 18,660 10,565 Total current assets 811,875 526,905 Software development 28,386 35,281 Intellectual property licenses 16,380 36,943 Property and equipment, net 25,539 22,265 Deferred income taxes 9,064 10,322 Other assets 1,080 5,081 Goodwill 76,493 68,019 Total assets \$968,817 \$704,816

LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: Current portion of long-term debt \$-- \$147 Accounts payable 72,874 45,602 Accrued expenses 63,205 58,656 Total current liabilities 136,079 104,405 Long-term debt, less current portion -- 2,671

Total liabilities 136,079 107,076 Shareholders' equity: Common stock -- -- Additional paid-in capital 758,626 592,295 Retained earnings 208,279 130,564 Treasury stock (144,128) (121,685) Accumulated other comprehensive income (loss) 9,961 (3,434) Total shareholders' equity 832,738 597,740 Total liabilities and shareholders' equity \$968,817 \$704,816

ACTIVISION, INC. AND SUBSIDIARIES FINANCIAL INFORMATION For the Quarter and Year Ended March 31, 2004 and 2003 (Amounts in thousands)

Percent Increase (Decrease) Quarter Ended March 31, 2004 March 31, 2003 % of % of Amount Total Amount Total Geographic Revenue Mix United States \$65,509 40% \$52,217 42% 25% International 97,388 60% 72,784 58% 34% Total net revenues \$162,897 100% \$125,001 100% 30%

Activity/Platform Mix Publishing: Console \$68,919 71% \$56,197 71% 23% Hand-held 2,795 3% 4,905 6% -43% PC 24,896 26%

17,901 23% 39% Total publishing \$96,610 59% \$79,003 63% 22%

Distribution: Console \$52,293 79% \$36,264 79% 44% Hand-held 3,802 6% 2,305 5% 65% PC 10,192 15% 7,429 16% 37%  
Total distribution \$66,287 41% \$45,998 37% 44% Total net revenues \$162,897 100% \$125,001 100% 30%

Percent Increase (Decrease) Year Ended

March 31, 2004 March 31, 2003 Amount % of % of Total Amount Total Geographic Revenue Mix United States \$446,812 47%  
\$432,261 50% 3% International 500,844 53% 431,855 50% 16% Total net revenues \$947,656 100% \$864,116 100% 10%

Activity/Platform Mix Publishing: Console \$508,418 76% \$466,116 76% 9% Hand-held 24,945 4% 49,966 8% -50% PC 132,369  
20% 99,893 16% 33% Total publishing \$665,732 70% \$615,975 71% 8%

Distribution: Console \$223,802 79% \$208,505 84% 7% Hand-held 18,361 7% 14,103 6% 30% PC 39,761 14% 25,533 10%  
56% Total distribution \$281,924 30% \$248,141 29% 14% Total net revenues \$947,656 100% \$864,116 100% 10%

ACTIVISION, INC. AND SUBSIDIARIES FINANCIAL INFORMATION For the Quarter and Year Ended March 31, 2004 and 2003

Quarter Quarter Year Year Ended Ended Ended Ended March 31, March 31, March 31, March 31, 2004 2003 2004 2003

Publishing Net Revenues

PC 26% 23% 20% 16%

Console 71% 71% 76% 76% PlayStation 2 41% 45% 43% 42% Microsoft Xbox 23% 10% 22% 12% Nintendo GameCube 4%  
5% 8% 12% PlayStation 3% 11% 3% 9% Nintendo 64 0% 0% 0% 1%

Hand-held 3% 6% 4% 8% Game Boy Advance 3% 6% 4% 7% Game Boy Color 0% 0% 0% 1%

Total publishing net revenues 100% 100% 100% 100%

SOURCE Activision, Inc.